新天綠色能源股份有限公司

China Suntien Green Energy Corporation Limited *

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

Stock Code : 00956

ANNUAL REPORT 2016

*For identification purpose only

Contents

Chairman's Statement

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Dear Shareholders,

2016 was the opening year of China's "13th Five-Year Plan". The "13th Five-Year Plan" for renewable energy, wind power, solar energy and natural gas development has been introduced, which is anticipated to have positive impact on the development of the Group's business. With the government's strong support on clean energy and new energy industries, the Group actively expanded its renewable energy and clean energy business in 2016 and accelerated the development of wind resource reserves, grew rapidly in installed capacity and continuously improved its operational and management standards, significantly increased the utilization hours of wind farms were actively promoted the construction of natural gas infrastructure projects, continued to explore the downstream user market, developed its CNG and LNG business as in an orderly and prudent manner to actively build a secured multi-gas supply system.

In 2016, the Group realized total sales of wind and photovoltaic power generation of 4,534 million kWh; sold 1,111 million cubic meters of natural gas; the consolidated total assets of the Group amounted to RMB29.374 billion; realized revenue of RMB4,384 million, total profit of RMB744 million and net profit of RMB647 million, of which the net profit attributable to the owners of the Group amounted to RMB542 million.

In 2017, the Group will continue its business development direction of focusing on new energy and clean energy, giving full play to its listing platform as well as its advantages in management resources of wind power and natural gas, to secure energy sources as its first priority and followed by project implementation. With the support of the capital market and having wind power and natural gas business as the base, the Group will actively seek for other types of business in new energy and clean energy, strive to build a much stronger business structure, keeping abreast to new technologies and their application. By euriching the technical content of our operation, we will strengthen the Group with a more reasonable business structure, a more diversified source of profit, a more efficient management system and more targeted fund management measures, so as to steadily enhance the management for production, operation and maintenance and become a highly recognized listed company known for its innovative capability and sustainability for enhancing shareholder value and protecting shareholders' interests.

Cao Xin
Chairman

Shijiazhuang, PRC, 21 March 2017

Corporate Profile

China Suntien Green Energy Corporation Limited was established on 9 February 2010 by shareholders HECIC and HECIC Water. The Company was listed on the Main Board of the Hong Kong Stock Exchange on 13 October 2010.

The Group is primarily engaged in the exploration and utilization of clean energy and new energy, with two major business segments: the wind power business and the natural gas business.

The Group is engaged in the planning, development and operation of wind farms as well as the sale of electricity. The Group owns wind power projects in Hebei, Shanxi, Xinjiang, Shandong, Yunnan and Inner Mongolia, etc. Based in Hebei, the Group has invested and developed wind power projects across the country, and has actively sought suitable investment projects overseas. As at 31 December 2016, the Group had wind power consolidated installed capacity of 2,796.15 MW as well as interests in installed capacity of 2,571.6 MW. In 2016, the gross wind power generation of the Group was 4,585 million kWh with 2,195 utilization hours.

The Group possesses natural gas transmission and ancillary facilities in Hebei province, and sells natural gas through natural gas distribution channels. As at 31 December 2016, the Group owned 3 long-distance natural gas transmission pipelines, 8 high-pressure branch pipelines, 29 urban gas projects, 14 distribution stations, 8 gate stations, 7 CNG refilling stations, 6 CNG primary filling stations. In 2016, the sales volume of natural gas of the Group was 1,111 million cubic meters.

In 2016, the global economic growth remained lackluster and economy of China was under the pressure of economic downturn. As 2016 marked the commencement of the "13th Five-Year Plan", and China has entered into a "new normal", the growth in energy demand slowed down and environmental protection constraints increased continuously. However, the government constantly promulgated a series of measures to actively support the development of clean energy and new energy. In the critical period that requires urgent need for air pollution control, structural upgrade of domestic industries and energy structure adjustment, the Group will be in line with the direction of government policies at the right time to actively develop its business, expand the industrial scale, focus on the development of wind power and natural gas, and to explore any other new energy and clean energy, with a view to constantly improving the profitability of the Group.

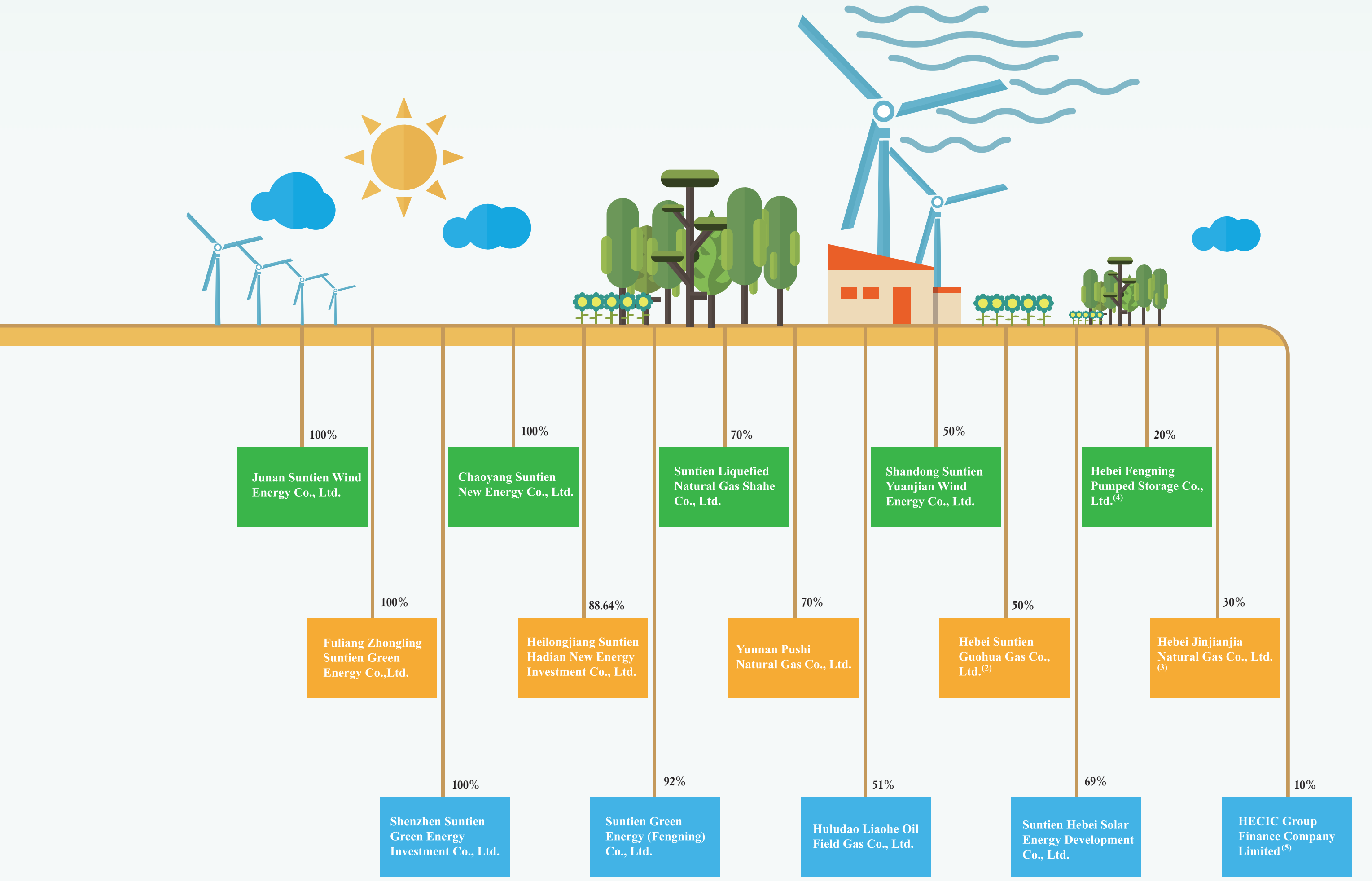
Corporate Profile

Corporate Profile

1. CORPORATE STRUCTURE

As at 31 December 2016, the corporate structure of the Group was as follows[1]:

Corporate Profile



Notes:

(1) Please note that the corporate structure chart covers first-tier subsidiaries of the Company only. Subsidiaries on second-tier and below are not listed. Details of subsidiaries of the Company and material associates and material joint ventures of the Group are set out in Note 1 of the Financial Statements.

(2) Hebei Suntien Guohua Gas Co., Ltd. is a joint venture of the Company.

(3) Hebei Jinjianjia Natural Gas Co., Ltd. is a joint venture of the Company.

(4) Hebei Fengning Pumped Storage Co., Ltd. is an associated company of the Company.

(5) HECIC Group Finance Company Limited is a long-term investment company of the Company.

2. WIND POWER AND NATURAL GAS PROJECTS OF THE GROUP

(1) Summary of the wind and photovoltaic power generation projects of the Group

(1) Summary of the consolidated wind power projects

Province	Project name (by regional)	Installed capacity (MW)
Hebei Province	Zhangjiakou Regional Wind Farm	1,340.6
	Chengde Regional Wind Farm	816.95
	Cangzhou Regional Wind Farm	49.5
	Baoding Regional Wind Farm	99
	Qinhuangdao Regional Wind Farm	48
Shanxi Province	Lingqiu Regional Wind Farm	148.5
Xinjiang Uyghur Autonomous Region	Ruoqiang Regional Wind Farm	100
Yunnan Province	Jianshui Regional Wind Farm	193.6
Total		2,796.15

Note: Wind farms in which the Group has shareholding, including Weichang Zhangjiawan Wind Farm, Weichang Guangfayong Wind Farm, Weichang Shanwanzi Wind Farm, Weichang Zhuzixia Wind Farm and Weichang Dishuihu Wind Farm, with an average installed capacity of 49.5 MW respectively.

(2) Summary of the photovoltaic power generation projects

Province	Project name (by regional)	Installed capacity (MW)
Hebei Province	Baoding Regional Photovoltaic Power Generation Project	11
	Qinhuangdao Regional Photovoltaic Power Generation Project	20
Xinjiang Uyghur Autonomous Region	Xinjiang Regional Photovoltaic Power Generation Project	20
Liaoning Province	Liaoning Regional Photovoltaic Power Generation Project	10
Total		61

(2) Distribution of the wind and photovoltaic power projects of the Group

Corporate Profile

(3) Summary of the major natural gas projects of the Group

Project type	Project location	Ownership held by Hebei Natural Gas	Project summary
Long-distance transmission pipeline	Zhuozhou City to Handan City [1]	100%	Transmits natural gas from the Group's natural gas supplier to the Group's various branch pipelines and city gas pipeline networks
	Gaoyi County to Qinghe County [2]	100%	Supplies natural gas by the Group's natural gas supplier to pipelines from Gaoyi County to Qinghe County and surrounding cities
	Suning County to Shenzhou City [3]	100%	Supplies natural gas by the Group's natural gas supplier to pipelines from Suning County to Shenzhou City and surrounding cities
City gas project	Shahe City	100%	Distributes natural gas to Shahe City and retail customers in surrounding areas
	Qinghe County	80%	Distributes natural gas to retail customers in areas under the administration of Qinghe County
	Xinji City	100%	Distributes natural gas to retail customers in areas under the administration of Xinji City
	Jinzhou City	100%	Distributes natural gas to retail customers in areas under the administration of Jinzhou City
	Shenzhou City	100%	Distributes natural gas to retail customers in areas under the administration of Shenzhou City
	Laiyuan County	100%	Distributes natural gas to retail customers in areas under the administration of Laiyuan County
	Laoting County	100%	Distributes natural gas to retail customers of Laoting New District
	Pingquan County	100%	Distributes natural gas to retail customers in areas under the administration of Pingquan County
	Shijiazhuang Economic Development Zone	100%	Distributes natural gas to retail customers of Shijiazhuang Economic and Technological Development Zone and High-Tech Industrial Development Zone
	Chengde City	90%	Distributes natural gas to retail customers in areas under the administration of Chengde City
	Baoding City	100%	Distributes natural gas to Baoding City
	Changli County	100%	Distributes natural gas to retail customers in areas under the administration of Qinhuangdao Western Industrial Park Changli Park (including Zhugezhuang Town)
	Luanping County	90%	Distributes natural gas to retail customers in areas under the administration of Luanping County
	Feixiang County	52.5%	Distributes natural gas to retail customers of the area under the administration of Feixiang County

Project type	Project location	Ownership held by Hebei Natural Gas	Project summary
	Dacaozhuang Management District	51%	Distributes natural gas to retail customers in areas under the administration of Dacaozhuang Management District
	Handan Development Zone	52.5%	Distributes natural gas to retail customers in areas Economic and Technological Development Zone
	Shanqian Industrial Zone of Southern Shijiazhuang	55%	Distributes natural gas to retail customers of the Industrial Park of Southern Shijiazhuang
	Ningjin County	51%	Distributes natural gas to retail customers in areas under the administration of Ningjin County
	Baoding Development Zone	17%	Distributes natural gas to retail customers of Baoding National High-Tech Industrial Development Zone
	Lulong County	100%	Distributes natural gas to retail customers of Qinhuangdao Western Industrial Area Lulong Park
	Anping County	100%	Distributes natural gas to retail customers within the area of Anping County
	Gaoyi County	100%	Distributes natural gas to retail customers within the area of Gaoyi County
	Anguo City	51%	Distributes the natural gas to retail customers within Anguo City
	Hengshui City	51%	Distributes natural gas to retail customers within Hengshui City
	Li County	60%	Distributes natural gas to retail customers within Li County
	Linxi County	60%	Distributes natural gas to retail customers within Linxi County
	Raoyang County	60%	Distributes natural gas to retail customers within Raoyang County
	Shijiazhuang Recycling Chemical Industrial Zone	60%	Distributes natural gas to retail customers within Shijiazhuang Recycling Chemical Industrial Zone
	Suning County	100%	Distributes natural gas to retail customers within Suning County
CNG primary filling station	Shijiazhuang [4]	100%	Shijiazhuang Development Zone
	Shahe [5]	100%	Eastern Ring Road, Shahe City
	Linxi County [6]	60%	Linxi County
	Chengde City [7]	90%	Shuangluan District, Chengde City
	Baoding City [8]	100%	New Town District, Baoding
	Ningjin County [9]	51%	Ningjin County

Notes:

1. Specification of the long-distance transmission pipeline from Zhuozhou City to Handan City: 6.3 MPa standard pipeline of 361 km in length.
2. Specification of the long-distance transmission pipeline from Gaoyi County to Qinghe County: 6.3 MPa standard pipeline of 116 km in length.
3. Specification of the long-distance transmission pipelines from Suning County to Shenzhou City: 6.3 MPa standard pipeline of 122.5 km in total designed length, of which 63 km were put into operation and 59.5 km will be put into operation.
4. Total designed capacity of Shijiazhuang CNG primary filling station is 0.20 million m^3 per day.
5. Total designed capacity of Shahe CNG primary filling station is 0.08 million m^3 per day.
6. Total designed capacity of Linxi CNG primary filling station is 0.16 million m^3 per day.
7. Total designed capacity of Chengde CNG primary filling station is 0.10 million m^3 per day.
8. Total designed capacity of Baoding CNG primary filling station is 0.20 million m^3 per day.
9. Total designed capacity of Ninjing CNG primary filling station is 0.04 million m^3 per day.

Corporate Profile

(4) Distribution of the natural gas projects of the Group

Financial Highlights and Major Operational Data

1. CONSOLIDATED COMPREHENSIVE INCOME

(Unit: RMB'000)

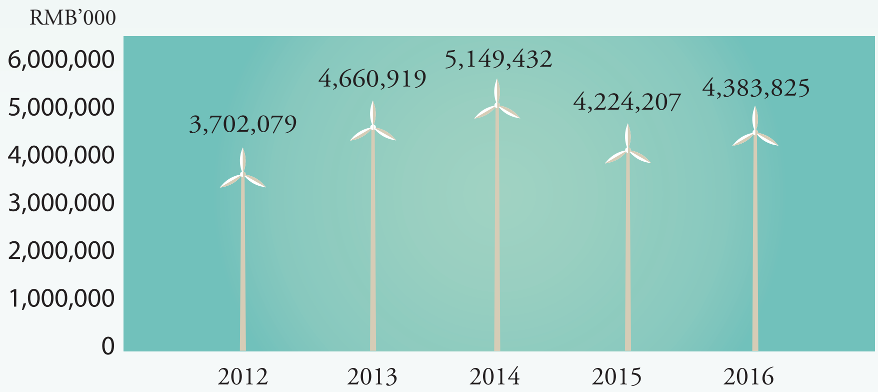
	2012	2013	2014	2015	**2016**
Revenue	3,702,079	4,660,919	5,149,432	4,224,207	**4,383,825**
Profit before tax	803,438	832,304	674,611	200,367	**743,881**
Income tax expense	(7,415)	(157,502)	(176,281)	(11,424)	**(96,709)**
Profit for the year	796,023	674,802	498,330	188,943	**647,172**
Total comprehensive income for the year, net of tax	796,023	674,802	498,330	188,943	**647,172**
Attributable to:					
Owners of the Company	549,701	459,516	335,053	168,353	**541,574**
Non-controlling interests	246,322	215,286	163,277	20,590	**105,598**
Earnings per share	16.97 cents	14.19 cents	9.11 cents	4.53 cents	**14.58 cents**
Diluted	16.97 cents	14.19 cents	9.11 cents	4.53 cents	**14.58 cents**

2. CONSOLIDATED FINANCIAL POSITION (AS AT 31 DECEMBER)

(Unit: RMB'000)

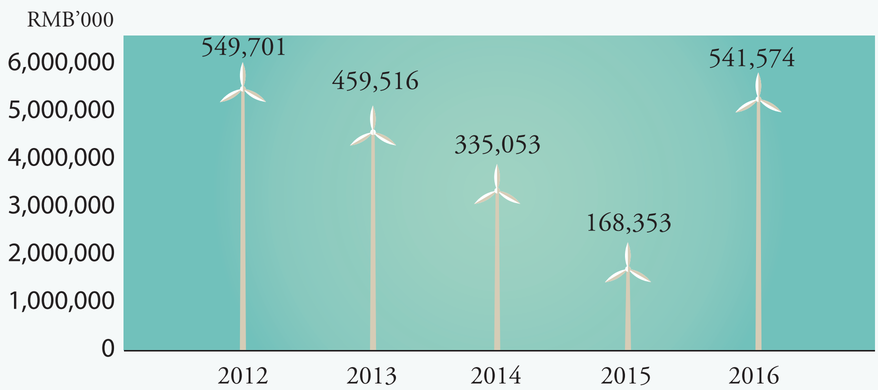
	2012	2013	2014	2015	**2016**
Total non-current assets	13,031,304	14,291,244	16,279,075	21,691,475	**25,504,893**
Total current assets	2,231,307	3,122,743	5,331,280	5,232,034	**3,869,146**
TOTAL ASSETS	15,262,611	17,413,987	21,610,355	26,923,509	**29,374,039**
Total current liabilities	2,096,288	2,744,283	3,530,901	4,554,787	**7,817,745**
Total non-current liabilities	6,543,635	7,563,139	9,317,062	13,468,202	**12,022,360**
TOTAL LIABILITIES	8,639,923	10,307,422	12,847,963	18,022,989	**19,840,105**
NET ASSETS	6,622,688	7,106,565	8,762,392	8,900,520	**9,533,934**
Equity					
Equity attributable to the owners of the Company	5,567,657	5,965,580	7,359,574	7,413,216	**7,900,406**
Non-controlling interests	1,055,031	1,140,985	1,402,818	1,487,304	**1,633,528**
TOTAL EQUITY	6,622,688	7,106,565	8,762,392	8,900,520	**9,533,934**

3. CONSOLIDATED REVENUE



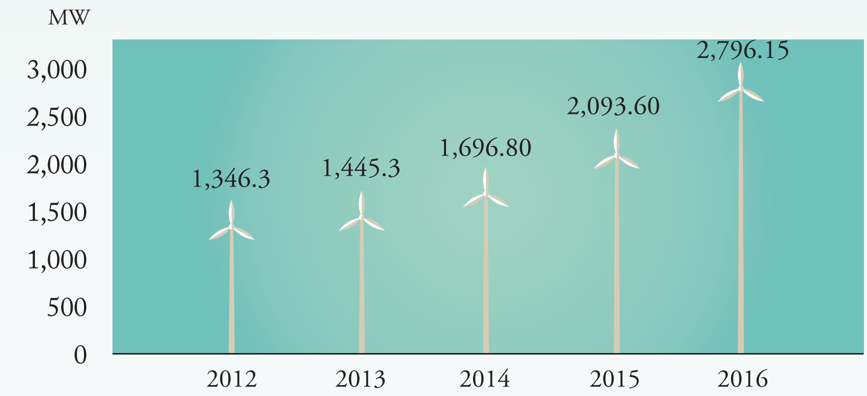
Consolidated Revenue

4. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY



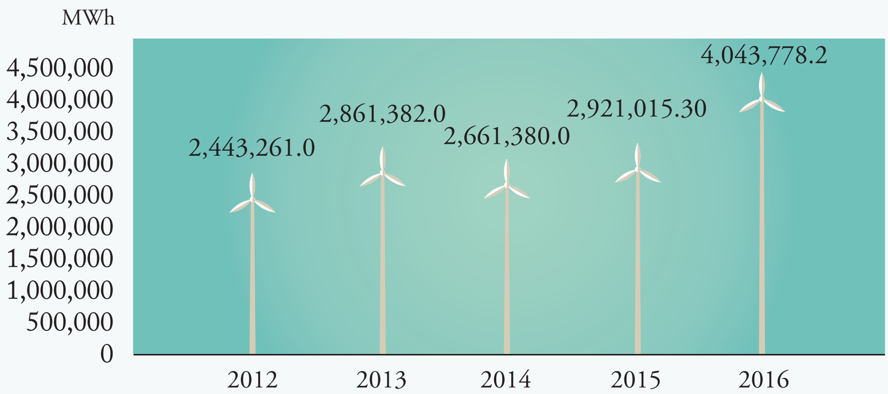
Consolidated Net Profit Attributable to Owners of the Company

5. WIND POWER CONSOLIDATED INSTALLED CAPACITY



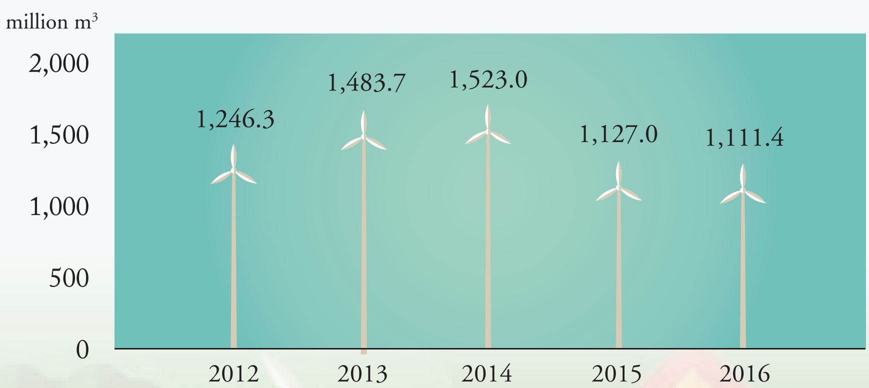
Wind Power Consolidated Installed Capacity

6. WIND POWER CONSOLIDATED NET POWER DELIVERED TO GRID



Wind Power Consolidated Net Power Delivered to Grid

7. NATURAL GAS SALES VOLUME



Natural Gas Sales Volume

Management Discussion and Analysis

I. OPERATING ENVIRONMENT

In 2016, the recovery of the global economy was still slow and imbalanced. The global economy remained in a low-growth-rate trap. Facing such complicated economic environment, China insisted on deepening its comprehensive reforms and innovation-driven developments, accelerating the shift in the mode of economic development and adjustment of economic structure. China's economy was maintained at a reasonable range with GDP for the year increasing by 6.7% as compared with last year.

The growth rate of energy consumption in China has slowed down in recent years. The consumption of coal decreased for three consecutive years among various kinds of fossil energy, and the growth in the consumption of petroleum and natural gas weakened. Among various kinds of non-fossil energy, the growth in hydroelectricity experienced a decline while that for nuclear power, wind power, photovoltaic power, geothermal heat and other energy sources is kept at high growth rate and the energy structure was further enhanced. However, wind curtailment was still a severe issue. The amount of wind curtailment stood at a historical high in 2016.

In order to promote air pollution control and improve the environment and quality of living in cities, the government continuously made substantial effort on supervising environmental protection, therefore, regulations and policies in relation to environmental management were promulgated. In September 2016, in order to improve the ecological environment and enhance the quality of life, the Hebei government issued "Guiding Opinion on Accelerating the Implementation of Substitution of Coal for Electricity and Coal for Gas in Baoding Langfang Coal-forbidden Area" (《關於加快實施保定廊坊禁煤區電代煤和氣代煤的指導意見》), which required that no more coal burning activities should be carried out in the coal-forbidden area after October 2017, except for the thermal coal, public heating system and raw coal, which will play a positive role in increasing the use of natural gas.

(I) Operating environment for the wind and photovoltaic power industry

1. *Stable growth of connected grid capacity and on-grid capacity of wind power*

According to the statistics of the National Energy Administration, the nationwide power consumption in 2016 amounted to 5,919.8 billion kW, representing an increase of 5.0% as compared with 2015; the newly increased installed capacity of wind power nationwide amounted to 19.30 million kW and the accumulated installed capacity connected to grid reached 149 million kW with average utilization hours of 1,742 hours, representing an increase of 14 hours as compared with 2015, and 49.7 billion kWh of wind power was curtailed in 2016, representing an increase of 15.8 billion kW as compared with 2015.

In 2016, the newly increased capacity of wind power connected to grid in Hebei Province amounted to 1.66 million kW and the accumulated capacity connected to grid amounted to 11.88 million kW; the annual power generated of wind power amounted to 21.9 billion kWh; the curtailment rate of wind power was 9%; the utilization hours amounted to 2,077 hours, representing an increase of 269 hours as compared with 2015.

2. *Promulgation of price adjustment plan of new energy*

In December 2016, the new energy benchmarking tariff policy was adjusted according to the "Notice on Adjusting the Tariff Price of On-grid Wind Power Benchmarking for Photovoltaic Power Generation" (《關於調整光伏發電陸上風電標杆上網電價的通知》) issued by the NDRC. The Notice stipulates that the new benchmark on-grid tariff of onshore wind power of class I, II, III and IV resources areas in 2018 will be RMB 0.40, 0.45, 0.49 and 0.57/kWh (tax inclusive) respectively and the new benchmark on-grid tariff of photovoltaic power of class I, II and III resources areas in 2017 will be RMB 0.65, 0.75 and 0.85/kWh (tax inclusive) respectively; for the non-tender offshore wind power projects, the electricity tariffs are determined by distinguishing between offshore wind power and intertidal winds. The offshore wind power project benchmarking price will be RMB 0.85/kWh while the intertidal wind power project benchmarking price will be RMB 0.75/kWh.

3. *Announcement of the "13th Five-Year Plan" on wind power and photovoltaic power development*

In 2016, the NDRC and the National Energy Administration issued successively the "13th Five-Year Plan on Renewable Energy Development", "13th Five-Year Plan on Wind Power Development" and "13th Five-Year Plan on Solar Energy Development", which provided a strong guidance to the renewable energy industry development in China for the next five years and onwards. According to the Plan, by 2020, wind power project price can compete on the same platform with local coal fuel power generation, and electricity prices of the photovoltaic project will be equivalent to the grid sales price; water wastage in hydropower generation will be basically solved, and the curtailment areas of wind power and the annual utilization of solar power hours can fully meet the requirements of full protective buyout; The Plan aims at speeding up the development of wind power in the eastern and southern regions and construction of large-scale "Three North" wind power base in an orderly manner, actively and steadily promoting the development of offshore wind power, and effectively improving the capacity of wind power. By 2020, the accumulated wind power grid installed capacity should reach a level of more than 210 million kW, of which, offshore wind power grid installed capacity will be more than 5 million kW; the annual power generated of wind power should reach 420 billion kW, representing approximately 6% of the total amount of national power output; the issue of wind curtailment will be effectively solved and the "Three North" regions can meet the requirements of minimum annual utilisation hour of protective buyout.

In October 2016, "13th Five-Year Plan on Development for Renewable Energy Development in Hebei Province" (《河北省可再生能源發展「十三五」規劃》) was issued by the Development and Reform Commission in Hebei. According to the Plan, by 2020, renewable energy will consume a total of approximately 23 million tonnes of contracted coal, doubling the 3.2% of total energy consumption in 2015 to 7%; the proportion of renewable energy power generation will increase substantially in the power structure with the installed capacity achieving more than 41% of all power sources; renewable energy power generation will account for 13% of total electricity consumption, representing a 100% increase compared with 2015.

4. *Setting out the minimum annual utilisation hours of protective buyout in renewable energy*

In March 2016, the NDRC issued the "Administrative Measures for 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》) and related complementary policies, setting out the minimum annual utilisation hours of protective buyout in the wind power and photovoltaic power generation key areas, of which, the minimum annual utilisation hours of protective buyout in the "Three North" regions will range between 1,800 and 2,000 hours. If such objective can be achieved, it is expected wind curtailment in China can also be improved significantly.

(II) Operating environment for the natural gas industry

1. *Slowdown in the overall growth in demand for natural gas*

In 2016, as affected by the slowdown in GNP growth and the decrease in gas price competitiveness, the growth in demand for natural gas was not adequate and the national natural gas market entered into an adjustment period with the demand growth rate slowed to single digit for three consecutive years.

According to the statistics of a news update, in 2016, the production capacity of natural gas in China amounted to 137.1 billion cubic meters, representing an increase of 1.5% as compared with 2015; the import of natural gas amounted to 72.1 billion cubic meters, representing an increase of 17.4% as compared with 2015; the consumption of natural gas amounted to 205.8 billion cubic meters, representing an increase of 6.6% as compared with 2015.

2. *Launch of the price reform of natural gas*

In 2016, the NDRC successively issued a series of policies, such as the "Notice on the strengthening of local natural gas transmission and distribution price regulation for cost reduction of gas business" (《關於加強地方天然氣輸配價格監管降低企業用氣成本的通知》), the "Administrative Measures for the Price of Natural Gas Pipeline Transportation (Trial)" (《天然氣管道運輸價格管理辦法(試行)》), the "Administrative Measures for the Supervision of Costs of Natural Gas Pipeline Transportation (Trial)" (《天然氣管道運輸定價成本監審辦法(試行)》), the "Notice on the relevant price policy for clear storage facilities" (《關於明確儲氣設施相關價格政策的通知》) and the "Notice on Making Public Information on Open and Related Information of Oil and Gas Pipeline Network Facilities" (《關於做好油氣管網設施開放相關信息公開工作的通知》), which is expected to provide a basis for a comprehensive reform for oil and gas.

In December 2016, the National Energy Administration issued the "Opinions on accelerating the use of natural gas (Draft Version)" (《關於加快推進天然氣利用的意見(徵求意見稿)》)(the "Opinions"), which suggested the speeding up of large-scale scientific and efficient use of natural gas in the four major areas, namely town gas, industrial fuel, gas power generation and traffic fuel, and coordinated development in the upstream, midstream and downstream segments of the industry, so as to gradually make natural gas the main source of energy of China's modern energy system, to orderly support Chongqing, Jiangsu, Shanghai, Hebei and other provinces and cities to carry out natural gas system reform through pilot promotion and demonstration.

3. *Promulgation of the"13th Five-Year Plan on Natural Gas Development"*

In December 2016, the NDRC issued the "13th Five-Year Plan on Natural Gas Development" which aimed at raising the proportion of natural gas in the one-time energy consumption structure, vigorously develop the natural gas industry, gradually make natural gas as one of the main sources of energy and build a safe and reliable modern natural gas industry system with reasonable structure and balanced supply and demand; by the year 2020, the comprehensive guaranteed capacity of the domestic natural gas will reach over 360 billion cubic meters.

On January 2017, "13th Five-Year Plan on Development for Natural Gas Development in Hebei Province" (《河北省天然氣發展「十三五」規劃》) was issued by the Development and Reform Commission in Hebei. According to the plan, the total length of the main pipeline and the pipeline branch with the province will reach 8,087.6 km, and by 2020, the consumption volume of the natural gas will reach 27.0 billion cubic meters, accounting for more than 10% of the total one-off energy consumption volume.

II. BUSINESS REVIEW

(I) Business review and major financial indicators of wind power

1. *Business review of wind power*

(1) Rapid growth of installed capacity

In 2016, the Group newly increased 702.55 MW of consolidated installed capacity of wind power, and the accumulative consolidated installed capacity was 2,796.15 MW; the newly increased interest in installed capacity was 649.6 MW, and the accumulated interest in installed capacity was 2,571.6MW. The newly increased commercial operation project capacity during the year was 746.5 MW, and the accumulated commercial operation project capacity was 2,395.3 MW.

As at 31 December 2016, the total designed capacity of the projects under construction of the Group was 721 MW.

(2) Increase in the utilization hours of wind farms

In 2016, the average utilization hours of the Group's controlled wind farms were 2,195 hours, representing an increase of 308 hours as compared with 2015, 118 hours more than the average utilization hours in Hebei Province, mainly because there was wind source of the wind farms of the Group as compared with 2015, leading to an increase of the utilization hours for the entire year. The Group's controlled wind farms realized a power generation of 4.585 billion kWh, representing an increase of 45.05% as compared with 2015. The average availability factor of the wind power generation units was 97.88%, representing an increase of 2.63% as compared with 2015, mainly due to the increase in wind farm capacity of the Group and that in 2015, there were faults in transmission line caused by the wires and iron towers in the wind farms covered with ice under bad weather in the located areas, leading to a decrease in availability factor. In 2016, there was no such hazards and the Group enhanced the maintenance of its wind farms in 2016.

(3) Speed up the promotion of wind resources reserves

In 2016, the Group acquired 956.5 MW newly approved capacity, and the total approved unstarted project capacity amounted to 2,260.5 MW.

During the reporting period, wind power projects with 649 MW of the Group were listed as national approved plans and the accumulative capacity of the Group's national approved plans has reached 5,251.8 MW and its wind power projects are located in 11 provinces across China.

During the reporting period, the Group acquired 2,600 MW of new wind power agreed capacity, spreading among 13 regions including Jiangsu, Jiangxi, Shaanxi, Shanxi and Hebei, etc.

(4) Enhancement of operation and management through science, technology and innovation

During the reporting period, the Group implemented a new "business unit" contracting system in some wind farms, and the operation and maintenance of wind farms was significantly improved. The Group won the first prize three times, the second price twice and the third prize once in North China in the CEC comprehensive evaluation, especially in the most competitive selection in Zhangjiakou region, and continued to rank first in the standard of wind farm production and operation and management indicators.

The Wind Power New Energy Engineering Technology Research Center in Hebei operated by the Group was brought into the provincial platform of construction management sequence. The wind power hydrogen integrated system technology research project was approved by the provincial level project, and the smart cabin cloud platform project was included in the secondary list for selection of the 2017 annual provincial science and technology program, and reported completion of Hebei Province industrial cloud of Industry and Information Technology Department of Hebei Province and industrial large pilot projects.

2. *Key financial indicators of wind power business (including photovoltaic power)*

(1) Revenue

During the reporting period, the Group realized wind power sales revenue of RMB1,983 million, representing an increase of 38.9% as compared with 2015 and accounting for 45% of the Group's sales revenue. The increase of revenue was mainly due to an increase of operational installed capacity of the wind farms of the Group and better wind resources as compared with last year..

(2) Operating cost

During the reporting period, the operating cost (including cost of sales, selling and distribution expenses, administrative expenses and other expenses) of the Group's wind power business was RMB991 million, representing an increase of 22.2% as compared with 2015. This was mainly due to an increase in operating cost resulting from the wind farms and photovoltaic project gradually being put into operation.

(3) Profit from operations

During the reporting period, the profit from operations of the wind power business was RMB 1,035 million, representing an increase of 67.7% as compared with 2015. The increase was mainly due to an increase in wind power revenue, which resulted in the increase in profit. The gross margin was 57.7%, which was 7.9% higher, as compared with 2015. This was mainly due to the better wind resources in the areas where the wind farms operated by the Group were located, which resulted in an increase in revenue of electricity sales and an increase in gross profit margin.

(II) Business review and major financial indicators of natural gas

1. Business review of natural gas

(1) Decrease in sales volume of natural gas as compared with 2015

During the reporting period, the Group recorded a decrease in the growth of its sales volume of natural gas under the continuous pressure of the decline of the macro-economic and the stagnant low prices of coal and petroleum, and realized a sales volume of 1,111 million cubic meters for the year, representing a decrease of 1.4% as compared with 2015, of which the wholesales volume amounted to 786 million cubic meters, representing a decrease of 0.1% as compared with 2015 and accounting for 70.75% of total sales volume; the retail sales volume amounted to 254 million cubic meters, representing a decrease of 7.0% as compared with 2015 and accounting for 22.87% of total sales volume; the sales volume of CNG amounted to 71 million cubic meters, representing an increase of 6.0% as compared with 2015 and accounting for 6.38% of total sales volume.

(2) Actively promoting the construction of infrastructural projects

The Group increased 210.3 kilometers of natural gas pipeline in 2016. As of 31 December 2016, the Group operated a total of 2,183.7 kilometers of pipeline, including 745.3 kilometers of long-distance transmission pipeline and 1,438.4 kilometers of city gas pipeline; and operated a total of 14 distribution stations and 8 gate stations.

During the reporting period, the pipework for ten counties in middle Hebei Province (Phase II) was basically completed. Anping primary compressed station was completed. The main construction of the Shahe North Gate Station Integrated Control Center was completed. Shanxi Licheng-Hebei Shahe coalbed methane pipeline network project has completed pipeline welding of 130 kilometers, and the Licheng station was completed. Shexian station, Wu'an station, Yongnian station were basically completed.

(3) Continuous exploration of downstream markets of natural gas

During the reporting period, the Group actively explored the natural gas market. In particular, new non-residential users increased by 488 (including 228 small business users) to a total of 2,014 users (including 1,321 small business users). New residential users increased by 56,537 (including 38,725 new cards users) to a total of 172,949 users (including 125,880 existing cards users).

During the reporting period, the Group steadily developed the city gas projects, setting up branches in Suning, Hebei; successfully won the bid of PPP project in Fengning Manzhu Autonomous county; Shijiazhuang Jiran Pipeline Engineering Co., Ltd., a subsidiary of the Group, has expanded its natural gas business on the basis of the original corridor business and started to supply gas to the users. As of 31 December 2016, the Group has accumulatively established its market presence in 29 city gas markets in the province.

(4) Developing CNG and LNG businesses in an orderly and prudent manner

During the reporting period, the Group continued to steadily develop its CNG and LNG businesses. In 2016, the Group has developed a total of 8 CNG and LNG projects. Of these, Ningjin CNG primary filling station was completed and put into operation; Anping CNG primary filling station, Zhaoxian Anda L-CNG refilling station, Qinghe CNG primary and secondary filling station, Huang Liang Meng Langtuo L-CNG refilling stations, Luanping standard refilling station, Yuan's CNG secondary gas station, Neiqiu 107 Guodao LNG refilling station obtained the completion acceptance. As of 31 December 2016, the Group operated a total of 6 CNG primary filling stations, 7 CNG secondary filling stations and 1 LNG refilling station.

By the end of 2016, construction of Shahe LNG liquefaction plant was completed and the relevant operation procedures was in progress.

(5) Proactively constructing multi gas resources supply system

After Chengde natural gas utilization project (Phase I) was connected to the coal-made gas source of Datang and the pipework for ten counties in middle Hebei Province (Phase I) was successfully connected to the gas source of Sinopec, during the reporting period, the Group introduced the Sinopec Urumqi line resources into the Beijing Handan pipeline, at the same time, the Group utilized its liquefaction plant and city network connection of Hebei Natural Gas Shahe Branch to replenish LNG resources.

(6) Safe operation safeguarded by advanced technology

During the reporting period, Hebei Natural Gas, a subsidiary of the Group, took a proactive approach to solve the technical problems and was granted three utility model patents, namely the natural gas pipeline production supervision system, the natural gas pipeline network equipment regulatory system and the natural gas pipeline partition inspection system, by the State Intellectual Property Office. Meanwhile, Hebei Natural Gas optimized the wedges gripping tool and obtained the invention patent.

2. *Key financial indicators of natural gas*

(1) Revenue

During the reporting period, the Group recorded a natural gas sales revenue of RMB2,401 million, representing a decrease of 14.1% as compared with 2015, and accounting for 55% of the Group's sales revenue. The decrease of revenue was mainly attributable to the lowered sales price of natural gas in 2016. In particular, the pipe wholesale business recorded sales revenue of RMB1,521 million, representing 63.35% of the Group's sales revenue from natural gas; retail business, such as city natural gas, recorded sales revenue of RMB560 million, representing 23.32% of the Group's sales revenue from natural gas; CNG business recorded sales revenue of RMB171 million, representing 7.12% of the Group's sales revenue from natural gas. Other revenue was RMB149 million, representing 6.21% of the Group's sales revenue from natural gas.

(2) Operating cost

During the reporting period, the operating cost (including cost of sales, selling and distribution expenses, administrative expenses and other expenses) of the Group's natural gas business amounted to RMB2,206 million, representing a decrease by 18.5% from the amount of RMB2,707 million last year. This was mainly due to a decrease in average purchasing unit price of natural gas as compared with last year.

(3) Profit from operations

During the reporting period, the profit from operations of the natural gas business was RMB201 million, representing an increase by 95.1% from last year, mainly due to the provision for bad debts in 2015. Gross profit margin was 12.4%, which was 2.3% lower than that of 2015, mainly due to a decrease in gross profit margin of the retail business of the Hebei Natural Gas.

(III) Other clean energy business

During the reporting period, the Group put efforts on the development of wind power and natural gas businesses, it also proactively and steadily developed and established other new energy projects.

In 2016, the Group steadily developed more photovoltaic power generation projects. The newly approved capacity of photovoltaic projects amounted to 40 MW and the accumulative approved uncommenced project capacity was 139 MW.

During the reporting period, there were 2 photovoltaic projects in progress, which were the photovoltaic power station proect in Hebei Lulong Shimen and the photovoltaic power station project in Liaoning Zhaoyang Nanshuangmiao, with an aggregate installed capacity of 30 MW and all of them have been connected to the grid. Construction of other photovoltaic projects was orderly progressed.

By the end of 2016, the Group developed photovoltaic power generation projects with accumulated operating capacity of 41 MW.

III. MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITION AND OPERATING RESULTS

(i) Overview

According to the audited consolidated financial statements for 2016, the Group's net profit for the year was RMB647 million, representing an increase of 242.3% as compared with 2015, of which, the profit attributable to the equity holders of the Group was RMB542 million, representing an increase of 222.6% as compared with 2015, mainly due to a significant increase in realized revenue from the wind power business as compared with last year.

(ii) Revenue

In 2016, the Group recorded revenue of RMB4,384 million, representing an increase of 3.8% as compared with 2015, of which:

1. Natural gas business recorded revenue of RMB2,401 million, representing a decrease of 14.1% as compared with 2015. This was mainly attributable to a decrease in gas sales unit price in 2016.

2. Wind power business achieved revenue of RMB1,983 million, representing an increase of 38.9% as compared with 2015. This was mainly due to an increase in installed capacity and utilization hours of operational equipment, which resulted in an increase in sales volume of electricity and revenue of electricity sales.

(iii) Other income and net gains

During the reporting period, the Group recorded other income and net gains of RMB97 million, representing an increase of 26.0% as compared with 2015. This was mainly due to the redemption of financing capital of RMB230 million by the Company during the report period, which resulted in an increase in investment revenue and an increase of value-added tax refunds.

(iv) Operating costs

During the reporting period, the Group's operating costs (including cost of sales, selling and distribution expenses, administrative expenses and other expenses) aggregated to RMB3,252 million, representing a decrease of 9.5% as compared with 2015, of which:

1. Cost of sales was RMB2,943 million, representing a decrease of 5.2% as compared with 2015. This was mainly because the purchase of natural gas represented the major sales costs of the Group, and the unit price decreased which lowered the cost of purchasing gas.

2. Administrative expenses was RMB302 million, representing an increase of 11.0% as compared with 2015. This was mainly due to the corresponding increase in staff costs and administrative costs as a result of the expansion of the Group's production scale.

3. Other expenses were RMB7 million, representing a decrease of 96.8% as compared with 2015. This was mainly due to a provision for bad debts made by Hebei Natural Gas last year.

(v) Finance cost

During the reporting period, the Group's finance costs were RMB549 million, representing a decrease of 4.0% as compared with RMB572 million in 2015. This was mainly due to the low-interest-rate external financing loan secured by the Company and an enhanced capital management which effectively lowered the interest expenses.

(vi) Share of profit of associates

During the reporting period, the Group's share of profit of associates was RMB65 million, representing an increase of RMB2 million as compared with RMB63 million last year. This was mainly due to a slight increase in the profitability of the associated entities.

(vii) Income tax expenses

During the reporting period, the Group's net income tax expense was RMB97 million, representing an increase of RMB86 million as compared with RMB11 million last year. This was mainly due to a significant increase in profit of the wind power business of the Group during the reporting period as compared with 2015, which in turn resulted in an increase in income tax expenses.

(viii) Net profit

During the reporting period, the Group recorded a net profit of RMB647 million, representing an increase of 242.3% as compared with 2015. Among others, the natural gas segment realized a net profit of RMB119 million, representing an increase of 213.2% as compared with 2015, which was mainly due to a provision of RMB214 million for bad debts made by Hebei Natural Gas, which resulted in a significant decrease in profit last year. the wind power segment recorded a net profit of RMB536 million, representing an increase of 232.9% as compared with 2015, which was mainly due to a significant increase in sales revenue of wind power sector and an increase in gross profit margin.

(ix) Profit attributable to owners of the Company

During the reporting period, the profit attributable to owners of the Company was RMB542 million, representing an increase of RMB374 million as compared with RMB168 million last year. This was primarily attributable to an increase in net profit of the Group as compared with last year.

The basic earnings per share attributable to shareholders of the Company was RMB0.1458.

(x) Profit attributable to non-controlling interests

During the reporting period, the profit attributable to non-controlling interests of the Company was RMB106 million, representing an increase of RMB85 million as compared with RMB21 million last year. This was primarily attributable to an increase in net profit of the Group as compared with last year.

(xi) Trade and bills receivables

As of 31 December 2016, the Group's trade and bills receivables amounted to RMB1,776 million, representing an increase of RMB392 million, which was mainly attributable to an increase in unrecovered part of the renewable energy subsidies of electricity bills receivables in the wind power sector.

(xii) Bank and other borrowings

As of 31 December 2016, the Group's long-term and short-term borrowings totaled RMB17.045 billion, representing an increase of RMB1,219 million as compared with the end of 2015. Among all borrowings, the short-term borrowings (including current portion of long-term borrowings) aggregated to RMB5,113 million and long-term borrowings amounted to RMB11.932 billion.

During the reporting period, the Group actively expanded financing channels and strengthened capital management to guarantee the smooth operation of capital chain and to reduce finance cost. Firstly, the Group replaced high-interest-rate existing loan, and bargain for the prime rate for new loans. Secondly, the Group strengthened the capital management to improve efficiency of the use of funds and to reduce the chance of fund precipitation. Thirdly, the Group achieved financial innovation by adopting hire purchase through the Group's internal financial leasing platform which effectively reduced the project cost.

(xiii) Liquidity and capital resources

As of 31 December 2016, the Group's net current liabilities was RMB3,949 million, and the net decrease in cash and cash equivalents was RMB1,647 million. The Group has obtained total line of credit of RMB53.802 billion from various domestic banks, of which RMB14.646 billion was utilized.

(xiv) Capital expenditure

During the reporting period, capital expenditures mainly included project construction costs for new wind power projects, natural gas pipelines and additions to property, plant and equipment and prepayment for leased lands. Capital resources mainly included self-owned capital, bank borrowings and cash flow from the Group's operating activities. During the reporting period, the Group's capital expenditure was RMB4,223 million, representing a decrease of 25.8% as compared with RMB5,689 million last year. A breakdown of capital expenditure is as follows:

	2016 (RMB'000)	2015 (RMB'000)	Change (%)
Natural gas	**427,300**	487,053	-12.3%
Wind power and solar energy	**3,793,855**	5,199,528	-27.0%
Unallocated capital expenditures	**1,799**	2,020	-10.9%
Total	**4,222,954**	5,688,601	-25.8%

(xv) Net Gearing ratio

As at 31 December 2016, the net gearing ratio (net debt divided by the sum of net debt and equity) of the Group was 66%, representing an increase of 3% as compared with 63% as at 31 December 2015, which was mainly due to an increase in external financing in the wind power sector of the Group.

(xvi) Material investments

The Group had no material investments during the year.

(xvii) Material acquisitions and disposals

On 24 March 2016, the Company entered into the Laoting Capital Contribution Agreement with HECIC and JEI, whereby each of the Company, HECIC and JEI agreed to contribute capital into Laoting Wind Energy, renamed as "HECIC Offshore Wind Power Co., Ltd." since January 2017, which is a wholly-owned subsidiary of the Company. After the completion of the Laoting Capital Contribution, the registered capital of Laoting Wind Energy will increase from RMB96 million to approximately RMB1,111 million. The Company, HECIC and JEI will hold approximately 51.4%, 3.6% and 45% equity interests in Laoting Wind Energy, respectively. Laoting Wind Energy will remain a subsidiary of the Company after the completion of the Laoting Capital Contribution. After the completion of the Laoting Capital Contribution, the Company's total equity interests in Laoting Wind Energy will be reduced from 100% to approximately 51.4%. As such, according to Rule 14.29 of the Listing Rules, the Laoting Capital Contribution will be deemed as a disposal of the Company's equity interests in Laoting Wind Energy. For the further details of the Laoting Capital Contribution, please refer to the section headed "Connected Transaction" on page 51 of this Annual Report.

(xviii) Material charge on assets

During the year, the Group had no material charges on its assets.

(xix) Contingent liabilities

As at 31 December 2016, the banking facility granted to a joint venture subject to guarantee given to a bank by the Group was utilized to the extent of RMB200 million.

IV. PROSPECTS FOR 2017

(I) Prospect for the wind power business

It is expected that in 2017, under the New Normal of economic growth transformation, structural adjustment and tightening of resources and environment, new challenges, new problems and new risks will continue to emerge, and the downward pressure on economic growth still exists. As such, the Group will fully allocate resources to put more efforts on developing new onshore wind resources areas and keep a close watch on any offshore wind power generation projects with good quality to further replenish its resource reserves. Also, the Group will comprehensively strengthen the professional management of project construction to facilitate the commencement of operation of its projects as early as possible.

1. Actively explore the possibility of cooperative development and acquisition and increase resource development efforts through multi-channels, especially on the low-speed wind resources, so as to reserve resources for the future development of the Group.

2. Actively target the offshore wind resources near the southeast coastal area; at the same time, identify and explore high-quality overseas projects.

3. Closely monitor policies in relation to the sale of electricity. Seize the opportunity by setting layout for the downstream sales in the electricity market as and when appropriate.

4. Adhere to the principle of "efficiency first" and give full play to the professional advantages of the engineering infrastructure team to ensure that "completion of an additional project will generate additional profit" so that the projects under construction will be put into operation as soon as possible. At the same time, further strengthen the production and operation and internal management of information technology to ensure safe production.

(II) Prospects for the natural gas business

The year of 2017 is an important year for the implementation of the "13th Five-Year Plan", and also for intensifying supply-side structural reform for the gas industry. The Central Government clearly stressed on seeking progress amidst stability, directing its effort on bolstering the real economy, adhering to initiative-driven development and supporting the transformation and upgrade of traditional industry while developing emerging economy. In 2017, the economy of Hebei Province continues to face enormous pressure arising from industrial restructuring. The Group will take flexible measures by focusing on market expansion, increasing sales volume, raising profit levels, reducing accounts receivables and ensuring safe production based on the principle of "capturing every opportunity, whether big or small" and grasp the existing market areas, while seizing the opportunity of replacing coal by gas, and actively develop new areas and new markets.

1. *Long-distance transmission pipeline business*

The Group will accelerate the construction progress of the pipework for ten counties in middle Hebei Province (Phase II) and strive to complete the main construction of the pipework during the year. Upon Phase II being put into operation, it will be connected to Phase I, and that the docking between Sinopec gas source and Beijing Handan pipeline will be achieved which will greatly support the expansion of the Company in the downstream market of middle Hebei Province.

The Group will explore development potential in surrounding markets of the existing long-distance pipeline, penetrate the exhaust base of the large number of downstream distribution and direct supply to the users, increase in in-depth cooperation, take initiative to plan for security and promotional measures, maintain the storage level and compete for volume increase, so as to boost the long-distance gas business again.

2. *City gas business*

By grasping the opportunity of green energy development and "replacing coal by gas" in Hebei Province, guaranteeing stable supply to existing users and based on the principle of "capturing every opportunity, whether big or small", the Group will take advantage of the Company's pipeline network within the province to continue to explore in great depth the potential gas market and quality customers in the province, profoundly develop the city gas markets in the surrounding areas of the city pipeline network to improve the structure of retail users, thus boosting the gas sales volume of the Company.

3. *CNG and LNG business*

The Group will strive to put into operation Qinghe CNG primary and secondary filling stations and Anping CNG primary filling stations during the year. With stringent risk control, the Group will carefully develop new projects and seek for quality projects and resources for the other CNG and LNG projects within the province in a bid to improve the layout of CNG/LNG segment. The Group will enhance its province-wide sales effort and make use of its size and geographical advantage to actively seize and control existing resources in order to steadily increase sales.

(III) Innovative Financing Means

In 2017, the Group will continue to engage in innovative financing means and strive to establish the best capital structure, further optimize and adjust its debt structure in order to effectively reduce capital costs.

1. By analyzing the government policy, macro-economic situation and trend of market interest rates and exploring new financing channels in the capital market, the Group will issue financing instruments such as corporate bonds and super short term debentures and obtain funds through multiple channels.

2. Leveraging on the advantage of Suntien Hong Kong, Shenzhen Suntien and Huihai as the platform to enhance communication with overseas financial institutions, widening channels for financing to obtain greater amount of capital at low cost for projects.

V. RISK FACTORS AND RISK MANAGEMENT

(I) Wind power business

1. Climate risk

The primary climate risk faced by the wind power industry is the volatility of the wind resources, which expresses in a way that the amount of wind power generation is higher than the normal annual level in big wind years and lower in little wind years. In 2016, the overall wind speed was good, however, due to the randomness and uncontrollability of wind resources, there will be a risk of decreasing wind speed in 2017. During the phase of project planning and before the construction of wind farms, the Group will comprehensively analyse the wind resources to evaluate the potential installed capacity of such locations in order to reduce the risks relating to climate.

2. Risk of Decrease in tariff rate

In December 2016, the NDRC issued the "Notice on Adjusting the Tariff Price of On-grid Wind Power Benchmarking for Photovoltaic Power Generation" (《關於調整光伏發電陸上風電標杆上網電價的通知》), which has decreased the 2018 tariff of the newly built onshore on-grid wind power benchmark. Such policy will have a certain degree of impact on the expected economic benefits of the Group's subsequent development projects.

The Group will fully study the relevant government policies and understand the actual situations of the projects pending development and under construction as well as arrange the project development and construction progress proactively and reasonably to ensure the projects are running smoothly as scheduled.

3. Risk of wind curtailment and power constraints

As the construction of power grids is lagging behind the construction of wind power projects, and the development of wind power projects is limited by wind power output. In 2016, power constraints in the Group's projects in Xinjiang were much severe. Power constraints in Zhangjiakou has alleviated over these two years. As the new wind power projects in Zhangjiakou and Chengde put into operation, it is expected power constraints are likely to further intensify.

The Group will, based on the construction of power grids in the place where each wind power project is located, prioritize the development and construction of wind power projects in the regions with great availability of power grid facilities and grid connection. At the same time, along with the advancement of power grid restructuring by power grid companies and investment in and construction of extra-high voltage power distribution network, the power grid output issue is expected to be improved.

4. *Risk of Construction*

Uncontrollable factors such as project obstacles and slow land approval during the construction of the wind power projects affect the overall progress of the construction. The Group will arrange reasonable schedule and coordinate and communicate with the wind power equipment manufacturers and local governments to effectively control the unfavorable factors in the construction of the wind power project, to ensure the projects will commence operation as scheduled.

(II) Natural Gas Business

1. *The real economy remains weak, lacking momentum for the growth of natural gas sales volume*

In 2017, an in-depth adjustment to the national macro economy continues. Due to the special issues such as the prominent structural contradiction in the industry and severe air pollution in Hebei Province, the Hebei government will continue to reduce the backward production capacity of the industries such as iron and steel, cement and glass. As a result, certain period of time will be required for the recovery of production of industrial customers in the Group's retail segment, which will restrict the growth of natural gas volume.

As such, the Group will grasp the opportunity in the enhancement of the industrial structure and "replacing coal by gas" in Hebei province to explore new market and quality customers, optimize the customer structure, enhance the market coverage and facilitate the growth of natural gas sales volume of the Group.

2. *Low price in alternative energy restricts the growth of natural gas sales volume*

In 2016, affected by the drop in international oil price and the downward pressure of the national macro-economic situation, the prices of alternative energy such as oil and coal stayed at a low level. The competitive advantages of natural gas were therefore affected. It is expected that the price reduction will have an adverse effect on natural gas sales volume of the Group in 2017. In this regard, the Group will actively introduce new natural gas source and develop downstream users in order to increase the natural gas sales volume.

3. *Risk of accounts receivable is effectively controlled, yet it is still difficult in recovering trade receivables*

Through repeated efforts of the Group, the downstream debtors repaid their debts according to plans. The amount in arrears was decreasing and the situation is under control. The glass industry has a slight improvement, nonetheless it is expected that the market will need some time to recover.

In respect of the above problems, the Group will actively adopt effective measures and use different techniques to accelerate the recovery of trade receivables so as to protect the interest of the Group.

(III) Interest rate risk

The Group is principally engaged in investment in domestic wind farms which requires certain amount of capital expenditure. The demand for borrowing funds is high and fluctuation in interest rate will have certain influence on the capital cost of the Group. The Group will closely monitor the trend of the national monetary policies, strengthen its communications with financial institutions to bargain for prime interest rate loans; expand financing channels in various aspects to achieve financial innovation, by means of issue of debentures, finance lease and foreign financing to ensure the smooth operation of capital chain and a low cost for project construction.

(IV) Exchange rate risk

The Group still retains some capital in foreign currency, which are mainly HK dollars that have not been settled and are derived from the proceeds of share issue. Fluctuations in exchange rate have certain impacts on retained capitals in foreign currency. The Group will keep close watch on exchange rate movement and adopt effective protective measures for foreign currency as well as reasonable plans on the use of foreign currency to strengthen its risk management of foreign exchange.

Human Resources

1. SUMMARY OF HUMAN RESOURCES

As of 31 December 2016, the Group had a total of 1,916 employees with employment contracts signed, including 1,600 male employees and 316 female employees. The average age of employees was 30.6. 49.95% of them had the academic qualifications of bachelor's degree or above.

The staff structure is as follows:

By business segments	No. of Staff
The Group's headquarters	64
Wind Power and Solar Energy Segment	748
Natural Gas Segment	1,094
Others	10

By academic qualifications	No. of Staff
Master's degree or above	132
Bachelor's degree	825
College diploma or below	959

By titles	No. of Staff
Specialist level	3
Senior level	82
Middle level	174
Junior level	482
Others	1,175

2. MANAGEMENT OF HUMAN RESOURCES

(1) Human resources strategy

Based on the overall strategic operational objectives in combination with the need in a changing business environment as well as the core business of the Company, the Group keep improving the system and procedures of recruitment, human resources, training, salary, performance and labor relationship management and establishing an efficient operating procedure in order to provide a platform supported by human resources to implement the Group's strategies.

(2) Remuneration and performance management

During the reporting period, the Group adhered to the principle of "Performance oriented with objective management in a fair, just and open manner" and further improved the performance evaluation and optimized the salary system in order to fully utilize the incentives of performance evaluation. The Group formulated its business development, followed the trend of market changes and set an incentive target to further improve the salary system. Guiding by the Group's strategies, the Group improves the incentive system and assessment indicators, concerns the assessment procedure and results and continue to conduct performance evaluation for all staff.

(3) Recruitment management

In order to realize the strategic development target of the Group, optimize the allocation of human resources and make the recruitment more systematic and process-oriented. During the reporting period, the Group continued to adopt internal and external recruitment methods and expanded its recruitment channels with implementing localized recruitment model and leveraging on the advantages of internal recruitment and diversified measures so as to attract high quality and skillful talents.

(4) Human resources development and management

Adhering to the principle of combination of talent development and business and organization core capability of the Group, the Group optimize its employee training model. Combining the job skills assessment with internal, external and online courses can effectively enhance the professional skills of the employees. The Group emphasizes on the talent training at different levels including mid to senior management and professional technicians in order to enhance the core competitiveness of the Group and satisfy the needs of existing and emerging business development. The Group builds up our own professional talents team, promotes trainings for professional technicians of the Company and proactively mobilizes the professional technicians.

(5) Staff relations management

The Group regulates the labor usage and social insurance management in strict compliance with relevant laws and regulations, including the "Labor Law" and the "Labor Contract Law", to maximize the protection of legal rights and interests of employees. During the reporting period, the Group arranged negotiations for the execution of a collective wage agreement and standardized the staff profile management to clarify its approach towards labor relations and to enable the continued maintenance of stable and harmonious labor relations.

Biographies of Directors, Supervisors and Senior Management

1. NON-EXECUTIVE DIRECTORS

Dr. Cao Xin (曹欣), aged 45, joined the Group in June 2006, and is a non-executive Director and the chairman of the Board of the Company. He obtained a doctorate in economics from Renmin University of China (中國人民大學) and is a chief senior economist. Currently, Dr. Cao also serves as a non-executive director of Datang International Power Generation Co., Ltd. He has been a deputy general manager of HECIC since January 2014. He successively served as executive director, chairman and president of the Company; general manager of HECIC New-energy Co., Ltd; assistant to the general manager of Hebei Construction and Investment Group Co., Ltd.; manager of the Public Utilities Department II of Hebei Construction & Investment Company.

Dr. Li Lian Ping (李連平), aged 53, served the Group from February 2010 to March 2013 and has resigned the directorship in March 2013 due to job transfer and rejoined the Group in June 2016. He is the chairman and party secretary of Hebei Construction & Investment Group Co., Ltd. He obtained a doctorate in materials processing engineering from the University of Science and Technology Beijing (北京科技大學) and is a chief senior engineer. Currently, Dr. Li serves as director of Hebei Construction Investment Energy Investment Co., Ltd. He was a non-executive Director and chairman of the Company from February 2010 to March 2013. Since September 2015, he has been the chairman and party secretary of HECIC and the chairman of Hebei Enterprise Limited. He successively served as deputy party secretary, deputy officer (departmental level) of the State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province, chairman and party secretary of HECIC, chairman of Hebei Enterprise Limited, director, deputy general manager and party secretary of Hebei Iron & Steel Group Co., Ltd. and general manager, deputy chairman and deputy party secretary of Handan Iron & Steel Group Co., Ltd.

Mr. Qin Gang (秦剛), aged 42, joined the Group in October 2014, and is currently a non-executive Director of the Company. He obtained a master's degree in corporate management from Nankai University (南開大學) and is a senior economist. He has been the assistant to the general manager and the general manager of the capital operation department of HECIC and the executive deputy general manager of Yanshan Development (Yanshan International Investment) Company Limited (燕山發展(燕山國際投資)有限公司) since April 2015. He successively served as deputy departmental manager of the capital operation department of HECIC and deputy manager of the financial management department of Hebei Construction Investment Company (the predecessor of HECIC).

Ms. Sun Min (孫敏), aged 49, joined the Group in January 2015, and is currently a non-executive Director of the Company. She obtained a master's degree in business administration from Nankai University (南開大學), and is a chief senior engineer. She has been the general manager of the appraisal and assessment department of HECIC since March 2013. Ms. Sun successively served as deputy manager of the investment and development department of HECIC, deputy manager of the investment and development department of Hebei Construction Investment Company (the predecessor of HECIC), assistant to the manager of the Energy Branch of Hebei Construction Investment Company, etc.

Mr. Wu Hui Jiang (吳會江), aged 37, joined the Group in June 2015, and is currently a non-executive Director of the Company. He has a master's degree in political economy of Zhejiang University and is a senior economist. He has been a general manager of the Investment Development Department of Hebei Construction & Investment Group Co., Ltd. since June 2015 and the deputy general manager of CIC Huaxin Capital Co., Ltd. (建投華信資本有限公司) since January 2015. Prior to this, he was deputy general manager of the Investment Development Department of HECIC manager of the Investment Development Department of HECIC Water Investment Co., Ltd. and project manager of the Public Utilities Department I of Hebei Construction Investment Company (the predecessor of HECIC).

2. EXECUTIVE DIRECTOR

Mr. Wang Hong Jun (王紅軍), aged 52, joined the Group in March 2013, is an executive Director of the Company. He obtained a master's degree in business administration from Tianjin University (天津大學). Mr. Wang has been the party secretary of the Company since March 2013 and was oppointed as an executive Director of the Company in June 2013. Mr. Wang successively served as director of the general office of HECIC, director of the general manager office as well of Hebei Construction Investment Company (the predecessor of HECIC).

3. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qin Hai Yan (秦海岩), aged 46, has been an independent non-executive Director of the Company since March 2010. He obtained a master's degree in business administration from Renmin University of China (中國人民大學). Mr. Qin also serves as an independent non-executive director of Huaneng Renewables Corporation Limited (華能新能源股份有限公司) (stock code: 00958), Xinte Energy Co., Ltd. (新特能源股份有限公司) and Ningxia Jiaze New Energy Co., Ltd. (寧夏嘉澤新能源股份有限公司). Besides, Mr. Qin also serves as the standing director of the China Renewable Energy Society (中國可再生能源學會), the secretary-general to the Wind Power Committee of the China Renewable Energy Society (中國可再生能源學會風能專業委員會), the vice chairman of the Renewable Energy Committee of the China Association of Resource Comprehensive Utilization (中國資源綜合利用協會可再生能源專業委員會), and the deputy secretary of the National Wind Power Machinery Standardization and Technology Commission (全國風力機械標準化委員會).

Mr. Ding Jun (丁軍), aged 54, has been an independent non-executive Director of the Company since March 2010. He graduated from the graduate school of the China Academy of Social Sciences (中國社會科學院) with a master's degree in economics. Mr. Ding is an associate researcher of the Beijing Academy of Social Sciences Economics Research Institute (北京市社會科學院經濟研究所), which he joined in 1992. In addition, Mr. Ding was also appointed as a standing director and vice secretary-general of the China Association for Studying the Construction of Well-off Society (中國小康建設研究會).

Mr. Wang Xiang Jun (王相君), aged 52, has been an independent non-executive Director of the Company since March 2010. He obtained a bachelor's degree in economics from the Central University of Finance and Economics (中央金融學院). Since November 2005, Mr. Wang has acted as associate professor of Hebei University of Economics and Business (河北經貿大學). In addition, he is a part-time teacher of the Accountant Service Centre of Hebei Finance Office (河北省財政廳會計人員服務中心), a standing director of the Hebei Information Industry and Accounting Association (河北省資訊產業會計學會) and a financial consultant of Hebei Grain Group Co., Ltd. (河北省糧食產業集團有限公司), China Construction Bank Hebei Branch (中國建設銀行河北省分行), the finance department of Hebei Publishing Group (河北省出版集團財務部) and Hebei Products (Group) Co., Ltd. (河北物產企業(集團)公司).

Mr. Yue Man Yiu Matthew (余文耀), aged 55, has been an independent non-executive Director of the Company since June 2010. He graduated from the Chinese University of Hong Kong (香港中文大學) and obtained a bachelor's degree in business administration. Since 2009, Mr. Yue has acted as chief financial officer of Ko Shi Wai Holdings Limited (高士威控股有限公司), and is an independent non-executive director of Asia Cassava Resources Holdings Limited (亞洲木薯資源控股有限公司) (stock code: 00841) and Royale Furniture Holdings Limited (皇朝家私控股有限公司) (stock code: 01198). Mr. Yue is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and a member of the Hong Kong Securities Institute.

4. SUPERVISORS

Mr. Yang Hong Chi (楊洪池), aged 60, joined the Group in February 2010, and is the chairman of the Board of Supervisors of the Company. He graduated from Tianjin University (天津大學). He has been the deputy secretary of the party committee and the disciplinary committee, chairman of the labour union of the HECIC since March 2010. He successively served as deputy secretary of the party committee and the disciplinary committee, chairman of the labour union of the Hebei Construction Investment Company and the director of the general office of the organization department of Hebei Provincial Committee (河北省委組織部辦公室).

Mr. Liu Jin Hai (劉金海), aged 44, joined the Group in June 2013, and is a supervisor of the Company. He received a master's degree in business administration from the Hebei University of Technology (河北工業大學) and is a senior accountant. He has been the assistant to the general manager and the general manager of the financial management department of the Hebei Construction & Investment Group Co., Ltd. since April 2015. He successively served as general manager of HECIC Water Investment Co., Ltd., head of the financial management department of HECIC and general manager of HECIC Group Finance Company Limited.

Mr. Qiao Guo Jie (喬國傑), aged 54, joined the Group in September 2007, and is an employee representative supervisor of the Company. He obtained a master's degree in business administration from Tianjin University (天津大學). Mr. Qiao was elected as an employee representative supervisor at the third session of the Board of Supervisors of the Company on 18 March 2016. Since April 2013, Mr. Qiao successively served as deputy secretary of the party committee and the disciplinary committee, chairman of the labour union of the Company; from September 2011 to April 2013, served as deputy secretary of the party committee and the disciplinary committee of the Company and deputy secretary of the party committee and the disciplinary committee, chairman of the labour union of HECIC New-energy. He previously served as deputy secretary of the party committee and the disciplinary committee, chairman of the labour union of HECIC New-energy.

Ms. Ma Hui (馬惠), aged 54, joined the Group in August 2006, and is an employee representative supervisor and manager of the audit and regulation department of the Company. She obtained a college diploma in production process automation from Hebei Institute of Chemical Technology and Light Industry (河北輕化工學院) and a college diploma in finance and accounting from Hebei University of Economics and Business (河北經貿大學). Ms. Ma was elected as an employee representative supervisor at the third session of the Board of Supervisors of the Company on 18 March 2016 and has been the manager of the audit and regulation department of the Company since January 2011. She successively served as manager of the audit department of Hebei Natural Gas and a leader of the auditing and inspection team (計檢組組長) of North China Pharmaceutical Co., Ltd. (華北製藥股份有限公司).

Mr. Xiao Yan Zhao (肖延昭), aged 43, joined the Group in June 2014, and is an independent supervisor of the Company. He obtained a bachelor of laws degree from China University of Political Science and Law (中國政法大學), and is a qualified lawyer and Chinese registered senior planner. Mr. Xiao successively served as a partner and chief lawyer of Beijing Delvheng Law Firm (北京市德律珩律師事務所) from 2005 to 2012. Currently, he a senior partner of C&I Partners, Beijing (北京市信利律師事務所) and a member of the criminal professional committee of Beijing Lawyers Association. Besides, he served as deputy secretary-general of the Association of Cross-Strait Legal Exchange (海峽兩岸法學交流促進會), standing director and deputy secretary-general of the Law and Trading Seminar (Shenzhen) of WTO and China – Asean Free Trade Area (世界貿易組織及中國東盟自由貿易區法律貿易研究會), and director of China Association of Small and Medium Business Enterprises (中國中小商業企業協會).

Dr. Liang Yong Chun (梁永春), aged 45, has been the independent supervisor of the Company since June 2015 and is currently a teacher at the Electrical Engineering College, Hebei Science and Technology University (河北科技大學電氣工程學院), and obtained a doctorate in high voltage and insulation technology from Xi'an Jiaotong University (西安交通大學). He has been a teacher at the Electrical Engineering College, Hebei Science and Technology University since 1998. He studied his doctorate degree in Xi'an Jiaotong University from 2004 to 2009. He was an ECS visiting scholar at the University of Southampton in the United Kingdom from 2012 to 2013.

5. SENIOR MANAGEMENT

Mr. Mei Chun Xiao (梅春曉), aged 48, joined the Group in August 2006 and obtained a master's degree in electrical engineering from Beijing Jiaotong University (北京交通大學) and is a chief senior engineer. He was promoted from the vice president to the president of the Company on 31 March 2017, and is also the general manager of HECIC New-energy. Mr. Mei successively served as deputy general manager and chief engineer, an assistant to the general manager and chief engineer of HECIC New-energy.

Mr. Sun Xin Tian (孫新田), aged 52, joined the Group in January 2006 and obtained a master's degree in power engineering from Huabei Electricity University (華北電力大學) and is a senior engineer. He was appointed as vice president of the Company in June 2010. Mr. Sun successively served as deputy general manager and chief engineer of HECIC New-energy, deputy general manager of HECIC Zhangjiakou Wind Energy Co., Ltd., as well as deputy chief engineer, deputy director and deputy chief engineer of the equipment and technology department, engineer and deputy factory manager of a power engineering branch factory of Hebei Xingtai Power Co., Ltd. (河北興泰發電有限責任公司, formerly known as Xingtai Electricity Generation Factory (邢臺發電廠)).

Ms. Ding Peng (丁鵬), aged 46, joined the Group in June 2001 and obtained a master's degree in senior business administration from Renmin University of China (中國人民大學). Ms. Ding was appointed as vice president of the Company on 24 March 2014, and is also the general manager of Hebei Natural Gas. Ms. Ding successively served as deputy general manager and chief accountant, then chief accountant and financial manager of Hebei Natural Gas.

Mr. Lu Yang (陸陽), aged 47, joined the Group in January 2008 and obtained a master's degree in senior business administration from Renmin University of China (中國人民大學). Mr. Lu was appointed as vice president of the Company on 24 March 2014. From January 2008 to March 2014, he served as deputy general manager of Hebei Natural Gas. Mr. Lu successively served as manager for engineering technical support of Hong Kong & China Gas Investment Limited, and then as deputy general manager and chief engineer as well as chief engineer of Handan City Gas Company.

Ms. Fan Wei Hong (范維紅), aged 46, joined the Group in June 2013 and obtained a bachelor's degree in accounting from Hebei University of Economics and Business (河北經貿大學). Ms. Fan was appointed as financial controller of the Company on 16 August 2013 and resigned from the position on 24 March 2014 and was appointed as chief accountant of the Company on the same day. Ms Fan successively served as deputy manager and manager of the financial planning department of HECIC Communications, financial controller and deputy general manager of Shijiazhuang Construction and Investment Company (石家莊市建設投資公司), accountant of Shijiazhuang Committee of Planned Economy (石家莊市計劃經濟委員會) and accountant of Shijiazhuang Sixth Cotton Mill Factory (石家莊市第六棉紡織廠).

Mr. Ban Ze Feng (班澤鋒), aged 39, joined the Group in June 2013 and obtained a master's degree in business administration from Nankai University (南開大學). Mr. Ban was appointed as secretary of the Board of the Company on 6 June 2013 and joint company secretary of the Company on 24 March 2014. Mr. Ban successively served as assistant to the director of the general office, head of the secretarial confidential documents department and general office secretary of HECIC, as well as deputy director of the general manager's office of Shijiazhuang International Building (Group) Co., Ltd. (石家莊國際大廈(集團)股份有限公司), and secretary of the general office of Hebei Construction Investment Company (the predecessor of HECIC).

6. JOINT COMPANY SECRETARIES

For details of Mr. Ban Ze Feng, a joint company secretary, please refer to the fifth section of this chapter headed "Senior Management".

Ms. Lam Yuen Ling Eva (林婉玲), aged 50, appointed as the joint company secretary of the Company on 1 April 2010. She has over 20 years of experience in company secretarial services and commercial solutions. She is currently a director of BMI Listed Corporate Services Limited and is responsible for supervising the company secretarial teams to provide full range of listed and private company secretarial services to clients. Ms. Lam obtained a Higher Certificate in Company Secretaryship and Administration from the Hong Kong Polytechnic University and was awarded a degree of Master of Science in Corporate Governance and Directorship by the Hong Kong Baptist University. Ms. Lam is a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Lam is currently the company secretary of several companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

Report of the Board of Directors

The Board of the Group hereby presents to the Shareholders the annual report and the audited Financial Statements for the year ended 31 December 2016.

1. BUSINESS REVIEW

(i) Operating environment

The Company is principally engaged in the investment of projects involving the exploration and utilization of natural gas, LNG, CNG, coal gas and coalbed methane, as well as projects of new energy sources including wind power and solar power, etc. Details of major subsidiaries of the Company are set out in Note 1 to the Financial Statements. During the reporting period, the Company was facing a complicated and severe situation caused by price deduction in wind power business, lower demand of natural gas and difficulties in infrastructure projects. The Board of Directors of the Company insisted on achieving stable growth, proactively responding to market situations and lead all our staff to forge ahead in unity so as to seize the market resources within and outside of the province, facilitating construction projects and vigorously expanding the domestic and foreign financing channels. By enhancing internal management, the operation structure of the Company was steadily improved. Details of the business environment policy of the Company are set out in operating environment on page 16 to page 19 of this annual report.

(ii) Key financial indicators

In 2016, the Group realized a total sale of wind and photovoltaic power generation of 4,534 million kWh, representing an increase of 52.45% as compared with 2015; sold 1,111 million cubic meters of natural gas, representing a decrease of 1.4% as compared with 2015; realized revenue of RMB4,384 million, representing an increase of 3.8% as compared with 2015; a total profit of RMB744 million, representing an increase of 272.0% as compared with 2015; and a net profit of RMB647 million, representing an increase of 242.3% as compared with 2015; of which the net profit attributable to the owners of the Group amounted to RMB542 million, representing an increase of 222.6% as compared with 2016. This was due to an increase of installed capacity and utilization hours of the wind farms of the Group during the year, which resulted in an increase in profit in the wind power sector.

As at 31 December 2016, the total share capital of the Company was 3,715,160,396 shares, comprising of 1,876,156,000 domestic shares and 1,839,004,396 H shares. Details of liquidity of the Company are set out in Liquidity and capital resources and Capital expenditure on page 26 of this annual report.

(iii) Compliance with laws and regulations and Performance

In 2016, the Company complied with relevant laws and regulations which involved material effects in the establishment, production and operation of wind power, photovoltaic power and natural gas projects, including relevant laws and regulations, management ordinances and environmental protection standards such as "The Environmental Protection Law of the PRC (amended in 2014)", "The Recycling Economy Promotion Law of the PRC" and "The Renewable Energy Law of the PRC". Pursuant to the above regulations, and along with the national ecological civilization construction related strategies and the setting of the target of energy saving and emission reduction for the community as a whole, the Company, building on its operational production characteristics, set up a leading group for energy saving and emission reduction with the President as the team leader. The Safety Production Department set up an energy saving and emission reduction office with the manager of Safe Production Department as the officer. The Company also formulated "energy management measures", "environmental protection measures" and "management measures for disposal of production wastes", so as to strictly control the consumption of various energy and resources by the Group, promoted new technology, skills, facilities and materials for energy saving, encouraged reasonable consumption of energy, enhanced utilization and economic efficiency of energy, water and ecological resources, actively reduced the wastage of resources and protected the ecological environment. In 2016, there were neither incidents nor legal complaints relating to environmental pollution.

(iv) Major risk factors

Details of the major risks an uncertain factors of the Company (including the slowdown of the growth of macro-economy, competition of alternative energy, collection of account receivables, decrease in price of electricity, climate and grid curtailment) are set out in the risk factor and risk management sections on page 29 to page 31 of this annual report.

(v) Business development expectation in the future

At the end of the reporting period, no significant event occurred which would affect the Company.

For the business development in 2017, please refer to the prospects of 2017 on page 27 to page 29.

(vi) Relationship with staff

The staff not only provides services and maintains operations, they are also the power source of innovation and development of the Company. In order to create a united and harmonious team, the Group actively protects the basic rights of staff, and has clear regulations in respect of recruitment, employment, labor relations, and has standardized the employment of the Company, social security management and code of conduct of the staff, so as to maximize the protection of the staff's legal rights; prepared a comprehensive management system from two aspects, occupational health and production safety so as to create a safe production foundation; pays attention to the staff's demands, to ensure the staff are healthy and happy. At the same time, it will setup a scientific staff promotion system, and supplement with specific trainings, to train and encourage outstanding talents, so as to build up a professional and efficient team for the Group.

(vii) Relationship with clients and suppliers

The Group takes on the responsibility of supplying natural gases to urban residents in provinces and industrial enterprises. Hebei Natural Gas has implemented specific management measures in respect of stable gas supply and enhancement of client services. It continues to carry out the construction of natural gas pipeline projects and pipeline networks of Hebei Province, to further enhances gas supply capacity to customers. Following the service philosophy of "value customers, service comes first", the Group issued "Standardization of Customer Service Management Measures", and enhanced the proactive communications with customers through effective handling of complaints. We also performed satisfaction surveys, and conducted assessment on each subsidiary based on the surveys. We also implemented administrative measures such as "Administrative Rules of Customers Files", to prevent any leakage of clients' information.

Since the Group is in a business expansion stage, since 2016 and for a long time in the future, suppliers of project construction and related materials will be the main acquisition targets of the Group. The Group implements management process in respect of suppliers of each product and service, and in compliance with the national and local regulations, to ensure that the purchase process is legal, and guarantee the suppliers selected are highly efficient in managing different aspects of their business, such as quality, environment and safety.

(viii) Environmental protection policies and performance

As a green energy company, the Group aligns closely with the adjusted national energy strategic direction and endeavors to develop natural gas, wind power and solar energy businesses as well as to deliver clean energy to various industries. Apart from creating economic value, the Group also reduces the impact to the environment through its products and services. Meanwhile, the Group has actively considered the impact towards the environment during project construction and operations to further improve the environment. During project construction, the Group allocated a large amount of capital on protection measures for minimizing the impact to the environment during the construction, including sewage treatment, oil spill collection, shock absorption and noise reduction, dust reduction, ecological rehabilitation and poison waste treatment; during operations, the Group also allocated capital to energy saving and consumption reduction and technology improvement, so as to reduce the harmful effects caused to the environment during operation.

2. RESULTS

The audited results of the Company and its subsidiaries for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 81. The financial position of the Company and its subsidiaries as of 31 December 2016 is set out in the consolidated statement of financial position on pages 82 to 83. The consolidated cash flows of the Company and its subsidiaries for the year ended 31 December 2016 are set out in the consolidated statement of cash flows on pages 85 to 86.

Discussion and analysis of the Group's performance and financial position for the year is set out in the Management Discussion and Analysis on pages 19 to 27 of this annual report.

3. SHARE CAPITAL

As of 31 December 2016, the total issued share capital of the Company was RMB3,715,160,396, divided into 3,715,160,396 shares of RMB1 each.

On 28 January 2014, the Company successfully placed 476,725,396 H Shares, thereby increasing its registered capital by RMB476,725,396 and raising total funds of approximately HK$1,597,030,077. After the completion of the placing, the total issued share capital of the Company amounted to RMB3,715,160,396, divided into 3,715,160,396 shares of RMB1 each.

On 9 July 2015, HECIC Water transferred, for nil consideration, 375,231,200 domestic shares of the Company to HECIC by way of allocation. After the completion of equity transfer, HECIC directly holds 1,876,156,000 domestic shares of the Company, representing 50.5% issued share capital of the Company.

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

During the reporting period, the Company did not redeem any of its securities, and neither the Company nor any of its subsidiaries sold or purchased any of the Company's securities listed on the Hong Kong Stock Exchange.

On 23 December 2016, the Company approved the special resolution in relations to the issuance of no more than RMB1.5 billion renewable corporate bonds and no more than RMB1.5 billion super short-term commercial papers. The proceeds of the renewable corporate bonds raised will be mainly used to fund project investment, repay interest bearing debts, and replenish liquidity, etc. whereas the proceeds of the super short-term commercial papers raised will be mainly used to replenish liquidity and repay bank loan, etc. Pursuant to the requirements of the Measures for the Administration of the Offering and Trading of Corporate Bonds issued by the China Securities Regulatory Commission and the Corporate Bonds Listing Rules of the Shanghai Stock Exchange issued by the Shanghai Stock Exchange, the Company has published the application documents in relation to the Renewable Corporate Bonds. The Company has published the application documents in relation to the Renewable Corporate Bonds on the website of SSE Bond (http://bond.sse.com.cn/) on 25 January 2017. Please refer to the announcements of the Company dated 23 December 2016 and 25 January 2017 as well as the notice of the first extraordinary general meeting in 2016 dated 4 November 2016. The Company will make further announcement in relation to details of the issuance of the Renewable Corporate Bonds and super short-term commercial papers at the appropriate time.

The HECIC, a subsidiary of the Company, has completed the issuance of the first tranche of super short term debentures on 18 October 2016. The issuance of the first tranche short-term debentures amounted to RMB500 million with a term of 365 days, at a par value of RMB100 each and bearing interest at 3.19%. The proceeds of the first tranche of super short term debentures raised will be mainly used to replenish the daily working capital for HECIC. Please refer to the announcement of the Company dated 19 October 2016, titled "voluntary announcement – issue of short-term debentures by a subsidiary" and posted on the websites of the Hong Kong Stock Exchange and the websites of the Company.

5. PRE-EMPTIVE RIGHTS

Shareholders of the Company have no pre-emptive rights under laws and regulations, such as the PRC Company Law, and the Articles of Association of the Company.

6. USE OF NET PROCEEDS FROM INITIAL PUBLIC OFFERING AND PLACING OF H SHARES IN 2014

The Company first issued shares to the public on the Hong Kong Stock Exchange in October 2010 and exercised its over-allotment option. The net proceeds raised was RMB2,658 million. As of 31 December 2016, RMB110 million was used for investment in the Group's natural gas projects, representing 4.1% of the net proceeds, RMB2,298 million was used for investment in the Group's wind power projects, representing 86.5% of the net proceeds.

On 28 January 2014, the Company completed its placing of 476,725,396 H shares with the net proceeds raised of HK$1,564 million. As of 31 December 2016, HK$260 million was used for investment in the Group's natural gas projects, representing 16.62% of the net proceeds; HK$880 million was used for investment in the Group's wind power projects, representing 56.27% of the net proceeds; HK$200 million was used for replenishment of the Company's working capital, representing 12.79% of the net proceeds. The remaining net proceeds from the placing (including accrued interests thereof) of HK$271 million are currently deposited in an bank account of the Company.

7. RESERVES

Details of the movement in reserves of the Company for the year are set out in Note 42 to the Financial Statements, and details of reserves distributable to shareholders are set out in Note 42 to the Financial Statements.

8. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group acquired property, plant and equipment with a total cost of RMB4,223 million. Certain property, plant and equipment disposed or of which bad debts were written off by the Group had a carrying value of RMB10.67 million, resulting in net loss on asset disposal of RMB7.65 million.

Details of the movement in property, plant and equipment of the Group during the reporting period are set out in Note 12 to the Financial Statements.

9. PROFIT DISTRIBUTION

The Board recommends the distribution of a final dividend of RMB0.063 per share (tax included) (RMB234 million in total (tax included)) for the year ended 31 December 2016 to all shareholders, details of which are set out in Note 10 to the Financial Statements. The Company hereby further announces that profit distribution will be distributed by cash dividend to the H shareholders whose names appear on the register of H Shares of the Company on Wednesday, 21 June 2017 within 2 months after the Annual General Meeting, subject to the approval of the 2016 profit distribution plan at the Annual General Meeting. Further announcements will be made by the Company in due course regarding the details of the date of dividend distribution and other specific arrangement.

According to the "Circular on Questions Concerning Withholding and Remitting Enterprise Income Tax for Dividends Received by Overseas H-share Holders (Non-resident Enterprise Shareholders) from Chinese Resident Enterprises (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2008] No.897) issued by the State Administration of Taxation (國家稅務總局), an enterprise income tax at the rate of 10% shall be levied on dividends paid in or after 2008 by Chinese resident enterprises to overseas H-share shareholders that are non-resident enterprises.

Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the enterprise income tax. If H shareholders intend to change its shareholder status, please enquire about the relevant procedures with your agents or transferee agent. The Company will strictly comply with the law or the requirements of the relevant government authority to withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares of the Company as at 21 June 2017.

If the individual H shareholders who are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for dividend with China under the relevant tax treaties, the Company should withhold and pay individual income tax on behalf of the relevant H shareholders at a rate of 10%. Should the individual H shareholders are residents of the countries which had an agreed tax rate of less than 10% with China under the relevant tax treaties, the Company shall withhold and pay individual income tax on behalf of the relevant H shareholders at a rate of 10%. In that case, if the relevant individual H shareholders wish to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant H shareholders to handle the application for the underlying preferential tax benefits pursuant to tax treaties. Should the individual H shareholders are residents of the countries which had an agreed tax rate of over 10% but less than 20% with China under the tax treaties, the Company shall withhold and pay the individual income tax on behalf of the relevant H shareholders at the effective rate stipulated in the relevant tax treaties. In the case that the individual holders of H shares are residents of the countries which had an agreed tax rate of 20% with China under the tax treaties, or which has not entered into any tax treaties with China, or otherwise, the Company shall withhold and pay the individual income tax on behalf of the relevant H shareholders at a rate of 20%.

The Company shall base on the registered address as recorded in the register of members of the Company on 21 June 2017 to determine the identity of the individual H shareholders. The Company assumes no responsibility and will not entertain any claims arising from any failure to timely determine, or inaccurate determination of, the status of the shareholders or any dispute over the arrangement of withholding and paying tax on behalf of such shareholders. Shareholders should consult their tax advisers regarding the PRC, Hong Kong and other tax implications of owning and disposing of the H shares of the Company.

10. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the purchase amount from the Group's five largest suppliers in aggregate contributed 99.04% of the Group's total purchase amount for the year, among which, the total purchase amount from the largest supplier contributed 91.73% of the Group's total purchase amount for the year.

For the year ended 31 December 2016, the sales to the Group's five largest customers in aggregate contributed 55.43% of the Group's total sales for the year, among which, the sales to the largest customer contributed 26.83% of the Group's total sales for the year.

As far as the Directors are aware, none of the substantial shareholders of the Company (shareholders who own more than 5% of the Company's share capital) or associates of the Directors and supervisors had any interest in the Company's five largest suppliers or five largest customers.

11. BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as of 31 December 2016 are set out in Note 28 to the Financial Statements.

12. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Currently, our Board consists of ten Directors, of whom five are non-executive Directors, one is executive Director and four are independent non-executive Directors.

Information on the Directors, supervisors and senior management of the Company are as follows:

Name	Age	Position	Date of Appointment
Cao Xin	45	Non-executive Director, chairman of the Board	13 June 2016
Liu Zheng(1)	42	Non-executive Director	17 October 2014 – 13 June 2016
Li Lian Ping	54	Non-executive Director	13 June 2016
Gao Qing Yu(2)	53	Executive Director, President	13 June 2016 – 16 March 2017
Wang Hong Jun	52	Executive Director	13 June 2016
Qin Gang	42	Non-executive Director	13 June 2016
Sun Min	49	Non-executive Director	13 June 2016
Wu Hui Jiang	37	Non-executive Director	13 June 2016
Qin Hai Yan	46	Independent non-executive Director	13 June 2016
Ding Jun	54	Independent non-executive Director	13 June 2016
Wang Xiang Jun	52	Independent non-executive Director	13 June 2016
Yue Man Yiu Matthew	55	Independent non-executive Director	13 June 2016
Yang Hong Chi	60	Chairman of the Board of Supervisors	13 June 2016
Liu Jin Hai	44	Supervisor	13 June 2016
Qiao Guo Jie	54	Employee representative supervisor	18 March 2016
Ma Hui	54	Employee representative supervisor	18 March 2016
Xiao Yan Zhao	43	Independent supervisor	13 June 2016
Liang Yong Chun	45	Independent supervisor	13 June 2016
Sun Xin Tian	52	Vice president	6 June 2013
Mei Chun Xiao(3)	48	Vice president	6 June 2013
Ding Peng	46	Vice president	24 March 2014
Lu Yang	47	Vice president	24 March 2014
Fan Wei Hong	46	Chief accountant	6 June 2013
Ban Ze Feng	39	Secretary to the Board, joint company secretary	6 June 2013 (Secretary to the Board) and 24 March 2014 (joint company secretary)

Note: (1) Dr. Liu Zheng has resigned as a non-executive Director, member of Nomination Committee and Strategic and Investment Committee on 13 October 2015 due to change in work arrangement. The resignation of Dr. Liu Zheng became effective since 13 June 2016.

(2) Mr. Gao Qing Yu has resigned as an executive director, the president and a member of the Strategic and Investment Committee of the Company, due to change in work arrangement, with effect from 16 March 2017.

(3) Mr. Mei Chun Xiao became the president of the Company since 31 March 2017.

The Company has accepted the annual confirmation of independence issued by the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules of the Hong Kong Stock Exchange, and is of the opinion that all independent non-executive Directors are independent of the Company.

13. CHANGES IN DIRECTORS AND SUPERVISORS

1. On 13 October 2015, Dr. Liu Zheng, a non-executive Director of the Company of the second session of the board of directors, has resigned as a non-executive Director, member of Nomination Committee and Strategic and Investment Committee due to change in work arrangement. The resignation of Dr. Liu Zheng shall become effective upon the duly appointment of a new non-executive Director to fill his vacancy. At the AGM convened on 13 June 2016, the term of office of Dr. Liu Zheng has been expired with the expiry of the term of the second session of the board of directors and he resigned as a director of the Company at the conclusion of the AGM.

2. On 13 June 2016, the Company convened the AGM. After approving the election of the third session of the board of directors of the Company at the AGM, the composition is as follow: Dr. Cao Xin, Dr. Li Lian Ping, Mr. Qin Gang, Ms. Sun Min and Mr. Wu Huijiang as the non-executive directors; Mr. Gao Qing Yu and Mr. Wang Hong Jun as the executive directors; Mr. Qin Hai Yan, Mr. Ding Jun, Mr. Wang Xiang Jun and Mr. Yue Man Yiu Matthew as the independent non-executive directors. On the same date, Dr. Cao Xin became the chairman of the third session of the board of directors of the Company after the first meeting of the third session of the board of directors.

3. On 18 March 2016, the Company convened an employee representatives meeting and elected Mr. Qiao Guo Jie and Ms. Ma Hui as the employee representative supervisors of the third session of the board of supervisors of the Company. At the AGM convened on 13 June 2016, Mr. Yang Hong Chi and Mr. Liu Jin Hai have been elected as non-employee representative supervisors of the third session of the Board of supervisors of the Company; and Mr. Xiao Yan Zhao and Mr. Liang Yong Chun have been elected as independent supervisors of the third session of the board of supervisors of the Company. On 16 August 2016, Mr. Yang Hong Chi became the chairman of the board of supervisors after the first meeting of the third session of the board of supervisors. The six supervisors mentioned above constitute the third session of the board of supervisors.

4. On 16 March 2017, Mr. Gao Qing Yu, the executive Director of the third session of the board of directors, has resigned as an executive director, the president and a member of the Strategic and Investment Committee of the Company, due to change in work arrangement, with effect from 16 March 2017.

5. Mr. Mei Chun Xiao was appointed the president of the Company since 31 March 2017.

Biographical details of the current Directors, supervisors and senior management of the Company are set out on pages 34 to 39 of this annual report.

14. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

None of the Directors or supervisors has entered into a service contract with the Company or its subsidiaries which cannot be terminated by the employer within one year without payment of compensation (other than statutory compensation).

15. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Company's Directors and supervisors are set out in Note 8 to the Financial Statements and the range of remuneration of senior management members is as follows:

Range of remuneration (RMB'000)	No. of senior management members
0-500	4
500-1,000	2

16. INTERESTS OF DIRECTORS AND SUPERVISORS (AND ITS ASSOCIATED ENTITIES) IN CONTRACTS OF SIGNIFICANCE

At the end of the year 2016 or at any time during the year 2016, none of the Directors and supervisors (and its associated entities) of the Company had any personal interest, either directly or indirectly, in any transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party.

17. INTEREST OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

Save as disclosed in the annual report, none of the Directors and supervisors and their associates (as defined under the Listing Rules) had any competing interests in any business which competed, either directly or indirectly, with the business of the Group during the reporting period.

18. INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, none of the Directors, supervisors or senior management of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

19. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2016, to the best knowledge of the Directors, the following persons (other than the Directors, senior management or supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company which would need to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Class of Share	Capacity	Number of shares/ underlying shares held	Percentage in the Relevant Class of Share Capital (%)	Percentage in the Total Share Capital (%)
HECIC	Domestic Shares	Beneficial Owner	1,876,156,000 (Long position)	100%	50.5%
GIC Private Limited	H Shares	Investment Manager	255,438,000 (Long position)	13.89%	6.88%
Hillhouse Capital Management, Ltd[1]	H Shares	Investment Manager	131,103,000 (Long position)	7.13%	3.53%
Gaoling Fund, L.P.	H Shares	Beneficial Owner	129,074,000 (Long position)	7.02%	3.47%
National Social Security Council	H Shares	Beneficial Owner	127,940,334 (Long position)	6.96%	3.44%
Citigroup Inc.[3]	H Shares	Investment Manager	94,154,280 (Long position)	5.12%	2.53%
			85,463,082 (Lending pool)	4.65%	2.30%

Notes:

(1) Hillhouse Capital Management Ltd. indirectly owned the equity interests of Gaoling Fund, L.P and YHG Investment, LP. As such, Hillhouse Capital Management Ltd. was deemed to own the interest of Gaoling Fund, L.P and YHG Investment, LP in the Company.

(2) Citigroup Inc. indirectly owned 100% equity interests of Citicorp Holdings Inc., Citicorp Holdings Inc. directly owned 100% equity interests of Citibank N.A.; Citigroup Inc. indirectly owned 100% equity interests of Citigroup Global Markets Holdings Inc., Citigroup Global Markets Holdings Inc. indirectly owned 100% equity interests of Citigroup Financial Products Inc.; Citigroup Financial Products Inc. indirectly owned 100% equity interests of Citigroup Global Markets International LLC and Citigroup Global Markets (International) Finance AG; Citigroup Global Markets (International) Finance AG, Citigroup Financial Products Inc. and Citigroup Global Markets International LLC indirectly owned 0.11%, 64.67% and 35.22% equity interests of Citigroup Global Markets Europe Limited, respectively; Citigroup Global Markets Europe Limited directly owned 100% equity interests of Citigroup Global Markets Inc.; Citigroup Financial Products Inc. directly owned 100% equity interests of Citigroup Global Markets Hong Kong Limited. As such, Citigroup Inc. was deemed to own the interests of Citicorp Holdings Inc., Citibank N.A., Citigroup Financial Products Inc., Citigroup Global Markets Holdings Inc., Citigroup Global Markets International LLC, Citigroup Global Markets (International) Finance AG, Citigroup Global Markets Europe Limited and Citigroup Global Markets Limited in the Company.

20. MANAGEMENT CONTRACTS

The Group did not enter into any contract in respect of the management and administration of the entire or any significant part of the business of the Group, nor did any such contract subsist at any time during the reporting period (save for the service contracts with Directors, supervisors and all employees of the Group).

21. CONNECTED TRANSACTIONS

(1) Connected transactions

As at the date of this report, the Group carried out the non-exempt connected transactions pursuant to Rule 14A.35 of the Listing Rules. The specific details are as follows:

The Company disclosed in an announcement dated 24 March 2016 that on 24 March 2016, the Company entered into the Laoting Capital Contribution Agreement with HECIC and JEI, whereby each of the Company, HECIC and JEI agreed to contribute capital into Laoting Wind Energy, renamed as "HECIC Offshore Wind Power Co., Ltd." since January 2017, which is a wholly-owned subsidiary of the Company. According to the terms of the Laoting Capital Contribution Agreement, the Company, HECIC and JEI shall contribute approximately RMB475 million, RMB40 million and RMB500 million, respectively, into Laoting Wind Energy in phases by the end of 2018. After the completion of the Laoting Capital Contribution, the registered capital of Laoting Wind Energy will increase from RMB96 million to approximately RMB1,111 million. The Company, HECIC and JEI will hold approximately 51.4%, 3.6% and 45% equity interests in Laoting Wind Energy, respectively. Laoting Wind Energy will remain a subsidiary of the Company after the completion of the Laoting Capital Contribution. After the completion of the Laoting Capital Contribution, the Company's total equity interests in Laoting Wind Energy will be reduced from 100% to approximately 51.4%. As such, according to Rule 14.29 of the Listing Rules, the Laoting Capital Contribution will be deemed as a disposal of the Company's equity interests in Laoting Wind Energy.

According to the requirements of the Laoting Capital Contribution Agreement, the capital contributions from the Company, HECIC and JEI shall be payable in phases according to the progress of the construction of the Puti Island Offshore Wind Power Farm based on their respective proportion of the subscription, which are approximately RMB475 million, RMB40 million and RMB500 million, respectively. Notwithstanding the capital contributions are payable in phases by the parties, the total capital contributions shall be paid in full by 31 December 2018. During the reporting period, RMB 40 million was contributed by HECIC. As of 31 December 2016, the paid-up capital of Laoting Wind Energy was RMB 136 million, of which, RMB 40 million and RMB 96 million were contributed by HECIC and the Company respectively.

HECIC is the controlling shareholder of the Company. Jointo Energy is a subsidiary of HECIC and an associate of HECIC. Therefore, pursuant to the Listing Rules, HECIC and Jointo Energy are connected persons of the Company, and the Laoting capital contribution constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Details are set out in the announcements entitled "Connected and Discloseable Transaction Capital Contribution to Laoting Wind Energy by Connected Persons and Deemed Disposal" on 24 March 2016 and a circular of 2015 Annual General Meeting on 24 April 2016 issued by the Company on the websites of the Hong Kong Stock Exchange and the Company. The transaction was approved at the 2015 AGM of the Company on 13 June 2016. On the same date, the Company issued an announcement of the poll results of the extraordinary general meeting on the websites of the Hong Kong Stock Exchange and the Company.

(2) Continuing Connected transactions exempt from the independent shareholders' approval requirement

During the reporting period, the Group carried out the following continuing connected transactions that were subject to reporting and announcement requirements but exempt from independent shareholders' approval pursuant to Rule 14A.34 of the Listing Rules. The specific details are as follows:

1. As disclosed in the announcement dated 9 June 2013, on 9 June 2013, the Company and its controlling shareholder HECIC entered into the "Tenancy Master Agreement", pursuant to which HECIC leased the office space at Yu Yuan Plaza, No. 9 Yuhua West Road, Shijiazhuang City, Hebei Province, PRC to the Group and provided the Group with certain ancillary office support services for the three years ended 31 December 2015.

   After the aforementioned "Tenancy Master Agreement" expired on 31 December 2015, the Company continued to rent such property from HECIC and its subsidiaries. On 17 December 2015, the Company and HECIC entered into a new master tenancy agreement for a term from 1 January 2016 to 31 December 2018. Under the new master tenancy agreement, the Group agreed to lease the properties from HECIC and/or its subsidiaries for the three years ended 31 December 2018. Members of the Group will enter into individual lease agreements for the lease of relevant properties with HECIC and/or its subsidiaries according to the terms and conditions set out in the new master tenancy agreement. During the reporting period, the 2016 annual cap of this continuing connected transaction was RMB15,000,000 and the actual transaction amount was RMB4,000,000.

   HECIC is a controlling shareholder of the Company, directly holds approximately 50.5% shares of the Company and is a connected person of the Company. This transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

   Details are set out in the announcements entitled "Renewal of Continuing Connected Transaction – New Master Tenancy Agreement" dated 17 December 2015 and "Renewal of Continuing Connected Transactions – Further Announcement on The New Master Tenancy Agreement" dated 23 December 2015 as published by the Company on the websites of the Hong Kong Stock Exchange and the Company.

2. As disclosed in the announcements of the Company on 23 June 2015 and on 25 June 2015, on 23 June 2015, the Hebei Natural Gas, a subsidiary of the Company, and the Group Finance Company entered into the Notes Pool Service Agreement, with a term from 23 June 2015 to 31 December 2015.

   In order to enable the Company to meet the capital needs of the natural gas business with flexible resources, on 17 December 2015, Hebei Natural Gas, a subsidiary of the Company, and the Group Finance Company renewed the Notes Pool Service Agreement with a valid term from 1 January 2016 to 31 December 2016, pursuant to which, during the agreement period, Hebei Natural Gas and its subsidiaries will deposit part of their undue Notes received in the ordinary course of business into the notes pool account opened by the Group Finance Company with a commercial bank which is independent from both parties, and the Group Finance Company will grant the Credit Line to Hebei Natural Gas and its subsidiaries based on the total amount of Notes deposited by Hebei Natural Gas and its subsidiaries at a ratio of 1:0.9 (total amount of Notes: Credit Line). The Credit Line is a revolving line of credit with a maximum credit limit of RMB150 million in aggregate. The corresponding maximum total amount of notes deposited in notes pool is RMB166.67 million and the annual cap of interest of the notes pool financing is RMB15 million. The Group Finance Company will provide the Credit Financing Services to Hebei Natural Gas and its subsidiaries under such Credit Line (including the provision of RMB/foreign currency loans, acceptance of commercial drafts and issuance of letters of guarantee) and will charge handling fees in respect of certain notes pool services with an annual cap of RMB10 million. After taking into account their actual business needs, Hebei Natural Gas and its subsidiaries had no transaction with the Group Finance Company during the year of 2016.

   The fees and charges payable by Hebei Natural Gas to the Group Finance Company in respect of the financial services under the Renewed Notes Pool Service Agreement are determined on the following basis:

   (1) the operation management of the notes pool is free of charge.

   (2) the rate of loan financing charges shall be the benchmark interest rate for loans as published by the PBOC from time to time, and shall not be higher than the interest rates offered by the Group Finance Company to other members of HECIC for the same category of loans, nor the interest rates offered to the Group by commercial banks for the same category of loans.

   (3) acceptance of commercial drafts and issuance of letters of guarantee: the Group Finance Company will collect handling fees, and the applicable rate standards for such fees will be determined by reference to and shall not be higher than the standards adopted by state-owned commercial banks in the PRC. Meanwhile, the rate so charged shall not be higher than the rates offered to the Debtor by other domestic financial institutions for the same category of services, nor the rates offered to other members of the Group by the Group Finance Company for the same type of services.

HECIC is the controlling shareholder of the Company, directly holding approximately 50.5% shares of the Company, and is therefore a connected person of the Company. The Group Finance Company is a subsidiary of HECIC and is also a connected person of the Company. Entering into the Service Agreement, the deposit of Notes into the notes pool of the Group Finance Company and the execution of the transactions contemplated under the Service Agreement constitute financial assistance under Rule 14A.24(4) of the Listing Rules, and therefore constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Details are set out in the announcement entitled "Renewal of Continuing Connected Transactions Renewed Notes Pool Service Agreement" published on the websites of the Hong Kong Stock Exchange and the Company on 17 December 2015.

3. The Company disclosed in an announcement dated 24 March 2016 that on 24 March 2016, the Company entered into the VER Project Agreement with CISF, a connected person of the Company, pursuant to which CISF is responsible for the unified management of the emission reduction generated by the VER projects of the Group that satisfy the development conditions such as those in connection with wind power and photovoltaic power. The VER Project Agreement is effective from 24 March 2016 to 31 December 2016.

   According to the terms of the VER Project Agreement, CISF will be mainly responsible for the development of the VER projects designated by the Company, the daily transactions and management of the emission reduction of the projects, the transactions of the VER projects on behalf of the Company and etc. CISF will be responsible for all of the expenses generated in the early development stage of the VER projects and will charge the Company 40% of the emission reduction revenue generated by the VER projects of the Company every year as management fees. Both parties agree that the total management fees to be paid by the Company to CISF shall not exceed RMB5 million during the term of the agreement.

   During the reporting period, the maximum amount of management fees paid by the Company to CISF was RMB 5 million. The actual transaction amount was nil.

   HECIC is the controlling shareholder of the Company, holding approximately 50.5% equity interest of the Company, and is therefore a connected person of the Company. As CISF is a subsidiary of HECIC, it is also a connected person of the Company. Accordingly, the transactions under the VER Project Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

   Details are set out in the announcement entitled "Continuing Connected Transaction under the VER Project Agreement" on 24 March 2016 issued by the Company on the websites of the Hong Kong Stock Exchange and the Company.

(3) Non-exempt continuing connected transactions

During the reporting period, the Company carried out a non-exempt continuing connected transaction pursuant to Rule 14A.35 of the Listing Rules, the details of which are as follows:

As disclosed in the announcement of the Company on 16 August 2013, on 16 August 2013, the Company and the Group Finance Company entered into the Financial Services Framework Agreement, pursuant to which the Group will, on a voluntary and non-compulsory basis, utilize the financial services provided by Group Finance Company for the three years ended 31 December 2015, including (i) the Deposit Service, (ii) the Loan Service and (iii) Other Financial Services. This agreement expired on 31 December 2015.

In order to allocate assets between each member of the Group in a more effective way, and to promote the liquidity of the Group's capital, and to enhance its overall solvency, on 11 November 2015, the Company entered into the Renewed Financial Services Framework Agreement with the Group Finance Company. Pursuant to the Renewed Financial Services Framework Agreement, the Group will, on a voluntary and non-compulsory basis, utilize the financial services provided by the Group Finance Company, including (i) the deposit service, (ii) the loan service and (iii) other financial services. Under the Renewed Financial Services Framework Agreement, the Group Finance Company has undertaken to the Company that whenever it provides financial services to the Group, the terms thereof shall not be less favorable than those offered to other members of HECIC, nor less favorable than those of comparable services offered to the Group by any commercial banks or other financial institutions. The Group will utilize the financial services of the Group Finance Company on a voluntary and non-compulsory basis and is not obliged to engage the Group Finance Company for any particular service. The term of the financial services framework agreement is from 1 January 2016 to 31 December 2018. During the reporting period, the proposed maximum daily balance under the deposit service under the agreement was RMB3,170 million and the actual maximum daily balance under the deposit service was RMB2,358 million.

The fees and charges payable by the Group to the Group Finance Company under the Renewed Financial Services Framework Agreement are determined on the following basis:

(1) Deposit Service: the interest rates shall not be lower than (i) the lower limits of the interest rates promulgated by the PBOC from time to time for the same category of deposits; (ii) the interest rates offered to other members of HECIC by the Group Finance Company for the same category of deposits; and (iii) the interest rates offered to the Group by commercial banks for the same category of deposits, whichever is higher.

(2) Loan Service: the interest rates shall not be higher than (i) the upper limits of the interest rates promulgated by the PBOC from time to time for the same category of loans; (ii) the interest rates offered to other members of HECIC by the Group Finance Company for the same category of loans; and (iii) the interest rates offered to the Group by commercial banks for the same category of loans, whichever is lower.

(3) Other Financial Services: the interest rates or service fees charged for Other Financial Services shall (i) comply with the standard rates as promulgated by the PBOC or the CBRC from time to time (if applicable); (ii) not be higher than the interests or service fees charged by commercial banks for comparable services; and (iii) not be higher than the interest rates or service fees charged by the Group Finance Company for comparable services to other members of HECIC.

The Group Finance Company is a non-wholly owned subsidiary of HECIC and HECIC is the controlling shareholder of the Company directly holding approximately 50.5% equity interest in the Company in total and is therefore a connected person of the Company. The Group Finance Company is also a connected person of the Company. Accordingly, the provision of financial services by the Group Finance Company to the Company pursuant to the Renewed Financial Services Framework Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Details are set out in the announcements on 11 November 2015, and shareholders' circular on 11 December 2015, issued by the Company in relation to this continuing connected transaction. The transaction was approved by the extraordinary general meeting of the shareholders of the Company on 28 December 2015. On the same day, the Company released the announcement regarding the poll results of the extraordinary general meeting of the shareholders on the websites of the Hong Kong Stock Exchange and the Company.

(4) Confirmation by the independent non-executive Directors

The independent non-executive Directors of the Company have reviewed each of the aforementioned continuing connected transactions and confirmed that the transactions have been conducted:

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

2. either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from (as case may be) independent third parties; and

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

(5) Confirmation by the auditor

The auditors of the Company, Ernst & Young have provided a letter to the Board, confirming that for the year ended 31 December 2016, in respect of the aforementioned continuing connected transactions:

1. nothing has come to their attention that causes them to believe that the transactions have not been approved by the Board of Directors;

2. for the transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements; and

4. nothing has come to their attention that causes them to believe that the amount of each of the transactions has exceeded its annual cap mentioned above.

(6) Continuing connected transactions

Two categories of related party transactions as set out in note 36 to the financial statements of the year are continuing connected transactions under Chapter 14A of the Listing Rules:

(a) transactions with HECIC: such transactions still continued in the year of 2016, please refer to note 36 to "Notes to Financial Statements" of this Annual Report for details; and

(b) transactions with subsidiaries of HECIC: these include transactions with the Group Finance Company (such transactions still continued in the year of 2016, please refer to note 36 to "Notes to Financial Statements" of this Annual Report for details) and transactions with other subsidiaries of HECIC.

The above mentioned transactions are in compliance with the requirements of Chapter 14A of the Listing Rules.

22. COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company entered into the "Non-Competition Agreement" with its controlling shareholder, HECIC, on 19 September 2010. Pursuant to the Non-competition Agreement, HECIC shall not and shall procure its subsidiaries not to compete with the Group in the relevant businesses, and HECIC granted the Company the option to take up new business opportunity, option to acquire any retained business and new business opportunities and pre-emptive rights.

Independent non-executive Directors of the Company will be responsible for the review, consideration and determination in relation to the acceptance of new business opportunities referred by HECIC or its subsidiaries, and the exercise of its acquisition option and pre-emptive rights.

HECIC has confirmed that it has complied with its undertakings in the "Non-Competition Agreement" during 2016. The independent non-executive Directors of the Company have reviewed the implementation of the "Non-Competition Agreement" during 2016 and confirmed that HECIC has been in full compliance with such agreement and that there were no breaches.

23. RETIREMENT AND EMPLOYEE BENEFIT PLANS

Details of the Group's retirement and employee benefit plans are set out in Note 8 to the Financial Statements.

24. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Hong Kong Stock Exchange, the Company strives to maintain a high standard of corporate governance practices and adopts the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" to Appendix 14 of the Listing Rules. During the reporting period, the Company complied with all of the code provisions set out in the Code.

25. PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, not less than 25% of the issued shares of the Company were held by the public as at the latest practicable date prior to the issue of this annual report, which was in compliance with the requirements under the Listing Rules.

26. MATERIAL LITIGATION

As of 31 December 2016, the Group did not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Group.

27. AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the 2016 annual results of the Group and the Financial Statements for the year ended 31 December 2016 prepared in accordance with the "International Financial Reporting Standards".

28. AUDITORS

Ernst & Young was appointed as auditors for the Financial Statements prepared in accordance with the IFRS for the year ended 31 December 2016. The enclosed Financial Statements prepared in accordance with the IFRS have been audited by Ernst & Young.

Reanda Certified Public Accountants (利安達會計師事務所) was appointed as the auditor of the Company for preparing the Financial Statements for the year ended 31 December 2016 in accordance with the PRC Financial Accounting Standards.

By order of the Board
Cao Xin
Chairman/Non-executive Director

Shijiazhuang, PRC, 21 March 2017

Corporate Governance Report

The Board of the Company hereby presents to shareholders the corporate governance report for 2016.

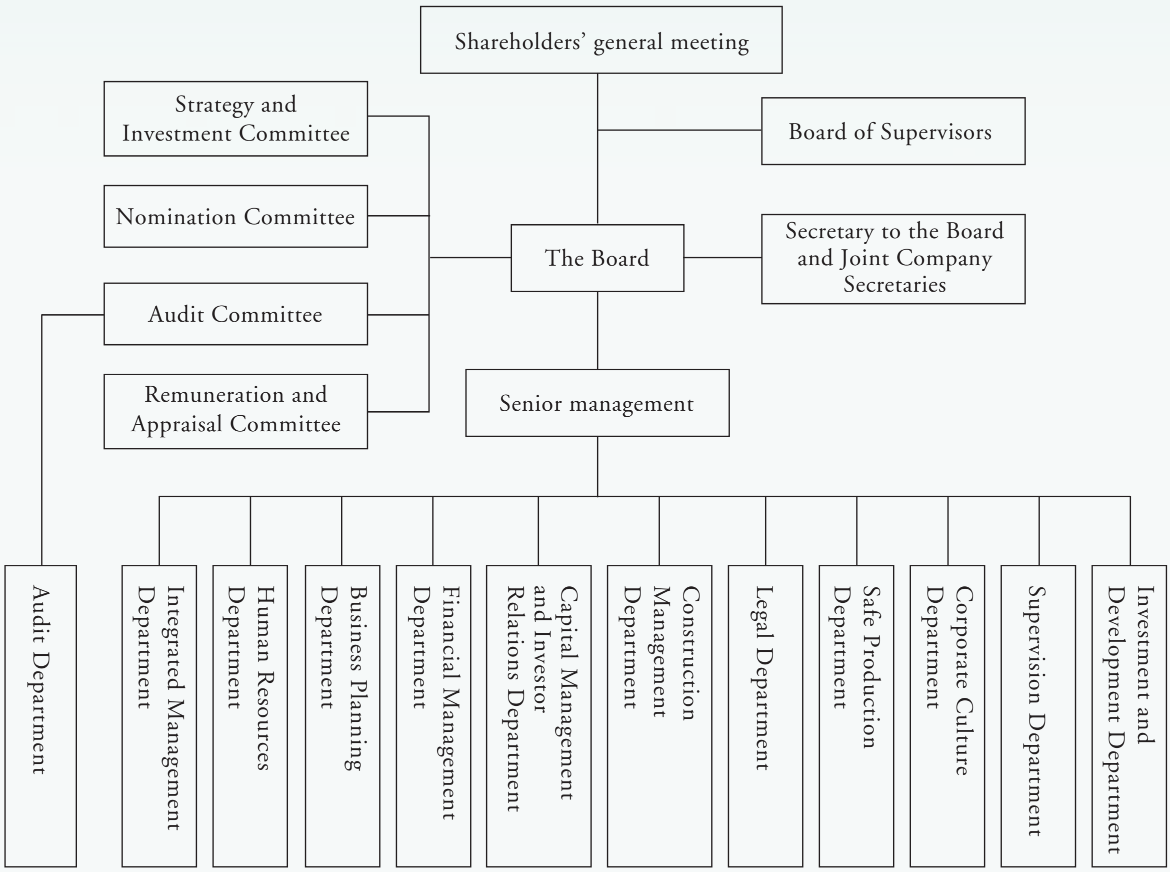
The Company has always been focused on maintaining a high level of corporate governance so as to enhance value for shareholders and protect their interests. The Company has established a modern corporate governance structure which comprises of the shareholders' general meeting, the Board, the Board of Supervisors, specialised Board committees and senior management in accordance with the "PRC Company Law", the "Mandatory Provisions for the Articles of Association of Companies Listed Overseas" and the Corporate Governance Code ("the Code") set out in the Listing Rules. During the reporting period, the Company has complied with all provisions set out in the Corporate Governance Code.

The Company has adopted the "Model Code" set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by all Directors and supervisors. After making specific enquiries to all of the Directors and supervisors of the Company, all Directors and supervisors confirmed that during the reporting period, they had fully complied with the standards set out in the "Model Code".

The Board will review from time to time the corporate governance practices and operations of the Company so as to meet the requirements under the Listing Rules and to protect the interests of shareholders.

1. CORPORATE GOVERNANCE STRUCTURE

The corporate governance structure of the Company is as follows:



2. THE BOARD

(1) Composition of the Board

During the reporting period, the Board of the Company comprises 11 Directors, which includes 5 non-executive Directors, 2 executive Directors and 4 independent non-executive Directors.

During the reporting period, each appointed Director has entered into a service contract with the Company. The duration of each service contract is from the relevant date of appointment up to the end of term of the second session of the Board. Upon the expiration of the term, each appointed Director has entered into a service contract with the Company. The duration of each service contract is from the relevant date of appointment up to the end of term of the third session of the Board.

In 2016, the Board has consistently complied with the Listing Rules with respect to the requirement for the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, accounting or related financial management expertise, and the requirement for the independent non-executive Directors representing at least one-third of the total number of members on the Board. Moreover, the Company has received from each independent non-executive Director an annual confirmation of independence, and considers that all the independent non-executive Directors are independent from the Company.

Regarding the diversity of the Board members, Directors of the Company have different professional backgrounds. Each Director provides professional advice in their respective areas of expertise to the Company, and there is a new female Director on the Board.

The composition of the third session of the Board is as follows:

Name	Age	Gender	Position	Date of Appointment	Term of office
Cao Xin	45	Male	Chairman of the Board, non-executive Director	13 June 2016	3 years, until the expiration of the third session of the Board
Li Lian Ping	54	Male	Non-executive Director	13 June 2016	3 years, until the expiration of the third session of the Board
Qin Gang	42	Male	Non-executive Director	13 June 2016	3 years, until the expiration of the third session of the Board
Sun Min	49	Female	Non-executive Director	13 June 2016	3 years, until the expiration of the third session of the Board
Wu Hui Jiang	37	Male	Non-executive Director	13 June 2016	3 years, until the expiration of the third session of the Board
Gao Qing Yu (resigned)	53	Male	Executive Director, President	13 June 2016	From 13 June 2016 to 16 March 2017
Wang Hong Jun	52	Male	Executive Director	13 June 2016	3 years, until the expiration of the third session of the Board
Qin Hai Yan	46	Male	Independent non-executive Director	13 June 2016	3 years, until the expiration of the third session of the Board
Ding Jun	54	Male	Independent non-executive Director	13 June 2016	3 years, until the expiration of the third session of the Board
Wang Xiang Jun	52	Male	Independent non-executive Director	13 June 2016	3 years, until the expiration of the third session of the Board
Yue Man Yiu Matthew	55	Male	Independent non-executive Director	13 June 2016	3 years, until the expiration of the third session of the Board

(2) Role and responsibilities of the Board

The Board is accountable to and reports its work to the shareholders' general meetings and is responsible for implementing the resolutions of the shareholders' general meetings. The responsibilities of the Board are defined in the Articles of Association, which stipulated that it has the following responsibilities: convening the shareholders' general meetings, implementing the resolutions of the shareholders' general meetings, making decisions on operational planning and investment projects of the Company, preparing the accounts, preparing the annual financial budget, final accounts, profit distribution plan, capital increase or reduction plan, determining the set up of the Company's management bodies, electing the chairman and vice chairman of the Board, deciding whether to appoint or dismiss the president, vice presidents and other senior management, developing the basic management system of the Company and making decisions on the establishment of specialized board committees.

(3) Role and responsibilities of management

The management is responsible for the specific implementation of the Board resolutions and the Company's daily operation and management. According to the Company's Articles of Association, the management's primary responsibilities are as follows: formulating the operational planning, investment and financing plan of the Company, formulating the plan for the establishment of internal management bodies, and formulating the basic management system and specific regulations of the Company, etc.

(4) Board meetings

Pursuant to the Articles of Association, the Board is required to hold at least four Board meetings each year, which shall be convened by the chairman of the Board. To ensure the good attendance rate of Board meetings, a notice of at least 14 days shall be given for a regular Board meeting. The notice shall state the time, venue and means by which the Board meeting will be convened. There is no restriction on the time of notice for extraordinary meetings.

In accordance with the Listing Rules, the Board is required to notify the Hong Kong Stock Exchange and issue an announcement at least seven clear business days prior to Board meetings in relation to decisions regarding the declaration, proposal or payment of dividends, or resolutions regarding the approval of profits or losses of any year, half-year or other periods.

Except for the Board's consideration of matters in relation to connected transactions as stipulated by the Articles of Association, the quorum for a Board meeting is the presence of at least half of the total number of the Directors. A Director may attend the Board meeting in person, or appoint another director as his proxy to attend the Board meeting. The secretary to the Board of the Company is responsible for preparing and keeping the minutes of Board meetings and ensuring that such minutes are available for inspection by any Director.

In 2016, nine meetings were held by the Board. Details of Directors' attendance to Board meetings are as follows:

Name	Position	Number of Meetings attended/ required to attend	Attendance Rate
Cao Xin	Non-executive Director, chairman of the Board	9/9	100%
Li Lian Ping[1]	Non-executive Director	6/6	100%
Qin Gang	Non-executive Director	9/9	100%
Sun Min	Non-executive Director	9/9	100%
Wu Hui Jiang	Non-executive Director	9/9	100%
Gao Qing Yu (resigned)	Executive Director, president	9/9	100%
Wang Hong Jun	Executive Director	9/9	100%
Qin Hai Yan	Independent non-executive Director	9/9	100%
Ding Jun	Independent non-executive Director	9/9	100%
Wang Xiang Jun	Independent non-executive Director	9/9	100%
Yue Man Yiu Matthew	Independent non-executive Director	9/9	100%

Note: (1) Dr. Li is the newly appointed non-executive director which was approved at the AGM convened on 13 June 2016, and has attended all the board meetings after his appointment.

(5) Chairman and president

During the reporting period, Dr. Cao Xin served as chairman of the Board of the Company, and Mr. Gao Qing Yu served as president of the Company. The roles of the chairman of the Board and president of the Company are separated and served by different people to ensure the independence of each role.

Dr. Cao Xin, chairman of the Board, is responsible for governing and leading the Board, as well as developing the Company's development strategy and corporate control mechanism to ensure the effective functioning of the Board and its independent committees, and to ensure the actions of the Board are in the best interests of the Company and its shareholders.

(6) Appointment of Directors

According to the Articles of Association of the Company, Directors shall be elected at a shareholders' general meeting with a term of three years and may be re-elected. The Company has developed procedures for the appointment of Directors. The Nomination Committee is responsible for nominating new Director, and submitting the list to the Board for consideration. All newly nominated Directors are subject to election and approval at the shareholders' general meeting.

(7) Directors' remuneration

Independent non-executive Directors of the Company will receive remuneration from the Company. The Company will pay each independent non-executive Director HKD100,000 or the Renminbi equivalent annually (tax inclusive, paid on a quarterly basis, and the Company is responsible for withholding personal income tax). Travel expenses incurred by attending Board meetings and shareholders' general meetings of the Company and relevant activities organised by the Board will be borne by the Company. Non-executive Directors without management roles in the Company will not receive any remuneration from the Company. Executive Directors holding management roles in the Company will receive remuneration from the Company. The remuneration of all executive Directors will be determined in accordance with the criteria specified in the "Remuneration Management Measures" of the Company, which includes a basic salary, performance bonuses and other benefits. The amount of basic salary is determined in accordance with the position of the executive Director in the Company, the performance bonus is determined with reference to the Company's business performance and other benefits include the statutory pension, medical and housing funds. Details of the Directors' remuneration are set out in Note 8 to the Financial Statements.

(8) Directors' training

Every newly appointed director has undertaken the comprehensive, formal and tailor-made orientation program at the start of his appointment to ensure the Director has a proper understanding of the business and operations of the Company, and his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors receive updates to the Company's business and operations and to the relevant laws and regulations every month to facilitate their discharge of duties. In addition, all Directors are also encouraged to attend relevant training courses and any costs in connection therewith are paid by the Company.

During the reporting period, most of the Directors of the Company participated in the training programs organized by The Hong Kong Institute of Chartered Secretaries. Cao Xin, Gao Qing Yu and Qin Gang participated in the training program in relation to the risk management and corporate governance; Sun Min, Ding Jun and Wang Xiang Jun participated in the training program in relation to the merger and financing of the overseas listed companies; Cao Xin, Li Lian Ping, Gao Qing Yu, Wang Hong Jun, Wu Hui Jiang and Qin Hai Yan participated in the training program in relation to the annual financial audit and results report; Yue Man Yiu participated in the training program in relation to the relative continuing professional development in Hong Kong.

(9) Joint company secretaries and their trainings

During the reporting period, Mr. Ban Ze Feng and Ms. Lam Yuen Ling, Eva served as the joint company secretaries, who are responsible for facilitating the Board procedures as well as communication among the Directors and communication between the Directors and shareholders and management. The primary contact person of Ms. Lam Yuen Ling, Eva with the Company is Mr. Ban Ze Feng, and significant issues will be reported by him to the chairman of the Board.

The joint company secretaries' biographies are set out in the "Biographies of Directors, Supervisors and Senior Management" section of this annual report. During the reporting period, the joint company secretaries undertook over 15 hours of professional training to update their skills and knowledge.

(10) Directors' liability insurance

The Company has arranged suitable insurance for prospective legal proceedings against the Directors and senior management, and will review the insurance policy annually.

3. BOARD COMMITTEES

During the reporting period, the Board exercised the function of the corporate governance by regularly reviewing the corporate governance policies and practices, reviewing the compliance with the Corporate Governance Code and the disclosure of Corporate Governance Report, reviewing and monitoring the training of Directors and the senior management, reviewing and monitoring the Company's compliance with laws and related policies and regulations. In order to further implement good corporate governance, the Board has established four committees, namely, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategy and Investment Committee. The Company has formulated the terms of reference for each Board committee.

(1) Audit Committee

During the reporting period, the Audit Committee of the Company consisted of three Directors, with Mr. Wang Xiang Jun (independent non-executive Director) as chairman of the Audit Committee, Mr. Yue Man Yiu Matthew (independent non-executive Director) and Mr. Qin Gang (non-executive Director) serving as its members.

Pursuant to the amended "Work Rules of the Audit Committee" of the Company, the major responsibilities of the Audit Committee are as follows: to review the principal financial control objectives, to supervise the implementation of financial and accounting regulations, to consider and review financial control, risk management and internal control system as well as the aims of such control measures, to consider the Company's annual internal audit plan, to communicate and coordinate between the Company's internal audit department and the external auditors, to review the Company's financial information and its disclosure, and to conduct independent audit and provide advice as to the integrity of the financial statements, annual reports, semi-annual reports, etc. as well as significant opinions made towards any relevant financial information. For details of the terms of reference of the Audit Committee of the Company, please see the Company's announcement on the websites of the Hong Kong Stock Exchange.

The Board and the Audit Committee have reached consensus on the selection, appointment or dismissal of external auditors or the resignation of auditors.

During the reporting period, the Audit Committee convened three meetings, at which the following resolutions were respectively reviewed and approved:

1. In March 2016, the Company reviewed and approved the resolution regarding "Communication of the Audit Results for the Year 2015" at an Audit Committee meeting convened through on-site and remote communications.

2. In August 2016, the Company reviewed and approved the resolution regarding the "2016 interim results report reviewed based on agreed upon procedures" at an Audit Committee meeting convened through on-site and remote communications.

3. In December 2016, the Company reviewed and approved the resolution regarding the "2017 Audit Plan" at an Audit Committee meeting convened through on-site and remote communications.

Mr. Wang Xiang Jun, Mr. Qin Gang and Mr. Yue Man Yiu Matthew, members of the Audit Committee, attended all the above meetings. At these meetings, they discussed and passed the relevant resolutions. The Audit Committee has reviewed the effectiveness of the internal control policy of the Company on 31 December 2016 and the risk management and internal control system of the Company. During the reporting period, the Audit Committee considered that the internal review and risk management functions of the Company were reasonable, effective and sufficient.

The Audit Committee is responsible for supervising the Audit Department to perform the audit and risk management functions and is responsible for the independent review of the adequacy and effectiveness of the Group's internal control and risk management system.

(2) Remuneration and Appraisal Committee

During the reporting period, the Remuneration and Appraisal Committee of the Company consisted of three Directors, with Mr. Qin Hai Yan (independent non-executive Director) as chairman of the Remuneration and Appraisal Committee, and Dr. Cao Xin (non-executive Director) and Mr. Ding Jun (independent non-executive Director) as its members.

Pursuant to "Work Rules of the Remuneration and Appraisal Committee" of the Company, the major responsibilities of the Remuneration and Appraisal Committee are as follows: to develop the assessment standards for Directors and senior management, to develop formal and transparent remuneration policy and structure as well as remuneration and performance appraisal plans for Directors and senior management, and to study the Company's incentive plans, remuneration system and option plans. For details of the terms of reference of the Remuneration and Appraisal Committee of the Company, please see the Company's announcement on the websites of the Hong Kong Stock Exchange.

During the reporting period, the Remuneration and Appraisal Committee convened three meetings, at which the following resolutions were respectively reviewed and approved:

1. In March 2016, the Company considered and approved the Resolution on remuneration of the directors of the third session of the board of directors at a Remuneration and Appraisal Committee meeting convened through on-site and remote communications.

2. In August 2016, the Company considered and approved the Resolution on annual payment of the staff of the Company for the year 2015 at a Remuneration and Appraisal Committee meeting convened through on-site and remote communications.

All members of the Remuneration and Appraisal Committee attended the above meetings. In addition to attending meetings, members maintain close and effective communication amongst themselves through channels such as e-mail and electronic communications to ensure the discharge of their duties.

During the eporting Period, the Remuneration and Appraisal Committee adopts the position of recommending the remuneration of Directors and senior management to the Board and reviewing the compensation policies, strategies and principles for Directors and senior management.

(3) Nomination Committee

During the reporting period, the Nomination Committee consisted of five directors, with Dr. Cao Xin (non-executive director) served as chairman of the Nomination Committee, Dr. Li Lian Ping (non-executive Director) Mr. Qin Hai Yan (independent non-executive Director), Mr. Ding Jun (independent non-executive Director) and Mr. Yue Man Yiu Matthew (independent non-executive Director) as its members.

Pursuant to the "Work Rules of the Nomination Committee" of the Company, the major responsibilities of the Nomination Committee are as follows: to develop the standards, procedures and method for selecting Directors and senior management of the Company, to give recommendations to the Board in respect of the appointment, reappointment of Directors and succession for Directors (especially the chairman of the Board and the president), to assess the independence of independent non-executive Directors, to monitor the implementation of the Board diversity policy and review such policy as appropriate, and to make recommendations to the Board on quantifiable objectives for achieving better diversity of the Board. For details of the terms of reference of the Nomination Committee of the Company, please see the Company's announcement on the websites of the Hong Kong Stock Exchange.

During the reporting period, the Nomination Committee convened two meetings and all members attended, at which the following resolutions were respectively reviewed and approved:

1. In March 2016, the Company considered and approved the Resolution on the nomination of candidates for the directors of the third session of the Board of Directors at a nomination meeting convened through on-site and remote communications.

2. In June 2016, the Company considered and approved the Resolution on the election of the chairman of the third session of the Board of Directors at a nomination meeting convened through on-site and remote communications.

During the reporting period, the Nomination Committee discussed on the re-election and the appointment of the directors and each of the directors has provided their advice on the Company in their respective professional aspects.

(4) Strategy and Investment Committee

During the reporting period, the Strategy and Investment Committee of the Company consisted of three Directors, with Dr. Cao Xin (non-executive director) serving as chairman of the Strategy and Investment Committee, Dr. Li Lian Ping (non-executive Director) and Mr. Gao Qing Yu (executive Director, resigned) as its members.

Pursuant to the "Work Rules of the Strategy and Investment Committee" of the Company, the major responsibilities of the Strategy and Investment Committee are as follows: to study and make recommendations on the development strategy and major investment decisions of the Company, to review annual business plans and investment proposals of the Company, to study and make recommendation on significant investments, financing and capital operations proposals that require the approval from the Board.

During the reporting period, no meeting was convened by the Strategy and Investment Committee. Members maintained close and effective communication amongst themselves through channels such as e-mails and electronic communications to ensure the discharge of their duties.

4. THE BOARD DIVERSITY POLICY

The Company formulated the "Board Diversity Policy", which set out the requirements for diversity in Board members and the principles for the selection of Directors.

(1) Policy summary

To achieve sustainable and balanced development, the Company sees increased diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In planning the Board's composition, board diversity needs to be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

(2) Quantifiable measurers and the progress of the Board Diversity Policy

Selection of candidates of the Company will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, 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.

During the reporting period, the Nomination Committee reviewed the composition of the third session of the Board of the Company and concluded that the Company had met the diversification requirements with regard to age, cultural and educational background, professional experience, skills and knowledge. When making the appointment and re-appointment of directors in the future, the Nomination Committee will nominate new directors pursuant to the requirements of the "Board Diversity Policy" to achieve the objective of diversity in Board members.

5. DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Board acknowledges its responsibility for preparing the Financial Statements of the Group for the year ended 31 December 2016.

6. RISK MANAGEMENT AND INTERNAL CONTROLS

During the reporting period, the Company organized and completed the analysis on the Company's internal control, which included procuring relevant departments to make adjustments in respect of the deficiencies in internal control found in the analysis within a time limit, following-up the adjustments effectively and improving the Company's internal control system. In order to ensure the internal control operate effectively, the Company amended and improved the "Internal Control Manual of China Suntien Green Energy Corporation Limited"(《新天綠色能源股份有限公司內部控制手冊》). To effectively implement the internal control standards of the Group, we will further strengthen and standardize the internal control of the Group and improve the overall management and risk level and risk prevention capability of the Group. In 2016, the internal control system of the Company was promoted to the relevant companies in Northwest China to establish their own "internal control management manual", which strengthened the internal control system of the Group and promoted the internal control and management quality.

In 2016, the Company made use of the comprehensive risk management philosophy as core and enhanced the overall risk management. In view of the ten major risk events of 2016 assessed in 2015, combined with the actual operations of the Company, "creditor risk management" was selected as a special risk to deal with by effective monitoring and early warning. After careful analysis on all the subsidiaries involved in "creditor risk management", the final conclusion was to carry out special rectification work in Hebei Natural Gas. For the management measures and rectification program on the major risk of Hebei Natural Gas, in addition to the regulations on system, for improving the effectiveness of risk response, it is necessary to set up corresponding early warning and monitoring indicators to grasp the changes in the major risks faced in the management activities of the creditor's risk business, provide an important basis for timely development and updating of risk response measures, and provide forward-looking information support for scientific and effective management decision-making and job deployment.

In order to grasp the changes of the major risks faced by the Company's business management activities and improve the effectiveness of the risk response, an effective risk monitoring and early warning mechanism will be established to regulate and standardize the risk monitoring and early warning work of the Company and enhance the risk management function and risk response for ensuring the smooth realization of the Company's strategic objectives. According to the 2016 risk assessment results, combined with the actual situation of the Company, the major risk monitoring and early warning indicators of the Company were identified. Meanwhile, we guided HECIC and Hebei Natural Gas on the construction of the major risk monitoring and early warning system for risk prevention. Currently, the two companies completed the setup of the monitoring and early warning indicators and conducted trial runs according to the actual situation, and made amendments to the early warning which was below standard for reducing risk.

Meanwhile, in order to establish a sound system for comprehensive risk control, enhance risk management, effectively prevent, resolve and reasonably assume the risk we are facing as well as facilitate the sustainable, sound and stable development of the Company, with reference to our actual situation, the Company promulgated the "Comprehensive Risk Management Approach" and the "Comprehensive Risk Management Manual" as the guidance of the construction and operation of the comprehensive risk management system of the Company for providing adequate protection in achieving established goals of the Company.

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The risk management and internal control system of the Company are designed to manage rather than eliminate the risk of failures to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board reviews the risk management and internal controls annually. The statement of the Board has included the examination and review of the Company's risk management and internal control systems as at 31 December 2016. The Board has confirmed that it has reviewed the effectiveness of the risk management and internal control systems and the Board considers that the risk management and internal control systems are effective and sufficient and they can effectively prevent against the existing risks in the Company's operation.

7. REMUNERATION OF AUDITORS

In 2016, international auditor Ernst & Young was appointed to provide audit services to the Company in accordance with the IFRS. The fees payable to Ernst & Young was RMB2.9 million. The responsibilities of Ernst & Young as to the Financial Statements are set out on pages 79 to 80 of this annual report.

In 2016, Reanda Certified Public Accountants was appointed as the successor PRC auditor for the year of 2016 for providing audit services in accordance with the Accounting Standards for Business Enterprises of PRC. The fees payable to Reanda Certified Public Accountants was RMB0.78 million.

8. SHAREHOLDERS' RIGHTS

(1) Shareholders are entitled to propose the convening of an extraordinary general meeting

Pursuant to the Articles of Association of the Company, shareholders are entitled to the following right: one or several shareholders holding more than 10% (including 10%) of voting shares of the Company can make written request to the Board to convene an extraordinary general meeting of shareholders.

(2) Shareholders are entitled to put forward provisional proposals in a shareholders' general meeting

Pursuant to the Articles of Association of the Company, shareholder(s) holding more than 3% (including 3%) of voting shares of the Company shall be entitled to put forward written provisional proposals to the Company when a shareholders' general meeting is convened. The Board office of the Company located at its registered office and headquater in the PRC is responsible for dealing with any proposals put forward by shareholders. The Company shall add any matters in the provisional proposals that fall within the scope of deliberation by the shareholders' general meeting to the agenda of the meeting.

(3) Shareholders are entitled to make enquiries

Shareholders are entitled to make enquiries of which the Board should pay attention, directly to the Company at its principal place of business in Hong Kong. The Company will deal with all enquiries in a timely and appropriate manner. The contact information of the Company's office in Hong Kong is as follows:

Address: Suite 2103, 21st Floor, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong
Fax: (852) 21530925

9. COMMUNICATION WITH SHAREHOLDERS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the business and strategy of the Company. The Company highly appreciates shareholders' opinions and advice, and actively organises various investor relations activities to maintain its communication with shareholders and to meet the reasonable demands of shareholders in a timely manner.

The Company publishes financial information, annual reports, interim reports and other latest information to ensure that its shareholders can keep abreast of the Company's operational position. The Company has also organized a number of on-site visits for shareholders to understand our business operations, as well as meeting with shareholders frequently at roadshows and summits to report on the Company's latest operational position.

The annual general meeting of the Company is also the best way for the exchange of opinions between the Board and the shareholders. Shareholders are encouraged to attend the annual general meetings or appoint proxy(ies) to attend and vote at the annual general meetings. Pursuant to company laws and the Articles of Association of the Company, shareholders shall have legal rights to require that the chairman of the Board, chairmen of specific Board committees and auditors of the Company to answer shareholders' inquiries at the annual general meetings.

During the reporting period, the Company convened the 2015 annual general meeting on 13 June 2016, in which various resolutions were voted upon by poll respectively. Directors of the Company answered enquiries raised by shareholders on the operation of the Company. The Company also convened one extraordinary general meeting on 23 December 2016 in respect of the voting by poll on the resolution in relation to the issuance of no more than RMB1.5 billion renewable corporate bonds by the Company and on the resolution in relation to the issuance of no more than RMB1.5 billion super and short-term commercial papers by the Company, respectively. All resolutions were duly passed.

During the reporting period, details of Directors of the Company that attended the shareholders' general meetings are as follows:

Name	**Position**	**No. of shareholders' general meetings attended/ required to attend**
Cao Xin	Non-executive Director/Chairman of the Board	1/2
Li Lian Ping	Non-executive Director	0/1
Qin Gang	Non-executive Director	1/2
Sun Min	Non-executive Director	1/2
Wu Hui Jiang	Non-executive Director	0/2
Gao Qing Yu (resigned)	Executive Director/President	2/2
Wang Hong Jun	Executive Director	1/2
Qin Hai Yan	Independent non-executive Director	0/2
Ding Jun	Independent non-executive Director	0/2
Wang Xiang Jun	Independent non-executive Director	2/2
Yue Man Yiu Matthew	Independent non-executive Director	0/2

10. INVESTOR RELATIONS

As at 31 December 2016, the total number of shares in issue of the Company was 3,715,160,396, comprising of 1,876,156,000 domestic shares and 1,839,004,396 H shares.

The Company believes that good investor relations can help to build a more stable base of shareholders. Accordingly, the Company is committed to maintaining high transparency, provides investors with comprehensive and accurate information in a timely manner and continuously performs the information disclosure obligations of listed companies in compliance with the Listing Rules.

During the reporting period, the Company strengthened its communication with investors through annual and interim results roadshows, approximately 100 investor summits in Hong Kong and the PRC, and voluntary information disclosure so as to enable the shareholders to understand the corporate strategy and business operations of the Company.

The Company will continue to maintain an open and effective investor communication policy and provide investors with the latest information of the Company's business in a timely manner in accordance with the relevant regulatory requirements.

11. ARTICLES OF ASSOCIATION OF THE COMPANY

During the reporting period, the Company made amendments to the Articles of Association to reflect the change in share structure of the domestic shareholders of the Company. The amended Articles of Association are as follow (amendments are highlighted in bold and underlined):

"After the Company has been established and subject to the approval by the China Securities Regulatory Commission, the Company is allowed to issue 1,238,435,000 shares of foreign listed shares, including over-placing of 161,535,000 shares. At the same time of issuance of foreign listed shares, the state-owned shareholder of the Company has transferred not more than 123,844,000 state-owned shares to the National Social Security Fund Council in accordance with the relevant national requirement in relation to reduction of holding of state-owned shares.

After completion of the issuance of the aforesaid foreign invested shares listed overseas, the Company's equity capital structure was: Hebei Construction & Investment Group Co., Ltd. held 1,500,924,800 shares, accounting for 46.35% of all the ordinary shares; HECIC Water Investment Co., Ltd. held 375,231,200 shares, accounting for 11.59% of all the ordinary shares; the National Social Security Fund Council held 123,844,000 shares, accounting for 3.82% of all the ordinary shares; shareholders of H shares held 1,238,435,000 shares, accounting for 38.24% of all the ordinary shares.

In January 2014, with the approval by the China Securities Regulatory Commission, the Company issued an additional 476,725,396 foreign invested shares listed overseas to no more than 10 foreign investors by way of private placing. After completion of such issuance of shares, the Company's equity capital structure is: Hebei Construction & Investment Group Co., Ltd. holds 1,500,924,800 shares, accounting for 40.40% of all the ordinary shares; HECIC Water Investment Co., Ltd. holds 375,231,200 shares, accounting for 10.10% of all the ordinary shares; the National Social Security Fund Council holds 123,844,000 shares, accounting for 3.33% of all the ordinary shares; shareholders of H shares hold 1,715,160,396 shares, accounting for 46.17% of all the ordinary shares.

In July 2015, with the approval by the State-owned Assets Supervision and Administration Commission of the State Council, HECIC Water Investment Co., Ltd. transferred 375,231,200 domestic shares of the Company to its controlling shareholder Hebei Construction & Investment Group Co., Ltd. by administrative allocation without consideration. After completion of such transfer of shares, the Company's equity capital structure was: Hebei Construction & Investment Group Co., Ltd. holds 1,876,156,000 shares, accounting for 50.50% of all the ordinary shares; shareholders of H shares hold 1,839,004,396 shares, accounting for 49.50% of all the ordinary shares."

Report of the Board of Supervisors

1. COMPOSITION OF THE BOARD OF SUPERVISORS

During the reporting period, the general meeting of employee representatives was convened by the Company on 18 March 2016. Mr. Qiao Guo Jie and Ms. Ma Hui were elected as the employee representative supervisors of the third session of the Board of Supervisors. Mr. Yang Hong Chi and Mr. Liu Jin Hai were appointed as the non-employee representative supervisors, and Mr. Xiao Yan Zhao and Mr. Liang Yong Chun were appointed as the Independent Supervisors of the Company at the 2015 annual general meeting held on 13 June 2016. The third session of the Board of Supervisors was then formed by these six supervisors.

As at 31 December 2016, the composition of the third session of the Board of Supervisors was as follows:

Name	Age	Position	Date of Appointment	Term of office
Yang Hong Chi	60	Chairman of the Board of Supervisors	13 June 2016	3 years, until expiration of the term of the third session of the Board of Supervisors
Liu Jin Hai	44	Supervisor	13 June 2016	3 years, until expiration of the term of the third session of the Board of Supervisors
Qiao Guo Jie	54	Employee representative supervisor	18 March 2016	3 years, until expiration of the term of the third session of the Board of Supervisors
Ma Hui	54	Employee representative supervisor	18 March 2016	3 years, until expiration of the term of the third session of the Board of Supervisors
Xiao Yan Zhao	43	Independent supervisor	13 June 2016	3 years, until expiration of the term of the third session of the Board of Supervisors
Liang Yong Chun	45	Independent supervisor	13 June 2016	3 years, until expiration of the term of the third session of the Board of Supervisors

2. MEETINGS CONVENED BY THE BOARD OF SUPERVISORS

During the reporting period, the Board of Supervisors of the Company convened two meetings and all supervisors attended the meetings, the details of which were as follows:

1. The Sixth meeting of the second session of the Board of Supervisors was held on 24 March 2016, at which the "Report on the Final Accounts of the Company for 2015", the "Financial Budget for 2016", the "Resolution Regarding the Profit Distribution Plan for 2015", the "Resolution Regarding the Audited Financial Statements for 2015", the "Resolution Regarding the Bad Debt Provision for the Natural Gas Company for 2015", the " Resolution Regarding the Nomination of Candidates for the Supervisors of the Third Session of the Board of Supervisors", the "Resolution Regarding the Consideration and Approval of the 2015 Annual Report and Results Announcement", and the "Resolution Regarding Consideration of the Remuneration of the Supervisors of the Third Session of the Board of Supervisors" were considered and approved.

2. The first meeting of the third session of the Board of Supervisors was held on 16 August 2016, at which the "Resolution Regarding the Election of the Chairman of the Third Session of the Board of Supervisors" the "Interim Work Report of the President for 2016", and the "Resolution Regarding the Consideration and Approval of the Interim Results Announcement and Report as at 30 June 2016" were considered and approved.

3. MAJOR INSPECTION AND SUPERVISION WORK OF THE BOARD UNDERTAKEN BY SUPERVISORS

During the reporting period, the major inspection and supervision work of the Board undertaken by Supervisors of the Company was as follows:

(1) Monitoring the Company's Operation

During the reporting period, members of the Board of Supervisors of the Company attended all Board meetings and shareholders' general meetings to review each resolution submitted to those meetings and supervised the business activities of the Company. The Board of Supervisors is of the opinion that the Company strictly complied with all laws and regulations and the Articles of Association of the Company when conducting its business activities, and that the Company has not involved in business activities which violate laws and regulations or fall beyond its legally approved scope of business.

(2) Monitoring the Performance of the Company's Directors and Senior Management

During the reporting period, members of the Board of Supervisors of the Company attended Board meetings to review each resolution of the Board and supervised the performance of the Company's Directors and senior management by inspecting the Company's routine management of operations. The Board of Supervisors is of the opinion that the Company's Directors and senior management have diligently and dutifully fulfilled their duties, and have not found any illegal, non-compliant behavior or behavior which harms the interests of the Company and its shareholders in the course of discharging their duties.

(3) Monitoring the Company's Financial Condition

During the reporting period, the Board of Supervisors carefully reviewed the relevant financial information and auditors' report of the Company. The Board of Supervisors is of the opinion that the preparation of the financial statements has been in conformity with the financial reporting standards, and were consistent, thus accurately, completely, truthfully and fairly reflecting the Company's financial condition and operating results.

(4) Monitoring the Company's connected transactions

During the reporting period, the Board of Supervisors reviewed the information of the connected transactions between the Company and the controlling shareholders. The Board of Supervisors is of the opinion that such connected transactions, are conducted on normal commercial terms, are fair, justified and reasonable and have not caused any harm to the interests of the Company and its shareholders.

(5) Monitoring the Company's Disclosure of Information

During the reporting period, the Board of Supervisors reviewed the relevant documents publicly disclosed by the Company. The Board of Supervisors is of the opinion that the Company has conducted information disclosure strictly in accordance with laws, regulations and the requirements of the Hong Kong Stock Exchange, such as the Listing Rules, and the information publicly disclosed is true, accurate and complete without false or misleading statements.

Yang Hong Chi
Chairman of the Board of Supervisors

Shijiazhuang, PRC, 21 March 2017

Independent Auditors' Report

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To the shareholders of China Suntien Green Energy Corporation Limited
(Established in the People's Republic of China as a joint stock limited company with limited liability)

OPINION

We have audited the consolidated financial statements of China Suntien Green Energy Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 183, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of trade and bills receivables	
As at 31 December 2016, the Group had trade and bills receivables of RMB2,018 million before a provision for impairment of RMB243 million. The determination as to whether a trade or bill receivable is collectable and whether a provision for impairment is required, involves management judgement. Management considers specific factors including the age of the balance, location of customers, existence of disputes, customers' repayment plans, recent historical payment patterns, outstanding mortgages, and other available information concerning the creditworthiness of the customers. The Group's disclosures about trade and bills receivables and impairment of trade and bills receivables are included in note 23 to the consolidated financial statements.	In order to evaluate management's judgements, we assessed whether the balances were overdue by testing the aged analysis prepared by management. For the overdue balances, we then considered relevant information impacting on their recovery, including, the customer's historical payment patterns, the repayment plans signed by the customer, evidence of any disputes and whether any post year-end payments had been received up to the date of completing our audit procedures. For the trade and bills receivable balances where a provision for impairment was recognised, we understood the rationale behind management's judgement and evaluated the adequacy of the provision made. When assessing the appropriateness of the overall provision for impairment, we also considered the consistency of management's application of the Group's policy for the recognition of provisions for trade and bills receivables, with the prior year.
Goodwill impairment	
As at 31 December 2016, the Group had goodwill of RMB 47,666,000. Under IFRS, the Group is required to annually test the goodwill for impairment. Management's assessment for impairment is dependent on the determination of the recoverable amount of the cash generating unit to which the goodwill is allocated, which is complex and highly judgmental and is estimated based on assumptions, including the revenue growth rates, budgeted gross margin and the discount rate, which are affected by expected future market or economic conditions. The Group's disclosures about goodwill are included in note 15 to the consolidated financial statements.	Our audit procedures included the involvement of our internal valuation experts to assist us in evaluating the bases and assumptions and the discount rate used by the management in the determination of the recoverable amount of the relevant cash generating units. We also assessed the revenue growth rates and budgeted gross margins projected by the management. We then evaluated the adequacy of the Group's disclosures of the bases and assumptions adopted for the impairment assessment and those assumptions to which the outcome of the impairment test was most sensitive.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Provision for site restoration costs	
The Group has two service concession arrangements with a government authority concerning the operation of two of its self-constructed wind power plants. The arrangements involve the Group as an operator operating the infrastructure for a period of 25 years (the "Service Concession Period"). Meanwhile, the Group has contractual obligations to restore the site of the infrastructures to a specified condition at the end of the Service Concession Period. The contractual obligation to restore the site of the infrastructures is recognised and measured by management based on its estimate of the expenditure required to settle the present obligation, at the end of the reporting period. The estimation of the expenditure requires the Group to estimate the expected future cash outflows regarding the obligation over the Service Concession Period and also to determine the discount rate in order to calculate the present value of those cash flows. Such assessment process is complex and involves significant management judgement and estimation. As at 31 December 2016, the provision for site restoration costs amounted to RMB45,055,000. The Group's disclosures about the provision for restoration costs are included in note 3 to the consolidated financial statements.	Our audit procedures included reading the service concession agreements, inspection of the condition of the relevant wind power plants, and an evaluation of the bases and the assumptions used in the discounted cash flow model for the estimation of the provision for the site restoration expenditure.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirement 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our 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 ISAs 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 ISAs, 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yim Chi Hung Henry.

Ernst & Young
Certified Public Accountants

Hong Kong
21 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
REVENUE	5	4,383,825	4,224,207
Cost of sales	6	(2,942,570)	(3,102,880)
Gross profit		1,441,255	1,121,327
Other income and gains, net	5	96,925	77,457
Selling and distribution expenses		(368)	(302)
Administrative expenses		(301,868)	(272,435)
Other expenses		(7,559)	(216,393)
PROFIT FROM OPERATIONS		1,228,385	709,654
Finance costs	7	(549,382)	(572,268)
Share of profits and losses of:			
A joint venture		(18)	–
Associates		64,896	62,981
PROFIT BEFORE TAX	6	743,881	200,367
Income tax expense	9	(96,709)	(11,424)
PROFIT FOR THE YEAR		647,172	188,943
Attributable to:			
Owners of the Company		541,574	168,353
Non-controlling interests		105,598	20,590
		647,172	188,943
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		647,172	188,943
Total comprehensive income attributable to:			
Owners of the Company		541,574	168,353
Non-controlling interests		105,598	20,590
		647,172	188,943
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	11	RMB14.58 cents	RMB4.53 cents
Diluted	11	RMB14.58 cents	RMB4.53 cents

Consolidated Statement of Financial Position

31 December 2016

	Notes	**31 December 2016 RMB'000**	31 December 2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**19,668,018**	14,970,566
Investment properties	*13*	**32,273**	32,620
Prepaid land lease payments	*14*	**373,664**	253,449
Goodwill	*15*	**47,666**	38,198
Intangible assets	*16*	**1,973,044**	2,062,660
Investments in associates	*17*	**1,153,766**	1,073,985
Investments in joint ventures	*18*	**75,582**	75,600
Held-to-maturity investments	*19*	**7,500**	7,500
Available-for-sale investments	*20*	**103,400**	103,400
Deferred tax assets	*21*	**77,090**	78,693
Trade receivables	*23*	**179,102**	142,848
Prepayments and other receivables	*24*	**1,813,788**	2,851,956
Total non-current assets		**25,504,893**	21,691,475
CURRENT ASSETS			
Prepaid land lease payments	*14*	**10,686**	7,900
Inventories	*22*	**45,393**	48,342
Trade and bills receivables	*23*	**1,596,579**	1,240,806
Prepayments, deposits and other receivables	*24*	**725,250**	566,315
Available-for-sale investments	*20*	**–**	230,000
Pledged deposits	*25*	**65**	65
Cash and cash equivalents	*25*	**1,491,173**	3,138,606
Total current assets		**3,869,146**	5,232,034
CURRENT LIABILITIES			
Trade and bills payables	*26*	**464,885**	553,362
Other payables and accruals	*27*	**2,213,395**	1,540,440
Interest-bearing bank and other borrowings	*28*	**5,112,741**	2,440,313
Tax payable		**26,724**	20,672
Total current liabilities		**7,817,745**	4,554,787
NET CURRENT ASSETS/(LIABILITIES)		**(3,948,599)**	677,247
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,556,294**	22,368,722

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Consolidated Statement of Financial Position

31 December 2016

	Notes	31 December 2016 RMB'000	31 December 2015 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		21,556,294	22,368,722
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	11,932,724	13,385,805
Other payables and accruals	27	89,636	82,397
Total non-current liabilities		12,022,360	13,468,202
Net assets		9,533,934	8,900,520
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	29	3,715,160	3,715,160
Reserves	30	4,185,246	3,698,056
		7,900,406	7,413,216
Non-controlling interests		1,633,528	1,487,304
Total equity		9,533,934	8,900,520

Cao Xin
Director

Wang Hong Jun
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Attributable to owners of the Company						
	Issued share capital RMB'000 (note 29)	Capital reserve RMB'000	Reserve funds RMB'000 (note 30)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2016	**3,715,160**	**2,134,854**	**164,861**	**1,398,341**	**7,413,216**	**1,487,304**	**8,900,520**
Profit for the year	–	–	–	541,574	541,574	105,598	647,172
Total comprehensive income for the year	–	–	–	541,574	541,574	105,598	647,172
Final 2015 dividend declared	–	–	–	(55,727)	(55,727)	–	(55,727)
Dividends declared to non-controlling shareholders	–	–	–	–	–	(20,993)	(20,993)
Contributions by non-controlling shareholders	–	427	–	–	427	38,847	39,274
Acquisition of subsidiaries	–	–	–	–	–	23,688	23,688
Transfer from retained profits	–	–	9,466	(9,466)	–	–	–
Others	–	916	–	–	916	(916)	–
As at 31 December 2016	**3,715,160**	**2,136,197***	**174,327***	**1,874,722***	**7,900,406**	**1,633,528**	**9,533,934**
As at 1 January 2015	3,715,160	2,134,395	137,627	1,372,392	7,359,574	1,402,818	8,762,392
Profit for the year	–	–	–	168,353	168,353	20,590	188,943
Total comprehensive income for the year	–	–	–	168,353	168,353	20,590	188,943
Final 2014 dividend declared	–	–	–	(115,170)	(115,170)	–	(115,170)
Dividends declared to non-controlling shareholders	–	–	–	–	–	(83,871)	(83,871)
Contributions by non-controlling shareholders	–	459	–	–	459	139,203	139,662
Acquisition of subsidiaries	–	–	–	–	–	8,564	8,564
Transfer from retained profits	–	–	27,234	(27,234)	–	–	–
As at 31 December 2015	3,715,160	2,134,854*	164,861*	1,398,341*	7,413,216	1,487,304	8,900,520

* These reserve accounts comprise the consolidated reserves of RMB4,185,246,000 (31 December 2015: RMB3,698,056,000) in the consolidated statement of financial position as at 31 December 2016.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		743,881	200,367
Adjustments for:			
Finance costs	7	549,382	572,268
Foreign exchange gain, net	5	(15,361)	(26,295)
Interest income	5	(23,564)	(25,678)
Fair value differences, net:			
Derivative instrument – transactions not qualifying as hedges		–	(364)
Share of loss of a joint venture		18	–
Share of profits of associates		(64,896)	(62,981)
Gain from held-to-maturity investments	5	(349)	(417)
Gain from available-for-sale investments	5	(26,418)	(4,115)
Loss from a derivative instrument	6	–	2,071
Depreciation of items of property, plant and equipment	6	659,389	579,873
Depreciation of investment properties	6	1,518	1,415
Amortisation of prepaid land lease payments	6	10,169	7,872
Amortisation of intangible assets	6	105,301	104,546
Loss/(gain) on disposal of items of property, plant and equipment, net	6	7,650	(5,734)
Impairment of trade receivables	6	40	214,421
Reversal of impairment of trade receivables	6	(131)	(99)
		1,946,629	1,557,150
Decrease/(increase) in inventories		3,227	(5,234)
Increase in trade and bills receivables		(571,640)	(367,287)
Decrease in prepayments, deposits and other receivables		307,636	81,870
(Decrease)/increase in trade and bills payables		(70,795)	190,895
Increase/(decrease) in other payables and accruals		67,451	(1,349)
Cash generated from operations		1,682,508	1,456,045
Income tax paid		(89,057)	(117,477)
Net cash flows from operating activities		1,593,451	1,338,568

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Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(3,959,898)	(5,439,327)
Payments for prepaid land lease payments		(34,979)	(2,631)
Payments for intangible assets		(1,754)	(3,360)
Proceeds from disposal of items of property, plant and equipment		3,023	18,536
Proceeds from disposal of intangible assets		–	36
Capital contribution to a joint venture		–	(15,600)
Capital contribution to an associate		(47,980)	(102,068)
Payments for acquisition of subsidiaries		–	(5,935)
Proceeds from acquisition of subsidiaries		6,826	–
Proceeds from disposal of available-for-sale investments		230,000	–
Gain from held-to-maturity investments	5	349	417
Gain from available-for-sale investments	5	26,418	4,115
Loss from a derivative financial instrument		–	(2,071)
Decrease in non-pledged time deposits with original maturity of more than three months when acquired		111,666	216,724
Decrease in restricted bank balances and time deposits		–	30,332
Dividends received from associates		33,868	46,711
Interest received	5	23,564	25,678
Net cash flows used in investing activities		(3,608,897)	(5,228,443)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions by non-controlling shareholders		88,500	170,174
New bank and other borrowings		5,792,020	7,503,677
Repayment of bank and other borrowings		(4,575,301)	(2,706,316)
Interest paid		(764,315)	(717,099)
Dividends paid to non-controlling shareholders		(20,993)	(83,871)
Dividend paid to owners of the Company		(55,727)	(115,170)
Net cash flows from financing activities		464,184	4,051,395
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,551,262)	161,520
Cash and cash equivalents at beginning of year		3,026,940	2,839,029
Effect of exchange rate changes on cash and cash equivalents		15,495	26,391
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	1,491,173	3,026,940

1. CORPORATE AND GROUP INFORMATION

China Suntien Green Energy Corporation Limited (the "Company") was established as a joint stock company with limited liability on 9 February 2010 in the PRC. The registered office of the Company is located at 9th Floor, Block A, Yuyuan Plaza, No. 9 Yuhua West Road, Shijiazhuang, Hebei Province, the PRC.

The Company's H shares were issued and listed on the main board of The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange") in 2010.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the investment, development, management and operation of wind power and solar energy generation, sale of natural gas and gas appliances, and the connection and construction of natural gas pipelines.

In the opinion of the directors of the Company (the "Directors"), the holding company and the ultimate holding company of the Company is Hebei Construction & Investment Group Co., Ltd. (河北建设投資集團有限責任公司, "HECIC"), a state-owned enterprise in the PRC.

Information about subsidiaries

Particulars of the subsidiaries of the Company are as follows:

Company name**	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
HECIC New-energy Co., Ltd. ("HECIC New-energy") (河北建投新能源有限公司)	The PRC/ Mainland China 17 July 2006	RMB3,767,300,000	100	–	Wind power generation, wind farm investment and service consulting
HECIC Zhangjiakou Wind Energy Co., Ltd. (河北建投張家口風能有限公司)	The PRC/ Mainland China 22 November 2005	RMB204,750,000	–	100	Wind power generation
HECIC Zhongxing Wind Energy Co., Ltd. (河北建投中興風能有限公司)	The PRC/ Mainland China 20 April 2006	RMB163,000,000	–	70	Wind power generation

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the subsidiaries of the Company are as follows: (continued)

Company name**	Note	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
HECIC Yuzhou Wind Energy Co., Ltd. (河北建投蔚州風能有限公司)	*(i)*	The PRC/ Mainland China 18 January 2007	RMB364,000,000	–	55.92	Wind power generation
HECIC Longyuan Chongli Wind Energy Co., Ltd. (河北建投龍源崇禮風能有限公司)	*(i)*	The PRC/ Mainland China 26 March 2007	RMB95,000,000	–	50	Wind power generation
CIC Yanshan (Guyuan) Wind Power Co., Ltd. (建投燕山(沽源)風能有限公司)		The PRC/ Mainland China 3 March 2009	RMB793,000,000	–	100	Wind power generation
Chongli CIC Huashi Wind Energy Co., Ltd. (崇禮建投華實風能有限公司)	*(i)*	The PRC/ Mainland China 26 March 2008	RMB178,600,000	–	51	Wind power generation
Lingqiu CIC Hengguan Wind Energy Co., Ltd. (靈丘建投衡冠風能有限公司)	*(i)*	The PRC/ Mainland China 18 July 2008	RMB261,500,000	–	55	Wind power generation
Zhangbei Huashi CIC Wind Energy Co., Ltd. (張北華實建投風能有限公司)	*(i)*	The PRC/ Mainland China 24 April 2008	RMB80,000,000	–	49	Wind power generation
Hebei Suntien Kechuang New Energy Technology Co., Ltd. (河北新天科創新能源技術有限公司)		The PRC/ Mainland China 29 March 2010	RMB108,800,000	–	100	Provision of maintenance and consultancy services in relation to wind farms and other new forms of energy
Chengde Yuyuan Wind Energy Co., Ltd. (承德御源風能有限公司)	*(i)*	The PRC/ Mainland China 6 April 2010	RMB160,000,000	–	60	Wind power generation
Changli Suntien Wind Energy Co., Ltd. (昌黎新天風能有限公司)		The PRC/ Mainland China 4 July 2011	RMB298,000,000	–	100	Wind power generation

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the subsidiaries of the Company are as follows: (continued)

Company name**	*Note*	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Laiyuan Suntien Wind Energy Co., Ltd. (淶源新天風能有限公司)		The PRC/ Mainland China 25 March 2011	RMB204,600,000	–	100	Wind power and solar energy generation
Zhangbei CIC Huashi Wind Energy Co., Ltd. (張北建投華實風能有限公司)	*(i)*	The PRC/ Mainland China 17 July 2010	RMB90,000,000	–	51	Wind power generation
Keyouqianqi Suntien Wind Energy Co., Ltd. (科右前旗新天風能有限公司)		The PRC/ Mainland China 10 January 2011	RMB90,200,000	–	100	Wind power generation
Yuxian Suntien Wind Energy Co., Ltd. (蔚縣新天風能有限公司)		The PRC/ Mainland China 27 January 2011	RMB714,000,000	–	100	Wind power generation
HECIC Offshore Wind Power Co., Ltd. (河北建投海上風電有限公司)		The PRC/ Mainland China 19 February 2011	RMB1,111,110,000	51.4	–	Wind power generation
Kangbao Suntien Wind Energy Co., Ltd. (康保新天風能有限公司)		The PRC/ Mainland China 3 March 2011	RMB28,000,000	–	100	Wind power generation
Shangyi Suntien Wind Energy Co., Ltd. (尚義新天風能有限公司)		The PRC/ Mainland China 17 March 2011	RMB17,000,000	–	100	Wind power generation
Zhangbei Suntien Wind Energy Co., Ltd. (張北新天風能有限公司)		The PRC/ Mainland China 11 April 2011	RMB12,000,000	–	100	Wind power generation
Guyuan Suntien Wind Energy Co., Ltd. (沽源新天風能有限公司)		The PRC/ Mainland China 7 May 2012	RMB2,000,000	–	100	Wind power generation

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the subsidiaries of the Company are as follows: (continued)

Company name**	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Chongli Suntien Wind Energy Co., Ltd. (崇禮新天風能有限公司)	The PRC/ Mainland China 16 September 2013	RMB150,000,000	–	100	Wind power generation
ChengdeYujing New Energy Co., Ltd. (承德御景新能源有限公司)	The PRC/ Mainland China 30 April 2014	RMB310,000,000	–	60	Wind power generation
Taigu Suntien Wind Energy Co., Ltd. (太谷新天風能有限公司)	The PRC/ Mainland China 8 September 2016	RMB2,000,000	–	100	Wind power generation
Datong Suntien Wind Energy Co., Ltd. (大同縣新天風能有限公司)	The PRC/ Mainland China 21 September 2016	RMB2,000,000	–	100	Wind power generation
Wuchuan Mengtian Wind Energy Co., Ltd. (武川縣蒙天風能有限公司)	The PRC/ Mainland China 26 October 2016	RMB20,000,000	–	100	Wind power generation
HECIC New-energy (Tangshan) Co., Ltd. (建投新能源(唐山)有限公司)	The PRC/ Mainland China 19 June 2014	RMB48,000,000	100	–	Wind power and solar energy generation
Suntien Green Energy Weichang Co., Ltd. (新天綠色能源圍場有限公司)	The PRC/ Mainland China 30 March 2011	RMB736,000,000	–	97.28	Wind power generation
Suntien Green Energy (Fengning) Co., Ltd. (新天綠色能源(豐寧)有限公司)	The PRC/ Mainland China 9 December 2010	RMB6,000,000	92	–	Wind power generation
Heilongjiang Suntien Hadian New Energy Investment Co., Ltd. ("Suntien Hadian") (黑龍江新天哈電新能源投資有限公司)	The PRC/ Mainland China 19 April 2012	RMB17,600,000	88.64	–	Wind power generation

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the subsidiaries of the Company are as follows: (continued)

Company name**	*Note*	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Tailai Suntien Green Energy Co., Ltd ("Tailai Suntien") (泰來新天綠色能源有限公司)		The PRC/ Mainland China 18 November 2015	RMB5,000,000	–	88.64*	Wind power generation
Suntien Green Energy Investment (Beijing) Co., Ltd. (新天綠色能源投資(北京)有限公司)		The PRC/ Mainland China 27 July 2012	RMB60,000,000	100	–	Project investment and investment management
Jianshui Suntien Wind Energy Co., Ltd. (建水新天風能有限公司)		The PRC/ Mainland China 18 July 2012	RMB198,000,000	100	–	Wind power generation
Suntien Green Energy (Hong Kong) Corporation Limited. ("Suntien Green Hong Kong") (新天綠色能源(香港)有限公司)		The PRC/ Hong Kong 29 June 2012	RMB106,296,700	100	–	Project investment and investment management
Xingyang Suntien Wind Energy Co., Ltd. (滎陽新天風能有限公司)		The PRC/ Mainland China 1 July 2013	RMB90,000,000	100	–	Wind power generation
Hejing Suntien Green Energy Co., Ltd. (和靜新天綠色能源有限公司)		The PRC/ Mainland China 24 July 2013	RMB32,000,000	–	100	Wind power and solar energy generation
Ruoqiang Suntien Green Energy Co., Ltd. (若羌新天綠色能源有限公司)		The PRC/ Mainland China 30 May 2013	RMB143,000,000	100	–	Wind power generation
Wulian County Suntien Wind Energy Co., Ltd. (五蓮縣新天風能有限公司)		The PRC/ Mainland China 1 July 2013	RMB9,000,000	100	–	Wind power generation
Shandong Suntien Yuanjian Wind Energy Co., Ltd. (山東新天遠見風能有限公司)	*(i)*	The PRC/ Mainland China 16 September 2013	RMB10,000,000	51	–	Wind power generation

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the subsidiaries of the Company are as follows: (continued)

Company name**	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Shenzhen Suntien Green Energy Investment Co., Ltd. (深圳新天綠色能源投資有限公司)	The PRC/ Mainland China 30 October 2013	RMB270,000,000	100	–	Project investment and investment management
Junan Suntien Wind Energy Co., Ltd. (莒南新天風能有限公司)	The PRC/ Mainland China 30 September 2013	RMB83,000,000	100	–	Wind power generation
Hebei Fengning CIC New Energy Co., Ltd. (河北豐甯建投新能源有限公司)	The PRC/ Mainland China 4 July 2013	RMB243,000,000	100	–	Wind power generation
Suntien Liquefied Natural Gas Shahe Co., Ltd. (新天液化天然氣沙河有限公司)	The PRC/ Mainland China 2 April 2014	RMB50,000,000	70	–	Sale of natural gas and gas appliances, connection and construction of natural gas pipelines
Suntien Hebei Solar Energy Development Co., Ltd. ("Suntien Solar Energy Development") (新天河北太陽能開發有限公司)	The PRC/ Mainland China 24 April 2014	RMB100,000,000	69	–	Investment and sale of solar energy appliances and service consultancy
Shijiazhuang Suntien Shenyu Photovoltaic Power Co., Ltd. ("Suntien Shenyu") (石家莊新天神喻光伏電力有限公司)	The PRC/ Mainland China 28 October 2014	RMB10,000,000	–	41.4*	Investment and sale of solar energy appliances and service consultancy
Lulong County Liuyin Photovoltaic Power Co., Ltd. ("Lulong Liuyin") (盧龍縣六音光伏電力有限公司)	The PRC/ Mainland China 19 November 2014	RMB30,000,000	–	69*	Investment and sale of solar energy appliances and service consultancy
Wuming Suntien Green Energy Co., Ltd. (武鳴新天綠色能源有限公司)	The PRC/ Mainland China 18 December 2014	RMB20,000,000	100	–	Wind power generation

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the subsidiaries of the Company are as follows: (continued)

Company name**	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Huludao Liaohe Oil Field Gas Co., Ltd. ("Huludao Gas") (葫蘆島遼河油田燃氣有限公司)	The PRC/ Mainland China 11 July 2011	RMB20,408,200	51	–	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Suizhong Suntien Liaohe Gas Co., Ltd. ("Suizhong Liaohe") (綏中新天遼河燃氣有限公司)	The PRC/ Mainland China 14 May 2014	RMB10,000,000	–	51*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Huludao Liaohe Gas Transport Co., Ltd. ("Huludao Liaohe Gas Transport") (葫蘆島遼河燃氣運輸有限公司)	The PRC/ Mainland China 28 May 2014	RMB10,000,000	–	51*	Sale of natural gas and gas appliances and gas utilisation technology development and services
Shenzhen Suntien Huihai Leasing Co., Ltd. ("Huihai Leasing") (深圳新天匯海融資租賃有限公司)	The PRC/ Mainland China 27 Aug 2015	RMB300,000,000	–	100	Financial leasing, purchase and maintenance of leased properties
Yunnan Pushi Natural Gas Co., Ltd. ("Yunnan Pushi") (雲南普適天然氣有限公司)	The PRC/ Mainland China 6 March 2009	RMB33,333,300	70	–	Research and development of natural gas, investment and technical development
Weihui Suntien Green Energy Co., Ltd. (衛輝新天綠色能源有限公司)	The PRC/ Mainland China 21 July 2015	RMB6,000,000	100	–	Technical consultation for solar energy and wind power generation
Tongdao Suntien Green Energy Co., Ltd. (通道新天綠色能源有限公司)	The PRC/ Mainland China 21 July 2015	RMB6,000,000	100	–	Wind power and solar energy generation, relevant technical consultation

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the subsidiaries of the Company are as follows: (continued)

Company name**	*Note*	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Chaoyang Suntien New Energy Co., Ltd. ("Chaoyang Suntien") (朝陽新天新能源有限公司)		The PRC/ Mainland China 14 September 2015	RMB20,000,000	100	–	Solar energy generation
Hebei Natural Gas Company Limited ("Hebei Natural Gas") (河北省天然氣有限責任公司)	*(ii)*	The PRC/ Mainland China 27 April 2001	RMB920,000,000	55	–	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Shijiazhuang CIC Natural Gas Co., Ltd. ("Shijiazhuang CIC") (石家莊建投天然氣有限公司)		The PRC/ Mainland China 1 September 2005	RMB57,100,000	–	55*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Zhao County Anda Gas Co., Ltd. ("Zhao County Anda") (趙縣安達燃氣有限公司)		The PRC/ Mainland China 9 May 2014	RMB5,000,000	–	55*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Pingshan County Huajian Gas Co., Ltd. ("Pingshan Huajian") (平山縣華建燃氣有限公司)		The PRC/ Mainland China 28 October 2013	RMB6,150,000	–	55*	Sale of natural gas to gas vehicles
Hebei Zhaodu Natural Gas Co., Ltd. ("Hebei Zhaodu") (河北趙都天然氣有限責任公司)		The PRC/ Mainland China 21 November 2007	RMB20,000,000	–	28.88*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Handan Langtuo Natural Gas Sale Co., Ltd. ("Handan Langtuo") (邯鄲市郎拓天然氣銷售有限公司)		The PRC/ Mainland China 5 March 2014	RMB4,000,000	–	28.88*	Sale of natural gas and gas appliances

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the subsidiaries of the Company are as follows: (continued)

Company name**	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Chengde City CIC Natural Gas Co., Ltd. ("Chengde CIC") (承德市建投天然氣有限責任公司)	The PRC/ Mainland China 15 June 2009	RMB75,000,000	–	49.5*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Ningjin County CIC Natural Gas Co., Ltd. ("Ningjin CIC") (甯晉縣建投天然氣有限責任公司)	The PRC/ Mainland China 17 May 2010	RMB20,000,000	–	28.05*	Connection and construction of gas pipelines and sale of natural gas appliances
Shijiazhuang Huabo Gas Co., Ltd. ("Huabo") (石家莊華博燃氣有限公司)	The PRC/ Mainland China 21 December 2010	RMB19,000,000	–	30.25*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Jinzhou CIC Gas Co., Ltd. ("Jinzhou CIC") (晉州市建投燃氣有限公司)	The PRC/ Mainland China 19 July 2004	RMB18,159,877	–	55*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Shenzhou CIC Gas Co., Ltd. ("Shenzhou CIC") (深州市建投燃氣有限公司)	The PRC/ Mainland China 23 December 2005	RMB11,758,114	–	55*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Xinji CIC Gas Co., Ltd. ("Xinji CIC") (辛集市建投燃氣有限公司)	The PRC/ Mainland China 7 February 2007	RMB15,000,000	–	55*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Shijiazhuang Jiran Pipeline Engineering Co., Ltd. ("Shijiazhuang Jiran") (石家莊冀燃管道工程有限公司)	The PRC/ Mainland China 20 December 2013	RMB63,750,000	–	33*	Connection and construction of natural gas pipelines

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1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the subsidiaries of the Company are as follows: (continued)

Company name**	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Xingtai Jiran Auto Gas Co., Ltd. (“Xingtai Jiran”) (邢臺冀燃車用燃氣有限公司)	The PRC/ Mainland China 24 December 2013	RMB20,000,000	–	30.25*	Sale of natural gas to gas vehicles and gas appliances
Baoding CIC Natural Gas Co., Ltd. (“Baoding CIC”) (保定建投天然氣有限公司)	The PRC/ Mainland China 5 March 2014	RMB20,000,000	–	55*	Sale of natural gas to gas vehicles and gas appliances
Anguo Huagang Gas Co., Ltd. (“Anguo Huagang”) (安國市華港燃氣有限公司)	The PRC/ Mainland China 9 March 2011	RMB20,000,000	–	28.05*	Sale of natural gas to gas vehicles and gas appliances
Li County CIC Natural Gas Co., Ltd. (“Li County CIC”) (蠡縣建投天然氣有限公司)	The PRC/ Mainland China 26 December 2014	RMB10,000,000	–	33*	Connection and construction of gas pipelines
Hebei Jiran Liquefied Natural Gas Co., Ltd. (“Hebei Jiran”) (河北冀燃液化天然氣有限公司)	The PRC/ Mainland China 6 January 2015	RMB50,000,000	–	30.25*	Development and investment of liquefied natural gas
Qinghe County CIC Natural Gas Co., Ltd. (“Qinghe CIC”) (清河縣建投天然氣有限公司)	The PRC/ Mainland China 3 November 2015	RMB23,872,500	–	44*	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Raoyang County CIC Natural Gas Co., Ltd. (“Raoyang CIC”) (饒陽縣建投天然氣有限公司)	The PRC/ Mainland China 21 August 2015	RMB10,000,000	–	33*	Sale of natural gas and gas appliances
Linxi County New Energy Natural Gas Engineering Co., Ltd. (“Linxi Natural Gas”) (臨西縣新能天然氣工程有限公司)	The PRC/ Mainland China 13 September 2011	RMB40,000,000	–	33*	Sale of natural gas and gas appliances

1. CORPORATE AND GROUP INFORMATION (continued)

* Shijiazhuang CIC, Hebei Zhaodu, Chengde CIC, Ningjin CIC, Huabo, Jinzhou CIC, Shenzhou CIC, Xinji CIC, Shijiazhuang Jiran, Xingtai Jiran, Baoding CIC, Anguo Huagang, Li County CIC, Hebei Jiran, Qinghe CIC, Raoyang CIC and Linxi Natural Gas are respectively 100%-owned, 52.5%-owned, 90%-owned, 51%-owned, 55%-owned, 100%-owned, 100%-owned, 100%-owned, 60%-owned, 55%-owned, 100%-owned, 51%-owned, 60%-owned, 55%-owned, 80%-owned, 60%-owned and 60%-owned subsidiaries of Hebei Natural Gas, a 55%-owned subsidiary of the Company. Zhao County Anda and Pingshan Huajian are both 100%-owned subsidiaries of Shijiazhuang CIC. Handan Langtuo is a 100%-owned subsidiary of Hebei Zhaodu.

Besides, Suntien Shenyu and Lulong Liuyin are respectively 60%-owned and 100%-owned subsidiaries of Suntien Solar Energy Development, a 69%-owned subsidiary of the Company. Suizhong Liaohe and Huludao Liaohe Gas Transport are respectively 100%-owned and 100%-owned subsidiaries of Huludao Gas, a 51%-owned subsidiary of the Company.

Tailai Suntien is 100%-owned subsidiary of Suntien Hadian, an 88.64%-owned subsidiary of the Company.

** Except for Suntien Green Hong Kong, which was established in Hong Kong, and Hebei Natural Gas, which is a sino-foreign joint venture company, having an English company name, the companies registered in the PRC do not have registered English names and the English names shown above represent the best efforts of the management of the Company in directly translating the Chinese names of the companies.

All the above subsidiaries are limited liability companies.

Notes:

(i) Either of a subsidiary of the Company (the "Subsidiary") and the Company indirectly owns half or less than half of the equity interests in certain companies or owns more than half of equity interests but the voting power attached to the equity interests does not allow the Subsidiary or the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. According to the articles of association of these companies, the Subsidiary or the Company is the biggest equity owner of these companies and no other equity owners individually or in the aggregate have the power to control these companies. The Subsidiary or the Company signed shareholders' voting agreements with other equity owners of these companies, whereby such equity owners have committed to attend shareholders' meeting together with, and to vote in shareholders' meeting in the same manner as, the representatives of the Subsidiary or the Company. Such equity owners have also confirmed that the above-mentioned attendance and voting arrangements with the Subsidiary or the Company existed since the establishment of these companies or the Subsidiary or the Company becoming the biggest equity owner of these companies. The PRC lawyer of the Company confirmed that the shareholders' voting agreements are valid under the relevant PRC laws. On top of the shareholders' voting agreements, the Subsidiary or the Company controlled the operation of these companies by appointing senior management, approving the annual budget and determining the remuneration of senior management, etc. Considering the above-mentioned factors, the Directors are of the opinion that the Group has rights to variable returns from its involvement with these companies and that it has the ability to direct the relevant activities of these companies during the years ended 31 December 2016 and 2015. Therefore, the financial statements of these companies are consolidated by the Company during the years ended 31 December 2016 and 2015.

1. CORPORATE AND GROUP INFORMATION (continued)

Notes: (continued)

(ii) Hebei Natural Gas is a Sino-foreign equity joint venture with limited liability established under the Company Law of the PRC and the Law of Sino-foreign Equity Joint Venture. According to the articles of association of Hebei Natural Gas, the Company is able to nominate four out of seven directors at the board of Hebei Natural Gas and a simple majority of the board is sufficient to approve and make normal daily financial and operating decisions of Hebei Natural Gas. The voting power attached to the equity interest held by the Company in Hebei Natural Gas allows the Company to have the power to govern the financial and operating activities of Hebei Natural Gas according to the articles of association of Hebei Natural Gas. The Directors are of the opinion that the Company has been able to control Hebei Natural Gas since its establishment. Therefore, the financial statements of Hebei Natural Gas have been consolidated by the Company in its consolidated financial statements since the establishment of Hebei Natural Gas.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain available-for-sale investments and derivative financial instruments which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

As at 31 December 2016, the Group's current liabilities exceeded its current assets by approximately RMB3,949 million. The directors of the Company have considered the Group's available sources of funds as follows:

- The Group's expected net cash inflows from operating activities in 2017;
- Unutilised banking and other financial institution facilities aggregating to the extent of approximately RMB39,156 million as at 31 December 2016;
- Other available sources of financing from banks and other financial institutions given the Group's credit history.

The directors of the Company believe that the Group has adequate resources to continue operations for the foreseeable future. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

2.1 BASIS OF PRESENTATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
IFRS 14	*Regulatory Deferral Accounts*
Amendments to IAS 1	*Disclosure Initiative*
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*
Amendments to IAS 27	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs

Except for the amendments to IFRS 10, IFRS 12 and IAS 28, amendments to IFRS 11, IFRS 14, amendments to IAS 16 and IAS 41, amendments to IAS 27, and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to IAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in IAS 1;

(ii) that specific line items in profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) *Annual Improvements to IFRSs 2012-2014 Cycle* issued in September 2014 sets out amendments to a number of IFRSs. Details of the amendments are as follows:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in IFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to IAS 40	*Transfers of Investment Property*[2]
IFRIC22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendments to IFRS 12 Included in Annual *Improvements 2014-2016 Cycle*	*Disclosure of Interests in Other Entities*[1]
Amendments to IFRS 1 Included in *Annual Improvements 2014-2016 Cycle*	*First –Time Adoption of International Financial Reporting Standards*[2]
Amendments to IAS 28 Included in *Annual Improvements 2014-2016 Cycle*	*Investments in Associates and Joint Ventures*[2]

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

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

3 Effective for annual periods beginning on or after 1 January 2019

4 No mandatory effective date yet determined but is available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

The IASB issued amendments to IFRS 2 in June 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS (continued)

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS (continued)

Amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to IAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures and is not individually tested for impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments and certain available-for-sale investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.38% to 4.75%
Wind turbines and related equipment	4.75%
Natural gas pipelines	4.75%
Other machinery and equipment	5.28% to 19.00%
Motor vehicles	11.88% to 19.00%
Office equipment and others	9.50% to 19.00%
Leasehold improvements	12.50% to 20.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and impairment losses.

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of investment properties. The estimated useful lives are 30 years. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Office software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life.

Operating concession

Operating concession represents the right to operate a wind power plant and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concession granted to the Group of 25 years.

Exclusive rights of natural gas operations

Exclusive rights of natural gas operations represent the right to sell and distribute piped gas in certain cities and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the exclusive rights of natural gas operations granted to the Group of 28 to 30 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Service concession arrangement

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge for usage of the concession infrastructure. The intangible (operating concession) is accounted for in accordance with the policy set out for "intangible assets (other than goodwill)" above.

Revenue and costs relating to operating service are accounted for in accordance with the policy for "Revenue recognition-sale of electricity" below.

The Group has the contractual obligation which it must fulfil as a condition of its right, that is to restore the site of the infrastructures to a specified condition at the end of the service concession arrangement. The contractual obligation to restore the site of the infrastructures is recognised and measured in accordance with the policy set out for "Provisions" below.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments and other financial assets. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Initial recognition and subsequent measurement (continued)

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Inventories

Inventories, mainly including natural gas and spare parts, are stated at the lower of cost and net realisable value. Cost which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present locations and conditions are calculated using the first-in, first-out method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance the entity will comply with the conditions attaching to them and that the grant will be received. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) Sale of natural gas and gas appliances

Revenue from the sale of natural gas and gas appliances is recognised when the goods are delivered, title has passed and the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(b) Sale of electricity

Revenue is recognised upon the transmission of electric power to the power grid companies, as determined based on the volume of electric power transmitted and the applicable fixed tariff rates agreed with the respective electric power grid companies periodically.

(c) Connection and construction of natural gas pipelines

Revenue in respect of the connection and construction of natural gas pipelines is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a gas connection and the gas pipeline construction contract cannot be estimated reliably, revenue is recognised only to the extent of expenses recognised that are recoverable.

(d) Interest income

Revenue is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

(e) Dividend income

Revenue is recognised when the shareholders' right to receive payment has been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as expenses in profit or loss as incurred.

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Consolidation of entities in which the Group does not hold controlling voting power

A subsidiary of the Company (the "Subsidiary") and the Company indirectly either owns half or less than half of the equity interests in certain companies or owns more than half of equity interests but the voting power attached to the equity interests does not allow the Subsidiary or the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. According to the articles of association of these companies, the Subsidiary or the Company is the biggest equity owner of these companies and no other equity owners individually or in the aggregate have the power to control these companies. The Subsidiary or the Company signed, shareholders' voting agreements with other equity owners of these companies, whereby such equity owners have committed to attend shareholders' meetings together with, and to vote in shareholders' meetings in the same manner as, the representatives of the Subsidiary or the Company. Such equity owners have also confirmed that the above-mentioned attendance and voting arrangements with the Subsidiary or the Company existed since the establishment of these companies or the Subsidiary or the Company becoming the biggest equity owner of these companies. The PRC lawyer of the Company confirmed that the shareholders' voting agreements are valid under the relevant PRC laws. On top of the shareholders' voting agreements, the Subsidiary or the Company controlled the operation of these companies by appointing senior management, approving the annual budget and determining the remuneration of senior management, etc. Considering the above-mentioned factors, the Directors are of the opinion that the Group has rights to variable returns from its involvement with these companies and that it has the ability to direct the relevant activities of these companies during the years ended 31 December 2016 and 2015. Therefore, the financial statements of these companies are consolidated by the Company during the years ended 31 December 2016 and 2015.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was RMB47,666,000 (31 December 2015: RMB38,198,000). Further details are given in note 15.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at the end of the reporting period, based on changes in circumstances.

The carrying amount of property, plant and equipment as at 31 December 2016 was approximately RMB19,668,018,000 (31 December 2015: RMB14,970,566,000). More details are given in note 12.

Current income tax

The Group is subject to income taxes in numerous jurisdictions in the PRC. Judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax in the periods in which the differences arise.

The carrying amount of tax payable as at 31 December 2016 was RMB26,724,000 (31 December 2015: RMB20,672,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred income tax

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

The carrying amount of deferred tax assets as at 31 December 2016 was RMB77,090,000 (31 December 2015: RMB78,693,000). More details are given in note 21.

Impairment of trade receivables

The Group maintains an allowance for the estimated loss arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers will deteriorate such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

The carrying amount of trade and bills receivables as at 31 December 2016 was RMB1,775,681,000 (31 December 2015: RMB1,383,654,000). More details are given in note 23.

Provision for restoring the site of the infrastructures to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its right and among which is to restore the site of the infrastructures to a specified condition at the end of the service concession arrangement. The contractual obligation to restore the site of the infrastructures is recognised and measured in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, i.e., at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimation of the expenditure would require the Group to estimate the expected future cash outflows regarding the obligation over the service concession period and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the provision carried as a liability in the consolidated statement of financial position as at 31 December 2016 was approximately RMB45,055,000 (31 December 2015: RMB40,125,000).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) Natural gas – this segment engages in the sale of natural gas and gas appliances and the provision of construction and connection services of natural gas pipelines.

(b) Wind power and solar energy – this segment develops, manages and operates wind power and solar energy plants and generates electric power for sales to external power grid companies.

Management monitors the operating results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss after tax. The adjusted profit or loss after tax is measured consistently with the Group's profit after tax except that interest income and head office and corporate expenses are excluded from measurement.

Segment assets exclude the unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude the unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION (continued)

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2016 and 2015.

Year ended 31 December 2016

	Natural gas RMB'000	Wind power and solar energy RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	2,400,757	1,983,068	4,383,825
Intersegment sales	–	–	–
Total revenue	2,400,757	1,983,068	4,383,825
Segment results	231,371	1,052,894	1,284,265
Interest income	2,401	13,375	15,776
Finance costs	(76,951)	(472,431)	(549,382)
Income tax expense	(38,148)	(57,928)	(96,076)
Profit of segments for the year	118,673	535,910	654,583
Unallocated interest income			7,788
Corporate and other unallocated expenses			(14,566)
Unallocated income tax expense			(633)
Profit for the year			647,172
Segment assets	5,066,137	23,733,657	28,799,794
Corporate and other unallocated assets			574,245
Total assets			29,374,039
Segment liabilities	3,340,810	16,468,120	19,808,930
Corporate and other unallocated liabilities			31,175
Total liabilities			19,840,105
Other segment information:			
Impairment of trade receivables	(40)	–	(40)
Reversal of impairment of trade receivables	131	–	131
Depreciation and amortisation	(88,093)	(684,403)	(772,496)
Unallocated depreciation and amortisation			(3,881)
			(776,377)
Share of loss of a joint venture	(18)	–	(18)
Share of profits of associates	33,209	31,687	64,896
Investments in associates	602,431	551,335	1,153,766
Investments in joint ventures	75,582	–	75,582
Capital expenditure *	427,300	3,793,855	4,221,155
Unallocated capital expenditure *			1,799
			4,222,954

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2015

	Natural gas RMB'000	Wind power and solar energy RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	2,795,727	1,428,480	4,224,207
Intersegment sales	–	–	–
Total revenue	2,795,727	1,428,480	4,224,207
Segment results	123,656	643,855	767,511
Interest income	5,914	9,485	15,399
Finance costs	(86,795)	(485,473)	(572,268)
Income tax expense	(4,741)	(6,676)	(11,417)
Profit of segments for the year	38,034	161,191	199,225
Unallocated interest income			10,279
Corporate and other unallocated expenses			(20,554)
Unallocated income tax expense			(7)
Profit for the year			188,943
Segment assets	4,812,547	20,755,011	25,567,558
Corporate and other unallocated assets			1,355,951
Total assets			26,923,509
Segment liabilities	3,115,815	14,871,699	17,987,514
Corporate and other unallocated liabilities			35,475
Total liabilities			18,022,989
Other segment information:			
Impairment of trade receivables	(214,421)	–	(214,421)
Reversal of impairment of trade receivables	99	–	99
Depreciation and amortisation	(82,378)	(607,061)	(689,439)
Unallocated depreciation and amortisation			(4,267)
			(693,706)
Share of profits of associates	26,310	36,671	62,981
Investments in associates	568,447	505,538	1,073,985
Investments in joint ventures	75,600	–	75,600
Capital expenditure *	487,053	5,199,528	5,686,581
Unallocated capital expenditure *			2,020
			5,688,601

Note:

* Capital expenditure mainly consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets as well as the non-current prepayment on acquisition of items of property, plant and equipment.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

No further geographical segment information is presented as the Group's revenue is derived from customers based in Mainland China, and the Group's non-current assets are located in Mainland China.

Information about major customers

For the year ended 31 December 2016, revenue generated from sale to one of the Group's customers in the wind power segment amounting to RMB1,164,134,000 (2015: RMB755,138,000) which individually accounted for over 10% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents: (1) the net invoiced value of natural gas and electricity sold, net of value-added tax and government surcharges; and (2) the value of services rendered.

An analysis of the Group's revenue, other income and gains is as follows:

	2016 RMB'000	2015 RMB'000
Revenue		
Sale of natural gas	**2,252,507**	2,611,930
Sale of electricity	**1,976,497**	1,412,995
Construction and connection of natural gas pipelines	**121,301**	153,069
Natural gas transportation revenue	**18,243**	26,630
Wind power services	**6,571**	13,994
Others	**8,706**	5,589
	4,383,825	4,224,207
Other income and gains, net		
Value-added tax refunds	**28,652**	8,851
Gain from available-for-sale investments	**26,418**	4,115
Bank interest income	**23,564**	25,678
Foreign exchange gain, net	**15,361**	26,295
Gain on disposal of items of property, plant and equipment	**–**	5,734
Certified Emission Reductions ("CERs") income, net	**–**	2,224
Gain from held-to-maturity investments	**349**	417
Fair value gain on a derivative instrument, net	**–**	364
Others	**2,581**	3,779
	96,925	77,457

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2016** **RMB'000**	2015 RMB'000
Cost of goods sold		**2,868,895**	3,022,313
Cost of services rendered		**73,675**	80,567
Total cost of sales		**2,942,570**	3,102,880
Depreciation of items of property, plant and equipment (note a)	*12*	**659,389**	579,873
Depreciation of investment properties	*13*	**1,518**	1,415
Amortisation of prepaid land lease payments	*14*	**10,169**	7,872
Amortisation of intangible assets	*16*	**105,301**	104,546
Total depreciation and amortisation		**776,377**	693,706
Minimum lease payments under operating leases of land and buildings		**9,722**	9,292
Auditor's remuneration		**3,700**	3,873
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration):			
Wages, salaries and allowances		**173,313**	148,640
Pension scheme contributions (defined contribution schemes) (note b)		**20,425**	18,387
Welfare and other expenses		**68,778**	64,077
		262,516	231,104
Fair value differences, net:			
Derivative instrument – transactions not qualifying as hedges		**–**	(364)
Gain from held-to-maturity investments		**(349)**	(417)
Gain from available-for-sale investments		**(26,418)**	(4,115)
Loss from a derivative instrument		**–**	2,071
Loss/(gain) on disposal of items of property, plant and equipment, net		**7,650**	(5,734)
Foreign exchange gain, net		**(15,361)**	(26,295)
Reversal of impairment of trade receivables	*23*	**(131)**	(99)
Impairment of trade receivables	*23*	**40**	214,421
Rental income on investment properties		**(1,619)**	(1,491)
Direct operating expenses (include repairs and maintenance) arising from rental-earning investment properties		**1,518**	1,415

Notes:

(a) Depreciation of approximately RMB639,690,000 (2015: RMB552,245,000) is included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

(b) All of the Group's full-time employees in Mainland China are covered by various government-sponsored retirement plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group is required to make monthly contributions to these plans at 20% of the employees' salaries. Contributions to these plans are expensed as incurred. As at 31 December 2016 and 2015, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

7. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank loans and other borrowings wholly repayable within five years	**513,647**	514,623
Interest on bank loans and other borrowings wholly repayable beyond five years	**243,423**	200,745
Total interest expense	**757,070**	715,368
Less: Interest capitalised to items of property, plant and equipment (note 12)	**(207,688)**	(150,482)
	549,382	564,886
Other finance costs:		
Discounted amounts of non-current portion of trade receivables	**–**	7,382
	549,382	572,268

Borrowing costs capitalised for the year are calculated by applying the following capitalisation rates per annum to expenditure on qualifying assets:

	2016	2015
Capitalisation rates	**3.0%-5.9%**	3.2%-6.0%

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors', supervisors' and chief executive's remuneration

The Directors', supervisors' and chief executive's remuneration for the year, disclosed pursuant to the Hong Kong Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000
Fees	**430**	385
Other emoluments:		
– Salaries, allowances and benefits in kind	**600**	862
– Performance-related bonuses	**1,055**	201
– Pension scheme contributions (defined contribution schemes)	**237**	538
	1,892	1,601
	2,322	1,986

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors', supervisors' and chief executive's remuneration (continued)

The names of the Directors, supervisors and chief executive and their remuneration for the years ended 31 December 2016 and 2015 are as follows:

2016

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors					
Mr. Gao Qing Yu (Chief executive) (i)	–	160	339	56	555
Mr. Wang Hong Jun	–	114	330	51	495
	–	274	669	107	1,050
Non-executive directors					
Dr. Cao Xin (Chairman)	–	–	–	–	–
Dr. Liu Zheng (ii)	–	–	–	–	–
Mr. Li Lian Ping (iii)	–	–	–	–	–
Mr. Qin Gang	–	–	–	–	–
Ms. Sun Min	–	–	–	–	–
Mr. Wu Hui Jiang	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Qin Hai Yan	86	–	–	–	86
Mr. Ding Jun	86	–	–	–	86
Mr. Wang Xiang Jun	86	–	–	–	86
Mr. Yue Man Yiu, Matthew	86	–	–	–	86
	344	–	–	–	344
Supervisors					
Mr. Yang Hong Chi	–	–	–	–	–
Mr. Qiao Guo Jie	–	115	295	54	464
Mr. Liu Jin Hai	–	–	–	–	–
Ms. Ma Hui	–	211	91	76	378
	–	326	386	130	842
Independent supervisors					
Mr. Liang Yong Chun	43	–	–	–	43
Mr. Xiao Yan Zhao	43	–	–	–	43
	86	–	–	–	86
	430	600	1,055	237	2,322

(i) As disclosed in the announcement of the Company on 16 March 2017, Mr. Gao Qing Yu resigned as an executive director and chief executive of the Company with effect from 16 March 2017.

(ii) Dr. Liu Zheng resigned as a non-executive director of the Company with effect from 13 June 2016.

(iii) Mr. Li Lian Ping was designated as a non-executive director of the Company with effect from 13 June 2016.

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors', supervisors' and chief executive's remuneration (continued)

2015

	Fees RMB'000	Salaries, allowances, and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors					
Mr. Gao Qing Yu (Chief executive)	–	194	53	120	367
Mr. Wang Hong Jun	–	229	33	195	457
	–	423	86	315	824
Non-executive directors					
Dr. Cao Xin (Chairman)	–	–	–	–	–
Mr. Zhao Hui	–	–	–	–	–
Dr. Liu Zheng	–	–	–	–	–
Mr. Qin Gang	–	–	–	–	–
Ms. Sun Min	–	–	–	–	–
Mr. Wu Hui Jiang	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Qin Hai Yan	81	–	–	–	81
Mr. Ding Jun	81	–	–	–	81
Mr. Wang Xiang Jun	81	–	–	–	81
Mr. Yue Man Yiu, Matthew	81	–	–	–	81
	324	–	–	–	324
Supervisors					
Mr. Yang Hong Chi	–	–	–	–	–
Mr. Qiao Guo Jie	–	216	42	168	426
Mr. Liu Jin Hai	–	–	–	–	–
Ms. Ma Hui	–	223	73	55	351
	–	439	115	223	777
Independent supervisors					
Mr. Liang Yong Chun	21	–	–	–	21
Mr. Xiao Yan Zhao	40	–	–	–	40
	61	–	–	–	61
	385	862	201	538	1,986

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Group for the years is as follows:

	2016	2015
Directors	2	1
Non-director and non-supervisor employees	3	4
	5	5

Details of the remuneration of the above non-director and non-supervisor, highest paid employees are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	447	1,389
Performance-related bonuses	886	466
Pension scheme contributions	177	349
	1,510	2,204

The number of the non-director and non-supervisor, highest paid employees whose remuneration fell within the following band is as follows:

	2016	2015
Nil to HK$1,000,000	3	4

During the years ended 31 December 2016 and 2015, no Directors, supervisors, chief executive or any of the non-director and non-supervisor, highest paid individuals waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the Directors, supervisors, chief executive or any of the non-director and non-supervisor, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX EXPENSE

Pursuant to Caishui [2008] No. 46 *Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment* (財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知), certain subsidiaries of the Company, which were set up after 1 January 2008 and are engaged in public infrastructure projects, are entitled to a tax holiday of a three-year full exemption followed by a three-year 50% exemption commencing from their respective first years generating operating income (the "3+3 tax holiday"). As at 31 December 2016, certain entities were in the process of the preparation and submission of the required documents to the respective tax authorities to qualify for the 3+3 tax holiday.

Under the relevant PRC Corporate Income Tax Law and respective regulations, except for certain preferential treatment available to certain subsidiaries of the Company as mentioned above, the PRC entities within the Group were subject to corporate income tax at a rate of 25% during the years ended 31 December 2016 and 2015.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong for the years ended 31 December 2016 and 2015.

	2016 **RMB'000**	2015 RMB'000
Current income tax – Mainland China	**95,106**	85,685
Deferred income tax (note 21)	**1,603**	(74,261)
Tax charge for the year	**96,709**	11,424

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate applicable to the Company to the income tax expense at the Group's effective income tax rate for the year is as follows:

	2016 **RMB'000**	2015 RMB'000
Profit before tax	**743,881**	200,367
Income tax charge at the statutory income tax rate of 25%	**185,970**	50,092
Effect of tax exemption for specific locations or enacted by local authorities	**(101,157)**	(30,399)
Deductible temporary differences not recognised in prior years	**–**	(11,870)
Tax effect of share of profits of associates	**(16,224)**	(15,745)
Tax effect of share of loss of a joint venture	**4**	–
Non-taxable income	**(2,165)**	(1,028)
Expenses not deductible for tax	**5,274**	5,877
Tax losses not recognised	**28,439**	17,146
Tax losses utilised from previous periods	**(3,432)**	(2,649)
Tax charge for the year at the effective rate	**96,709**	11,424

10. DIVIDENDS

The dividends for the year are set out below:

	2016	2015
	RMB'000	RMB'000
Proposed final dividend – RMB6.3 cents (2015: RMB1.5 cents) per share	**234,055**	55,727

The Board of Directors of the Company proposed, on 21 March 2017, the payment of a final dividend of RMB0.063 per share in respect of the year ended 31 December 2016, based on the issued share capital of the Company of 3,715,160,396 shares. The proposed final dividend is subject the approval of the Company's shareholders at the forthcoming annual general meeting.

At the annual general meeting held on 24 March 2016, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2015 of RMB0.015 per share, which amounted to RMB55,727,000 and was settled in full in July 2016.

Pursuant to the State Administration of Taxation Circular Guoshuihan [2008] No. 897, the Company is required to withhold a 10% enterprise income tax when it distributes dividends to its non-resident enterprise shareholders out of the profit earned in 2008 and beyond. In respect of the shareholders who are not individual with names appearing on the Company's register of members, who are considered as non-resident enterprise shareholders, the Company will distribute the dividend after deducting enterprise income tax at the rate of 10%.

Due to the repeal of Guoshuifa [1993] No. 45 *Circular on the Questions Concerning Tax on the Profits Earned by Enterprises with Foreign Investment, Foreign Enterprises and Individual Foreigners from the Transfer of Stocks (Stock Rights) and on Dividend Income* (關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知(國稅發[1993]45號)), the Company is required from 4 January 2011 under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation rules and regulations to withhold and pay individual income tax at rates ranging from 10% to 20% when it distributes dividends to its non-PRC resident individual shareholders out of the profit earned in 2010 and beyond.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts for the years ended 31 December 2016 and 2015 is based on the profit attributable to ordinary equity holders of the Company for those years, and the weighted average number of ordinary shares in issue during those years.

	2016 **RMB'000**	2015 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**541,574**	168,353

	Number of shares	
	2016	2015
Shares:		
Weighted average number of ordinary shares in issue during the years used in the basic earnings per share calculation	**3,715,160,396**	3,715,160,396

The Company did not have any dilutive potential ordinary shares during the years ended 31 December 2016 and 2015.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Wind turbines and related equipment RMB'000	Natural gas pipelines RMB'000	Other machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
2016									
Cost:									
At 1 January 2016	618,439	10,009,244	1,091,503	308,658	110,699	64,187	43,516	5,442,424	17,688,670
Additions	14,658	4,716	139	10,317	2,736	8,036	9,813	5,369,006	5,419,421
Acquisition of subsidiaries	2,264	–	37,445	6,566	598	186	–	5,688	52,747
Transfers to prepaid land lease payments (note 14)	–	–	–	–	–	–	–	(94,322)	(94,322)
Transfers to investment properties (note 13)	(1,347)	–	–	–	–	–	–	–	(1,347)
Transfers	262,765	4,345,110	301,326	26,853	–	351	779	(4,937,184)	–
Disposals	(1,312)	(11,009)	(368)	(1,186)	(5,194)	(2,118)	–	–	(21,187)
At 31 December 2016	895,467	14,348,061	1,430,045	351,208	108,839	70,642	54,108	5,785,612	23,043,982
Accumulated depreciation:									
At 1 January 2016	(103,936)	(1,938,501)	(437,542)	(107,839)	(62,511)	(37,987)	(29,788)	–	(2,718,104)
Depreciation provided during the year (note 6)	(30,189)	(526,386)	(54,791)	(25,530)	(10,317)	(6,523)	(5,653)	–	(659,389)
Acquisition of subsidiaries	(407)	–	(5,773)	(2,598)	(291)	(92)	–	–	(9,161)
Transfers to investment properties (note 13)	176	–	–	–	–	–	–	–	176
Disposals	125	2,662	146	758	4,845	1,978	–	–	10,514
At 31 December 2016	(134,231)	(2,462,225)	(497,960)	(135,209)	(68,274)	(42,624)	(35,441)	–	(3,375,964)
Net carrying amount:									
At 31 December 2016	761,236	11,885,836	932,085	215,999	40,565	28,018	18,667	5,785,612	19,668,018
At 1 January 2016	514,503	8,070,743	653,961	200,819	48,188	26,200	13,728	5,442,424	14,970,566

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Wind turbines and related equipment RMB'000	Natural gas pipelines RMB'000	Other machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
2015									
Cost:									
At 1 January 2015	558,704	8,303,432	1,043,434	262,435	96,688	53,852	33,183	3,529,851	13,881,579
Additions	5,323	8,665	651	14,506	18,387	8,679	10,258	3,796,522	3,862,991
Acquisition of subsidiaries	–	–	–	–	–	61	–	514	575
Transfers to prepaid land lease payments (note 14)	–	–	–	–	–	–	–	(3,416)	(3,416)
Transfers to intangible assets (note 16)	–	–	–	–	–	–	–	(1,125)	(1,125)
Transfers to investment properties (note 13)	(18,317)	–	–	–	–	–	–	–	(18,317)
Transfers	72,934	1,721,763	48,636	33,986	–	2,528	75	(1,879,922)	–
Disposals	(205)	(24,616)	(1,218)	(2,269)	(4,376)	(933)	–	–	(33,617)
At 31 December 2015	618,439	10,009,244	1,091,503	308,658	110,699	64,187	43,516	5,442,424	17,688,670
Accumulated depreciation:									
At 1 January 2015	(77,421)	(1,491,353)	(384,078)	(86,271)	(53,284)	(32,266)	(25,776)	–	(2,150,449)
Depreciation provided during the year (note 6)	(27,598)	(452,647)	(53,617)	(23,571)	(11,741)	(6,687)	(4,012)	–	(579,873)
Acquisition of subsidiaries	–	–	–	–	–	(16)	–	–	(16)
Transfers to investment properties (note 13)	1,051	–	–	–	–	–	–	–	1,051
Disposals	32	5,499	153	2,003	2,514	982	–	–	11,183
At 31 December 2015	(103,936)	(1,938,501)	(437,542)	(107,839)	(62,511)	(37,987)	(29,788)	–	(2,718,104)
Net carrying amount:									
At 31 December 2015	514,503	8,070,743	653,961	200,819	48,188	26,200	13,728	5,442,424	14,970,566
At 1 January 2015	481,283	6,812,079	659,356	176,164	43,404	21,586	7,407	3,529,851	11,731,130

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Interest expenses of approximately RMB207,688,000 was capitalised to construction in progress for the year ended 31 December 2016 (2015: RMB150,482,000) prior to being transferred to buildings and machinery (note 7).

As at the date of approval of these financial statements, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB103,179,000. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2016.

The Group's property, plant and equipment with a net carrying amount of RMB4,260,000 as at 31 December 2016 (31 December 2015: RMB4,472,000) were pledged to secure a long term bank loan of the Group (note 28).

13. INVESTMENT PROPERTIES

	2016 **RMB'000**	2015 RMB'000
Cost:		
At 1 January	**36,063**	17,746
Transfer from property, plant and equipment (note 12)	**1,347**	18,317
At 31 December	**37,410**	36,063
Accumulated depreciation:		
At 1 January	**(3,443)**	(977)
Transfer from property, plant and equipment (note 12)	**(176)**	(1,051)
Charge for the year (note 6)	**(1,518)**	(1,415)
At 31 December	**(5,137)**	(3,443)
Carrying amount at end of the year	**32,273**	32,620

The Group's investment properties are several commercial properties in Beijing. The investment properties were valued by management based on the market approach with reference to market transaction prices of similar properties, taking into account of other factors, i.e., characteristics of the properties, locations, etc. The fair value of investment properties was estimated to be approximately RMB42,533,000 as at 31 December 2016 (31 December 2015: RMB39,646,000).

The investment properties are leased to third parties under operating leases, further details of which are included in note 33.

13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Fair value measurement for:				
Commercial properties	**–**	**42,533**	**–**	**42,533**

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Fair value measurement for:				
Commercial properties	–	39,646	–	39,646

14. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**261,349**	263,174
Additions	**34,979**	2,631
Transfer from construction in progress (note 12)	**94,322**	3,416
Acquisition of a subsidiary (note 32)	**3,869**	–
Amortisation for the year (note 6)	**(10,169)**	(7,872)
Carrying amount at 31 December	**384,350**	261,349
Portion classified as current assets	**(10,686)**	(7,900)
Non-current portion	**373,664**	253,449

As at the date of approval of these financial statements, the Group was in the process of applying for the title certificates of certain of its land use rights with an aggregate net carrying amount of approximately RMB3,158,000. The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land. The Directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2016.

15. GOODWILL

	2016 RMB'000	2015 RMB'000
Cost and carrying amount at 1 January	**38,198**	34,846
Acquisition of subsidiaries (note 32)	**9,468**	3,352
Cost and carrying amount at 31 December	**47,666**	38,198

Goodwill acquired through four significant business combinations in 2016, 2015, 2014 and 2011 in the amounts of RMB9,468,000, RMB3,352,000, RMB14,883,000 and RMB6,843,000, respectively, have been allocated to four natural gas cash-generating units for impairment testing.

The recoverable amounts of these four cash-generating units have been determined based on a value in use calculation using cash flow projections based on a financial budget covering a 5-year period approved by senior management. The discount rate applied to the cash flow projections is 11%.

Assumptions were used in the value in use calculation of these four cash-generating units for 31 December 2016. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

16. INTANGIBLE ASSETS

	Office software RMB'000	Operating concession RMB'000 (note)	Exclusive rights of natural gas operations RMB'000	Patent RMB'000	Total RMB'000
2016					
Cost:					
At 1 January	18,091	2,535,704	16,547	100	2,570,442
Additions	1,754	4,931	–	–	6,685
Acquisition of a subsidiary (note 32)	14	–	9,000	–	9,014
At 31 December	19,859	2,540,635	25,547	100	2,586,141
Accumulated amortisation:					
At 1 January	(10,397)	(496,648)	(735)	(2)	(507,782)
Amortisation for the year (note 6)	(2,540)	(102,199)	(552)	(10)	(105,301)
Acquisition of a subsidiary (note 32)	(14)	–	–	–	(14)
At 31 December	(12,951)	(598,847)	(1,287)	(12)	(613,097)
Net carrying amount:					
At 31 December 2016	6,908	1,941,788	24,260	88	1,973,044
At 1 January 2016	7,694	2,039,056	15,812	98	2,062,660

16. INTANGIBLE ASSETS (continued)

	Office software RMB'000	Operating concession RMB'000 (note)	Exclusive rights of natural gas operations RMB'000	Patent RMB'000	Total RMB'000
2015					
Cost:					
At 1 January	13,860	2,535,704	16,547	–	2,566,111
Additions	3,260	–	–	100	3,360
Transfer from construction in progress (note 12)	1,125	–	–	–	1,125
Disposals	(154)	–	–	–	(154)
At 31 December	18,091	2,535,704	16,547	100	2,570,442
Accumulated amortisation:					
At 1 January	(8,134)	(395,220)	–	–	(403,354)
Amortisation for the year (note 6)	(2,381)	(101,428)	(735)	(2)	(104,546)
Disposals	118	–	–	–	118
At 31 December	(10,397)	(496,648)	(735)	(2)	(507,782)
Net carrying amount:					
At 31 December 2015	7,694	2,039,056	15,812	98	2,062,660
At 1 January 2015	5,726	2,140,484	16,547	–	2,162,757

Note: In 2010 and 2011, the Group respectively entered into two service concession arrangements with a governmental authority concerning the operation of two of its self-constructed wind power plants. Pursuant to these service concession arrangements, the Group transferred the carrying amounts of the related property, plant and equipment and the prepaid land lease payments to operating concession in intangible assets. The arrangements involve the Group as an operator operating and maintaining the infrastructure at a specified level of serviceability for a period of 25 years (the "service concession period") and restoring the sites of the infrastructure at a specified level of serviceability at the end of the service concession periods, and the Group will be paid for its service over the relevant periods of the service concession arrangements at a price stipulated through a pricing mechanism.

17. INVESTMENTS IN ASSOCIATES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Share of net assets	**1,129,724**	1,049,943
Goodwill on acquisition	**24,042**	24,042
	1,153,766	1,073,985

Particulars of the material associates of the Group are as follows:

Company name*	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Hebei Weichang Longyuan CIC Wind Energy Generation Co., Ltd. ("Longyuan CIC") (河北圍場龍源建投風力發電有限公司)	The PRC/ Mainland China 25 August 2006	RMB209,300,000	–	50	Wind power generation
Longyuan CIC (Chengde) Wind Energy Generation Co., Ltd. ("Chengde Wind Energy") (龍源建投(承德)風力發電有限公司)	The PRC/ Mainland China 27 March 2009	RMB307,850,000	–	45	Wind power generation
Longyuan CIC (Chengde Weichang) Wind Energy Generation Co., Ltd. ("Weichang Wind Energy") (龍源建投(承德圍場)風力發電有限公司)	The PRC/ Mainland China 27 March 2009	RMB138,320,000	–	45	Wind power generation
PetroChina Jingtang Liquefied Natural Gas Co., Ltd. ("Jingtang LNG") (中石油京唐液化天然氣有限公司)	The PRC/ Mainland China 28 September 2012	RMB2,600,000,000	–	11**	Natural gas storage and production
Hebei Fengning Pumped Storage Co., Ltd. ("Fengning Pumped Storage") (河北豐寧抽水蓄能有限公司)	The PRC/ Mainland China 2 September 2010	RMB676,310,000	20	–	Pumped storage

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

** Jingtang LNG is a 20%-owned associate of Hebei Natural Gas, which is a 55%-owned subsidiary of the Company.

17. INVESTMENTS IN ASSOCIATES (continued)

All the above associates are considered material associates of the Group, and they are strategic partners of the Group engaged in wind power generation or natural gas business. They are accounted for using the equity method.

The following table illustrates the summarised financial information of the above associates adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

Longyuan CIC

	31 December 2016 RMB'000	31 December 2015 RMB'000
Current assets	**126,365**	116,520
Non-current assets	**652,168**	695,229
Current liabilities	**(300,668)**	(312,249)
Non-current financial liabilities, excluding trade and other payables and provisions	**(218,785)**	(228,539)
Net assets	**259,080**	270,961
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**129,540**	135,480
Carrying amount of the investment	**129,540**	135,480

	2016 RMB'000	2015 RMB'000
Revenue	**109,590**	117,896
Profit for the year	**20,441**	35,914
Total comprehensive income for the year	**20,441**	35,914
Dividend received	**16,161**	15,378

17. INVESTMENTS IN ASSOCIATES (continued)

Chengde Wind Energy

	31 December 2016 RMB'000	31 December 2015 RMB'000
Current assets	**101,635**	94,641
Non-current assets	**499,773**	531,679
Current liabilities	**(34,123)**	(66,177)
Non-current financial liabilities, excluding trade and other payables and provisions	**(202,785)**	(202,750)
Net assets	**364,500**	357,393
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**45%**	45%
Group's share of net assets	**164,025**	160,827
Carrying amount of the investment	**164,025**	160,827

	2016 RMB'000	2015 RMB'000
Revenue	**92,341**	89,902
Profit for the year	**30,226**	25,688
Total comprehensive income for the year	**30,226**	25,688
Dividend received	**10,404**	13,816

17. INVESTMENTS IN ASSOCIATES (continued)

Weichang Wind Energy

	31 December 2016 RMB'000	31 December 2015 RMB'000
Current assets	**23,198**	24,928
Non-current assets	**282,183**	300,255
Current liabilities	**(117,139)**	(132,177)
Non-current financial liabilities, excluding trade and other payables and provisions	**(18,000)**	(24,000)
Net assets	**170,242**	169,006
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**45%**	45%
Group's share of net assets	**76,609**	76,053
Carrying amount of the investment	**76,609**	76,053

	2016 RMB'000	2015 RMB'000
Revenue	**58,082**	54,314
Profit for the year	**17,466**	15,532
Total comprehensive income for the year	**17,466**	15,532
Dividend received	**7,303**	5,517

17. INVESTMENTS IN ASSOCIATES (continued)

Jingtang LNG

	31 December 2016 RMB'000	31 December 2015 RMB'000
Current assets	**213,014**	45,713
Non-current assets	**5,296,144**	5,152,338
Current liabilities	**(2,513,406)**	(2,372,216)
Non-current financial liabilities, excluding trade and other payables and provisions	**–**	–
Net assets	**2,995,752**	2,825,835
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**20%**	20%
Group's share of net assets	**599,150**	565,167
Carrying amount of the investment	**599,150**	565,167

	2016 RMB'000	2015 RMB'000
Revenue	**784,436**	729,002
Profit for the year	**166,048**	131,552
Total comprehensive income for the year	**169,917**	135,722
Dividend received	**–**	12,000

17. INVESTMENTS IN ASSOCIATES (continued)

Fengning Pumped Storage

	31 December 2016 RMB'000	31 December 2015 RMB'000
Current assets	**671,594**	829,212
Non-current assets	**3,449,765**	2,257,297
Current liabilities	**(505,774)**	(470,844)
Non-current financial liabilities, excluding trade and other payables and provisions	**(2,710,000)**	(1,950,000)
Net assets	**905,585**	665,665
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**17.35%**	16.40%
Group's share of net assets, excluding goodwill	**157,120**	109,136
Goodwill on acquisition	**24,042**	24,042
Carrying amount of the investment	**181,162**	133,178

	2016 RMB'000	2015 RMB'000
Revenue	**6,515**	13,556
Profit for the year	**20**	825
Total comprehensive income for the year	**20**	825
Dividend received	**–**	–

17. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the financial information of the Group's associate that is not individually material:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Carrying amount of the Group's investment in the associate	**3,280**	3,280

	2016 RMB'000	2015 RMB'000
Share of the associate's profit for the year	**–**	–
Share of the associate's total comprehensive income for the year	**–**	–
Dividend received	**–**	–

18. INVESTMENTS IN JOINT VENTURES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Share of net assets	**75,582**	75,600

Particulars of the Group's material joint ventures are as follows:

Company name*	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Hebei Suntien Guohua Gas Co., Ltd. ("Suntien Guohua") (河北新天國化燃氣有限責任公司)	The PRC/ Mainland China 26 September 2013	RMB120,000,000	50	–	Construction of natural gas pipelines
Hengshui CIC Natural Gas Co., Ltd. ("Hengshui CIC") (衡水建投天然氣有限公司)	The PRC/ Mainland China 18 December 2014	RMB10,000,000	–	28.05**	Construction of natural gas pipelines
Hebei Jinjianjia Natural Gas Co., Ltd. ("Hebei Jinjianjia") (河北金建佳天然氣有限公司)	The PRC/ Mainland China 25 November 2014	RMB90,000,000	30	–	Storage and evaporation of clean energy

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

** Hengshui CIC is a 51%-owned joint venture of Hebei Natural Gas, which is a 55%-owned subsidiary of the Company.

18. INVESTMENTS IN JOINT VENTURES (continued)

The Group's investments in joint ventures are accounted for using the equity method.

The following table illustrates the summarised financial information of Suntien Guohua, which is considered a material joint venture of the Group and reconciled to the carrying amount in the financial statements:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Cash and cash equivalents	**126,595**	141,830
Other current assets	**3,446**	27,145
Non-current assets	**341,233**	218,901
Current liabilities	**(171,274)**	(37,876)
Non-current financial liabilities, excluding trade and other payables and provisions	**(180,000)**	(230,000)
Net assets	**120,000**	120,000
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**60,000**	60,000
Carrying amount of the investment	**60,000**	60,000

	2016 RMB'000	2015 RMB'000
Profit for the year	**–**	–
Total comprehensive income for the year	**–**	–
Dividend received	**–**	–

18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Aggregate carrying amount of the Group's investment in the joint ventures	**15,582**	15,600

	2016 RMB'000	2015 RMB'000
Share of a joint venture's loss for the year	**18**	–
Share of a joint venture's total comprehensive loss for the year	**18**	–
Dividend received	**–**	–

19. HELD-TO-MATURITY INVESTMENTS

	31 December 2016 RMB'000	31 December 2015 RMB'000
Unlisted debt investments	**7,500**	7,500

Held-to-maturity investments are analysed as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Corporate entity	**7,500**	7,500

As at 31 December 2016, the effective interest rate of the held-to-maturity investments was 4.9% per annum (31 December 2015: 4.9% per annum). The carrying amount of the held-to-maturity investments approximates to their fair value.

20. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2016 RMB'000	31 December 2015 RMB'000
Unlisted equity investments, at cost (i)	**103,400**	103,400
Other financial assets (ii)	**–**	230,000
	103,400	333,400
Portion classified as non-current assets	**(103,400)**	(103,400)
Current portion	**–**	230,000

(i) The unlisted equity investments are equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each reporting date because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. The Group does not intend to dispose of them in the near future.

(ii) The other financial assets as at 31 December 2015 represented corporate wealth management products purchased by the Company from certain banks. The principals of the above products were guaranteed by banks with repayment due date within the terms.

No other comprehensive income or loss was recognised in profit or loss for the year ended 31 December 2015 because the aggregate changes of fair value of such financial assets were immaterial since their respective acquisition dates.

21. DEFERRED TAX ASSETS

The movements in deferred tax assets during the years are as follows:

	2016 RMB'000	2015 RMB'000
Deferred tax assets:		
At 1 January	**78,693**	4,432
Deferred tax credited/(charged) to profit or loss during the year (note 9)	**(1,603)**	74,261
At 31 December	**77,090**	78,693

21. DEFERRED TAX ASSETS (continued)

The deferred tax assets are attributed to the following items, which are reflected in the consolidated statement of financial position:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Deferred tax assets:		
Impairment of trade receivables	**57,980**	58,012
Unrealised gains arising from intra-group transactions	**12,288**	11,870
Losses available for offsetting against future taxable income	**4,976**	6,965
Others	**1,846**	1,846
	77,090	78,693

As at 31 December 2016, tax losses of the Group arising in the PRC were RMB292,453,000 (31 December 2015: RMB192,424,000), which had not been recognised as deferred tax assets. The tax losses were available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

22. INVENTORIES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Natural gas	**15,052**	8,095
Spare parts and others	**30,083**	39,795
Low-value consumables	**258**	452
	45,393	48,342

23. TRADE AND BILLS RECEIVABLES

The majority of the Group's revenues are generated through sale of natural gas and electricity. The credit period offered by the Group to customers of natural gas and electricity generally ranges from one month to two months. The Group seeks to maintain strict control over its outstanding receivables and minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group holds collateral or other credit enhancements over certain receivable balances. Trade and bills receivables are non-interest-bearing.

	31 December 2016 RMB'000	31 December 2015 RMB'000
Trade and bills receivables	**2,018,242**	1,651,837
Impairment	**(242,561)**	(268,183)
	1,775,681	1,383,654
Portion classified as non-current assets	**(179,102)**	(142,848)
Current portion	**1,596,579**	1,240,806

Included in the trade receivables as at 31 December 2016 were receivables under two service concession arrangements in an aggregate amount of RMB99,790,000 (31 December 2015: RMB47,860,000).

An aging analysis of trade and bills receivables, based on the invoice date, as at the reporting date is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Within 3 months	**845,992**	577,397
3 to 6 months	**175,294**	261,364
6 months to 1 year	**113,453**	209,957
1 to 2 years	**426,450**	330,225
2 to 3 years	**212,146**	3,775
Over 3 years	**2,346**	936
	1,775,681	1,383,654

23. TRADE AND BILLS RECEIVABLES (continued)

The movements in provision for impairment of trade receivables are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	**268,183**	55,368
Impairment losses recognised (note 6)	**40**	214,421
Reversal (note 6)	**(131)**	(99)
Write-off	**(25,531)**	(1,507)
At 31 December	**242,561**	268,183

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB242,561,000 (31 December 2015: RMB268,183,000) with an aggregate carrying amount before provision of RMB866,397,000 (31 December 2015: RMB1,030,844,000).

The individually impaired trade receivables relate to customers that were in default in principal payments or were in financial difficulties and only a portion of the receivables is expected to be recovered.

An aging analysis of the trade and bills receivables, that are neither individually nor collectively considered to be impaired, is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Neither past due nor impaired	**1,041,356**	430,396
Less than 3 months past due	**73,119**	110,027
3 to 6 months past due	**24,111**	68,001
6 months to 1 year past due	**11,919**	11,345
1 to 2 years past due	**147**	–
More than 3 years past due	**1,193**	1,224
	1,151,845	620,993

Receivables that were neither past due nor impaired primarily relate to local power grid companies and certain long-term customers for whom there was no recent history of default.

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, the Directors are of the opinion that no provision for impairment 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.

23. TRADE AND BILLS RECEIVABLES (continued)

The weighted average effective interest rate on the non-current trade receivables is as follows:

	31 December 2016	31 December 2015
Effective interest rate	**4.75%**	4.75%

The weighted average effective interest rate is determined by reference to the prevailing commercial bank borrowing interest rate for bank loans with similar maturity.

The carrying amount of the current trade and bills receivables approximates to their fair value. As the non-current trade receivables have been discounted based on the effective interest rate, the carrying amount of the non-current trade receivables approximates to their fair value.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2016 RMB'000	31 December 2015 RMB'000
Prepayments to suppliers	**1,136,022**	2,383,783
Deductible VAT	**1,277,387**	948,900
Deposits and other receivables	**127,064**	87,023
	2,540,473	3,419,706
Less: Impairment	**(1,435)**	(1,435)
	2,539,038	3,418,271
Portion classified as non-current assets	**(1,813,788)**	(2,851,956)
Current portion	**725,250**	566,315

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	**1,435**	1,435
Write-off	**–**	–
At 31 December	**1,435**	1,435

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Included in the above provision for impairment of prepayments, deposits and other receivables is a provision for individually impaired other receivables of RMB1,435,000 (31 December 2015: RMB1,435,000) with an aggregate carrying amount before provision of RMB14,085,000 (31 December 2015: RMB14,085,000).

The amounts due from related parties included in prepayments, deposits and other receivables are as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
HECIC	**1,224**	1,224
Fellow subsidiary	**10,697**	8,515
	11,921	9,739

The above amounts are unsecured, non-interest-bearing and have no fixed terms of repayment.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2016 RMB'000	31 December 2015 RMB'000
Cash and bank balances	**1,478,238**	2,973,205
Time deposits	**13,000**	165,466
	1,491,238	3,138,671
Less: Time deposits pledged for letters of guarantee	**(65)**	(65)
Cash and cash equivalents in the consolidated statement of financial position	**1,491,173**	3,138,606
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**–**	(111,666)
Cash and cash equivalents in the consolidated statement of cash flows	**1,491,173**	3,026,940
Cash and bank balances and time deposits denominated in:		
– RMB	**1,234,476**	2,812,284
– Hong Kong dollar	**256,762**	326,387
	1,491,238	3,138,671

The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and pledged deposits in the statement of financial position approximate to their fair values. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

26. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest-bearing and are normally settled within six months.

	31 December 2016 RMB'000	31 December 2015 RMB'000
Bills payable	**–**	49,220
Trade payables	**464,885**	504,142
	464,885	553,362

An aging analysis of the Group's trade and bills payables, based on the invoice date, as at the reporting date is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Within 6 months	**305,323**	431,453
6 months to 1 year	**74,029**	41,073
1 to 2 years	**55,426**	61,218
2 to 3 years	**16,974**	7,569
More than 3 years	**13,133**	12,049
	464,885	553,362

27. OTHER PAYABLES AND ACCRUALS

	31 December 2016 RMB'000	31 December 2015 RMB'000
Retention money payables	577,696	397,005
Wind turbine and related equipment payables	841,426	585,067
Advances from customers	247,966	167,599
Construction payables	316,797	180,409
Accrued salaries, wages and benefits	64,097	57,692
Other taxes payable	8,980	25,552
Interest payable	74,175	84,049
Others	171,894	125,464
	2,303,031	1,622,837
Portion classified as non-current liabilities	(89,636)	(82,397)
Current portion	2,213,395	1,540,440

For retention money payables in respect of warranties granted by the suppliers, the due dates usually range from one to three years after the completion of the construction work or the preliminary acceptance of equipment.

The amounts due to related parties included in the other payables and accruals are as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
HECIC	733	40,733
Fellow subsidiaries	1,322	1,119
	2,055	41,852

The amount due to HECIC as at 31 December 2016 represented the fee charged by HECIC for the guarantee of the issue of corporate bonds of the Company, which should be repaid annually (note 36(a)).

Except for the amount due to HECIC and retention money payables which have fixed repayment terms, other payables and accruals are non-interest-bearing and have no fixed terms of repayment.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2016			As at 31 December 2015		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Short term bank loans:						
– Unsecured	3.2-5.6	2017	1,675,500	4.1-6.3	2016	1,370,000
– Secured	4.4	2017	50,000	–	–	–
			1,725,500			1,370,000
Current portion of long term bank loans:						
– Unsecured	1.2-5.2	2017	675,940	1.2-5.9	2016	611,202
– Secured	4.1-4.9	2017	411,872	4.4-5.7	2016	459,111
			1,087,812			1,070,313
Current portion of long term other borrowing:						
– Unsecured	5.1	2017	1,299,429	–	–	–
Current portion of Corporate bond (i):						
– Unsecured	5.3	2017	1,000,000	–	–	–
Total current portion			5,112,741			2,440,313
Non-current						
Long term bank loans:						
– Unsecured	1.2-6.0	2018-2034	6,992,013	1.2-6.2	2017-2030	5,058,857
– Secured	4.1-4.9	2018-2031	3,940,711	4.4-6.2	2017-2030	5,030,148
			10,932,724			10,089,005
Long term other borrowing:						
– Unsecured	–	–	–	5.7	2017	1,298,286
Corporate bonds (i):						
– Unsecured	5.4	2018	1,000,000	5.3-5.4	2017-2018	1,998,514
Total non-current portion			11,932,724			13,385,805
			17,045,465			15,826,118

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(i) In November 2011, the Company issued corporate bonds with an aggregate value of RMB2 billion. The corporate bonds were issued at a price of RMB100 each. On 23 December 2011, the corporate bonds were listed on the Shanghai Stock Exchange.

The corporate bonds are separated into two types of bonds amounting to RMB1 billion each, namely 6-Year and 7-Year bonds, which are repayable respectively on 18 November 2017 and 2018, and their respective applicable interest rates are 5.3% and 5.4% per annum.

The maturity profile of the interest-bearing bank and other borrowings as at the reporting date is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**2,813,312**	2,440,313
In the second year	**1,737,559**	1,406,862
In the third to fifth years, inclusive	**3,757,379**	3,403,120
Beyond five years	**5,437,786**	5,279,023
	13,746,036	12,529,318
Other borrowings repayable:		
Within one year	**1,299,429**	–
In the second year	**–**	1,298,286
	1,299,429	1,298,286
Corporate bonds repayable:		
Within one year	**1,000,000**	–
In the second year	**1,000,000**	1,000,000
In the third to fifth years, inclusive	**–**	998,514
	2,000,000	1,998,514
	17,045,465	15,826,118

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Certain interest-bearing bank loans of the Group in an aggregate amount of RMB4,400,831,000 were secured by the right of future electricity and natural gas fees collection as at 31 December 2016 (31 December 2015: RMB5,487,354,000).

A long term other borrowing of the Group of RMB1,299,429,000 was guaranteed by HECIC, the ultimate holding company as at 31 December 2016 (31 December 2015: RMB1,298,286,000) (note 36(a)).

The corporate bonds of the Company of RMB2,000,000,000 were guaranteed by HECIC, the ultimate holding company as at 31 December 2016 (31 December 2015: RMB1,998,514,000) (note 36(a)).

A long term bank loan of RMB1,752,000 (31 December 2015: RMB1,905,000) is secured by certain of the Group's property, plant and equipment (note 12).

29. ISSUED SHARE CAPITAL

	At 31 December 2016		At 31 December 2015	
	Number of shares '000	**Nominal value RMB'000**	Number of shares '000	Nominal value RMB'000
Registered, issued and fully paid:				
– State legal person shares	**1,876,156**	**1,876,156**	1,876,156	1,876,156
– H shares	**1,839,004**	**1,839,004**	1,839,004	1,839,004
	3,715,160	**3,715,160**	3,715,160	3,715,160

30. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2016 and 2015 are presented in the consolidated statement of changes in equity on page 10 of the financial statements.

31. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary, Hebei Natural Gas, that has material non-controlling interests are set out below:

	2016	2015
Percentage of equity interest held by non-controlling interests	**45%**	45%

	2016 **RMB'000**	2015 RMB'000
Profit for the year allocated to non-controlling interests	**56,088**	18,328
Dividends paid to non-controlling interests	**5,572**	71,920
Accumulated balances of non-controlling interests at the reporting date	**674,876**	624,012

The following table illustrates the summarised financial information of Hebei Natural Gas. The amounts disclosed are before any inter-company eliminations:

	31 December **2016** **RMB'000**	31 December 2015 RMB'000
Current assets	**1,169,851**	1,373,061
Non-current assets	**3,588,265**	3,151,983
Current liabilities	**(1,222,042)**	(1,575,562)
Non-current liabilities	**(1,931,513)**	(1,468,313)

	2016 **RMB'000**	2015 RMB'000
Revenue	**2,399,094**	2,787,859
Total expenses	**(2,276,282)**	(2,749,962)
Profit for the year	**122,812**	37,897
Total comprehensive income for the year	**122,812**	37,897
Net cash flows from operating activities	**285,387**	248,502
Net cash flows used in investing activities	**(229,974)**	(324,434)
Net cash flows (used in)/from financing activities	**(68,695)**	152,807
Net (decrease)/increase in cash and cash equivalents	**(13,282)**	76,875

32. ACQUISITION OF SUBSIDIARY

In December 2016, the Group acquired 60% interest in Linxi Natural Gas from an independent third party at a cash consideration of RMB42,000,000.

The fair values of the identifiable assets and liabilities of Linxi Natural Gas as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment		42,949
Prepaid land lease payments	14	3,869
Intangible assets	16	9,000
Inventory		278
Trade and bills receivables		26,424
Prepayments, deposits and other receivables		3,587
Cash and cash equivalents		4,914
Trade and bills payables		(31,367)
Other payables and accruals		(5,431)
Tax payable		(3)
Total identifiable net assets at fair value		54,220
Non-controlling interests		(21,688)
Goodwill	15	9,468
Satisfied by cash		42,000

An analysis of the cash flows in respect of the acquisition of Linxi Natural Gas is as follows:

	2016 RMB'000
Total cash consideration	(42,000)
Cash not yet paid	21,000
Cash paid in prior year	21,000
Cash and cash equivalents acquired	4,914
Net inflow of cash and cash equivalents included in cash flows from investing activities	4,914

Since the acquisition, Linxi Natural Gas did not contribute to the Group's revenue and profit or loss for the year ended 31 December 2016.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB4,425,101,000 and RMB647,251,000, respectively.

33. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms of two, three, or six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Within one year	**2,085**	1,988
In the second to fifth years, inclusive	**2,576**	4,538
	4,661	6,526

As lessee

The Group leases certain of its properties and equipment under operating lease arrangements, with leases negotiated for terms ranging from two to twenty years.

At the reporting date, the Group had the following total future minimum lease payments under non-cancellable operating leases in respect of land and buildings:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Within one year	**3,784**	3,873
In the second to fifth years, inclusive	**1,070**	4,619
Beyond five years	**403**	101
	5,257	8,593

34. COMMITMENTS

In addition to the operating lease commitments detailed above, the Group had the following capital commitments as at the end of the reporting period:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**8,712,655**	5,760,083
Capital contributions	**–**	21,000
	8,712,655	5,781,083

In addition, the Group's share of the joint venture's own capital commitments, which are not included in the above, is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**–**	8,507

35. CONTINGENT LIABILITIES

As at 31 December 2016, the banking facility granted to a joint venture subject to a guarantee given to a bank by the Group was utilised to the extent of approximately RMB200,000,000 (31 December 2015: RMB200,000,000).

36. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the years ended 31 December 2016 and 2015:

*(i) Transactions with HECIC**

On 31 March 2010, HECIC, China Pacific Asset Management Co., Ltd. (the "Insurance Lender") and HECIC New-energy (a subsidiary of the Company) entered into a secured insurance loan investment agreement pursuant to which the Insurance Lender agreed to syndicate and lend to HECIC New-energy RMB1.3 billion for a term of seven years and HECIC irrevocably agreed to guarantee the payment obligations of HECIC New-energy under the insurance loan investment agreement (the "Insurance Loan Guarantee"). No fee is payable or charged by HECIC in relation to its provision of the Insurance Loan Guarantee to HECIC New-energy. On 18 June 2010, HECIC New-energy fully drew down the syndicated loan of RMB1.3 billion from the Insurance Lender.

On 19 September 2010, the Company entered into an agreement with HECIC which governs the use of trademarks granted by HECIC to the Group.

In September and October, the Group and HECIC renewed certain lease agreement, pursuant to which HECIC leased office space at Yu Yuan Plaza to the Group. The total rental expense in 2016 was RMB4,395,000 (2015: RMB4,462,000).

On 30 August 2011, the Company entered into an agreement with HECIC pursuant to which HECIC agreed to provide a guarantee to the Company for the issuance of domestic corporate bonds with an aggregate nominal value of up to RMB2.0 billion. The guarantee is unconditional and irrevocable with an annual charge of 0.3% of the nominal value of the corporate bonds to the Company by HECIC. On 18 November 2011, the Company issued domestic corporate bonds with an aggregate nominal value of RMB2.0 billion. A guarantee fee of approximately RMB6,000,000 (2015: RMB6,000,000) was payable or charged by HECIC for the year ended 31 December 2016.

36. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2016 and 2015: (continued)

*(ii) Transactions with fellow subsidiaries**

Transactions with HECIC Group Finance Company Limited

The Company and HECIC Group Finance Company Limited (河北建投集團財務有限公司, "Group Finance Company"), a fellow subsidiary of the Company, entered into financial service framework agreements in 2015, pursuant to which the Group will, on a voluntary and non-compulsory basis, utilise the financial services provided by Group Finance Company, including the deposit service, the loan service and other financial services.

The Company directly holds a 10% equity interest in Group Finance Company.

The Group had certain of its cash and cash equivalents and outstanding interest-bearing loans with Group Finance Company as summarised below:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Cash and cash equivalents	**1,032,264**	1,330,746
Short term loans	**845,500**	445,000
Current portion of long term loans	**123,000**	42,000
Long term loans	**260,000**	364,000

	2016 RMB'000	2015 RMB'000
Interest income	**19,677**	12,304
Interest expense	**42,392**	41,804

As at 31 December 2016, the Group had total loan facilities of RMB2,206 million granted by Group Finance Company, of which RMB1,307 million was utilised.

In the opinion of the Directors, the above related party transactions were conducted in the ordinary course of business.

36. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2016 and 2015: (continued)

(iii) Transaction with the Company's joint venture

The Company has guaranteed a bank facility made to a joint venture of up to RMB200,000,000 in 2016 (2015: RMB200,000,000) (note 35).

(iv) Transactions with other State-owned Enterprises in the PRC

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Enterprises" ("SOEs")). During the year, the Group had transactions with other SOEs, other than HECIC and its subsidiaries, including, but not limited to, sale of electricity, depositing and borrowing money and purchase of natural gas, and entering into service concession arrangements, in the normal course of business on terms comparable to those with other non-SOEs.

The individually significant transactions with SOEs are as follows:

	2016 RMB'000	2015 RMB'000
Continuing transactions		
Sale of electricity[#]		
– Jibei Electric Power Company Limited	1,280,941	846,288
– Hebei Electric Power Corporation	618,636	487,715
– Shanxi Electric Power Corporation	133,235	95,236
– Xinjiang Electric Power Corporation	67,624	66,314
– Liaoning Electric Power Corporation	5,919	–
	2,106,355	1,495,553
Purchase of natural gas		
– PetroChina Company Limited	1,710,377	1,970,983
– China Petrochemical Corporation	107,480	115,910
	1,817,857	2,086,893

[#] These transactions included the sale of electricity generated during the construction and testing period, which were not included in the revenue from electricity sale, but offset against the cost of property, plant and equipment.

36. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2016 and 2015: (continued)

(iv) Transactions with other State-owned Enterprises in the PRC (continued)

The Group had certain of its cash and time deposits and outstanding interest-bearing bank loans with certain state-owned banks in the PRC as at 31 December 2016 and 2015 as summarised below:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Cash and time deposits	**408,609**	1,756,893
Short-term bank loans	**780,000**	735,000
Current portion of long-term bank loans	**903,288**	988,207
Long-term bank loans	**9,832,119**	9,563,430
	11,515,407	11,286,637

* These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Outstanding balances with related parties

Except for the Group's cash and time deposits and outstanding interest-bearing loans with Group Finance Company set out in note 36(a)(ii) above, details of the outstanding balances with related parties are set out in notes 24 and 27 to these financial statements.

(c) Compensation of key management personnel of the Group

	2016 RMB'000	2015 RMB'000
Short term employee benefits	**4,585**	2,843
Pension scheme contributions	**572**	1,169
Total compensation paid to key management personnel	**5,157**	4,012

Save as disclosed in note 8 to these financial statements, no remuneration has been paid or is payable to the Directors in respect of any of the period referred to in these consolidated financial statements by the Company or any of the companies now comprising the Group.

37. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Non-cash transactions

During the year ended 31 December 2016, bills receivable amounting to RMB38,000,000 (2015: RMB61,200,000) were endorsed by the Group to the suppliers of the Group for the purchase of items of property, plant and equipment.

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

	31 December 2016 RMB'000	31 December 2015 RMB'000
Financial assets		
Held-to-maturity investments	**7,500**	7,500
Available-for-sale investments	**103,400**	333,400
Loans and receivables:		
Trade and bills receivables	**1,775,681**	1,383,654
Financial assets included in prepayments, deposits and other receivables	**102,176**	66,023
Pledged deposits	**65**	65
Cash and cash equivalents	**1,491,173**	3,138,606
	3,479,995	4,929,248
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and bills payables	**464,885**	553,362
Financial liabilities included in other payables and accruals	**1,981,988**	1,371,994
Interest-bearing bank and other borrowings	**17,045,465**	15,826,118
	19,492,338	17,751,474

39. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

In 2016, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB26,214,000 (31 December 2015: RMB30,338,000) to certain of its suppliers in order to settle trade payables and other payables due to such suppliers (the "Endorsement"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to the undue Endorsed Bills, and accordingly, the Group continued to recognise the full carrying amounts of such Endorsed Bills and the associated trade payables and other payables settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables and other payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB26,214,000 as at 31 December 2016 (31 December 2015: RMB30,338,000).

In 2015, the Group discounted a commercial acceptance bill ("Discounted Bill") with a carrying amount of RMB220,000,000 to banks ("Discount"). The Discounted Bill has a maturity of six months. In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bill, and accordingly, it continued to recognise the full carrying amount of the Discounted Bill and recognised short term loans of RMB220,000,000. Subsequent to the Discount, the Group does not retain any rights on the use of the Discounted Bill, including sale, transfer or pledge of the Discounted Bill to any other third parties. The carrying amount of the short term loans undertaken through the Discount to which the banks have recourse was RMB190,000,000 as at 31 December 2015.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amount		Fair value	
	31 December 2016 RMB'000	31 December 2015 RMB'000	**31 December 2016 RMB'000**	31 December 2015 RMB'000
Financial assets				
Available-for-sale investments	**–**	230,000	**–**	230,000
Trade receivables	**179,102**	142,848	**179,102**	142,848
	179,102	372,848	**179,102**	372,848
Financial liabilities				
Financial liabilities included in other payables and accruals	**89,636**	82,397	**67,969**	63,230
Interest-bearing bank and other borrowings	**17,045,465**	15,826,118	**17,021,228**	15,825,790
	17,135,101	15,908,515	**17,089,197**	15,889,020

Management has assessed that the fair values of cash and cash equivalents, pledge deposits, financial assets included in prepayments, deposits and other receivables, the current portion of trade and bills receivables, held-to-maturity investments, trade and bills payables and the current portion of other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the financial controller and the audit committee. At each reporting date, the corporate finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair values:

The fair values of the interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant.

Fair value hierarchy:

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
31 December 2015				
Available-for-sale investments	–	230,000	–	230,000

Assets for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
31 December 2016				
Trade receivables	–	179,102	–	179,102
31 December 2015				
Trade receivables	–	142,848	–	142,848

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
31 December 2016				
Financial liabilities included in other payables and accruals	–	**67,969**	–	**67,969**
Interest-bearing bank and other borrowings	–	**17,021,228**	–	**17,021,228**
	–	**17,089,197**	–	**17,089,197**
31 December 2015				
Financial liabilities included in other payables and accruals	–	63,230	–	63,230
Interest-bearing bank and other borrowings	–	15,825,790	–	15,825,790
	–	15,889,020	–	15,889,020

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are fair value and cash flow interest rate risks, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the senior management of the Group holds meetings regularly to analyse and approve the proposals made by the management of the Company. Generally, the Group introduces conservative strategies on its risk management. The senior management of the Group reviews and agrees policies for managing each of these risks and they are summarised below.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With its borrowings issued at fixed and floating interest rates, the Group is exposed to both fair value and cash flow interest rate risks.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank loans and short term deposits are stated at amortised cost and not revalued on a periodic basis. Floating rate interest expenses are charged to profit or loss as incurred.

If there would be a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the consolidated pre-tax profit would have decreased/increased by approximately RMB128,492,000 (2015: RMB113,186,000) for the year, but there would have been no impact on other components of the consolidated equity, except for retained profits, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at the end of the reporting period and has applied the exposure to interest rate risk had been applied to those financial instruments in existence at those dates. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk on cash balances which are derived from issue of new H shares in 2014 that are denominated in Hong Kong dollars. The Directors do not anticipate any significant impact resulting from the changes in foreign exchange rates because the majority of the Group's business is transacted in RMB, the Group's functional currency. RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The following table indicates the appropriate change in the Group's profit before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at 31 December 2016 and 2015.

Effect on profit before tax

	Increase/ (decrease) in foreign exchange rate	**2016 RMB'000**	2015 RMB'000
If RMB weakens against the Hong Kong dollar	5%	**12,838**	16,319
If RMB strengthens against the Hong Kong dollar	(5%)	**(12,838)**	(16,319)

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk (continued)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 2016 and has applied the exposure to foreign currency risk to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the year until the next reporting date. The sensitivity analysis was performed on the same basis for the years ended 31 December 2016 and 2015.

(c) Credit risk

Credit risk is derived from the losses incurred if the holders of financial assets cannot fulfil their obligations.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables, other receivables, investments and other financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements. As at 31 December 2016, 50.3% (31 December 2015: 24.1%) of the Group's trade and bills receivables were due from the provincial power grid companies.

The maximum exposure to credit risk is represented by the carrying amounts of financial assets in the statement of financial position after deducting any impairment allowance.

(d) Liquidity risk

The Group's net current liabilities amounted to approximately RMB3,949 million as at 31 December 2016, its net cash inflow from operating activities and financing activities amounted to approximately RMB1,593 million and RMB464 million, respectively, and its net cash outflow used in investing activities was approximately RMB3,609 million for the period then ended. The Group recorded a decrease in cash and cash equivalents of approximately RMB1,551 million as at 31 December 2016.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group had already obtained banking facilities from several PRC banks and Group Finance Company of an amount up to RMB53,802 million as at 31 December 2016, of which approximately RMB14,646 million has been utilised as at 31 December 2016.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

In addition, the Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligations are not exposed to excessive repayment risk in any one year.

After taking into account the above, the Directors are of the view that the Group is able to meet its debt obligations as they fall due in the normal course of business and to continue as a going concern.

The maturity profile of the Group's financial liabilities as at 31 December 2016 and 2015, based on the contractual undiscounted payments, is as follows:

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2016					
Interest-bearing bank and other borrowings	**5,112,741**	**2,737,559**	**3,757,379**	**5,437,786**	**17,045,465**
Interest payments on financial liabilities	**710,168**	**533,653**	**989,712**	**1,505,985**	**3,739,518**
Trade and bills payables	**464,885**	**–**	**–**	**–**	**464,885**
Financial liabilities included in other payables and accruals	**1,893,352**	**14,009**	**25,625**	**49,002**	**1,981,988**
	8,181,146	**3,285,221**	**4,772,716**	**6,992,773**	**23,231,856**
31 December 2015					
Interest-bearing bank and other borrowings	2,440,313	3,705,148	4,401,634	5,279,023	15,826,118
Interest payments on financial liabilities	713,982	584,705	1,027,495	1,675,211	4,001,393
Trade payables	553,362	–	–	–	553,362
Financial liabilities included in other payables and accruals	1,290,197	7,767	29,694	44,336	1,371,994
	4,997,854	4,297,620	5,458,823	6,998,570	21,752,867

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade and bills payables, other payables and accruals, interest-bearing bank and other borrowings, less cash and cash equivalents and pledged deposits. Capital includes the equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The Group's policy is to maintain the gearing ratio at not higher than 70%. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios at the end of the reporting periods were as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
Trade and bills payables (note 26)	**464,885**	553,362
Other payables and accruals (note 27)	**2,303,031**	1,622,837
Interest-bearing bank and other borrowings (note 28)	**17,045,465**	15,826,118
Less: Cash and cash equivalents (note 25)	**(1,491,173)**	(3,138,606)
Less: Pledged deposits (note 25)	**(65)**	(65)
Net debt	**18,322,143**	14,863,646
Capital	**9,533,934**	8,900,520
Capital and net debt	**27,856,077**	23,764,166
Gearing ratio	**66%**	63%

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of the financial position of the Company at the end of the reporting period is as follows:

	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	18,242	14,653
Intangible assets	1,251	456
Investments in subsidiaries	6,153,120	5,553,620
Investment in a joint venture	70,500	70,500
Available-for-sale investments	100,000	100,000
Investments in associates	181,162	133,178
Other receivables	3,564,848	4,302,511
Total non-current assets	10,089,123	10,174,918
CURRENT ASSETS		
Prepayments, deposits and other receivables	166,185	122,429
Available-for-sale investments	–	230,000
Cash and cash equivalents	345,619	784,349
Total current assets	511,804	1,136,778
CURRENT LIABILITIES		
Other payables and accruals	60,715	67,452
Interest-bearing bank loans	1,099,057	97,263
Tax payable	–	5,305
Total current liabilities	1,159,772	170,020
NET CURRENT (LIABILITIES)/ASSETS	(647,968)	966,758
TOTAL ASSETS LESS CURRENT LIABILITIES	9,441,155	11,141,676
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	2,465,793	4,205,251
Total non-current liabilities	2,465,793	4,205,251
Net assets	6,975,362	6,936,425
EQUITY		
Issued share capital	3,715,160	3,715,160
Reserves (note)	3,260,202	3,221,265
Total equity	6,975,362	6,936,425

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2015	2,212,205	137,627	714,263	3,064,095
Profit for the year	–	–	272,340	272,340
Total comprehensive income for the year	–	–	272,340	272,340
Declared final 2014 dividend	–	–	(115,170)	(115,170)
Transfer from retained profits	–	27,234	(27,234)	–
At 31 December 2015	2,212,205	164,861	844,199	3,221,265
Profit for the year	**–**	**–**	**94,664**	**94,664**
Total comprehensive income for the year	**–**	**–**	**94,664**	**94,664**
Declared final 2015 dividend	**–**	**–**	**(55,727)**	**(55,727)**
Transfer from retained profits	**–**	**9,466**	**(9,466)**	**–**
At 31 December 2016	**2,212,205**	**174,327**	**873,670**	**3,260,202**

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 21 March 2017.

Definitions

"Accounting Standards for Business Enterprises of PRC"	the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC in 2006, and other related regulations and the amendments from time to time
"Approved Projects"	wind power projects which have obtained the "Approval for Fixed Assets Investment Project (固定資產投資項目核准證)" or Letter(s) for approved project in accordance with laws and regulations such as the "Interim Measures for Corporate Investment Project (企業投資項目核准暫行辦法)", but have not yet started construction
"availability factor"	the amount of time that a power plant is able to produce electricity after it starts commercial operations over a certain period divided by the amount of time in such period
"average utilization hours"	the consolidated gross power generation in a specified period (in MWh or GWh) divided by the consolidated installed capacity in the same period (in MW or GW)
"CNG"	compressed natural gas
"Company" or "we"	China Suntien Green Energy Corporation Limited (新天綠色能源股份有限公司)
"consolidated gross power generation" or "consolidated net power delivered to grid"	for a specified period, the aggregate gross power generation or net power delivered to grid (as the case may be) of the project companies that the Group fully consolidates in its Financial Statements
"consolidated installed capacity" or "consolidated operating capacity"	the aggregate installed capacity or operating capacity (as the case may be) of the project companies that the Group fully consolidates in its consolidated Financial Statements. This is calculated by including 100% of the installed capacity or operating capacity of the project companies that the Group fully consolidates in its consolidated Financial Statements and are deemed as its subsidiaries. Consolidated installed capacity and consolidated operating capacity do not include the capacity of the Group's associated companies
"Financial Statements"	the audited financial statements for the year ended 31 December 2016
"gross power generation"	for a specified period, the total amount of electricity produced by a power plant in that period, consisting of auxiliary electricity and electricity generated during the construction and testing period
"Group Finance Company"	HECIC Group Finance Company Limited (河北建投集團財務有限公司), a company in which the Company has shareholding, jointly set up by the Company, HECIC, Jointo Energy, HECIC Communications and HECIC Water
"Group"	the Company and its subsidiaries

"Hebei IITD"	Industry and Information Technology Department of Hebei Province (河北省工業和信息化廳)
"Hebei Natural Gas"	Hebei Natural Gas Company Ltd. (河北省天然氣有限責任公司), a non-wholly owned subsidiary of the Company
"Hebei SASAC"	State-owned Assets Supervision and Administration Commission of Hebei Province (河北省人民政府國有資產監督管理委員會)
"HECIC Communications"	HECIC Communications Investment Co., Ltd. (河北建投交通投資有限責任公司)
"HECIC New-energy"	HECIC New-energy Co., Ltd., a wholly-owned subsidiary of the Company
"HECIC Water"	HECIC Water Investment Co., Ltd. (河北建投水務投資有限公司), a whollyowned subsidiary of HECIC
"HECIC"	Hebei Construction & Investment Group Co., Ltd. (河北建設投資集團有限責任公司), a state-owned enterprise established in the PRC and the controlling shareholder of the Company, which is primarily engaged in the investment in and development of projects in the foundation, infrastructures and provincial pillar industries, such as energy, transportation, water supply and commercial real estates
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Huihai"	Shenzhen Suntien Huihai Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Company
"IFRS"	International Financial Reporting Standards, including the standards and interpretation announcements approved by the International Accounting Standard Board and its predecessor, the International Accounting Standard Committee
"installed capacity"	the capacity of the wind turbines that have been completely assembled and erected
"Jointo Energy"	Jointo Energy Investment Co., Ltd. Hebei (河北建投能源投資股份有限公司)
"kW"	unit of power, kilowatt. 1 kW = 1,000 watts
"kWh"	unit of energy, kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be consumed by a 1 kW electrical appliance in one hour

Definitions

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LNG"	liquefied natural gas
"Ministry of Finance"	Ministry of Finance of the People's Republic of China (中華人民共和國財政部)
"MW"	unit of power, megawatt. 1MW = 1,000 kW. The installed capacity of power plants is generally expressed in MW
"MWh"	unit of energy, megawatt-hour. 1 MWh=1,000 kWh
"NDRC"	National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會)
"net power delivered to grid"	for a specified period, the total amount of electricity sold to the relevant local grid companies by a power plant in that period, which equals to gross power generation less (i) auxiliary electricity and (ii) the electricity generated during the construction and testing period. Income attributable to the sales of electricity generated during the construction and testing period is not included in the revenue of electricity sales, but is offset against the cost of property, plant and equipment
"PetroChina"	PetroChina Company Limited (中國石油天然氣股份有限公司), a joint stock company incorporated in China with limited liability and listed on the Hong Kong Stock Exchange (Stock code: 857)
"reporting period"	the fiscal year from 1 January 2016 to 31 December 2016
"RMB"	Renminbi, the lawful currency of the PRC
"Shenzhen Suntien"	Shenzhen Suntien Green Energy Investment Company Limited (深圳新天綠色能源投資有限公司), a wholly-owned subsidiary of the Company
"Suntien Hong Kong"	Suntien Green Energy (Hong Kong) Corporation Limited, a wholly-owned subsidiary of the Company

Corporate Information

REGISTERED NAME:
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STOCK CODE:
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JOINT COMPANY SECRETARIES:
Mr. Ban Ze Feng
Ms. Lam Yuen Ling, Eva

DIRECTORS OF THE COMPANY:

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Dr. Li Lian Ping
Mr. Qin Gang
Ms. Sun Min
Mr. Wu Hui Jiang

Executive Director
Mr. Wang Hong Jun

Independent non-executive Directors
Mr. Qin Hai Yan
Mr. Ding Jun
Mr. Wang Xiang Jun
Mr. Yue Man Yiu Matthew

SUPERVISORS OF THE COMPANY:
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Mr. Liu Jin Hai
Mr. Qiao Guo Jie
Mr. Xiao Yan Zhao
Mr. Liang Yong Chun
Ms. Ma Hui

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