ANNUAL REPORT 2017

中广核 CGN

新能源
New Energy

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

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

Doing Things Right in One Go

Contents

Corporate Information

REGISTERED OFFICE

Victoria Place
31 Victoria Street
Hamilton HM10
Bermuda

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

STOCK CODES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

1811 (Shares)
5964 (Bonds due 2018)

COMPANY'S WEBSITE

www.cgnne.com

BOARD OF DIRECTORS

Chairman and Non-executive Director

Mr. Chen Sui

President and Executive Director

Mr. Lin Jian (resigned on 22 January 2018)
Mr. Li Yilun (appointed on 22 January 2018)

Corporate Information

Non-executive Directors

Mr. Wu Junfeng (resigned on 10 November 2017)
Mr. Xu Yuan (resigned on 16 August 2017)
Mr. Yin Engang (resigned on 22 January 2018)
Mr. Zhang Chengbai (appointed on 10 November 2017)
Mr. Yao Wei (appointed on 22 January 2018)
Mr. Wang Hongxin (appointed on 16 August 2017)
Mr. Dai Honggang
Mr. Xing Ping

Independent Non-executive Directors

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

Members of the Audit Committee

Mr. Leung Chi Ching Frederick *(Chairman)*
Mr. Yin Engang (resigned on 22 January 2018)
Mr. Yao Wei (appointed on 22 January 2018)
Mr. Fan Ren Da Anthony

Members of the Remuneration Committee

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

Members of the Nomination Committee

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

Corporate Information

Members of the Investment and Risk Management Committee

Mr. Dai Honggang *(Chairman)*
Mr. Yin Engang (resigned on 22 January 2018)
Mr. Yao Wei (appointed on 22 January 2018)
Mr. Xing Ping

Members of the Strategy Development Committee

Mr. Dai Honggang *(Chairman)*
Mr. Chen Sui
Mr. Lin Jian (resigned on 22 January 2018)
Mr. Li Yilun (appointed on 22 January 2018)
Mr. Wu Junfeng (resigned on 10 November 2017)
Mr. Zhang Chengbai (appointed on 10 November 2017)
Mr. Wang Susheng

Company Secretary

Mr. Lee Kin

Authorized Representatives

Mr. Li Yilun (with Mr. Wong Chun Cheong as his alternate)
Mr. Lee Kin

LEGAL ADVISER

Hong Kong Law

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

AUDITOR

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

Corporate Information

COMPLIANCE ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

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

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

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

Major Events in 2017

July :

- The Sinotrans 4.56 MW Solar Power Project in Hefei Hi-tech Zone, Anhui Province achieved full on-grid connection

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May :

- 2017 annual general meeting

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March :

- 2016 annual result announcement
- 2016 annual result conference

May :

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- Awarded the "Most Progress in IR" in the "3rd Investor Relations Awards" organised by the Hong Kong Investor Relations Association (HKIRA)

Major Events in 2017

August :

- 2017 interim result announcement
- 2017 interim result conference

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2017

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December :

- 2017 special general meeting

8

August :

- The Juli Steel Wire Factory 5.69 MW Solar Power Project achieved full on-grid connection in Jiyuan, Henan Province

Chairman's Statement

> The Group will pursue its mission of "providing clean energy to benefit mankind", and capitalise on the opportunities arising in the industry to maintain quality, efficient and innovative development and proactively develop a diversified assets portfolio and a well-established operation and management model.

Chairman's Statement

Dear Honourable Shareholders,

Looking back on 2017, the Chinese economy maintained steady growth despite the challenges brought about by various uncertainties such as interest rate hikes and fluctuations. The energy structure continued to optimise, with new energy replacing traditional energy and becoming the driver for energy development. By the end of December, the installed capacity of renewable energy powers of PRC amounted to 650 GW, representing a year-on-year increase of 14%; among which, the installed capacity of wind power was 164 GW, and that of solar power was 130 GW, representing a year-on-year growth of 10.5% and 68.7%, respectively. With the growing scale and improving utilisation level of new energy, the curtailment rate of wind and solar power generation decreased.

BUSINESS DEVELOPMENT

In terms of business development, the Group continued to maintain a balanced and diversified power portfolio, and continuously promoted the development of its own greenfield and brownfield projects. In 2017, the offshore wind power projects entrusted by the Group had intensified its efforts by making new contributions to the economic and social development of Guangdong Province. In September 2017, the 400 MW Yangjiang Nanpeng Island Offshore Wind Power Project（陽江南鵬島400兆瓦海上風電項目）, which was entrusted to be managed by the Group, was approved by Guangdong Provincial Development and Reform Commission, which represents the single offshore wind power project with maximum capacity approved for one time in China up to now. In December 2017, the Group signed the Cooperation Agreement for Offshore Wind Power Project（《海上風電項目合作協議》）with Jieyang municipal government and reached a consensus on the co-development of the 3,000 MW Offshore Wind Power Project off the coast of eastern Guangdong Province, marking the launch of the PRC's first large-scale base of deep-water offshore wind power project in Jieyang, Guangdong Province. Furthermore, in November 2017, all power generating units of the 50 MW Qinghai Lenghu Dingzikou Wind Power Project（青海冷湖丁字口50兆瓦風電項目）, which was entrusted to be managed by the Group, were connected to the power grid, making contributions to the development of new energy.

As at 31 December 2017, the attributable installed capacity of the Group's power plants reached 4,962.4 MW. The net electricity generated reached approximately 10,858.3 GWh. The revenue of the Group amounted to approximately US$1.11 billion, up by approximately 3.2% from last year. Profit attributable to owners amounted to approximately US$61.9 million. Net assets value reached approximately US$960.4 million, representing an increase of 18.3% as compared to the corresponding period of last year. Basic earnings per share of the Group reached approximately US$1.44 cents (equivalent to HK$11.2 cents per share). The Board recommended a final dividend of US$0.36 cents per share (equivalent to HK$2.81 cents per share) for 2017.

POLICY SUPPORT

In the second half of 2017, the National Energy Administration issued the "Guiding Opinion on the Implementation of the 13th Five-year Plan for Renewable Energy Development"（《關於可再生能源發展「十三五」規劃實施的指導意見》), which emphasises that the strategy of energy production and consumption revolution should be implemented in depth and that issues arising from the development of renewable energy, including the curtailment of hydro, wind and solar power and insufficient subsidy, should be effectively addressed so as to achieve sustainable, healthy and orderly development of the renewable energy industry. In 2017, the curtailment of wind and solar power was eased, with the curtailment rates of wind and solar power down by 5.2 percentage points and 4.3 percentage points, respectively. It is expected that red warning on wind power generation in regions such as Inner Mongolia, Heilongjiang and Ningxia will be removed in 2018. According to the "Plan for Additional Construction Scale of Wind Farms for 2017-2020"（《2017-2020年風電新增建設規模方案》）and the "Plan for Additional Construction Scale of Photovoltaic Power Plants for 2017-2020"（《2017-2020年光伏電站新增建設規模方案》), the total additional construction scale of wind farms and photovoltaic power plants in China for 2017-2020 will reach 110.41 GW and 86.5 GW, respectively. Both the wind power industry and the photovoltaic power industry will embrace important development opportunities.

FUTURE PLAN

Looking into 2018, China will continue to pursue its economic development goals of "seeking progress amidst stability" and "high-quality development" by continuously optimising its economic structure, promoting energy production and consumption revolution and formulating a clean, low-carbon, safe and efficient energy system. The Group will pursue its mission of "providing clean energy to benefit mankind", and capitalise on the opportunities arising in the industry to maintain quality, efficient and innovative development and proactively develop a diversified assets portfolio and a well-established operation and management model. On one hand, the Group will continue to consolidate the advantages and value of quality assets in wind and solar power based on its completed first batch of asset injection in an effort to enhance the Group's core competitiveness and profitability. On the other hand, the Group will continue to acquire from China General Nuclear Power Corporation（中國廣核集團有限公司）("**CGN**") clean and renewable energy power generation projects with stable returns and constantly optimise the Group's asset portfolio so as to keep creating value for shareholders and society.

Chen Sui
Chairman

21 March 2018

President's Statement

"Clean and renewable energy portfolio has been the top priority of the Group's business development. The Group will uphold its basic principles of safety first, quality foremost and pursuit of excellence, continuously improve its talent selection and training mechanism, and optimise team building and internal governance, thereby boosting profitability and rewarding shareholders with excellent performance."

President's Statement

Dear Honourable Shareholders,

In 2017, under the leadership of the Board, while focusing on achieving its annual business objectives, the Group conscientiously implemented the spirit of its annual work conference, pursued the balanced development strategy and steadily promoted production and operation efforts in various aspects, thereby laying down a solid foundation for the quality and efficient development of the Company during the period of the "13th Five-Year Plan".

NEW ENERGY DEVELOPMENT PATTERN AND FAVOURABLE POLICY

In 2017, the Chinese economy maintained steady growth with continuously optimised economic structure. In 2017, the electricity generated from renewable energy amounted to 1,700 TWh in the PRC, representing a year-on-year growth of 150 TWh and accounting for 26.4% of the total electricity generation. Among which, the electricity generated from wind power was 305.7 TWh, representing a year-on-year growth of 26.3%; the electricity generated from solar power was 118.2 TWh, representing a year-on-year growth of 78.6%.

According to the report of the 19th National Congress of the Communist Party of China (the "**19th NCCPC**"), the energy saving and environmental protection industry, the clean production industry and the clean energy industry should be expanded, and a clean, low-carbon, safe and efficient energy system should be established through promotion of energy production and consumption revolution. Renewable energy continued to develop in terms of on-grid installed capacity, while the focus of new energy development was shifting from regions with abundant resonances to regions with deficits. The new energy sector started to adopt both focused and decentralised development approaches. As a result, the energy structure has been further optimised.

BUSINESS DEVELOPMENT PROGRESS, OPERATION AND MANAGEMENT

Clean and renewable energy portfolio has been the top priority of the Group's business development. In 2017, the wind power and solar power projects, which were entrusted to be managed by the Group, not only achieved growth in scale, but also won a number of honourable titles. In May 2017, the 200 MW Wulan No.4 Wind Power Project in CGN Urad Central Banner, which was entrusted to be managed by the Group, won the "2017 China Electric Power Quality Engineering Award". In August 2017, Altai Wind Farm, Maytas Wind Farm, Dabancheng Phase 1 Wind Farm and Santanghu Phase II Wind Farm, which were entrusted to be managed by the Group, ranked the first in the 4 respective regions in the 2016 Annual Wind Farm Operation Index Contest organised by China Electricity Council. In September 2017, the Rudong Offshore Wind Farm, which was entrusted to be managed by the Group, was awarded the "Top 50 in the Wind Power Industry for 2017 – Top Ten Outstanding Wind Farms". These accolades fully recognise the Group's strong operation capability and high operation quality.

In terms of investor relations, the Group has also achieved leap-forward development. In the "HKIRA 3rd IR Awards 2017" organised by Hong Kong Investor Relations Association, the Group was awarded "Most Progress in IR", reflecting that the Group has been well received and recognised by the capital markets.

PROSPECTS

Looking ahead, China will continue to adhere to the general tone of seeking progress through stability and regard high quality development as the basic requirement for its future development. Clean energy will remain the key driver for energy revolution in the future, and will continue to be supported by government policy. The Group will continue to uphold its mission of "providing clean energy to benefit mankind" and remain committed to the development of clean and renewable energy projects. On one hand, the Group will continue to adhere to its customer-centric philosophy and implement the strategy of "quality and innovative development" to keep improving the profitability of its core businesses such as wind power generation and solar power generation. On the other hand, the Group will uphold its basic principles of safety first, quality foremost and pursuit of excellence, continuously improve its talent selection and training mechanism, and optimise team building and internal governance, thereby boosting profitability and rewarding shareholders with excellent performance.

Li Yilun
President

21 March 2018

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Distribution of Projects

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

Henan

		Total Installed Capacity
Puguang	:	250 MW
Jiyuan Juli	:	5.7 MW

Gansu

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

Qinghai

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

Sichuan

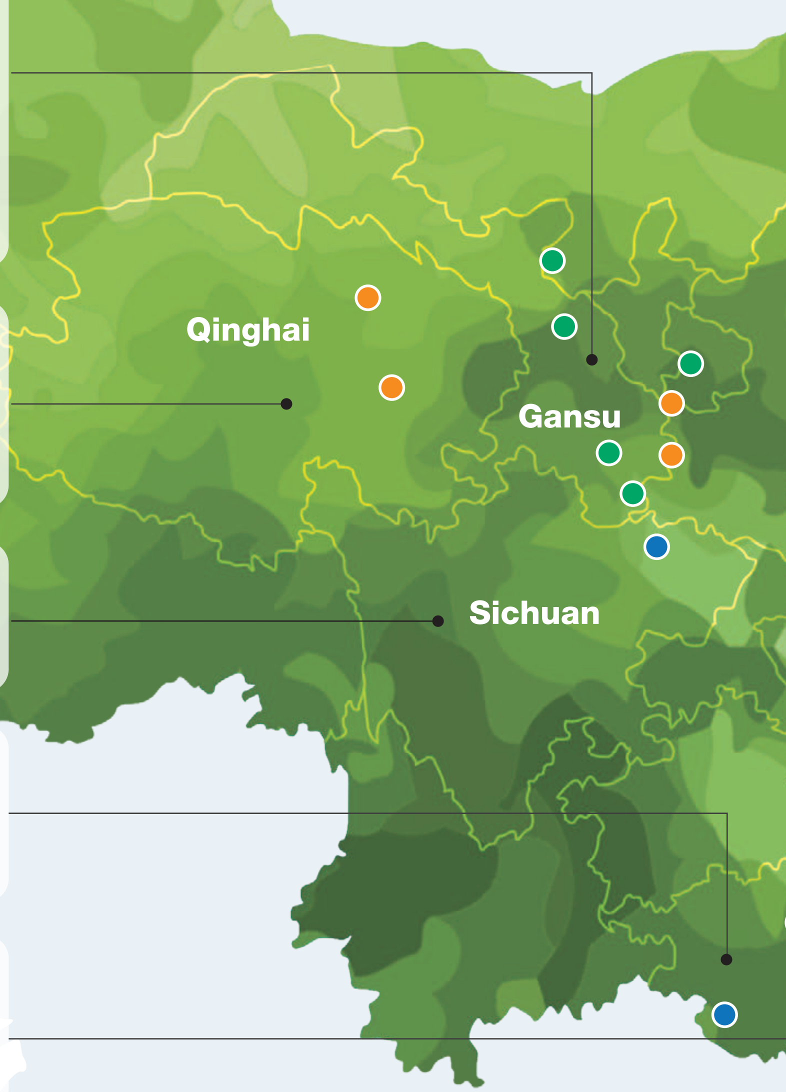
		Total Installed Capacity
Mianyang	:	51 MW

Guangxi

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

Guangdong

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



Korea

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

Shandong

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

Jiangsu

		Total Installed Capacity
Haian	:	27 MW
Nantong	:	48 MW

Shanghai

		Total Installed Capacity
Jinqiao	:	295 tons/hour

Anhui

		Total Installed Capacity
Hefei Hi-tech Sinotrans	:	4.6 MW

Zhejiang

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

Hubei

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

Financial and Operating Highlights

EBITDA[1]
(US$ million)

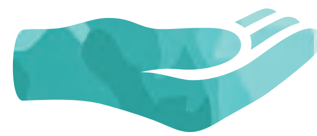
304

Decreased by 6%
as compared with 2016

REVENUE
(US$ million)

1,109

Increased by 3%
as compared with 2016



NET PROFIT ATTRIBUTABLE TO OWNER OF THE COMPANY
(US$ million)

62

Decreased by 22%
as compared with 2016

EPS
US cents per share

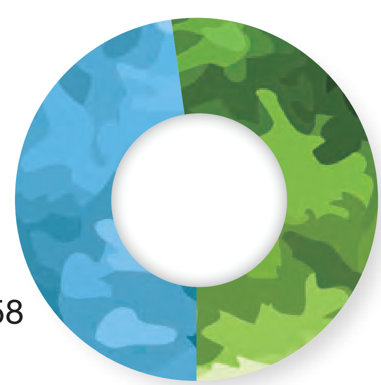
1.44

Decreased by 22%
as compared with 2016

ATTRIBUTABLE INSTALLED CAPACITY
MW

2017
2016

ELECTRICITY SALES
GWh



Note:

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

Management Discussion and Analysis

The Group's operations are located mainly in the PRC and Korean power markets with wide geographical coverage and diversified business scope, including wind, solar, gas-fired, coal-fired, oil-fired, hydro, cogen and fuel cell projects as well as a steam project. Our business in the PRC covers 10 provinces, an autonomous region and a municipality.

Management Discussion and Analysis

I. INDUSTRY OVERVIEW

During the year of 2017, the macro-economy of the PRC continued to develop steadily and trended upward in general. According to the data published by the National Energy Administration, the installed capacity of the PRC amounted to 1,777 GW throughout the year, representing a year-on-year increase of 7.6%, while electricity consumption amounted to 6,308 TWh, representing a year-on-year increase of 6.6%.

The PRC's policy favors the new energy power generation sector. In April 2017, the National Energy Administration sought advice on Opinions on Promoting Renewable Energy Based Heat Supply (《關於促進可再生能源供熱的意見》), proposed to accelerate renewable energy based heating and promoted rectification on environmental protection and renewable energy consumption. In September 2017, the National Energy Administration issued the Notice on Reducing the Tax Liability Involved in Renewable Energy (Draft for Comments) (《關於減輕可再生能源領域涉企稅費負擔的通知(徵求意見稿)》), aiming to alleviate burdens on the development of renewable energy industry. In September 2017, the Opinions on Supporting Photovoltaic Poverty Alleviation and Standardize Photovoltaic Power Generation Industry Land (《關於支持光伏扶貧和規範光伏發電產業用地的意見》) issued by the Ministry of Land and Resources, the State Council Leading Group Office of Poverty Alleviation and Development and National Energy Administration stipulated that the photovoltaic array with photovoltaic complex project using agricultural land that meets the relevant requirements may not change the nature of the original land. In November 2017, NDRC and the National Energy Administration issued the Measures for Resolving the Curtailment of Hydro, Wind and Photovoltaic Power Generation (《解決棄水棄風棄光問題實施方案》), which provided comprehensive solutions for renewable energy consumption. In addition, the Circular on Piloting Market-Oriented Distributed Power Generation Trading (《關於開展分佈式發電市場化交易試點的通知》) proposed three types of market-based transaction mechanisms, namely direct transactions between distributed power generation and users, entrusted power grid sales as well as sales to power grids in full, and clarified the corresponding public service guarantee mechanism, charging methods and subsidy policy. As the National Energy Administration pointed out, the PRC's renewable energy development has entered the stage of incremental replacement and it is expected that all incremental energy demands in the PRC will be satisfied by clean energy by 2035. Wind power and solar power industry are facing important opportunities for development.

Regarding the Korean market, the GDP growth rate was 3.1% in 2017 and it faces instability due to the US interest rate rise as well as the appreciation of KRW leading to a heavy strike on exports. In respect of Korean power market, the commissionings of new power plants intensify the competition in power market and lead to the drop of utilization hours and power generation. In addition, due to the rising of natural gas price, the profitability of Korean gas-fired power generation companies was affected. However, the increase in the average system marginal price ("**SMP**") from KRW 76 per kWh in 2016 to KRW 80 per kWh in 2017, offset the loss in profit.

II. BUSINESS REVIEW

The Group's operations are located mainly in the PRC and Korean power markets with wide geographical coverage and diversified business scope, including wind, solar, gas-fired, coal-fired, oil-fired, hydro, cogen and fuel cell projects as well as a steam project. Our business in the PRC covers 10 provinces, an autonomous region and a municipality. As of 31 December 2017, the operations in the PRC and Korea accounted for approximately 58.8% and 41.2% of our attributable installed capacity of 4,962.4 MW respectively. Clean and renewable energy projects, namely wind, solar, gas-fired, hydro and fuel cell projects, accounted for 64.3% of our attributable installed capacity, and conventional energy projects, namely coal-fired, oil-fired and cogen projects, accounted for 35.7% of our attributable installed capacity.

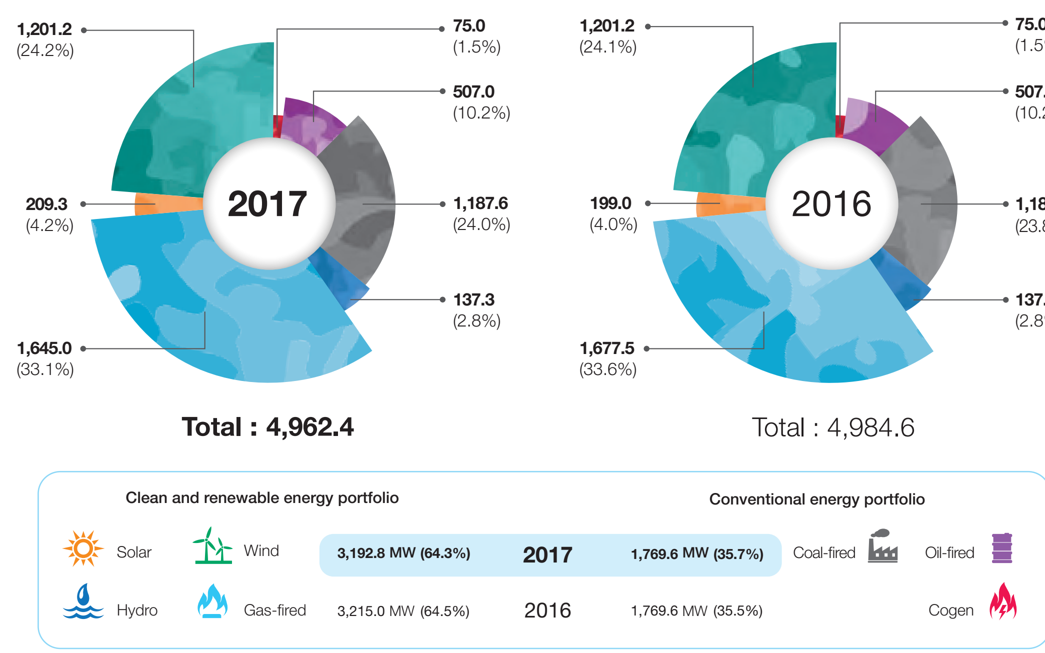
The following table sets out items selected by us from the results of the Group (by fuel type):

US$ million	Gas-fired projects	Coal-fired, cogen and steam projects	Oil-fired project	Hydro projects	Wind projects	Solar projects	Corporate	Total
For the year ended 31 December 2017								
Revenue	650.1	189.3	30.9	33.6	129.4	38.0	37.2	1,108.5
Operating expenses	(600.1)	(173.0)	(15.6)	(20.1)	(65.0)	(17.2)	(51.3)	(942.3)
Operating profit	50.0	16.3	15.3	13.5	64.4	20.8	(14.1)	166.2
Profit for the year	24.3	31.7	11.0	10.4	31.3	12.9	(55.6)	66.0
Profit attributable to the owners of the Company	24.0	28.2	11.0	10.0	31.4	12.9	(55.6)	61.9

Management Discussion and Analysis

US$ million	Gas-fired projects	Coal-fired, cogen and steam projects	Oil-fired project	Hydro projects	Wind projects	Solar projects	Corporate	Total
For the year ended 31 December 2016								
Revenue	660.4	173.2	28.1	36.7	113.9	36.0	26.1	1,074.4
Operating expenses	(607.6)	(136.8)	(14.4)	(19.5)	(66.0)	(16.3)	(36.4)	(897.0)
Operating profit	52.8	36.4	13.7	17.2	47.9	19.7	(10.3)	177.4
Profit for the year	45.8	48.3	7.7	12.6	12.7	8.5	(44.6)	91.0
Profit attributable to the owners of the Company	43.5	39.6	7.7	12.1	12.7	8.5	(44.6)	79.5

The attributable installed capacity of the Group's power assets as of 31 December 2017 and 2016 by fuel type are set out as follows (MW):



As of 31 December 2017, the attributable installed capacity of the Group's power plants reached 4,962.4 MW, representing a decrease of 22.2 MW or 0.4% from last year, mainly due to the Group no longer had controlling power over Weigang Power Project with an attributable installed capacity of 32.5 MW upon the corresponding liquidation procedures. For details, please refer to the "Gain on Deconsolidation of a Subsidiary" under the Operating Results and Analysis and the Company's announcement dated 21 December 2017. As of 31 December 2017, the consolidated installed capacity of the Group's power plants reached 4,172.9 MW.

In terms of business development, during the second half of 2017, Jiyuan CGN New Energy Co., Ltd.（濟源中廣核新能源有限公司）, a wholly-owned subsidiary of the Company achieved full on-grid connection for its distributed photovoltaic power generation project of Juli Steel Wire Factory（巨力鋼絲廠）in Jiyuan, Henan Province, with a total installed capacity of 5.69 MW. Meanwhile, CGN (Hefei) New Energy Co., Ltd.（中廣核（合肥）新能源有限公司）, a wholly-owned subsidiary of the Company, achieved full on-grid connection for its Sinotrans distributed photovoltaic power generation project in Hefei Hi-tech Zone, Anhui Province, with a total installed capacity of 4.56 MW.

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Management Discussion and Analysis

In 2017, the net electricity generated from the consolidated power generation projects of the Group reached 10,858.3 GWh, representing a decrease of 8.3% compared with 11,836.7 GWh last year. The decrease is mainly due to lower dispatch at our Korea gas-fired projects resulting from commissionings of new power plants. The net electricity generated by wind power projects and solar power projects reached 1,976.3 GWh and 295.2 GWh, representing growth rates of 19.5% and 15.0% respectively. In 2017, the total steam sold by the Group amounted to 3,202,000 tons, representing an increase of 7.1% as compared with that of last year.

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

Average utilization hour by fuel type(1)

	For the year ended 31 December	
	2017	2016
PRC Wind Projects(2)	**1,619**	1,409
PRC Solar Projects(3)	**1,458**	1,299
PRC Coal-fired Projects(4)	**4,028**	4,036
PRC Cogen Projects(5)	**5,485**	6,223
PRC Hydro Projects(6)	**4,080**	4,287
PRC Gas-fired Projects(7)	**447**	1,168
Korea Gas-fired Projects(8)	**4,124**	4,832

Notes:

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

(2) Average utilization hours for the year ended 31 December 2017 for the PRC wind projects in the Shandong Province, the Zhejiang Province and the Gansu Province were 2,031, 1,980 and 1,441, respectively. The increase in average utilization hours for the PRC wind projects was mainly due to the improvement of dispatch volume in the Gansu Province with lower grid curtailment.

(3) The average utilization hours for the year ended 31 December 2017 for the PRC solar projects in the Western Region, the Central Region and the Eastern Region of the PRC were 1,555, 1,169 and 1,117, respectively. The increase in average utilization hours for the PRC solar projects was mainly due to the improvement of dispatch volume in the Western Region with lower grid curtailment.

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

(5) Average utilization hour for the PRC cogen projects decreased in 2017 mainly due to the decrease in local demand.

(6) Average utilization hour for the PRC hydro projects decreased in 2017 mainly due to keen market competition arising from over-supply of electricity in the Guangxi Province.

(7) Average utilization hour for the PRC gas-fired projects decreased in 2017 mainly due to cessation of operation of Weigang Power Project since June 2016 and the lower gas supply of Hanneng Power Project.

(8) Our Korea gas-fired power projects had lower average utilization hour in 2017 mainly due to lower dispatch in our Korea power plants. The commissionings of new power plants on Korea, intensifies the competition in power market while the national electricity demand has been steady.

Management Discussion and Analysis

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

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

	Unit	For the year ended 31 December 2017	2016
PRC Wind Projects	RMB per kWh	**0.53**	0.54
PRC Solar Projects[(2)]	RMB per kWh	**1.02**	1.10
PRC Coal-fired Projects[(3)]	RMB per kWh	**0.4494**	0.4273
PRC Cogen Projects[(3)(4)]	RMB per kWh	**0.4635**	0.4568
PRC Hydro Projects	RMB per kWh	**0.3433**	0.3518
PRC Gas-fired Projects[(5)]	RMB per kWh	**0.7430**	0.6138
Korea Gas-fired Projects[(6)]	KRW per kWh	**105.0**	94.2
Weighted average tariff-steam (inclusive of VAT)			
PRC Cogen Projects[(7)]	RMB per ton	**176.9**	171.4

Notes:

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

(2) The weighted average tariff of our PRC solar projects decreased in 2017 due to keen competition of involvement in electricity bid trading.

(3) The weighted average tariffs for our PRC coal-fired and PRC cogen projects increased in 2017 since there has been national on-grid tariff upward adjustment directed by the NDRC in July 2017.

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

(5) Upon cessation of operation of Weigang Power Project since June 2016, the PRC gas-fired project leaves Hanneng Power Project, which has a higher weighted average tariff than Weigang Power Project.

(6) The increase in weighted average tariff for our Korea gas-fired projects was in line with the increase in Korean gas price.

(7) The weighted average tariff-steam increased in 2017 was in line with the increase in PRC coal price.

Management Discussion and Analysis

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

	Unit	For the year ended 31 December **2017**	2016
PRC weighted average gas price[(1)(2)]	RMB per normal cubic meter ("**Nm³**")	**2.372**	2.372
PRC weighted average standard coal price[(1)(3)]	RMB per ton	**785.0**	565.8
Korea weighted average gas price[(1)]	KRW per Nm^3	**516.8**	467.0

Notes:

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

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

(3) The PRC weighted average standard coal price in 2017 increased compared to 2016 due to significant increase in market coal price.

Revenue and segment information

The Group has three reportable segments as follows:

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

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

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

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

For the year ended 31 December 2017

	Power Plants in the PRC *US$'000*	Power Plants in Korea *US$'000*	Management companies *US$'000*	Total *US$'000*
Segment revenue – external	407,861	663,536	37,163	1,108,560
Segment results	86,519	39,850	1,779	128,148
Unallocated other income				388
Unallocated operating expenses				(8,282)
Unallocated finance costs				(35,021)
Unallocated other gains and losses				(9,948)
Share of results of associates				19,268
Profit before tax				94,553

Management Discussion and Analysis

For the year ended 31 December 2016

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

Segment revenue for Power Plants in the PRC increased by approximately 4.6%, which was mainly attributable to increase in revenue from wind, solar, coal-fired, cogen and steam power projects, partially offset by the decrease in revenue from hydro and gas-fired projects.

Segment revenue for Power Plants in Korea increased slightly by 0.8%, it was mainly due to the upward adjustment in power tariff along with the increase in gas price.

The Group provides management services to certain subsidiaries of CGN starting from May 2014. The increase in segment revenue for Management companies by 42.1% in 2017 was mainly because the Group entered into a new entrustment agreement with CGN in relations with certain overseas assets.

Segment results for Power Plants in the PRC decreased by approximately 18.7%, which was mainly due to the soaring coal price that led to substantial increase in fuel costs.

Segment results for Power Plants in Korea increased by approximately 4.9%, which was in line with the increase in segment revenue for Power Plants in Korea.

Management Discussion and Analysis

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

	2017	2016
	US$'000	*US$'000*
Segment assets		
Power Plants in the PRC	**2,170,194**	2,019,212
Power Plants in Korea	**1,340,191**	1,200,218
Management companies	**2,565**	3,841
Total segment assets	**3,521,950**	3,223,271
Interests in associates	**168,111**	161,717
Unallocated	**59,556**	113,633
Consolidated assets	**3,740,617**	3,498,621
Segment liabilities		
Power Plants in the PRC	**1,107,696**	1,038,263
Power Plants in Korea	**845,983**	790,370
Management companies	**908**	1,011
Total segment liabilities	**1,954,587**	1,829,644
Unallocated		
– Bond payables	**354,858**	354,480
– Derivative financial instruments	**9,957**	–
– Loans from fellow subsidiaries	**450,000**	489,579
– Others	**10,840**	13,082
Consolidated liabilities	**2,780,242**	2,686,785

The increase in both segment assets and liabilities for Power Plants in the PRC in 2017 was mainly due to the additions in property, plant and equipment; and the increase in trade payables, other payables and accruals.

Part of the unallocated loans from fellow subsidiaries of US$39.6 million was settled in 2017.

Management Discussion and Analysis

III. OPERATING RESULTS AND ANALYSIS

In 2017, the revenue of the Group amounted to approximately US$1,108.6 million, representing an increase of approximately 3.2% compared with last year. The profit attributable to the owners of the Company amounted to approximately US$61.9 million, representing a decrease of approximately US$17.6 million or 22.1% as compared with last year.

In 2017, the profit of the Group amounted to approximately US$66.0 million, representing a decrease of approximately US$25.0 million or 27.5% as compared with approximately US$91.0 million of last year.

Revenue

In 2017, the revenue of the Group amounted to approximately US$1,108.6 million, representing an increase of 3.2% compared with approximately US$1,074.4 million of last year. The increase in revenue was mainly attributable to the improvement of dispatch volume in our wind projects at Gansu Province with lower grid curtailment. This is accompanied by higher steam sales of our cogen projects and higher management fee income.

Operating Expenses

In 2017, the operating expenses of the Group amounted to approximately US$942.3 million, representing an increase of approximately 5.0% compared with approximately US$897.1 million of last year. The increase in operating expenses was mainly due to the increase in standard coal price and fuel cost in the PRC coal-fired projects.

Operating Profit

In 2017, the operating profit, which is equal to revenue minus operating expenses, of the Group amounted to approximately US$166.2 million, representing a decrease of approximately US$11.2 million or 6.3% compared with approximately US$177.4 million of last year. The decrease in operating profit was mainly due to negative impact on operating cost to our coal-fired and cogen projects caused by the increased coal price in the PRC power market.

However, operating profit in our wind and solar projects increased significantly during the year due to improvement of dispatch volume. This partially offset the drop in operating profits in our conventional energy sectors.

Other Income

Other income mainly represented interest income, government grants and the refund of value added tax. In 2017, other income of the Group amounted to approximately US$14.5 million, representing an increase of approximately US$0.2 million or 1.4% compared with approximately US$14.3 million of last year.

Finance Costs

In 2017, the finance costs of the Group amounted to approximately US$101.7 million, representing a decrease of approximately US$13.5 million or 11.7% compared with approximately US$115.2 million of last year. The decrease in finance costs was mainly attributable to the decrease in weighted average balances of bank borrowings and increase in repayment of a loan from a fellow subsidiary during the year.

Management Discussion and Analysis

Share of Results of Associates

In 2017, the share of results of associates amounted to approximately US$19.3 million, representing a decrease of approximately US$2.8 million or 12.7% compared with approximately US$22.1 million of last year. The decrease in profit of the associates was mainly due to the increase in standard coal price in the PRC.

Gain on Deconsolidation of a Subsidiary

On 21 December 2017, the Group entered into a dissolution and assets distribution agreement with Baosteel, the non-controlling interest of Shanghai Wei Gang Energy Co., Ltd. ("**Weigang**"), to voluntarily dissolve Weigang. On the same date, the Group and Baosteel has jointly set up the dissolution panel to take over the control of Weigang in order to execute the liquidation procedures. Upon the formation of the dissolution panel, the Group no longer had controlling power to govern the financial and operating policies of Weigang so as to benefit from its activities. Accordingly, the Group recognised a gain on deconsolidation of approximately US$3.8 million arising from release of cumulative translation difference of Weigang.

Gain on Disposal of a Subsidiary

During 2016, the Group disposed its entire equity interest in Sichuan Hexie Electric Power Co., Ltd., an indirect wholly-owned subsidiary of the Company, at a consideration of RMB220.1 million (equivalent to US$32.5 million). A gain on disposal of a subsidiary of US$18.7 million was resulted after considering the transaction cost, related cumulative exchange gain and the net assets disposed of.

Income Tax Expenses

In 2017, the income tax expenses of the Group amounted to approximately US$28.6 million, representing a decrease of approximately US$0.3 million or 1.0% compared with approximately US$28.9 million of last year.

Liquidity and Capital Resources

The Group's bank balances and cash decreased from US$326.5 million as at 31 December 2016 to US$242.8 million as at 31 December 2017. The decrease was primarily due to repayment of bank borrowings and spending in construction in progress, partially offset by cash generated from operations.

Net Debt/Equity Ratio

The Group's net debt/equity ratio decreased from 2.55 as at 31 December 2016 to 2.25 as at 31 December 2017 due to the increase in equity as a result of increase in translation reserve.

Dividend

At the Board meeting held on 21 March 2018, the Board recommended the payment of a final dividend for the year ended 31 December 2017 of 0.36 US cents per Share (equivalent to 2.81 HK cents per Share), totalling US$15.5 million (equivalent to HK$120.7 million), which is calculated based on 4,290,824,000 Shares in issue on 21 March 2018. Payout ratio of the proposed dividend is 25%.

Management Discussion and Analysis

Earnings per Share

	Year ended 31 December	
	2017	2016
	US cents	*US cents*
Earnings per Share, basic and diluted – calculated based on the weighted average number of ordinary shares for the year	**1.44**	1.85
Earnings per Share, basic and diluted – calculated based on the number of ordinary shares outstanding at year end	**1.44**	1.85

	Year ended 31 December	
	2017	2016
	US$'000	*US$'000*
Earnings for the purpose of calculating basic and diluted earnings per Share (profit for the year attributable to owners of the Company)	**61,872**	79,472
	'000	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per Share	**4,290,824**	4,290,824
Number of ordinary shares outstanding at year end	**4,290,824**	4,290,824

Trade Receivables

	As at 31 December	
	2017	2016
	US$'000	*US$'000*
Trade receivables	**255,787**	202,331
Less: allowance for doubtful debts	**(346)**	(1,420)
	255,441	200,911

The Group allowed a credit period from 30 to 90 days throughout the year to its trade customers. Over 72% (2016: 76%) of the trade receivables were neither past due nor impaired as at 31 December 2017. The management considers that these receivables have good credit rating according to the credit review policy adopted by the Group.

Management Discussion and Analysis

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

	As at 31 December	
	2017	2016
	US$'000	*US$'000*
0 – 60 days	**174,826**	145,277
61 – 90 days	**8,099**	8,334
91 – 120 days	**32,595**	47,300
121 – 180 days	**39,852**	–
Over 180 days	**69**	–
	255,441	200,911

Trade Payables

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

	As at 31 December	
	2017	2016
	US$'000	*US$'000*
0 – 60 days	**104,280**	80,225
61 – 90 days	**1,643**	274
Over 90 days	**5,223**	6,220
Total	**111,146**	86,719

The average credit period for purchases of goods was 26 days (2016: 34 days) for the year ended 31 December 2017. The Group has financial risk management policies in place to ensure all payables are settled within the credit frame.

Financial Position

Non-current assets increased from US$2,740.0 million as at 31 December 2016 to US$2,955.6 million as at 31 December 2017, which was mainly due to the additions of construction in progress during the year.

Current assets increased from US$758.6 million as at 31 December 2016 to US$785.0 million as at 31 December 2017, which was mainly attributable to the increase in trade receivables.

Current liabilities increased from US$409.7 million as at 31 December 2016 to US$850.6 million as at 31 December 2017, and non-current liabilities decreased from US$2,277.1 million as at 31 December 2016 to US$1,929.6 million as at 31 December 2017, which was mainly due to reclassification of bond payables due after one year to bond payables due within one year.

Management Discussion and Analysis

Bank Borrowings

The Group's total bank borrowings increased from US$1,552.2 million as at 31 December 2016 to US$1,596.7 million as at 31 December 2017. Details of bank borrowings are as follows:

	As at 31 December	
	2017	2016
	US$'000	*US$'000*
Secured	**1,548,923**	1,504,115
Unsecured	**47,824**	48,095
	1,596,747	1,552,210
The maturity profile of bank borrowings is as follows:		
Within one year	**179,032**	133,886
More than one year but not exceeding two years	**151,241**	206,869
More than two years but not exceeding five years	**496,015**	421,880
Over five years	**770,459**	789,575
	1,596,747	1,552,210
Less: Amounts due for settlement within one year shown under current liabilities	**(179,032)**	(133,886)
Amounts due for settlement after one year	**1,417,715**	1,418,324

As at 31 December 2017, the Group had committed unutilized banking facilities of US$1,813.1 million.

All bank borrowings at the end of the reporting period are denominated in the functional currency of the respective group entities that include RMB, USD and KRW. The bank borrowings of the Group carry interest rates which range from 1.75% to 5.15% (31 December 2016: 1.75% to 4.95%) per annum during the year ended 31 December 2017. The analysis of bank borrowings with fixed interest rate and floating interest rate is analysed below:

	As at 31 December	
	2017	2016
	US$'000	*US$'000*
Fixed rate	**226,803**	174,024
Floating rate	**1,369,944**	1,378,186
	1,596,747	1,552,210

Management Discussion and Analysis

Bond Payables

The Company issued bonds in an aggregate principal amount of US$350.0 million on 19 August 2013 priced at 99.686% of the principal amount that carries interest at 4% per annum and interest is payable semi-annually in arrears and will become mature on 19 August 2018, unless it is redeemed earlier. The carrying amount of the bond payables was US$354.9 million as at 31 December 2017.

Loans from Fellow Subsidiaries

Loan from China Clean Energy Development Limited, a fellow subsidiary of the Company, amounted to US$450.0 million as at 31 December 2017 and 2016, is unsecured, interest bearing at 4.5% per annum and repayable in 2025. It is shown as non-current liability as at 31 December 2017 and 2016.

Loan from CGNPC Huasheng, a fellow subsidiary of the Company, amounted to US$39.6 million as at 31 December 2016, is unsecured, interest bearing at 4.05% per annum and repayable in 2017. It was shown as current liability as at 31 December 2016. During 2017, the loan has been repaid and the balance became nil.

Capital Expenditures

The Group's capital expenditure increased by US$76.2 million to US$109.1 million in 2017 from US$32.9 million in 2016.

Contingent Liabilities

As at 31 December 2017 and 2016, the Group had no material contingent liabilities.

Pledged Assets

The Group pledged certain property, plant and equipment, land use rights, trade receivables, bank deposits and restricted cash for credit facilities granted to the Group. As at 31 December 2017, the total book value of the pledged assets amounted to US$1,316.4 million.

Management Discussion and Analysis

Employees and Remuneration Policy

As at 31 December 2017, the Group had about 1,925 full-time employees, with the majority based in China. The Group provides its employees with salaries and bonuses, as well as employee benefits, including retirement schemes, medical and life insurance schemes.

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

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

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

In the PRC and Korea, we cannot reduce the existing level of contributions by the forfeited contributions made by the employers on behalf of the employees who leave the defined contribution schemes before the vesting period. In Hong Kong, we have utilized HK$311,000 for the year ended 31 December 2017 (HK$545,000 for the year ended 31 December 2016).

The remuneration of senior management is determined by making reference to the performance of individuals and the Group and market trends. Remuneration of senior management (excluding directors) for the year ended 31 December 2017 were within the following bands:

	No. of employees
HK$0 to HK$500,000 (Equivalent to US$0 to US$64,000)	2
HK$500,001 to HK$1,000,000 (Equivalent to US$64,001 to US$128,300)	2
HK$1,000,001 to HK$1,500,000 (Equivalent to US$128,301 to US$192,400)	3
HK$2,500,001 to HK$3,000,000 ((Equivalent to US$320,701 to US$384,900)	1
Total	8

Management Discussion and Analysis

Environmental Policies and Performance

PRC

Wind and Solar Projects

In order to protect and improve the living environment and the ecosystem, and to achieve energy conservation and emission reduction, the Group carries out eco-management initiatives pursuant to the Environmental Protection Law of the People's Republic of China（《中華人民共和國環境保護法》）, the Electric Power Law of the People's Republic of China（《中華人民共和國電力法》）, the Administrative Measures for Environmental Protection of Industry（《工業環境保護管理辦法》）, the Administrative Regulations for Environmental Control of Power Plants（《發電企業環境監測管理規定》）and other environmental laws and regulations. The Group performs detailed analysis, identification and screening of major environmental factors for wind power and solar power projects and power plants, and then worked out specific environmental protection requirements to cope with potential and adverse environmental impact. The Group adopts effective environment protection plans and measures for each aspect of the wind power and solar power projects in accordance with their nature, size and location. We are making progress in environmental protection and striving for the harmony between green power and our mother nature.

Liuyuan Wind Project

Shenzhen Airport Solar Project

Zuojiang Hydro Project

Hydro Projects

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

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

Management Discussion and Analysis

Thermal Projects (coal-fired, oil-fired, gas-fired including cogen)
The environmental protection systems and facilities of our power projects complied with applicable national and local environmental protection regulations. Environmental management in all of our operating project companies met the relevant international standards and have been accredited with ISO14001 (environmental management system) certification. In addition, most of our power projects have their own environmental protection office and staff responsible for monitoring and operating its environmental protection equipment. Other than the "Continuous Emission Monitoring system (CEMS)", another "Remote Emissions Monitoring Systems (REMS)" are also equipped in all coal fired projects to continuously monitor power projects emissions at the relevant project companies. The Company has continued to invest substantially in energy saving and environmental upgrading facilities at the projects to comply with the regulations and emissions reduction. By the end of 2015, all de-sulfurizationation, de-nitration and particulate matter removal facilities have been installed and put into service as planned. Since 2016 some coal-fired power plants (Nantong and Haian in Jiangsu and Puguang in Henan) have started and completed the “Ultra low emission” technical improvement to further reduce the emission of NOx and SO_2, and have been receiving the environmental tariff rebate from the Government. The Jinqiao Steam Project in Shanghai, in copying with the government environmental requirements, has completed its technical modification project in 2017 to switch to natural gas as the production fuel and has effectively reduced its air emission. We are of the view that we are not in material breach of any applicable environmental laws or regulations.

Air emissions of all existing thermal power plants in the PRC have to meet a more stringent new national emissions regulation, which became effective on 1 January 2015. According to the PRC Air Pollution Prevention Law（《中華人民共和國大氣污染防治法》）, a penalty of up to RMB100,000 is levied for non-compliance. Furthermore, according to the PRC Environmental Protection Law（《中華人民共和國環境保護法》）, an additional penalty of up to RMB100,000 is further levied for non-compliance. The environmental laws and regulations also impose fines on enterprises which violate such laws, regulations or decrees and provide for other sanctions including the possible closure of any power projects which fail to rectify activities that cause environmental damage. For the year ended 31 December 2017, the Company had not received any sanctions to cease operation or rectification to environmental damages.

Korea

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

In addition, our power projects in Korea have passed the relevant supervisory inspections by the local government for air emission levels and environmental management. We are of the view that we are not in material breach of applicable environmental laws or regulations for the year ended 31 December 2017.

Major Customers and Suppliers

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

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

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

Management Discussion and Analysis

Other Update on the Properties in the PRC with Title Defects

Certain ancillary facilities on the idle land of Mianyang Sanjiang Meiya Hydropower Company Limited（綿陽三江美亞水電有限公司）have already completed the geological survey and construction design, and obtained the planning permission. We are undergoing the construction drawing review process.

IV. RISK FACTORS AND MANAGEMENT

Risks Relating to the Industry

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

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

Risk Relating to Fuel Cost

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

Interest Rate Risk

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

Management Discussion and Analysis

Foreign Exchange Risk

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

As disclosed in the Company's 2016 annual report dated 15 March 2017, the Company issued bonds in an aggregate principal amount of US$350 million on 19 August 2013 which will mature on 19 August 2018, unless redeemed earlier. In order to hedge against the Company's currency risk in relation to the possible depreciation of RMB against US dollars, we have entered into two foreign exchange forward trades in the aggregate principal amount and maximum limit of US$140 million with a financial institution. Please refer to the announcement of the Company dated 26 May 2017 for further details of such foreign exchange forward trades.

The Company will continue to monitor RMB exchange rate trends against the US dollars and take appropriate measures to hedge against risks in foreign currency exchange if and when it becomes economical to do so.

V. POSSIBLE ACQUISITION AND POSSIBLE DISPOSAL

The Company has been and will continue to focus on development and operation of non-nuclear clean and renewable power generation projects in the PRC. The Company intends to acquire 51% of the registered capital in CGN Wind Power Company, Limited through its subsidiary ("**Possible Acquisition**"). On 21 March 2018, the Company entered into a memorandum of understanding with CGN in relation to the Possible Acquisition. If the Possible Acquisition is materialized, it will enhance the Company's focus on clean and renewable power projects in the PRC and the installed capacity of clean energy of the Group is expected to account for more than 80% of the total installed capacity of the Group and the geographical presence of the Company in the PRC is further diversified. In addition, the installed capacity and operation scale of the Company is expected to significantly increase and expand, which will further strengthen the competitiveness of the Company in the new energy sector, especially regarding the development, construction, production, operation and maintenance of wind power projects in the PRC.

In order to realise the Company's strategic adjustment, reallocate its resources more effectively and further enhance the Company's competitiveness in the non-nuclear clean energy sector, the Company intends to adjust its business strategy in the future by centralising its resources and shifting its focus to the non-nuclear clean energy sector in the PRC. In line with this business strategy, the Company intends to dispose 100% of the issued shares in CGN Korea Holdings Co., Ltd. to CGN's subsidiary or other third party ("**Possible Disposal**"), so as to focus its resources on the business development in the PRC. On 21 March 2018, the Company entered into a memorandum of understanding with CGN in relation to the Possible Disposal. The Company considers that the Possible Disposal, if materialized, will allow the Company to have more available funds for the development of non-nuclear clean and renewable power projects in the PRC, increase installed capacity and expansion of operation scale and will significantly enhance its competitiveness and market position in the non-nuclear clean energy sector in the PRC.

The Directors believe that the Possible Acquisition and the Possible Disposal are in line with the development plan of the Company and its financial status and the overall profitability of the Company will be enhanced and it is expected to be beneficial to the Company and its shareholders as a whole.

For details, please refer to the announcements of the Company dated 21 March 2018 regarding the memoranda of understanding in relation to the Possible Acquisition and the Possible Disposal.

Management Discussion and Analysis

VI. PROSPECTS

With the remarkable accomplishments made in the development of renewable energy, the PRC has become the largest producer and consumer of renewable energy in the world. Looking ahead, the PRC will continue to focus on green development and vigorously promote the development of clean energy. 2016 China Renewable Energy Development Report (《2016中國可再生能源發展報告》) predicts that in the middle and later stages of the period of the 13th Five-Year Plan, the PRC renewable energy market will maintain its mid-to-high stable growth rate with upward trend, among which, the hydropower will develop in a well-disciplined manner. Wind power will grow steadily at a moderate pace. The development of offshore wind power is expected to speed up. Photovoltaic power is expected to achieve a rapid growth. The 13th Five-Year Plan on National Marine Economic Development (《全國海洋經濟發展十三五規劃》) encourages the development of clean energy and proper allocation of offshore wind power assets. It also encourages the construction of offshore wind farm in distant water, adjustment of the grid connection policy for wind power, and optimisation of the technical standard systems and standards for marine use in the offshore wind power industry. The 19th National Congress of the Communist Party of the PRC proposes that the building of a beautiful China demands to speed up the ecological civilization and build a clean and low-carbon energy system that is safe and efficient. The development of renewable energy is in the period of important strategic opportunities.

The Group will continue to seize the opportunities brought by policies and the industry, make unremitting efforts to explore clean and renewable energy market, and push forward the optimization and expansion of our businesses. Meanwhile, the Group will continuously acquire clean and renewable power generation projects from CGN, refine our power generation portfolio, strengthen our core competitiveness, try to achieve high-level development in terms of quality and effectiveness, expand our installed capacity and consolidate and enhance our position in the industry. For projects in operation, the Group is dedicated to the technological advancement of units in operation. The Group will also strengthen the technological base, aiming at improving production efficiency effectively. More efforts will be put into electricity marketing, and the Group will strategically raise the profitability of the enterprise. In addition, the Group will put emphasis on talent nurturing and internal corporate governance while promoting our brand image on an ongoing basis. The Group will continue to improve the comprehensive competitiveness and profitability of the Company and reward our Shareholders with outstanding performance.

Meanwhile, the Company will adopt diversified arrangements to satisfy future capital requirements.

EVENT OCCURRING AFTER THE REPORTING PERIOD

Save and except for entering into the memoranda of understanding in relation to the Possible Acquisition and the Possible Disposal on 21 March 2018 as disclosed in the sub-section headed "Possible Acquisition and Possible Disposal" above, no other important event or transaction affecting the Group has taken place after 31 December 2017.

USE OF PROCEEDS

The Company was listed on the Main Board of the Stock Exchange on 3 October 2014. Net proceeds from the global offering (including the proceeds from the exercise of the overallotment option) were approximately HK$1,966.1 million (after deducting the underwriting fees and commissions and other listing-related expenses). On 27 December 2017, the Board resolved to reallocate the unutilised proceeds with a view to deploy its financial resources more effectively to enhance the operational and financial efficiency of the Group. For details, please refer to the announcement of the Company dated 27 December 2017. As at 31 December 2017, the unutilised proceeds of approximately HK$335.0 million were deposited into short-term deposits.

Management Discussion and Analysis

Use of net proceeds from global offering

	Percentage to total amount	Net proceeds *(HK$ million)*	Utilised amount (up to 31 December 2017) *(HK$ million)*	Unutilised amount (up to 31 December 2017) *(HK$ million)*
Acquisition of clean and renewable power projects from CGN, the parent company of the Company	70%	1,376.3	1,376.3	–
Acquisition of operational power projects and development of greenfield projects acquired from independent third parties	1%	12.2	12.2	–
Repayment of bond with maturity date on 19 August 2018	17%	335.0	–	335.0
Working capital and other general corporate purpose	7%	144.4	144.4	–
Payment of interest expense from third-party borrowings and loan from fellow subsidiaries	5%	98.2	98.2	–
		1,966.1	1,631.1	335.0

Biographies of Directors and Members of the General Manager Office

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

(1) Mr. CHEN Sui（陳遂）

Mr. CHEN Sui（陳遂）, aged 53, is the Chairman and a non-executive Director. Mr. Chen has been a Director and the Chairman since 3 January 2014. He was re-designated from a non-executive Director to an executive Director on 26 January 2015 and was further re-designated as a non-executive Director on 12 July 2016. He is principally responsible for overall corporate strategies planning and business development of the Group. Mr. Chen also serves as the chairman of the nomination committee of the Company (the "**Nomination Committee**") and a member of the strategy development committee of the Company (the "**SDC**"). Mr. Chen Sui was appointed as non-employee representative supervisor of the supervisory committee and chairman of the supervisory committee of CGN Power Co., Ltd.（中國廣核電力股份有限公司）(a company listed on the Stock Exchange, Stock Code: 1816) ("**CGN Power**") with effect from 24 May 2017 and appointed as the assistant president of China General Nuclear Power Corporation（中國廣核集團有限公司）("**CGN**") with effect from 23 January 2018. Mr. Chen concurrently serves as a director of CGN Europe Energy Co., Ltd.（中廣核歐洲能源公司）. Mr. Chen has almost 30 years of experience in strategic planning, renewable energy development, construction, operation management and energy conservation management. He has previously served as an assistant to the head of infrastructure planning division of the planning department of CGN, deputy general manager and manager of new energy development department of CGN Energy Development Co., Ltd.（中廣核能源開發有限責任公司）, general manager of CGN Wind Power Company, Limited（中廣核風電有限公司）("**CGN Wind Energy**"). Prior to joining CGN, Mr. Chen worked as project manager and department manager of the business enterprise department of China Energy Conservation Investment Corporation（中國節能投資公司）, general manager of Beijing Guotou Energy Conservation Company（北京國投節能公司）under China Energy Conservation Investment Corporation. Mr. Chen received the qualification of Senior Engineer from the Senior Specialized Technical Services Qualification Committee for China Energy Conservation Investment Corporation（中國節能投資公司高級專業技術職務評審委員會）in December 2000. Mr. Chen obtained a Bachelor Degree in Engineering with a concentration in liquid rocket engine from National University of Defense Technology（國防科學技術大學）in July 1987 and a Master Degree in Management Engineering from Shanghai Jiao Tong University（上海交通大學）in November 1996.

PRESIDENT AND EXECUTIVE DIRECTOR

(2) Mr. LI Yilun（李亦倫）

Mr. LI Yilun（李亦倫）, aged 45, was appointed as the President and executive Director and a member of the SDC on 22 January 2018. Mr. Li joined the Company in January 2015 and served as the senior vice president. Mr. Li is also currently serving as an executive director and general manager of CGN Wind Energy. Prior to joining the Company, Mr. Li held several positions in Inner Mongolia Wind Power Corporation（內蒙古風電公司）from July 1997 to June 2006, including operation inspector, supervisor and deputy head of infrastructure department, and head of production and technical department, as well as plant manager of wind power plant in Huitengxile（輝騰錫勒風電廠）. He was the deputy director of Huanghai Wind Power Preparatory Office of Suzhou Nuclear Power Research Institute（蘇州熱工研究院有限公司）from June 2006 to April 2007. From April 2007 to March 2012, he served several positions in CGN Wind Power Company Limited（中廣核風力發電有限公司） ("**CGN Wind Power**") including deputy general manager of the Eastern China Branch, acting general manager of Jilin Branch, general manager of the Northeast China Branch and the assistant to the general manager of CGN Wind Power. Since March 2012, Mr. Li has been working in CGN Wind Energy. He was the deputy general manager from March 2012 to January 2015 and he was the deputy secretary to the Communist Party Committee from January 2015 to January 2018, and he has been the general manager since January 2015. Mr. Li obtained a Bachelor Degree in Engineering majoring in Power System and Automation from China Agricultural University（中國農業大學）in July 1997, and a Master Degree in Engineering majoring in Safety Technology and Engineering from Chinese University of Mining and Technology（中國礦業大學）in August 2005. Mr. Li holds profession qualification as a senior engineer in the People's Republic of China ("**PRC**").

Biographies of Directors and Members of the General Manager Office

NON-EXECUTIVE DIRECTORS

(3) Mr. ZHANG Chengbai（張承柏）

Mr. ZHANG Chengbai（張承柏）, aged 55, was appointed as a non-executive Director and a member of the SDC on 10 November 2017. Mr. Zhang Chengbai is currently serving as the general manager of capital operation department of CGN since October 2017. He is also serving as the general manager of Guangdong Nuclear Power Investment Company Limited（廣東核電投資有限公司）, an executive director of Shenzhen Nengzhihui Investment Co., Ltd.（深圳市能之匯有限公司）and the chief accountant of Liaoning Hong Yan He Nuclear Power Co., Ltd.（遼寧紅沿河核電有限公司）. Mr. Zhang Chengbai was appointed as a non-executive director of CGN Mining Company Limited（中廣核礦業有限公司）(a company listed on the Stock Exchange, stock code: 1164) with effect from 28 November 2017. Mr. Zhang Chengbai has more than 15 years of experience in capital operation. From July 1992 to June 2002, Mr. Zhang Chengbai served Department of Finance Office of Hubei Province, and his last position was a deputy director. From August 2002 to April 2006, he successively served as the strategic planning director and deputy manager of department of operation and development of Guangdong Daya Bay Nuclear Power Services (Group) Co., Ltd.（廣東大亞灣核電服務（集團）有限公司）. From April 2006 to June 2009, he successively served as a risk management director of the operation management office and vice chairman of board office (in charge of overall operation) of the assets operation department of China Guangdong Nuclear Power Group Co., Ltd.（中國廣東核電集團有限公司）(former name of CGN). From June 2009 to May 2014, he severed as the chief accountant of Beijing Guangli Nuclear System Engineering Co., Ltd.（北京廣利核系統工程有限公司）. Mr. Zhang Chengbai holds a senior accountant certificate in the PRC. Mr. Zhang Chengbai obtained a Bachelor degree in Mathematics from Wuhan Institute of Education (Xianning Campus)（武漢師範學院咸寧分院）in July 1982 and a Master degree in public finance from Zhongnan University of Economics（中南財經大學）(currently known as Zhongnan University of Economics and Law（中南財經政法大學）) in July 1992.

(4) Mr. YAO Wei（姚威）

Mr. YAO Wei（姚威）, aged 42, was appointed as a non-executive Director and a member of the audit committee of the Company (the "**Audit Committee**") and the investment and risk management of the Company (the "**IRM Committee**") on 22 January 2018. Mr. Yao joined the Company in January 2015. Prior to his appointment as a non-executive Director, he was the chief accountant of the Company. Mr. Yao Wei is currently serving as the deputy general manager (in charge of overall operation) of finance department of CGN. Prior to joining the Company, Mr. Yao held several positions in the finance department of Guangdong Nuclear Power Joint Venture Co., Ltd.（廣東核電合營有限公司）from July 1997 to March 2003. From March 2003 to May 2007, he served in several positions in Daya Bay Nuclear Power Operations and Management Co., Ltd.（大亞灣核電運營管理有限責任公司）including accountant of finance department, deputy director and director of fixed asset in asset division of finance department, and the head of the internal control unit of account division of the finance department; From May 2007 to September 2011, he served in several positions in the finance department in CGN including budget management director of budget division, tax management manager, senior tax management manager and head of comprehensive finance division. He served as the chief accountant of CGN Wind Power from September 2011 to March 2015 and the chief accountant of CGN Solar Energy Development Co., Ltd.（中廣核太陽能開發有限公司）from May 2014 to October 2017. Mr. Yao obtained a bachelor's degree in economics (Accounting) from Zhongnan University of Economics and Law（中南財經大學）in June 1997. He holds professional qualifications as Certified Public Accountant in the PRC. Mr. Yao Wei is currently also a director of Edra Power Holdings Sdn. Bhd., a company incorporated in Malaysia and Guangdong Oriental Millennium Renewable Energy Industry Fund Management Co., Ltd.（廣東東方盛世可再生能源產業基金管理有限公司）, a company incorporated in the PRC and approved by the Guangdong Provincial Government.

Biographies of Directors and Members of the General Manager Office

(5) Mr. WANG Hongxin (王宏新)

Mr. WANG Hongxin (王宏新), aged 54, was appointed as a non-executive Director on 16 August 2017. Mr. Wang Hongxin served as deputy director (in charge of overall operation) of the Supervisory Committee in CGN and CGN Power since May 2015 and was re-designated as deputy general manager (in charge of overall operation) of the legal affairs department in CGN in June 2017. Mr. Wang Hongxin is also serving as a supervisor of Hualong International Nuclear Power Technology Co., Ltd. (華龍國際核電技術有限公司), CGN Capital Holdings Co. Ltd. (中廣核資本控股有限公司), Guangdong Daya Bay Nuclear Power Environmental Protection Co., Ltd. (廣東大亞灣核電環保有限公司) and Shenzhen Nengzhihui Investment Co., Ltd. (深圳市能之匯投資有限公司). Mr. Wang Hongxin has more than 28 years of experience in the areas of energy, legal and audit supervision. He successively served in different departments of China Guangdong Nuclear Power Group Co., Ltd. (中國廣東核電集團有限公司) (former name of CGN) as deputy head of the rules and procedures management office of the audit department; deputy head and head of the discipline monitoring branch of the party team working division/supervision office; head of the party development working branch; special duty director of the legal affairs department; assistant to general manager of the legal affair department in CGN; and deputy general manager of the legal affairs department and deputy director (in charge of overall operation) of Supervisory Committee of CGN Power. He was an associate researcher of documentation office of the technology department in Daya Bay Nuclear Power Operations and Management Co., Ltd (大亞灣核電運營管理有限責任公司). Mr. Wang Hongxin holds China Legal Professional Qualification Certificate, Enterprise Legal Adviser Qualification Certificate and Accountant Certificate. Mr. Wang Hongxin obtained a Bachelor of Engineering Degree in nuclear reactor engineering from the Department of Engineering of Tsinghua University in July 1986 and a Master of Engineering Degree in Engineering Thermophysics from Tianjin University in March 1989.

(6) Mr. DAI Honggang (戴洪剛)

Mr. DAI Honggang (戴洪剛), aged 47, is a non-executive Director. Mr. Dai has been a Director since 7 March 2011. Mr. Dai serves as the chairman of the IRM Committee and the SDC, and a member of the remuneration committee of the Company (the "**Remuneration Committee**"). Mr. Dai also serves as a director of CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司) and the deputy general manager of strategies and planning department of CGN Power. Mr. Dai has over 11 years of experience in business planning and management. He has served as the assistant to general manager of strategies and planning department of CGN since August 2011, and held various senior positions in the strategies and planning department and the assets operations department of CGN from December 2002 to August 2011, including the head of evaluation and statistics division, senior manager of operations and evaluation, the deputy head of operation and evaluation division of strategies and planning department, the deputy head of operation and management division and the investment management officer of assets operations department. Mr. Dai worked at the business development department of Guangdong Nuclear Power Industrial Development Co., Ltd. (廣東核電實業開發有限公司) from January 2002 to May 2002, the engineering department of CGN Datang Real Estate Co., Ltd. (中廣核電大唐置業有限公司) from February 1996 to September 1999, and the operation division of the production department of Guangdong Nuclear Power Joint Venture Co., Ltd. (廣東核電合營有限公司) from July 1990 to December 1994. Mr. Dai received the qualification of Economist from the Ministry of Personnel (國家人事部) (former name of the Ministry of Human Resources and Social Security (人力資源與社會保障部)) in November 2004. Mr. Dai obtained a University Diploma in nuclear reactor engineering from Shanghai Jiao Tong University (上海交通大學) in July 1990, a Bachelor Degree in monetary banking from Shanghai Jiao Tong University (上海交通大學) in July 1997, a Master Degree in business administration from the Maastricht School of Management in the Netherlands in August 2000 and a Master Degree in computer based information systems from the University of Sunderland in the United Kingdom in November 2001.

Biographies of Directors and Members of the General Manager Office

(7) Mr. XING Ping (邢平)

Mr. XING Ping (邢平), aged 53, is a non-executive Director. Mr. Xing has been a Director since 9 April 2013. Mr. Xing serves as a member of the IRM. Mr. Xing also serves as a director of CGN Energy Development Co., Ltd. (中廣核能源開發有限責任公司). Mr. Xing has over 27 years of experience in corporate governance, investment and risk management, having previously served as the senior audit director and chief engineer of China Nuclear Power Engineering Co., Ltd. (中廣核工程有限公司) and senior engineer at Lingao Nuclear Power Co., Ltd. (嶺澳核電有限公司). Mr. Xing received the qualification of Senior Engineer from CGN in December 2000 and the qualification of Registered Supervision Engineer (國家註冊監理工程師) from the Ministry of Personnel (人事部) (former name of the Ministry of Human Resources and Social Security (人力資源與社會保障部)) and the Ministry of Construction (建設部) (former name of the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部)) of the People's Republic of China in December 1997. Mr. Xing graduated from China Three Gorges University (三峽大學) (formerly known as Gezhou Ba Hydro Power Engineering Institute (葛洲壩水電工程學院)) in July 1986, majoring in power automation. Mr. Xing was appointed as a director of CGN Europe Energy Co., Ltd. (中廣核歐洲能源公司) with effect from 10 October 2016 and he was appointed as chairman of the investment and risk management committee on the board of directors of CGN Europe Energy Co., Ltd. (中廣核歐洲能源公司) with effect from 18 October 2016.

INDEPENDENT NON-EXECUTIVE DIRECTORS

(8) Mr. LEUNG Chi Ching Frederick (梁子正)

Mr. LEUNG Chi Ching Frederick (梁子正), aged 60, has been an independent non-executive Director since 17 September 2014. Mr. Leung also serves as the chairman of the Audit Committee. Mr. Leung has over 30 years of professional and industrial experience in management, corporate governance, corporate finance, banking and accounting. Mr. Leung was appointed as an independent non-executive director and a member of the audit committee and nomination committee of China Logistics Property Holdings Co., Ltd (a company listed on the Stock Exchange, stock code: 1589) on 14 June 2016. He was previously an executive director, chief finance officer and company secretary of Skyworth Digital Holdings Limited ("**Skyworth**") (a company listed on the Stock Exchange, Stock Code: 751). In his almost nine years of services in Skyworth, he was mainly responsible for the company's successful resumption of trading of its shares and strengthening of its internal controls, accounting system, corporate governance and investor relations management. In 2011 and 2013, Skyworth was awarded by Asia Money as the Best Managed Medium Cap Company in China of 2011 and by Forbes as Asia's Fabulous 50 of 2013, respectively. Furthermore, Mr. Leung accumulated 14 years' working experience in Deloitte Touche Tohmatsu. He left Deloitte Touche Tohmatsu in June 1999 as a principal of corporate finance. Mr. Leung obtained a Bachelor Degree of Science in Business Administration (major in Accounting) from the University of The East in the Philippines in November 1981. He became an associate member of the Hong Kong Institute of Certified Public Accountants in April 1997 and has been its fellow member since October 2013. Also, he has been a member of the American Institute of Certified Public Accountants since December 1996. He has been a member of the Hong Kong Securities and Investment Institute since April 1999 and has been its fellow member since November 2015. In addition, he has been a founding member of the Hong Kong Independent Non-Executive Director Association since November 2015.

Biographies of Directors and Members of the General Manager Office

(9) Mr. FAN Ren Da Anthony（范仁達）

Mr. FAN Ren Da Anthony（范仁達）, aged 57, has been an independent non-executive Director since 17 September 2014. Mr. Fan also serves as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He has been the managing director of AsiaLink Capital Limited（東源資本有限公司）since October 2003. He is also an independent non-executive director of ten public companies listed on the Stock Exchange, including Raymond Industrial Ltd.（利民實業有限公司）(a company listed on the Stock Exchange, Stock Code: 229), CITIC Resources Holdings Limited（中信資源控股有限公司）(a company listed on the Stock Exchange, Stock Code: 1205), Uni-President China Holdings Ltd.（統一企業中國控股有限公司）(a company listed on the Stock Exchange, Stock Code: 220), Renhe Commercial Holdings Company Limited（人和商業控股有限公司）(a company listed on the Stock Exchange, Stock Code: 1387), Shanghai Industrial Urban Development Group Limited（上海實業城市開發集團有限公司）(a company listed on the Stock Exchange, Stock Code: 563), Hong Kong Resources Holdings Company Limited（香港資源控股有限公司）(a company listed on the Stock Exchange, Stock Code: 2882), China Development Bank International Investment Limited（國開國際投資有限公司）(a company listed on the Stock Exchange, Stock Code: 1062), Technovator International Limited（同方泰德國際科技有限公司）(a company listed on the Stock Exchange, Stock Code: 1206); Tenfu (Cayman) Holdings Company Limited（天福（開曼）控股有限公司）(a company listed on the Stock Exchange, Stock Code: 6868) and Neo-Neon Holdings Limited（同方友友控股有限公司）(a company listed on the Stock Exchange, Stock Code: 1868). Mr. Fan obtained a Master Degree in business administration from the University of Dallas in the U.S. in December 1986. Mr. Fan cease to hold office as an independent non-executive director of Guodian Technology & Environment Group Corporation Limited（國電科技環保集團股份有限公司）(a company listed on the Stock Exchange, Stock Code: 1296) with effect from 15 May 2017 and of LT Commercial Real Estate Limited（勒泰商業地產有限公司）(a company listed on the Stock Exchange, Stock Code: 112) with effect from 30 June 2017.

(10) Mr. WANG Susheng（王蘇生）

Mr. WANG Susheng（王蘇生）, aged 49, has been an independent non-executive Director since 17 September 2014. Mr. Wang also serves as a member of the SDC. He is currently a professor and supervisor for doctoral students at the Urban Planning and Management School under Shenzhen Graduate School of Harbin Institute of Technology（哈爾濱工業大學）and president of Shenzhen Public Administration Institute（深圳市公共管理學會）. He is also currently an independent non-executive director of two listed companies, including Guangzhou Automobile Group Co., Ltd.（廣州汽車集團股份有限公司）(a company listed on the Stock Exchange, Stock Code: 2238) and Tianma Microelectronics Co., Ltd.（天馬微電子股份有限公司）(a company listed on the Shenzhen Stock Exchange, Stock Code: 000050). His prior experience includes financial engineering, investment management, taxation, accounting management, corporate finance, public administration and venture capital management. He has previously worked at various companies, including Weishen Securities Co., Ltd.（蔚深證券有限責任公司）. Mr. Wang obtained a Certified Public Accountants（註冊會計師）qualification from The Chinese Institute of Certified Public Accountants in May 1997 and Chartered Financial Analyst（註冊金融分析師）qualification from CFA Institute in September 2004. He was admitted as an attorney in the PRC in June 1997. Mr. Wang obtained a Master Degree in economics from Renmin University of China（中國人民大學）in June 1994, a Doctoral Degree in law from Peking University（北京大學）in July 2000, a Post-Doctoral Degree in management from Tsinghua University（清華大學）in September 2002 and Master of Business Administration Degree from University of Chicago in the U.S. in March 2004. Mr. Wang resigned as an independent non-executive director of Shenzhen Terca Technology Co., Ltd.（深圳市特爾佳科技股份有限公司）(a company listed on the Shenzhen Stock Exchange, Stock Code: 002213) with effect from 25 June 2017.

Biographies of Directors and Members of the General Manager Office

(11) Mr. ZHANG Dongxiao (張東曉)

Mr. ZHANG Dongxiao (張東曉), aged 51, has been an independent non-executive Director since 7 July 2015. Mr. Zhang also serves as the chairman of the Remuneration Committee and a member of the Nomination Committee. Mr. Zhang has been a professor of Peking University (北京大學) since 2010 and has been the dean of the school of engineering at Peking University since 2013. He has previously held various positions at various institutions, including as Gordon S. Marshall professor of water resources & petroleum engineering, the Sonny Astani department of civil and environmental engineering and the Mork Family department of chemical engineering and materials science of the University of Southern California, the United States of America from 2007 to 2010, as Miller Chair professor at Mewbourne School of Petroleum and Geological Engineering of the University of Oklahoma, the United States of America from 2004 to 2007 and as senior research scientist and team leader of earth and environmental sciences division at the Los Alamos National Laboratory from 1996 to 2004. Mr. Zhang obtained a Bachelor Degree in Mining Engineering in July 1988 from Northeastern University (東北大學). He also obtained a Master Degree, a Doctoral Degree and a Post-Doctoral Degree in Hydrology from the University of Arizona, the United States of America, in December 1992, December 1993 and February 1995 respectively.

GENERAL

Save as disclosed above,

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

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

Biographies of Directors and Members of the General Manager Office

SENIOR MANAGEMENT

(1) Mr. LI Yilun（李亦倫）

Mr. LI Yilun（李亦倫）is the President of the Company. See " President and Executive Director" in this report for details of Mr. Li's biography.

(2) Mr. LI Jing（李靖）

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

(3) Mr. LIU Luping（劉路平）

Mr. LIU Luping（劉路平）, aged 54, is currently the Deputy General Manager of the Company. Mr. Liu joined the Company on 3 January 2014 and served as the senior vice president and the chief engineer of the Company. Currently, he is principally responsible for the works in the Legal Department, Research & Development Institute, Integrated Energy Unit and Technology Committee of the Company. Mr. Liu has over 30 years of experience in technological research and design, construction management and investment management in the renewable energy sectors including hydraulic-and-hydro power, wind power, solar energy. Prior to that, Mr. Liu worked at Hydrochina Corporation Zhongnan Engineering Corporation（中國水電顧問集團中南勘測設計研究院）for 29 years, where he started as a Technician in July 1984 and his last role held was Vice Director. Mr. Liu obtained the Senior Economist（高級經濟師）qualification from Zhongnan Engineering Corporation（國家電力公司中南勘測設計研究院）in December 1998, the State Registered Supervision Engineer（國家註冊監理工程師）qualification from the Ministry of Personnel and the Ministry of Construction of the PRC（中華人民共和國人事部和建設部）in May 1998, the Professor Level Senior Engineer（教授級高級工程師）qualification from Hydrochina Corporation（中國水電工程顧問集團公司）in December 2003 and the Senior Project Manager（高級項目管理師）qualification from Occupational Skills Testing Authority of the Ministry of Labour and Social Security（勞動和社會保障部職業技能鑒定中心）in July 2006. He has also won several Provincial Science and Technology Progress Awards（省部級科技進步獎）. Mr. Liu obtained a Bachelor Degree in Solid Mechanics from Central Institute of Technology（華中工學院）(currently known as Huazhong University of Science and Technology（華中科技大學）) in July 1984 and an EMBA degree from Huazhong University of Science and Technology in December 2008.

Biographies of Directors and Members of the General Manager Office

(4) Mr. JIANG Xi Cheng（蔣錫成）

Mr. JIANG Xicheng, aged 54, is currently the secretary to the discipline inspection commission of the Company. Mr. Jiang joined the Company in January 2016 and is also the general manager of the inspection department of the Company. Prior to joining the Company, Mr. Jiang served at the No. 5 Sub-factory of the China Nuclear Industry 404 Plant from September 1982 to May 1984; worked at the Public Security Bureau of Gansu Mining Area（甘肅礦區）from May 1984 to November 1991, and later at the Daya Bay Branch of the Shenzhen Public Security Bureau from November 1991 to December 2007. He successively held various positions including the head of disciplinary inspection office under the party work department, the assistant manager of the legal and audit inspection department and the deputy manager of the inspection and audit department of China Nuclear Power Engineering Co., Ltd.（中廣核工程有限公司）from December 2007 to July 2015, and worked as the deputy secretary to the disciplinary commission of CGN Wind Energy from October 2015 to December 2015. Mr. Jiang graduated from the National 404 Technician School（國營四零四廠技工學校）as a worker in September 1982. He graduated from Gansu Radio and TV University（甘肅廣播電視大學）with a major in law in July 1991, and from Xi'an Political College with a major in law in July 2003.

(5) Mr. LIU Chao（劉超）

Mr. LIU Chao（劉超先生）, aged 41, was appointed as the chief accountant of the Company on 22 January 2018. Mr. Liu joined the Company in August 2016 and served as the general manager of finance department. He is currently serving as the chief accountant of CGN Wind Energy. Prior to joining the Company, Mr. Liu was the cost accountant of finance department of Xuzhou Wei Yang Food Co., Ltd.（徐州維揚食品有限公司）from July 1998 to September 2000. From May 2003 to August 2005, Mr. Liu served as the project manager of the audit department of Shinewing Certified Public Accountants（信永中和會計師事務所）. From September 2005 to March 2010, Mr. Liu was the finance manager of the finance department of China United Tally Co., Ltd.（中聯理貨有限公司）. From March 2010 to April 2012, he was the deputy general manager of the finance department of China Wind Power Group Limited（中國風電集團有限公司）. Mr. Liu served as deputy manager and general manager of the finance department of CGN Wind Energy from May 2012 to June 2015, and he has been the chief accountant since June 2015. Mr. Liu obtained a Bachelor Degree in Economic majoring in Business Administration from Anhui University of Science and Technology（安徽理工大學）in June 1998, and a Master Degree in Economic majoring in Economics and Finance from Beijing Information Science and Technology University（北京資訊科技大學）in May 2003. Mr. Liu holds professional qualifications as Certified Public Accountant in the PRC, and he is a member of the Association of Chartered Certified Accountants (ACCA).

(6) Mr. LEE Kin（李健）

Mr. LEE Kin（李健）, aged 45, joined the Company on 1 June 2007 as the controller. He has been the company secretary of the Company since 26 January 2015. He has experience in public accounting and several industries including energy, media and ports. He has over 20 years of experience in areas of accounting, internal control, financing, investor relations and corporate strategy. Mr. Lee obtained a Bachelor Degree in Engineering from the Chinese University of Hong Kong in 1994, Master of Business Administration from the University of Warwick, United Kingdom in 2004 and Master of Corporate Governance (with distinction) from the Hong Kong Polytechnic University in 2013. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA), the Association of Chartered Certified Accountants (ACCA), the Hong Kong Institute of Chartered Secretaries (HKICS) and the Institute of Chartered Secretaries and Administrators (ICSA), a member of the Chartered Institute of Management Accountants (CIMA), and a Chartered Financial Analyst (CFA) respectively. He is currently a school manager of Hong Kong Baptist University, a council member of ACCA, a council member of HKICS and the chairman of the Youth Committee of the Hong Kong Chinese Enterprises Association as well as the member of Social Enterprise Advisory Committee. Mr. Lee was appointed as accounting expert by the Ministry of Finance, PRC in June 2016. He is the former chairman of the ACCA – Hong Kong branch (2015-16).

Report of the Directors

The directors (the "**Directors**") of the CGN New Energy Holdings Co., Ltd. (the "**Company**") are pleased to present the annual report and the audited consolidated financial statements of the Company for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and other comprehensive income in the annual report.

The board of Directors of the Company (the "**Board**") recommends that 0.36 US cents (equivalent to 2.81 HK cents) per share of the Company be distributed as final dividends for the year ended 31 December 2017. The proposed final dividend, if approved at the forthcoming annual general meeting of the Company to be held on Thursday, 31 May 2018 (the "**2018 AGM**"), is expected to be paid on Wednesday, 20 June 2018 to shareholders of the Company (the "**Shareholders**") whose names appear on the register of members of the Company on Friday, 8 June 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement to attend the 2018 AGM, the register of members of the Company will be closed from Monday, 28 May 2018 to Thursday, 31 May 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the 2018 AGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by not later than 4:30 p.m. on Friday, 25 May 2018.

For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 6 June 2018 to Friday, 8 June 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to be qualified for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Tricor Investor Services Limited at the above address not later than 4:30 p.m. on Tuesday, 5 June 2018.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on pages 167 to 168. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2017 are set out in note 36 to the consolidated financial statements.

Report of the Directors

PRE-EMPTIVE RIGHTS

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

ISSUE AND LISTING OF SHARES

The Company completed its global offering and the Shares were first listed on the Stock Exchange on 3 October 2014. 1,189,024,000 ordinary Shares of the Company were issued in the global offering. Net proceeds from the global offering (including the proceeds from the exercise of the over-allotment option) was approximately HK$1,966.1 million (after deducting the underwriting fees and commissions and other listing-related expenses). Please refer to the section headed "Management discussion and analysis" in the annual report for more details of the use of proceeds as at 31 December 2017.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2017 are set out in note 44 to the consolidated financial statements and in the consolidated statement of changes in equity on page 85, respectively.

DISTRIBUTABLE RESERVES

The aggregate amount of reserves available for distribution to equity shareholders of the Company as of 31 December 2017 was approximately US$42.0 million.

LARGEST CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2017, the Group's five largest customers accounted for approximately 75% of the Group's total revenue and the Group's largest customer for the year accounted for approximately 38% of the Group's total revenue. The Group's five largest suppliers accounted for approximately 93% of the Group's total purchases, while the largest supplier for the year accounted for approximately 81% of the Group's total purchases.

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

Report of the Directors

DIRECTORS

The Directors since 1 January 2017 and up to the date of this report were:

Chairman and Non-executive Director:

Mr. Chen Sui

President and Executive Director:

Mr. Li Yilun (appointed with effect from 22 January 2018)
Mr. Lin Jian (resigned with effect from 22 January 2018)

Non-executive Directors:

Mr. Zhang Chengbai (appointed with effect from 10 November 2017)
Mr. Yao Wei (appointed with effect from 22 January 2018)
Mr. Wang Hongxin (appointed with effect from 16 August 2017)
Mr. Dai Honggang
Mr. Xing Ping
Mr. Xu Yuan (resigned with effect from 16 August 2017)
Mr. Wu Junfeng (resigned with effect from 10 November 2017)
Mr. Yin Engang (resigned with effect from 22 January 2018)

Independent Non-executive Directors:

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

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

In accordance with bye-law 83(2) of the Bye-laws, Mr. Li Yilun and Mr. Yao Wei will retire at the 2018 AGM and each, being eligible, offer himself for re-election.

In accordance with bye-law 84 of the Bye-laws, Mr. Chen Sui, Mr. Dai Honggang, Mr. Xing Ping and Mr. Zhang Dongxiao will retire by rotation at the 2018 AGM and, being eligible, have offered themselves for re-election.

The retiring Directors, if re-elected, will hold office from the date of re-election to the conclusion of the annual general meeting of the Company to be held in 2021, subject to earlier determination in accordance with the Bye-laws and/or any applicable laws and regulations.

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

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election or election at the 2018 AGM has or will have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2017 or at any time during the year ended 31 December 2017.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACT OF SIGNIFICANCE

Other than the continuing connected transactions as stated in the section headed "Continuing connected transactions" of this report, no contract of significance between the Company or its subsidiaries and the controlling shareholder of the Company or its subsidiaries subsisted at the end of the year ended 31 December 2017 or at any time during the year ended 31 December 2017.

TAXATION

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

STAMP DUTY

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

Report of the Directors

DIRECTORS' INTERESTS OR SHORT POSITIONS IN SECURITIES

As of 31 December 2017 (and for Mr. Li Yilun and Mr. Yao Wei, who were appointed as Directors on 22 January 2018), as of 22 January 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which will be required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, were as follows:

Interests in options relating to ordinary shares of the Company

Name of Director	Capacity/Nature of Interest	Number of securities held/interested	Approximate percentage of interests held *(Note ii)*
Chen Sui	Beneficial owner *(Note i)*	466,667 share options	0.01%
Lin Jian (resigned on 22 January 2018)	Beneficial owner *(Note i)*	466,667 share options	0.01%
Li Yilun (appointed on 22 January 2018)	Beneficial owner *(Note i)*	420,000 share options	0.01%
Yao Wei (appointed on 22 January 2018)	Beneficial owner *(Note i)*	420,000 share options	0.01%

Notes:

(i) Details of the share options granted to the Directors are set out on page 140 under "Share Option Scheme" in this Report.

(ii) The approximate percentage of interests held was calculated on the basis of 4,290,824,000 ordinary Shares in issue as at 31 December 2017.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2017, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or the chief executive of the Company) had or were deemed to have interests or short positions in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Approximate % of Shareholding
China General Nuclear Power Corporation ("**CGN**") (1)(2)(3)	Interests in controlled corporation (long position)	3,130,096,000	72.95%
CGNPC International Limited (2)(3)	Interests in controlled Corporation (long position)	3,101,800,000	72.29%
CGN Energy International Holdings Co., Limited (formerly known as CGNPC Huamei Investment Limited) ("**CGN Energy International**") (3)	Beneficial owner (long position)	3,101,800,000	72.29%

Report of the Directors

Notes:

(1) CGN indirectly holds 100% of the total issued share capital of CGN Energy International. As informed by CGN, CGN was deemed to be interested in 3,130,096,000 Shares, in which 3,101,800,000 Shares were held directly by CGN Energy International (a controlled corporation of CGNPC International Limited), and 28,296,000 Shares were held by certain other companies that are controlled directly or indirectly by CGN. There could be a difference between the shareholding of CGN in the Company as at 31 December 2017 and the disclosure of interest information disclosed on the website of the Stock Exchange, as the disclosure of interest information disclosed on the website of the Stock Exchange represents information disclosed by CGN pursuant to its obligation under Section 336 of the SFO only. For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against CGNPC International Limited and CGN Energy International represented the same block of Shares.

(2) CGNPC International Limited directly holds 70.59% of the total issued share capital of CGN Energy International, which directly held approximately 72.29% of the issued share capital of the Company, and indirectly holds 29.41% of the total issued share capital of CGN Energy International, through its wholly-owned subsidiary Gold Sky Capital Limited. Accordingly, CGNPC International Limited is deemed to have an interest in all Shares held by CGN Energy International.

(3) Save as disclosed in the section headed "Biographies of Directors and Members of the General Manager Office" in the annual report, as of the date of this report, none of the Directors is a director or employee of a company which had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by the Company on 24 November 2015 for the purpose of enabling the Company to (i) establish incentive and mechanism that is in line with market practice and satisfies the Company's development strategy needs so as to facilitate long-term development of the Company and maximise Shareholders' value, and (ii) optimise the remuneration structure of core employees of the Company such that the competitiveness of the Company's remuneration system may be enhanced, which will in turn attract and retain core management and technical staff to serve the Company for a long period of time. No share options were exercised nor cancelled and 14,080,000 share options were lapsed during the year ended 31 December 2017.

(1) ELIGIBLE PARTICIPANTS TO THE SHARE OPTION SCHEME

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

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

(2) MAXIMUM NUMBER OF SHARES AVAILABLE FOR EXERCISE

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

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

The total number of options available for grant under the scheme is 410,902,400, representing 9.58% of the issued share capital of the Company as at the date of this annual report.

Report of the Directors

(3) MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT

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

GRANT OF OPTIONS TO CONNECTED PERSONS

Pursuant to Rule 17.04 of the Listing Rules:

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

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

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

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

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

No Eligible Participant is granted with options in excess of the individual limit during the year ended 31 December 2017.

(4) TIME OF EXERCISE OF OPTION

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

Report of the Directors

(5) EXERCISABLE PERIOD

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

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

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

(6) EXERCISE CONDITIONS

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

(7) OFFER OF OPTIONS

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

(8) EXERCISE PRICE FOR SHARES

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

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

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

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

(9) PERIOD OF THE SHARE OPTION SCHEME

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

Report of the Directors

As of 31 December 2017, options to subscribe for 18,860,000 shares of the Company were outstanding, details of which are set out in note 35 to the consolidated financial statements and below:

		Number of Share Options								
Grantee	**Date of grant**	**as at 1 January 2017**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Cancelled during the year**	**as at 31 December 2017**	**Exercise price per share**	**Closing price per share immediately before the date of grant**	**Exercise period**
								(HK$)	*(HK$)*	
Chen Sui	8 December 2015	700,000	–	–	233,333	–	466,667	1.612	1.640	*Note*
Lin Jian (resigned on 22 January 2018)	8 December 2015	700,000	–	–	233,333	–	466,667	1.612	1.640	*Note*
Li Yilun (appointed on 22 January 2018)	8 December 2015	630,000	–	–	210,000	–	420,000	1.612	1.640	*Note*
Yao Wei (appointed on 22 January 2018)	8 December 2015	630,000	–	–	210,000	–	420,000	1.612	1.640	*Note*
Employees	8 December 2015	29,700,000	–	–	12,613,334	–	17,086,666	1.612	1.640	*Note*
Employees	30 December 2015	580,000	–	–	580,000	–	–	1.712	1.730	*Note*
		32,940,000	–	–	14,080,000	–	18,860,000			

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

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

DIRECTORS' INTERESTS TO ACQUIRE SHARES OR DEBENTURES

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

EQUITY-LINKED AGREEMENT

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

PERMITTED INDEMNITY PROVISION

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

Report of the Directors

MANAGEMENT CONTRACTS

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

CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

On 12 September 2014, CGNPC Huasheng Investment Limited ("**CGNPC Huasheng**") and the Company entered into the financial services (CGNPC Huasheng) framework agreement (the "**Financial Services (CGNPC Huasheng) Framework Agreement**") in relation to the deposit arrangement in Hong Kong provided by CGNPC Huasheng to the Group, which was effective from 12 September 2014 to 29 May 2015, being the date of the first annual general meeting of the Company after its listing. The renewal of the Financial Services (CGNPC Huasheng) Framework Agreement was approved by the independent shareholders of the Company at the first annual general meeting of the Company and the terms of the Financial Services (CGNPC Huasheng) Framework Agreement became effective from 30 May 2015 and shall continue up to and including 31 December 2017. Further renewal of the Financial Services (CGNPC Huasheng) Framework Agreement was approved by the independent shareholders of the Company at the special general meeting of the Company held on 18 December 2017 and the terms of the Financial Services (CGNPC Huasheng) Framework Agreement became effective from 1 January 2018 and shall continue up to and including 31 December 2020.

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

Further details of the Financial Services (CGNPC Huasheng) Framework Agreement were disclosed in the prospectus of the Company dated 19 September 2014 (the "**Prospectus**") and the circulars of the Company dated 20 April 2015 and 30 November 2017.

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

On 12 September 2014, CGN Finance Investment Limited ("**CGN Finance**") and the Company entered into the financial services (CGN Finance) framework agreement (the "**Financial Services (CGN Finance) Framework Agreement**", together with the Financial Services (CGNPC Huasheng) Framework Agreement, the "**Financial Services Framework Agreements**") in relation to the deposit arrangement in the PRC provided by CGN Finance to the Group, which was effective from 12 September 2014 to 29 May 2015, being the date of the first annual general meeting of the Company after its listing. The renewal of the Financial Services (CGN Finance) Framework Agreement was approved by the independent shareholders of the Company at the first annual general meeting of the Company and the term of the Financial Services (CGN Finance) Framework Agreement became effective from 30 May 2015 and shall continue up to and including 31 December 2017. Further renewal of the Financial Services (CGN Finance) Framework Agreement was approved by the independent shareholders of the Company at the special general meeting of the Company held on 18 December 2017 and the terms of the Financial Services (CGN Finance) Framework Agreement became effective from 1 January 2018 and shall continue up to and including 31 December 2020.

Report of the Directors

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

Further details of the Financial Services (CGN Finance) Framework Agreement were disclosed in the Prospectus and the circulars of the Company dated 20 April 2015 and 30 November 2017.

General

As the nature of the services to be provided to the Group under the Financial Services Framework Agreements are similar, the estimated annual cap for the maximum outstanding balance of deposits to be placed by the Group with CGNPC Huasheng and CGN Finance under the Financial Services Framework Agreement, together with the relevant interest received, for the year ended 31 December 2017 have been aggregated and amounted to US$693 million. The actual outstanding balance of deposits placed by the Group with CGNPC Huasheng and CGN Finance under the Financial Services Framework Agreement, together with the relevant interest received for the year ended 31 December 2017 were US$284 million.

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

2(a) New Entrustment Agreement

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

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

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

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

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

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

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

Report of the Directors

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

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

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

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

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

On 17 June 2015, the Company entered into the Operation and Management Services (Solar Energy) Framework Agreement (the "**Operation and Management Services (Solar Energy) Framework Agreement**") with CGN Solar Energy Development Co., Ltd. ("**CGN Solar Energy**"), pursuant to which the Company agreed to provide, or procure a subsidiary of the Company to provide, operation and management services to power projects (whether in operation or under construction) in which CGN Solar Energy has interest. The relevant subsidiaries of the Company will provide comprehensive operation and management services according to the requirements of the service recipient, and may appoint personnel to be responsible for or to be involved in the operations management, financial management, human resources management, technical management, information management, and/or safety management of the relevant power project or company which holds interest in the relevant power project. The term of this agreement is from 17 June 2015 to 31 December 2017. The Company has served a notice to CGN Solar Energy in accordance with the terms of the Operation and Management Services (Solar Energy) Framework Agreement to renew such agreement for a term of three years from 1 January 2018 to 31 December 2020. Save for the renewal of the term of the agreement, the principal terms of the renewed Operation and Management Services (Solar Energy) Framework Agreement shall remain the same as the original Operation and Management Services (Solar Energy) Framework Agreement (including the calculation of the management fees).

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

Further details of the Operation and Management Services (Solar Energy) Framework Agreement were disclosed in the announcement of the Company dated 17 June 2015 and the circular of the Company dated 30 November 2017.

Report of the Directors

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

On 17 June 2015, the Company entered into the Operation and Management Services (Wind Energy) Framework Agreement (the "**Operation and Management Services (Wind Energy) Framework Agreement**", together with the Operation and Management Services (Solar Energy) Framework Agreement, the "**O&M Agreements**") with CGN Wind Power Company, Limited （中廣核風電有限公司）("**CGN Wind Energy**"), pursuant to which the Company agreed to provide, or procure a subsidiary of the Company to provide, operation and management services to power projects (whether in operation or under construction) in which CGN Wind Energy has interest. The relevant subsidiaries of the Company will provide comprehensive operation and management services according to the requirements of the service recipient, and may appoint personnel to be responsible for or to be involved in the operations management, financial management, human resources management, technical management, information management, and/or safety management of the relevant power project or company which holds interest in the relevant power project. The term of this agreement is from 17 June 2015 to 31 December 2017. The Company has served a notice to CGN Wind Energy in accordance with the terms of the Operation and Management Services (Wind Energy) Framework Agreement to renew such agreement for a term of three years from 1 January 2018 to 31 December 2020. Save for the renewal of the term of the agreement, the principal terms of the renewed Operation and Management Services (Wind Energy) Framework Agreement shall remain the same as the original Operation and Management Services (Wind Energy) Framework Agreement (including the calculation of the management fees).

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

Further details of the Operation and Management Services (Wind Energy) Framework Agreement were disclosed in the announcement of the Company dated 17 June 2015 and the circular of the Company dated 30 November 2017.

General

As the nature of the services to be provided under the four Operation and Management Services Framework Agreements and the New Entrustment Agreement are similar, the annual cap for the management fees payable under the Operation and Management Services Framework Agreements and the New Entrustment Agreement for the year ended 31 December 2017 were determined on an aggregate basis and amounted to US$63 million. The actual management fees paid under the Operation and Management Services Framework Agreements and the O&M Agreement for the year ended 31 December 2017 were US$37.1 million.

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

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

1 Weigang Power Purchase Agreement

Shanghai Wei Gang Energy Co. Ltd. ("**Weigang JV**"), a non-wholly owned subsidiary of the Company in which the Company indirectly held 65% interest and Baosteel Group Shanghai No. 1 Iron & Steel Co. Ltd. ("**Baosteel**") held 35% interest, entered into a power purchase agreement on 10 August 1998 (which has been amended on 2 March 2005 and 16 March 2009) with Baosteel (the "**Weigang Power Purchase Agreement**") pursuant to which Baosteel has agreed to purchase all electricity power generated by the power project operated by Weigang JV for a term expiring on the expiration date of the operation term of Weigang JV (namely, 31 May 2020). The Weigang Power Purchase Agreement has been entered into in respect of Weigang gas-fired power project operated by Weigang JV. On 21 December 2017, due to the cessation of supply of fuel to a 50.0 MW blast furnace gas fired project in Shanghai, the PRC ("**Weigang Power Project**"), CanAm Energy China Holdings, Limited ("**CanAm**"), Baosteel and Weigang JV entered into the dissolution and assets distribution agreement, pursuant to which CanAm and Baosteel have agreed to, among others, terminate the joint venture agreement and voluntarily dissolve Weigang JV, terminate/procure the termination of the operation contracts and dispose the assets of Weigang JV to Baosteel. As a result, Weigang Power Purchase Agreement was terminated from the date of 21 December 2017.

Report of the Directors

Baosteel is a substantial shareholder of Weigang JV, holding 35% interest in Weigang gas-fired power project and is therefore a connected person of the Company.

CanAm is a company incorporated in Hong Kong, an indirect wholly-owned subsidiary of the Company, which holds 65% interest in Weigang JV.

Further details of the termination of Weigang Power Purchase Agreement were disclosed in the announcement of the Company dated 21 December 2017.

(C) General

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

The independent non-executive Directors have reviewed the above continuing connected transactions for the year ended 31 December 2017 and have confirmed that the continuing connected transactions have been entered into:

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

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

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

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

1. have been approved by the Board;

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

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

4. have not exceeded the cap.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the normal course of business are provided under note 43 to the financial statements, and none of which constitutes a discloseable connected transaction or continuing connected transaction as defined under the Listing Rules.

Report of the Directors

NON-COMPETITION DEED

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

The Company has received a confirmation from CGN confirming to the Company on its compliance with the relevant non-competing procedures set out in the Non-Competition Deed and having protected the right granted to the Company under the Non-Competition Deed, to invest in or acquire the relevent projects during the year ended 31 December 2017.

During the year ended 31 December 2017, the independent non-executive Directors (the "**Disinterested Directors**"), being the Directors other than those who are also directors and senior management personnel of the CGN Group, had reviewed several business or investment opportunities offered by or referred to by the CGN Group pursuant to the Non-Competition Deed. The Disinterested Directors considered the opportunities taking into account, inter alia, the following:

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

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

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

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

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

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

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

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

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

The Disinterested Directors have reviewed compliance by CGN and confirm that based on the confirmations and information provided by CGN, CGN was in compliance with the Non-Competition Deed during the year ended 31 December 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of the date of this report, so far as the Directors were aware, none of the Directors, and their respective close associates had interest in any business apart from the Group's businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Report of the Directors

EMOLUMENT POLICY

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

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

US DOLLAR BOND

In August 2013, the Company completed the issuance of US$350.0 million 4.0% unsecured bonds due 2018 listed on the Stock Exchange (stock code: 5964) to international professional and institutional investors. The investment grade bonds, which were issued to institutional investors, are backed by a keepwell deed and a deed of equity interest purchase undertaking entered into by the Company and CGN in favor of the trustee. In addition to the equity interest purchase undertaking, the Company is subject to additional customary investment grade bond restrictive covenants such as a negative pledge. The outstanding amount of such bond payables as at 31 December 2017 was US$355 million.

SUFFICIENCY OF PUBLIC FLOAT

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

DONATIONS

During the year ended 31 December 2017, the Group made charitable and other donations amounting to approximately HK$153,000 (2016: HK$263,000).

AUDITOR

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

On behalf of the Board

Chen Sui
Chairman

Hong Kong, 21 March 2018

Corporate Governance Report

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

The Company has adopted the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. The Board considers that the Company was in compliance with all applicable code provisions set out in the CG Code throughout the year ended 31 December 2017.

Corporate Governance Framework of the Company

Corporate Governance Report

THE BOARD OF DIRECTORS

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

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, risk management and internal control systems, and monitoring of the performance of the senior management. The Directors make decisions objectively in the interests of the Company. As at the date of this report, the Board comprises eleven Directors, including one executive Director, six non-executive Directors and four independent non-executive Directors. Members of the Board during the year ended 31 December 2017 and up to the date of this report are as follows:

Chairman and Non-executive Director:

Mr. Chen Sui

President and Executive Director:

Mr. Li Yilun (appointed with effect from 22 January 2018)
Mr. Lin Jian (resigned with effect from 22 January 2018)

Non-executive Directors:

Mr. Zhang Chengbai (appointed with effect from 10 November 2017)
Mr. Yao Wei (appointed with effect from 22 January 2018)
Mr. Wang Hongxin (appointed with effect from 16 August 2017)
Mr. Dai Honggang
Mr. Xing Ping
Mr. Xu Yuan (resigned with effect from 16 August 2017)
Mr. Wu Junfeng (resigned with effect from 10 November 2017)
Mr. Yin Engang (resigned with effect from 22 January 2018)

Independent Non-executive Directors:

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

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

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

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

Corporate Governance Report

Chairman and President

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

Appointments, re-election and removal of Directors

Each Director has entered into a service contract or an appointment letter with the Company for a term of three years, subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the bye-laws of the Company (the "**Bye-laws**"). In accordance with bye-law 83(2) of the Bye-laws, Mr. Li Yilun and Mr. Yao Wei will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Mr. Chen Sui, Mr. Dai Honggang, Mr. Xing Ping and Mr. Zhang Dongxiao will retire by rotation at the forthcoming annual general meeting and, being eligible, have offered themselves for re-election, in accordance with bye-law 84 of the Bye-laws.

Number of meetings and Directors' attendance

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

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

The calendar of regular Board meetings (the "**Board Meetings**"), Board committees meetings and general meeting for the year ended 31 December 2017 is shown below:

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

During the year ended 31 December 2017, the Board has held four meetings.

During the year ended 31 December 2017, the Company has held two general meetings.

Corporate Governance Report

The table below sets forth the number of the Board Meetings and Board Committees meetings (as defined below) and general meeting attended by each Director during the year ended 31 December 2017:

	Attendance/Number of meetings						
Name of Director	**Board**	**Nomination Committee**	**Remuneration Committee**	**Audit Committee**	**Investment and Risk Management Committee**	**Strategy Development Committee**	**General Meeting**
Chairman and Non-executive Director:							
Mr. Chen Sui	4/4	2/3				2/2	1/2
President and Executive Director:							
Mr. Lin Jian (resigned with effect from 22 January 2018)	4/4					0/2	1/2
Mr. Li Yilun (appointed with effect from 22 January 2018) *(Note i)*	N/A					N/A	N/A
Non-executive Directors:							
Mr. Dai Honggang	4/4		3/4		5/5	1/2	1/2
Mr. Xing Ping	4/4				5/5		1/2
Mr. Xu Yuan (resigned with effect from 16 August 2017) *(Note ii)*	2/3						1/1
Mr. Yin Engang (resigned with effect from 22 January 2018)	4/4			2/3	4/5		1/2
Mr. Wu Junfeng (resigned with effect from 10 November 2017) *(Note iii)*	1/4					1/2	0/1
Mr. Wang Hongxin (appointed with effect from 16 August 2017) *(Note iv)*	1/1						0/1
Mr. Zhang Chengbai (appointed with effect from 10 November 2017) *(Note v)*	N/A					N/A	0/1
Mr. Yao Wei (appointed with effect from 22 January 2018) *(Note vi)*	N/A			N/A	N/A		N/A
Independent Non-executive Directors:							
Mr. Leung Chi Ching Frederick	4/4			3/3			2/2
Mr. Fan Ren Da Anthony	3/4	3/3	4/4	3/3			1/2
Mr. Wang Susheng	2/4					2/2	1/2
Mr. Zhang Dongxiao	3/4	3/3	4/4				0/2

Corporate Governance Report

Notes:

i. Mr. Li Yilun was appointed as the President and executive Director of the Company on 22 January 2018, he attended the Board meeting held on 21 March 2018.

ii. Mr. Xu Yuan resigned as a non-executive Director of the Company on 16 August 2017. For the year ended 31 December 2017, three Board meetings and one general meeting were held before his resignation taking effect.

iii. Mr. Wu Junfeng resigned as a non-executive Director of the Company on 10 November 2017. For the year ended 31 December 2017, four Board meetings and one general meeting were held before his resignation taking effect.

iv. Mr. Wang Hongxin was appointed as a non-executive Director of the Company on 16 August 2017. For the year ended 31 December 2017, one Board meeting and one general meeting were held since his appointment taking effect.

v. Mr. Zhang Chengbai was appointed as a non-executive Director of the Company on 10 November 2017. For the year ended 31 December 2017, he was not requested to attend any Board meetings after his appointment.

vi. Mr. Yao Wei was appointed as a non-executive Director of the Company on 22 January 2018. He attended the Board meeting held on 21 March 2018.

Corporate Governance

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

Training and support for Directors

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

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

To further ensure that all Directors are adequately informed about the Company's business and operations as well as his responsibilities under relevant laws, rules and regulations, the Company Secretary regularly provides all Directors regarding the Company's most recent performance as well as updates on latest amendments and developments to the Listing Rules and other relevant legal and regulatory requirements from time to time. The Company has organised a training on risk management and internal control for Directors in 2017.

Corporate Governance Report

The Directors received the following training for the year ended 31 December 2017 according to the records provided by the Directors:

Directors	TYPES OF TRAINING: Attendance for trainings/seminars/ meetings in respect of the Company's business or duties of Directors	Reading of materials in respect of updates on the Company's business, duties and responsibilities of Directors and regulatory requirements	Visit to power plants and facilities and their respective management personnel
Chairman and Non-executive Director:			
Mr. Chen Sui	✓	✓	✓
President and Executive Director:			
Mr. Lin Jian (resigned with effect from 22 January 2018)	✓	✓	✓
Mr. Li Yilun (appointed with effect from 22 January 2018) *(Note)*	✓	✓	✓
Non-executive Directors			
Mr. Dai Honggang	✓	✓	✓
Mr. Xing Ping	✓	✓	✓
Mr. Xu Yuan (resigned with effect from 16 August 2017)	✓	✓	✓
Mr. Yin Engang (resigned with effect from 22 January 2018)	✓	✓	✓
Mr. Wu Junfeng (resigned with effect from 10 November 2017)	✓	✓	✓
Mr. Wang Hongxin (appointed with effect from 16 August 2017)	✓	✓	✓
Mr. Zhang Chengbai (appointed with effect from 10 November 2017)	✓	✓	✓
Mr. Yao Wei (appointed with effect from 22 January 2018) *(Note)*	✓	✓	✓
Independent non-executive Directors			
Mr. Leung Chi Ching Frederick	✓	✓	✓
Mr. Fan Ren Da Anthony	✓	✓	✓
Mr. Wang Susheng	✓	✓	✓
Mr. Zhang Dongxiao	✓	✓	✓

Note:

Mr. Li Yilun and Mr. Yao Wei were the Senior Management of the Company before their appointment as Directors of the Company and have received various training provided by the Company, including the types of trainings above-mentioned.

Corporate Governance Report

Directors' insurance

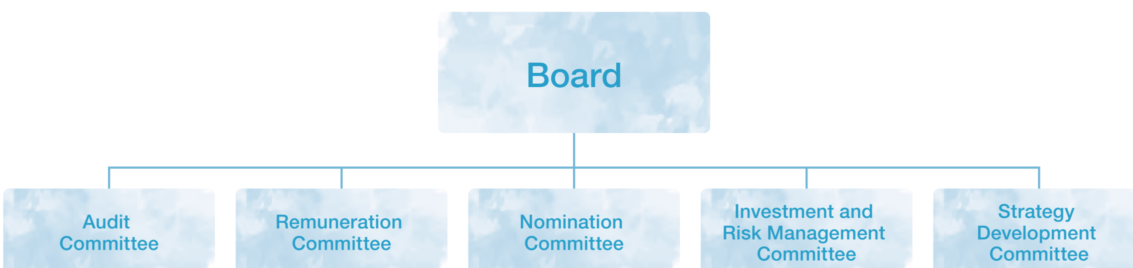
The Company has arranged for appropriate liability insurance for the Directors to cover their liabilities arising out of corporate activities.

Compliance with the Model Code for Directors' securities transactions

The Company has adopted its own Code for Securities Transactions by Directors (the "**Company Code**"), which are on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), as a code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code and the Company Code during the year ended 31 December 2017.

BOARD COMMITTEES

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



Corporate Governance Report

Audit Committee

As of 31 December 2017, the Audit Committee of the Company consists of Mr. Leung Chi Ching Frederick (independent non-executive Director), Mr. Fan Ren Da Anthony (independent non-executive Director) and Mr. Yin Engang (former non-executive Director) who resigned as the member of the Audit Committee on 22 January 2018. Mr. Yao Wei was appointed as a member of the Audit Committee on 22 January 2018. Mr. Leung Chi Ching Frederick served as the chairman of the Audit Committee.

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

Relationship with the Company's external auditors

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

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

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

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

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

Review of the financial information of the Company

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

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from audit;

  (iv) the going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

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

(g) in regard to (f) above:

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

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

Corporate Governance Report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2017, three Audit Committee meeting was held, inter alia, to review the 2016 annual results, the 2017 interim results and the internal control of the Group. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report. A recent meeting of the Audit Committee was held on 14 March 2018 to consider the audited financial statements of the Group for the year ended 31 December 2017, the external auditor's independence and objectivity, the effectiveness of the audit process and the Group's internal control system, which covers all material controls, including financial, operational and compliance controls and risk management functions.

Corporate Governance Report

Remuneration Committee

As of 31 December 2017, the Remuneration Committee consists of Mr. Zhang Dongxiao (independent non-executive Director), Mr. Dai Honggang (non-executive Director) and Mr. Fan Ren Da Anthony (independent non-executive Director). Mr. Zhang Dongxiao served as the chairman of the Remuneration Committee.

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2017, four Remuneration Committee meetings were held, inter alia, to review the remuneration structure and packages of the Directors and senior management, the share option scheme of the Company and the grant of share options. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report. A recent meeting of the Remuneration Committee was held on 15 March 2018 to consider and review, among others, the Group's policy and structure for all Directors' and senior management's remuneration and the current remuneration packages of the Directors and senior management of the Company.

Corporate Governance Report

Nomination Committee

As of 31 December 2017, the Nomination Committee consists of Mr. Chen Sui (chairman and non-executive Director), Mr. Zhang Dongxiao (independent non-executive Director) and Mr. Fan Ren Da Anthony (independent non-executive Director). Mr. Chen Sui served as the chairman of the Nomination Committee.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Corporate Governance Report

During the year ended 31 December 2017, three Nomination Committee meetings were held, inter alia, to review the structure, size composition and diversity of the Board and to consider, nominate and recommend appointment and reappointment of Directors. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report. A recent meeting of the Nomination Committee was held on 15 March 2018 to consider and review, among others, the composition of the Board, succession planning for the Directors and the Board's diversity policy.

Investment and Risk Management Committee

As of 31 December 2017, the Investment and Risk Management Committee consists of Mr. Dai Honggang (non-executive Director), Mr. Xing Ping (non-executive Director) and Mr. Yin Engang (former non-executive Director) who resigned as the member of the Investment and Risk Management Committee on 22 January 2018. Mr. Yao Wei (non-executive Director) was appointed as a member of the Investment and Risk Management Committee on 22 January 2018. Mr. Dai Honggang served as the chairman of the Investment and Risk Management Committee.

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2017, five Investment and Risk Management Committee meetings were held to review the proposed investment project of the Group. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report. A recent meeting of the Investment and Risk Management Committee was held on 14 March 2018 to consider and review, among others, the effectiveness, development and objectives of the Group's risk management system.

Corporate Governance Report

Strategy Development Committee

As of 31 December 2017, the Strategy Development Committee of the Company consists of Mr. Chen Sui (chairman and non-executive Director), Mr. Dai Honggang (non-executive Director), Mr. Wang Susheng (independent non-executive Director), Mr. Zhang Chengbai (non-executive Director) and Mr. Lin Jian (former President and executive Director) who resigned as the member of the Strategy Development Committee on 22 January 2018. Mr. Li Yilun was appointed as a member of the Strategy Development Committee on 22 January 2018. Mr. Dai Honggang served as the chairman of the Strategy Development Committee.

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

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

(b) to research and recommend on significant investment and financing plans which are required by the Laws of the Company to be approved by the Board;

(c) to research and recommend on significant capital operation and asset operation which are required by the Laws of the Company to be approved by the Board;

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

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

During the year ended 31 December 2017, two Strategy Development Committee meeting was held to review the credit facilities of the Company. The attendance records are set out under the section headed "Number of meetings and Directors' attendance" in this report.

Company Secretary

Mr. Lee Kin, the company secretary of the Company, is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. Mr. Lee Kin was appointed as the Company Secretary on 26 January 2015. Mr. Lee Kin complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules during his term of office in the year ended 31 December 2017. The biographical details of Mr. Lee Kin is set out in the section headed "Biographies of Directors and Members of the General Manager Office" in this report.

FINANCIAL REPORTING AND INTERNAL CONTROL

Financial reporting

The Directors acknowledge their responsibility for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the accounts for the year ended 31 December 2017. The Directors have selected suitable accounting policies and applied them consistently, adopted appropriate International Financial Reporting Standards, International Accounting Standards amendments to standards and the related interpretations, made adjustments and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

Corporate Governance Report

External auditor's remuneration

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

The remuneration paid to Deloitte in respect of audit and non-audit services for the year ended 31 December 2017 is set out below:

Type of services provided by Deloitte	**Amount of fees** *HK$'000*
Audit services	7,711
Non-audit services	291
Total	8,002

The major non-audit services provided by Deloitte mainly include local income tax report and filing and tax advisory services.

Risk management and Internal control

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

The Directors have reviewed the effectiveness of the Group's internal control and risk management systems. The internal control system includes a defined management structure with segregation of duties and the implementation and continuous review of an internal control manual. The Board, through the Audit Committee, engaged external professional service providers to conduct annual reviews on the Group's internal control system and make recommendations for strengthening such systems. The results of the review for the year ended 31 December 2017 have been reported to the Audit Committee and the Board. No material deficiencies have been identified so far and there were no significant areas of concern which may affect the Shareholders.

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

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

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

Corporate Governance Report

The Company has an internal audit function.

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

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

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

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

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

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

ANNUL GENERAL MEETING

The Company's AGM is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. The 2017 AGM was held on 24 May 2017 at Boardroom 6, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong.

Corporate Governance Report

Resolutions passed at the 2017 AGM

Separate resolutions were proposed at the 2017 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions is set out below:

	Resolutions proposed at the 2017 AGM	Percentage of Votes in Favour
1.	To receive and consider the audited consolidated financial statements of the Company, the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2016	100%
2.	To declare a final dividend for the year ended 31 December 2016	99.99%
3.(a)	To re-elect Mr. Chen Sui as a non-executive Director	99.90%
3.(b)	To re-elect Mr. Wu Junfeng as a non-executive Director	99.94%
3.(c)	To re-elect Mr. Leung Chi Ching Frederick as an independent non-executive Director	99.90%
3.(d)	To re-elect Mr. Fan Ren Da Anthony as an independent non-executive Director	99.04%
3.(e)	To re-elect Mr. Wang Susheng as an independent non-executive Director	99.99%
3.(f)	To authorise the Board to fix the remuneration of the Directors	99.99%
4.	To re-appoint Deloitte Touche Tohmatsu as auditor of the Company and to authorize the Board to fix their remuneration	99.99%
5.	To grant a general mandate to the Directors to repurchase Shares	99.99%
6.	To grant a general mandate to the Directors to issue Shares	98.60%
7.	To extend the Issue Mandate by adding thereto the number of Shares repurchased by the Company pursuant to the Repurchase Mandate	98.66%

Accordingly, all resolutions put to shareholders at the 2017 AGM were passed. The results of the voting by poll were published on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

Convening of SGM and requisition by the Shareholders

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

Corporate Governance Report

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

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

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

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

Procedures for Shareholders to propose a Person for Election as a Director

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

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

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

Corporate Governance Report

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

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

   (i) full name and age;

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

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

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

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

No changes were made in any of the Company's Bye-laws during the year ended 31 December 2017 and the Bye-laws (in both English and Chinese) is available on both the websites of the Company and the Stock Exchange.

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of CGN New Energy Holdings Co., Ltd. (the "**Company**") and its subsidiaries (collectively referred to as "**the Group**") set out on pages 81 to 166, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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 disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill as a key audit matter due to the involvement of significant management judgements in determining the recoverable amounts of groups of cash-generating units to which goodwill has been allocated as disclosed in note 5 to the consolidated financial statements. As set out in note 18 to the consolidated financial statements, as at 31 December 2017, the Group has goodwill of approximately US$177,016,000 relating to groups of cash-generating units comprising subsidiaries engaged in generating and supplying electricity through solar energy and wind energy in the Peoples' Republic of China (the "**PRC**"), which are tested for impairment annually. As disclosed in note 18 to the consolidated financial statements, the management has concluded that there is no impairment in respect of the goodwill. The recoverable amounts are based on value in use calculations using discounted cash flow model, which require significant assumptions and estimates with respect to the discount rates and the forecasted cash flows, in particular the budgeted sales and gross margins, taking into account the management expectations for the power industry in the PRC.	Our procedures in relation to impairment assessment of goodwill included: • Understanding the key assumptions used by the management in the impairment assessment model and changes in the business environment affecting the power industry in the PRC; • Reviewing the methodology of the impairment assessment model; • Evaluating the accuracy of the management's forecasts by comparing the actual results of those cash-generating units to the previously forecasted results; • Assessing and challenging the management's key assumptions and estimates, which include the budgeted sales and gross margins, using our knowledge of the power industry, policies of other comparable companies and the Group's historical experience and future operating plans; and • Testing discount rates applied in the forecast by comparing to economic and industry data.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Fung Hin Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Revenue	6	**1,108,560**	1,074,448
Operating expenses:			
Coal, oil and gas		**619,829**	587,176
Depreciation of property, plant and equipment		**134,299**	143,429
Repair and maintenance		**40,179**	38,729
Staff costs		**76,389**	69,237
Others		**71,634**	58,480
Total operating expenses		**942,330**	897,051
Operating profit		**166,230**	177,397
Other income	7	**14,459**	14,281
Other gains and losses	8	**(7,521)**	2,631
Finance costs	9	**(101,708)**	(115,172)
Share of results of associates		**19,268**	22,113
Gain on deconsolidation of a subsidiary	41	**3,825**	–
Gain on disposal of a subsidiary	41	**–**	18,675
Profit before tax		**94,553**	119,925
Income tax expense	10	**(28,587)**	(28,893)
Profit for the year	11	**65,966**	91,032
Other comprehensive income (expenses)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign subsidiaries and associates		**125,763**	(96,576)
Reclassification adjustments for amounts transferred to profit or loss			
– release of hedging reserve		**(126)**	(122)
– deferred tax credit arising on release of hedging reserve		**31**	29
– release of cumulative gain of translation reserve included in profit or loss upon deconsolidation/disposal of a subsidiary	41	**(3,825)**	(4,996)
Other comprehensive income (expenses) for the year		**121,843**	(101,665)
Total comprehensive income (expenses) for the year		**187,809**	(10,633)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Profit for the year attributable to:			
Owners of the Company		**61,872**	79,472
Non-controlling interests		**4,094**	11,560
		65,966	91,032
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		**179,534**	(13,063)
Non-controlling interests		**8,275**	2,430
		187,809	(10,633)
Earnings per share	*14*		
– Basic *(US cents)*		**1.44**	1.85
– Diluted *(US cents)*		**1.44**	1.85

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 US$'000	2016 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**2,471,558**	2,309,875
Prepaid lease payments	17	**51,004**	51,642
Goodwill	18	**178,492**	167,582
Interests in associates	19	**168,111**	161,717
Amounts due from non-controlling shareholders	20	**–**	439
Deferred tax assets	21	**25,366**	25,927
Other assets	22	**61,046**	22,792
		2,955,577	2,739,974
CURRENT ASSETS			
Inventories	23	**33,723**	32,519
Prepaid lease payments	17	**3,343**	3,379
Trade receivables	24	**255,441**	200,911
Other receivables and prepayments		**134,454**	102,327
Amounts due from non-controlling shareholders	20	**8**	119
Amounts due from associates	25	**12,615**	9,235
Amounts due from fellow subsidiaries	25	**9,732**	10,511
Tax recoverable		**453**	734
Pledged bank deposits	26	**92,446**	72,398
Bank balances and cash	26	**242,825**	326,514
		785,040	758,647
CURRENT LIABILITIES			
Trade payables	27	**111,146**	86,719
Other payables and accruals	28	**170,660**	127,906
Amounts due to fellow subsidiaries	25	**5,561**	4,341
Amounts due to non-controlling shareholders	29	**6,370**	5,228
Loan from a fellow subsidiary – due within one year	33	**–**	39,579
Advance from a non-controlling shareholder – due within one year	30	**2,339**	2,203
Bank borrowings – due within one year	31	**179,032**	133,886
Bond payables – due within one year	32	**354,858**	4,717
Government grants	34	**658**	620
Deferred connection charges		**89**	69
Tax payable		**9,975**	4,399
Derivative financial instruments	38(c)	**9,957**	–
		850,645	409,667

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 US$'000	2016 US$'000
NET CURRENT (LIABILITIES) ASSETS		**(65,605)**	348,980
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,889,972**	3,088,954
NON-CURRENT LIABILITIES			
Advance from a non-controlling shareholder			
– due after one year	*30*	**896**	792
Loan from a fellow subsidiary – due after one year	*33*	**450,000**	450,000
Bank borrowings – due after one year	*31*	**1,417,715**	1,418,324
Bond payables – due after one year	*32*	**–**	349,763
Deferred connection charges		**116**	73
Government grants	*34*	**11,190**	9,559
Deferred tax liabilities	*21*	**49,680**	48,607
		1,929,597	2,277,118
NET ASSETS		**960,375**	811,836
CAPITAL AND RESERVES			
Share capital	*36*	**55**	55
Reserves		**875,839**	710,703
Equity attributable to owners of the Company		**875,894**	710,758
Non-controlling interests		**84,481**	101,078
TOTAL EQUITY		**960,375**	811,836

The consolidated financial statements on pages 81 to 166 were approved and authorised for issue by the Board of Directors on 21 March 2018 and are signed on its behalf by:

Chen Sui
DIRECTOR

Li Yilun
DIRECTOR

Consolidated Statement of Changes In Equity

For the year ended 31 December 2017

	Attributable to owner of the Company									
	Share capital US$'000	Share premium US$'000	Share option reserve US$'000	Other non-distributable reserves US$'000 (Note a)	Hedging reserve US$'000	Translation reserve US$'000	Accumulated profits US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2016	55	250,406	78	9,975	1,018	41,207	438,993	741,732	107,821	849,553
Profit for the year	–	–	–	–	–	–	79,472	79,472	11,560	91,032
Exchange difference arising on translation of foreign subsidiaries and associates	–	–	–	–	–	(87,446)	–	(87,446)	(9,130)	(96,576)
Release of hedging reserve	–	–	–	–	(122)	–	–	(122)	–	(122)
Deferred tax credit arising on release of hedging reserve *(note 21)*	–	–	–	–	29	–	–	29	–	29
Release of cumulative gain included in profit or losses upon disposal of a subsidiary *(note 41)*	–	–	–	–	–	(4,996)	–	(4,996)	–	(4,996)
Total comprehensive (expenses) income for the year	–	–	–	–	(93)	(92,442)	79,472	(13,063)	2,430	(10,633)
Dividend declared and paid *(note 13)*	–	–	–	–	–	–	(18,880)	(18,880)	–	(18,880)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(11,391)	(11,391)
Transfer of other non-distributable reserves	–	–	–	2,176	–	–	(2,176)	–	–	–
Effects of share options *(note 35)*	–	–	969	–	–	–	–	969	–	969
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	2,218	2,218
At 31 December 2016	55	250,406	1,047	12,151	925	(51,235)	497,409	710,758	101,078	811,836
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**61,872**	**61,872**	**4,094**	**65,966**
Exchange difference arising on translation of foreign subsidiaries and associates	**–**	**–**	**–**	**–**	**–**	**121,582**	**–**	**121,582**	**4,181**	**125,763**
Release of hedging reserve	**–**	**–**	**–**	**–**	**(126)**	**–**	**–**	**(126)**	**–**	**(126)**
Deferred tax credit arising on release of hedging reserve *(note 21)*	**–**	**–**	**–**	**–**	**31**	**–**	**–**	**31**	**–**	**31**
Release of cumulative gain included in profit or loss upon deconsolidation of a subsidiary *(note 41)*	**–**	**–**	**–**	**–**	**–**	**(3,825)**	**–**	**(3,825)**	**–**	**(3,825)**
Total comprehensive (expenses) income for the year	**–**	**–**	**–**	**–**	**(95)**	**117,757**	**61,872**	**179,534**	**8,275**	**187,809**
Dividend declared and paid *(note 13)*	**–**	**–**	**–**	**–**	**–**	**–**	**(20,167)**	**(20,167)**	**–**	**(20,167)**
Dividends paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,172)**	**(8,172)**
Transfer of other non-distributable reserves	**–**	**–**	**–**	**1,111**	**–**	**–**	**(1,111)**	**–**	**–**	**–**
Effects of share options *(note 35)*	**–**	**–**	**985**	**–**	**–**	**–**	**–**	**985**	**–**	**985**
Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,454**	**1,454**
Deconsolidation of a subsidiary *(note 41)*	**–**	**–**	**–**	**(2,276)**	**–**	**–**	**7,060**	**4,784**	**(18,154)**	**(13,370)**
At 31 December 2017	**55**	**250,406**	**2,032**	**10,986**	**830**	**66,522**	**545,063**	**875,894**	**84,481**	**960,375**

Note:

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 US$'000	2016 US$'000
OPERATING ACTIVITIES			
Profit before tax		**94,553**	119,925
Adjustments for:			
Depreciation of property, plant and equipment		**134,299**	143,429
Release of prepaid lease payments		**3,489**	3,789
Loss on disposal of property, plant and equipment		**1,052**	713
Recovery for bad and doubtful debts		**(414)**	–
Allowance for bad and doubtful receivables		**95**	1,296
Amortisation of deferred connection charges		**(71)**	(110)
Recognition of government grants		**(1,877)**	(1,535)
Interest income		**(4,212)**	(5,030)
Finance costs		**101,708**	115,172
Share of results of associates		**(19,268)**	(22,113)
Share-based payment expense	35	**985**	969
Gain on deconsolidation/disposal of a subsidiary	41	**(3,825)**	(18,675)
Change in fair value of derivative financial instruments		**9,957**	–
Operating cash flows before movements in working capital		**316,471**	337,830
(Increase) decrease in other assets		**(27,500)**	5,941
Decrease (increase) in inventories		**1,582**	(5,363)
Increase in trade receivables		**(35,752)**	(10,121)
(Increase) decrease in other receivables and prepayments		**(3,784)**	20,137
Decrease in amount due from a non-controlling shareholder		**–**	2,293
Decrease (increase) in amounts due from fellow subsidiaries		**779**	(7,379)
Increase in amounts due to fellow subsidiaries		**1,433**	1,187
Increase (decrease) in trade payables		**18,105**	(2,258)
Increase (decrease) in other payables and accruals		**31,024**	(19,511)
Increase in connection charges		**123**	–
Cash generated from operations		**302,481**	322,756
Income taxes paid		**(19,436)**	(35,224)
NET CASH FROM OPERATING ACTIVITIES		**283,045**	287,532
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(109,127)**	(32,859)
Receipt of government grants		**2,889**	869
Addition of prepaid lease payments		**(5)**	(704)
Repayment from non-controlling shareholders		**–**	101
Net cash outflow from deconsolidation of a subsidiary	41	**(22,049)**	–
Net cash inflow from disposal of a subsidiary	41	**–**	18,304
Proceeds from disposal of property, plant and equipment		**54**	1,582
Interest received		**4,212**	5,030
Dividends received from associates		**19,074**	53,959
Placement of pledged bank deposits		**(92,446)**	(1,262,702)
Withdrawal of pledged bank deposits		**72,398**	1,262,247
Net cash outflow from acquisition of a subsidiary	40	**(483)**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(125,483)**	45,827

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 *US$'000*	2016 *US$'000*
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(212,635)**	(694,948)
Interest paid	**(101,330)**	(114,816)
Dividends paid to shareholders	**(20,167)**	(18,880)
Dividends paid to non-controlling shareholders	**(7,473)**	(11,391)
Capital contribution from non-controlling shareholders	**1,454**	2,218
Advance from non-controlling shareholders	**120**	–
Repayment of loan from fellow subsidiaries	**(39,579)**	(173,347)
Repayment to fellow subsidiaries	**(213)**	–
New bank borrowings raised	**120,372**	691,330
Repayment to non-controlling shareholders	**–**	(4,965)
Repayment to an intermediate holding company	**–**	(100,000)
Loans from fellow subsidiaries	**–**	97,304
NET CASH USED IN FINANCING ACTIVITIES	**(259,451)**	(327,495)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(101,889)**	5,864
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**326,514**	342,498
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**18,200**	(21,848)
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**242,825**	326,514

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL

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

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Company and its subsidiaries (collectively referred to as the "**Group**") had net current liabilities of approximately US$65,605,000 as at 31 December 2017. Taking into account the financial resources of the Group, including the financing facilities granted by CGNPC Huasheng Investment Limited ("**CGNPC Huasheng**"), the fellow subsidiary of the Company and the Directors of the Company are now negotiating with the banks for obtaining new banking facilities, the directors of the Company are of the opinion that the Group has sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of the reporting period and accordingly, these consolidated financial statements have been prepared on a going concern basis.

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

(a) Amendments to IFRSs that are mandatorily effective for the current year

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRS Standards 2014 – 2016 Cycle

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

Amendments to IAS 7

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(a) Amendments to IFRSs that are mandatorily effective for the current year *(Continued)*

Amendments to IAS 7 *(Continued)*

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 39. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the addition disclosure in note 39, the application of these amendments has had no impact on the Group's consolidated financial statements.

(b) New and revised IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014 – 2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to IFRSs and Interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 9 *Financial Instruments*

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

IFRS 9 *Financial Instruments (Continued)*

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

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

- for non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows and discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification. Currently, the Group revises the effective interest rates for non-substantial modification of financial liabilities with no gain/loss being recognised in profit or loss;

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

IFRS 9 *Financial Instruments (Continued)*

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement:

- Loan receivables carried at amortised cost as disclosed in note 38: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9; and

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade and other receivables, amounts due from non-controlling shareholders, amounts due from subsidiaries, amounts due from associates and amounts due from fellow subsidiaries. Such further impairment recognised under expected credit loss model would reduce the opening retained profits and increase the deferred tax assets at 1 January 2018.

Hedge accounting

As the new hedge accounting requirements will align more closely with the Group's risk management policies, with generally more qualifying hedging instruments and hedged items, an assessment of the Group's current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of IFRS 9. Accordingly, the directors of the Company anticipate that the application of the new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

IFRS 15 *Revenue from Contracts with Customers*

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

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

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "**control**" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

IFRS 16 *Leases*

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

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

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

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

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

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of US$15,719,000 as disclosed in note 42(a). A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of US$613,000 but no refundable rental deposits received as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

For financial instruments which are transferred at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

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

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

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

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

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

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

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

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

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

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

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

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

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

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

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

Investments in subsidiaries

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

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

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

Management service fee income is recognised when the service is provided.

Income on technical service is recognised when technical service is provided.

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

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

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

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

The Group as lessee

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

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

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

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

Borrowing costs

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefit costs

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

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

Taxation

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

Property, plant and equipment

Property, plant and equipment (other than construction in progress and freehold land), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Freehold land is carried at cost, less any recognised impairment loss.

Depreciation is recognised so as to write off the cost assets (other than construction in progress and freehold land) less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Leasehold land and building

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of assets (other than financial assets and goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

Inventories

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

Government grants

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

Financial assets are classified into loans and receivables.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from non-controlling shareholders, amounts due from fellow subsidiaries and associates, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period from 30 to 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FTVPL or (iii) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the other gains and losses line item.

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Hedge accounting

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

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

Cash flow hedges

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2017, the carrying amount of goodwill is US$178,492,000 (2016: US$167,582,000). Details of the value in use calculation are disclosed in note 18.

6. REVENUE AND SEGMENT INFORMATION

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

Segment revenue and segment results

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment revenue and segment results *(Continued)*

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

For the year ended 31 December 2017

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Total *US$'000*
Segment revenue – external	**407,861**	**663,536**	**37,163**	**1,108,560**
Segment results	**86,519**	**39,850**	**1,779**	**128,148**
Unallocated other income				**388**
Unallocated operating expenses				**(8,282)**
Unallocated finance costs				**(35,021)**
Unallocated other gains and losses				**(9,948)**
Share of results of associates				**19,268**
Profit before tax				**94,553**

For the year ended 31 December 2016

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

The accounting policies of the reportable segments are the same as the Group's accounting policies set out in note 4. Segment results represents the profit earned by each segment without allocation of certain other income, other gains and losses, operating expenses, finance costs and share of results of associates. This is the measure reported to the directors of the Company for the purposes of resource allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2017	2016
	US$'000	*US$'000*
Segment assets		
Power Plants in the PRC	**2,170,194**	2,019,212
Power Plants in Korea	**1,340,191**	1,200,218
Management companies	**2,565**	3,841
Total segment assets	**3,512,950**	3,223,271
Interests in associates	**168,111**	161,717
Unallocated	**59,556**	113,633
Consolidated assets	**3,740,617**	3,498,621

	2017	2016
	US$'000	*US$'000*
Segment liabilities		
Power Plants in the PRC	**1,107,696**	1,038,263
Power Plants in Korea	**845,983**	790,370
Management companies	**908**	1,011
Total segment liabilities	**1,954,587**	1,829,644
Unallocated		
– Bond payables	**354,858**	354,480
– Derivative financial instruments	**9,957**	–
– Loans from fellow subsidiaries	**450,000**	489,579
– Others	**10,840**	13,082
Consolidated liabilities	**2,780,242**	2,686,785

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

- all assets are allocated to operating segments other than interests in associates and corporate assets of investment holding companies; and
- all liabilities are allocated to operating segments other than bond payables, derivative financial instruments, certain other payables and accruals and loans from fellow subsidiaries of the Company and unallocated corporate liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 December 2017

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Unallocated *US$'000*	Total *US$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets *(Note)*	151,347	5,212	–	152	156,711
Depreciation	88,018	45,672	24	585	134,299
Release of prepaid lease payments	3,489	–	–	–	3,489
Loss (profit) on disposal of property, plant and equipment	582	(84)	–	554	1,052
Interest income	2,384	1,435	5	388	4,212
Interest expense	42,383	24,304	–	35,021	101,708
Gain on deconsolidation of a subsidiary	3,825	–	–	–	3,825
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest in associates	168,111	–	–	–	168,111
Share of results of associates	19,268	–	–	–	19,268
Income tax expense	19,308	9,275	4	–	28,587

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2016

	Power plants in the PRC *US$'000*	Power plants in Korea *US$'000*	Management companies *US$'000*	Unallocated *US$'000*	Total *US$'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Addition to non-current assets *(Note)*	39,746	68	–	26	39,840
Depreciation	98,441	44,263	24	701	143,429
Release of prepaid lease payments	3,789	–	–	–	3,789
Loss on disposal of property, plant and equipment	713	–	–	–	713
Interest income	2,843	766	24	1,397	5,030
Interest expense	48,447	27,582	3	39,140	115,172
Gain on disposal of a subsidiary	18,675	–	–	–	18,675
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Interest in associates	161,717	–	–	–	161,717
Share of results of associates	22,113	–	–	–	22,113
Income tax expense	21,534	7,359	–	–	28,893

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. REVENUE AND SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenue from customers from segment of power plants in Korea of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2017	2016
	US$'000	*US$'000*
Korea Electric Power Corporation ("**KEPCO**")	**216,301**	204,790
Korea Power Exchange	**447,235**	453,591

Non-current assets by geographical location

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

	2017	2016
	US$'000	*US$'000*
PRC	**1,838,245**	1,709,030
Korea	**1,085,729**	997,907
Hong Kong	**6,237**	6,671
	2,930,211	2,713,608

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

Revenue from major products and services

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

	2017	2016
	US$'000	*US$'000*
Sales of electricity	**739,699**	758,223
Tariff income	**91,498**	83,024
Sales of steam	**90,803**	72,610
Capacity charges	**146,312**	134,325
Connection charges and others	**3,085**	121
Management service fee income	**37,163**	26,145
	1,108,560	1,074,448

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

7. OTHER INCOME

	2017 US$'000	2016 US$'000
Government grants *(note 34)*	1,877	1,535
Income on sales of scrap materials	1,812	1,712
Income on sales of electricity generation quota	–	619
Income on technical service	3,019	–
Compensation from insurance companies	314	1,150
Value added tax refund	1,827	3,114
Interest income	4,212	5,030
Equipment rental income	104	650
Government subsidy on demolishment of property, plant and equipment	462	–
Others	832	471
	14,459	14,281

8. OTHER GAINS AND LOSSES

	2017 US$'000	2016 US$'000
Net foreign exchange gain	3,488	3,344
Loss on disposal of property, plant and equipment	(1,052)	(713)
Change in fair value of derivative financial instruments	(9,957)	–
	(7,521)	2,631

9. FINANCE COSTS

	2017 US$'000	2016 US$'000
Interest on:		
Bank borrowings	66,671	72,723
Loans from fellow subsidiaries	20,659	24,334
Loan from an intermediate holding company	–	3,738
Bond payables *(note 32)*	14,378	14,377
	101,708	115,172

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

10. INCOME TAX EXPENSE

	2017 **US$'000**	2016 US$'000
Current tax:		
Provision for the year	**24,500**	24,707
(Over)underprovision in prior years	**(345)**	82
	24,155	24,789
Dividend withholding tax – current year	**1,958**	5,880
Deferred tax *(note 21)*:		
Current year	**2,474**	(1,776)
	28,587	28,893

The Company is exempted from taxation in Bermuda.

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

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

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

Pursuant to KCIT law, the statutory income tax of the Group's Korean subsidiaries was calculated at a rate of 24.2% of the estimated assessable profit for the years ended 31 December 2017 and 2016.

For the year ended 31 December 2017, a tax exemption of KRW13,000,000 (2016: KRW1,537,000,000), equivalent to approximately US$12,000 (2016: US$1,325,000) is granted to a Korean subsidiary under KCIT in relation to the installation of energy saving facilities.

Pursuant to Hong Kong tax law, the statutory income tax was calculated at a rate of 16.5% for the years ended 31 December 2017 and 2016. Pursuant to the tax laws in Republic of Malta and in Mauritius, the statutory income tax was calculated at a rate of 35% and 15%, respectively, for the years ended 31 December 2017 and 2016. However, subsidiaries of the Group operating in these jurisdictions have not generated taxable income during both years and therefore, no tax provision has been made by the Group in relation to these subsidiaries.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

10. INCOME TAX EXPENSE *(Continued)*

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

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

	2017 ***US$'000***	2016 *US$'000*
Profit before tax	**94,553**	119,925
Tax at the PRC EIT of 25% (2016: 25%) *(Note)*	**23,638**	29,981
Tax effect of expenses not deductible for tax purpose	**18,347**	13,733
Tax effect of income not taxable for tax purpose	**(4,625)**	(2,419)
Tax effect of share of results of associates	**(4,817)**	(5,528)
Tax effect of preferential tax rates granted to certain PRC subsidiaries	**(7,172)**	(6,583)
Utilisation of tax losses previously not recognised	**(111)**	(33)
Tax effect of tax losses not recognised	**2,035**	2,390
Tax effect of gain on deconsolidation/disposal of a subsidiary not taxable for tax purpose	**(956)**	(4,669)
Withholding tax on distributable profits of subsidiaries and associates	**2,924**	3,568
(Over)underprovision in prior years	**(345)**	82
Effect of tax exemptions granted to a Korean subsidiary	**(12)**	(1,325)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(319)**	(304)
Income tax expense for the year	**28,587**	28,893

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

Details of deferred tax movement are set out in note 21.

11. PROFIT FOR THE YEAR

	2017 ***US$'000***	2016 *US$'000*
Profit for the year has been arrived at after charging (crediting):		
Release of prepaid lease payments	**3,489**	3,789
(Reversal of) allowance for bad and doubtful receivables	**(319)**	1,296
Staff costs		
– salaries and wages	**61,216**	55,855
– retirement benefits scheme contributions, excluding directors	**14,622**	12,756
Total staff costs, excluding directors	**75,838**	68,611
Auditor's remuneration	**1,600**	1,453

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

Directors' and chief executive's emoluments

2017

Name	Position	Date of appointment as director/ chairman/president	Date of resignation/ re-designation	Directors' fee US$'000	Salaries and allowance US$'000	Performance related incentive payments US$'000 (Note a)	Benefits in kind US$'000	Contribution to retirement benefits scheme US$'000	Total US$'000
Mr. CHEN Sui 陳遂	Chairman and Executive Director	26 January 2015	12 July 2016	–	–	–	–	–	–
	Chairman and Non-executive Director	12 July 2016	N/A						
Mr. LIN Jian 林堅	Executive Director and President	3 October 2014	N/A	–	107	194	52	7	360
Mr. XU Yuan 徐原	Non-executive Director	18 March 2015	16 August 2017	–	–	–	–	–	–
Mr. YIN Engang 尹恩剛	Non-executive Director	18 March 2015	N/A	–	–	–	–	–	–
Mr. ZHANG Chengbai 張承柏	Non-executive Director	10 November 2017	N/A	–	–	–	–	–	–
Mr. WANG Hongxin 王宏新	Non-executive Director	16 August 2017	N/A	–	–	–	–	–	–
Mr. DAI Honggang 戴洪剛	Non-executive Director	3 October 2014	N/A	–	–	–	–	–	–
Mr. WU Junfeng 吳俊峰	Non-executive Director	12 July 2016	10 November 2017	–	–	–	–	–	–
Mr. XING Ping 邢平	Non-executive Director	3 October 2014	N/A	–	–	–	–	–	–
Mr. LEUNG Chi Ching Frederick 梁子正	Independent non-executive Director	17 September 2014	N/A	51	–	–	–	–	51
Mr. FAN Ren Da Anthony 范仁達	Independent non-executive Director	17 September 2014	N/A	51	–	–	–	–	51
Mr. WANG Susheng 王蘇生	Independent non-executive Director	17 September 2014	N/A	38	–	–	–	–	38
Mr. ZHANG Dongxiao 張東曉	Independent non-executive Director	7 July 2015	N/A	51	–	–	–	–	51
				191	107	194	52	7	551

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For the year ended 31 December 2017

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

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

2016

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

Note:

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

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries.

The independent non-executive directors' emoluments shown above were for the services as directors of the Company.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

Employees' remuneration

The five highest paid individuals did not include any directors of the Company for the years ended 31 December 2017 and 2016. The emoluments of the five individuals for the years ended 31 December 2017 and 2016 are as follow:

	2017	2016
	US$'000	*US$'000*
Salaries and allowances	**1,559**	1,465
Contributions to retirement benefits scheme	**65**	62
Performance related incentive payments *(Note)*	**558**	653
	2,182	2,180

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

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

Their emoluments were within the following bands:

	No. of employees	
	2017	2016
HK$2,500,001 to HK$3,000,000 (Equivalent to US$322,001 to US$387,000)	**2**	2
HK$3,000,001 to HK$3,500,000 (Equivalent to US$387,001 to US$451,000)	**2**	2
HK$5,000,001 to HK$5,500,000 (Equivalent to US$645,001 to US$709,000)	**1**	1

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

Compensation of key management personnel

The remunerations of directors and other key management for the years ended 31 December 2017 and 2016 were as follows:

	2017	2016
	US$'000	*US$'000*
Short-term benefits	**1,391**	1,567
Post-employment benefits	**109**	119
Benefits in kind	**52**	45
	1,552	1,731

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

13. DIVIDEND

For the year ended 31 December 2017

A final dividend in respect of the year ended 31 December 2016 of 0.47 US cent per ordinary share, in aggregate of US$20,167,000, was paid to the shareholders. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of 0.36 US cent per ordinary share, in aggregate of US$15,447,000, has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

For the year ended 31 December 2016

A final dividend in respect of the year ended 31 December 2015 of 0.44 US cent per ordinary share, in aggregate of US$18,880,000, was paid to the shareholders. Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2016 of 0.47 US cent per ordinary share, in aggregate of US$20,167,000, has been proposed by the directors of the Company and was approved by the shareholders in the last general meeting.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

14. EARNINGS PER SHARE

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

	2017	2016
	US$'000	*US$'000*
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**61,872**	79,472

	2017	2016
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**4,290,824**	4,290,824

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise prices of those options were higher than the average market prices for shares throughout the years ended 31 December 2017 and 2016.

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For the year ended 31 December 2017

15. EMPLOYEE BENEFITS

Hong Kong

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the year ended 31 December 2017, the retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss were approximately US$688,000 (2016: US$646,000).

The PRC

In accordance with the relevant rules and regulations of the PRC, the Group's PRC subsidiaries are required to make contributions to the retirement fund administered by the PRC government ranging from 10% to 22% of the total monthly basic salaries of the current employees. In addition, the Group's PRC subsidiaries are required by law to contribute 2% to 15% of basic salaries of the employees for social insurance in relating to staff welfare, housing, medical and education benefits. During the year ended 31 December 2017, the costs charged under such arrangements for the Group's PRC subsidiaries amounted to approximately US$13,201,000 (2016: US$11,233,000).

Korea

In accordance with the relevant rules and regulations in Korea, all employees with more than one year of service are entitled to lump-sum severance payments equal to one month's pay of service for each year based on their rate of latest salary and the length of service upon termination of their employment or retirement. The accrual for severance indemnities is determined based on the amount that would be payable assuming all employees were to retire at the end of the reporting period. In addition, the Group's Korean subsidiaries are required by law to contribute 0.06% to 4.5% of the average salaries of the employees for national pension, national health insurance, unemployment insurance, industrial accident compensation insurance and wage claim guarantee fund. During the year ended 31 December 2017, the cost charged under such arrangements for the Group's Korean subsidiaries amounted to approximately US$733,000 (2016: US$877,000). In the opinion of the directors of the Company, the accrual for such severance indemnities is adequate.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land in Korea US$'000	Buildings US$'000	Electric and steam generating facilities US$'000	Office and electronic equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
COST							
At 1 January 2016	71,774	609,868	2,524,951	11,099	4,807	15,343	3,237,842
Exchange differences	(2,142)	(30,680)	(123,782)	(393)	(278)	(435)	(157,710)
Additions	–	4,302	1,834	844	45	25,166	32,191
Disposals	–	(66)	(3,084)	(425)	(233)	–	(3,808)
Disposal of a subsidiary *(note 41)*	–	(2,881)	(33,317)	(143)	(159)	–	(36,500)
Reclassification	–	25,183	(25,256)	73	–	–	–
Transfer	–	2,744	30,354	80	–	(33,178)	–
At 31 December 2016	**69,632**	**608,470**	**2,371,700**	**11,135**	**4,182**	**6,896**	**3,072,015**
Exchange differences	**8,812**	**52,222**	**200,626**	**710**	**277**	**2,908**	**265,555**
Acquisition of a subsidiary *(note 40)*	**–**	**–**	**3,465**	**–**	**–**	**–**	**3,465**
Additions	**44**	**89**	**6,749**	**777**	**303**	**106,274**	**114,236**
Disposals	**–**	**(41)**	**(2,568)**	**(508)**	**(516)**	**–**	**(3,633)**
Deconsolidation of a subsidiary *(note 41)*	**–**	**(8,662)**	**(52,245)**	**(581)**	**(248)**	**–**	**(61,736)**
Reclassification	**–**	**1,877**	**(1,812)**	**(505)**	**445**	**(5)**	**–**
Transfer	**–**	**809**	**13,054**	**217**	**–**	**(14,080)**	**–**
Transfer to other assets	**–**	**(5)**	**(5,088)**	**(9)**	**–**	**(1,217)**	**(6,319)**
At 31 December 2017	**78,488**	**654,759**	**2,533,881**	**11,236**	**4,443**	**100,776**	**3,383,583**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2016	–	159,484	523,603	6,236	2,734	–	692,057
Exchange differences	–	(10,446)	(27,740)	(266)	(139)	–	(38,591)
Provided for the year	–	24,456	116,776	1,466	731	–	143,429
Disposal of a subsidiary *(note 41)*	–	(2,255)	(30,808)	(115)	(43)	–	(33,221)
Eliminated on disposals	–	(61)	(821)	(422)	(230)	–	(1,534)
Reclassification	–	3,227	(3,240)	13	–	–	–
At 31 December 2016	**–**	**174,405**	**577,770**	**6,912**	**3,053**	**–**	**762,140**
Exchange differences	**–**	**11,984**	**55,966**	**171**	**198**	**–**	**68,319**
Provided for the year	**–**	**27,159**	**105,639**	**992**	**509**	**–**	**134,299**
Eliminated on disposals	**–**	**(39)**	**(1,537)**	**(436)**	**(515)**	**–**	**(2,527)**
Deconsolidation of a subsidiary *(note 41)*	**–**	**(6,993)**	**(41,668)**	**(494)**	**(249)**	**–**	**(49,404)**
Reclassification	**–**	**736**	**(649)**	**(460)**	**373**	**–**	**–**
Transfer to other assets	**–**	**–**	**(802)**	**–**	**–**	**–**	**(802)**
At 31 December 2017	**–**	**207,252**	**694,719**	**6,685**	**3,369**	**–**	**912,025**
CARRYING VALUES							
At 31 December 2017	**78,488**	**447,507**	**1,839,162**	**4,551**	**1,074**	**100,776**	**2,471,558**
At 31 December 2016	69,632	434,065	1,793,930	4,223	1,129	6,896	2,309,875

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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

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

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

At 31 December 2017, the Group has not yet obtained the ownership certificates of certain buildings with carrying values of US$19,640,000 (2016: US$22,585,000).

At 31 December 2017 and 2016, certain amounts of the property, plant and equipment have been pledged as securities for the borrowings. Details are set out in note 31.

17. PREPAID LEASE PAYMENTS

	2017 **US$'000**	2016 US$'000
Analysed for reporting purposes as:		
Non-current asset	**51,004**	51,642
Current asset	**3,343**	3,379
	54,347	55,021
Prepaid lease payments comprise:		
Medium-term lease	**54,347**	55,021

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

During the year ended 31 December 2017 and 2016, carrying amount of approximately US$472,000 and US$174,000 of the prepaid lease payment has been derecognised/disposed of together with the deconsolidation/disposal of a subsidiary. Details are set out in note 41.

At 31 December 2017 and 2016, certain amounts of prepaid lease payments have been pledged as security of the borrowings. Details are set out in note 31.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

18. GOODWILL

	US$'000
Cost and carrying value	
At 1 January 2016	178,967
Exchange difference	(11,385)
At 31 December 2016	167,582
Acquisition of a subsidiary *(note 40)*	628
Exchange difference	10,282
At 31 December 2017	**178,492**

Goodwill is allocated to the following cash-generating units or group of cash-generating units:

	2017	2016
	US$'000	*US$'000*
Nantong (as defined below) *(Note a)*	**844**	844
Wind Energy Subsidiaries (as defined below) *(Note b)*	**122,141**	114,321
Solar Energy Subsidiaries (as defined below) *(Note b)*	**54,875**	52,417
Tong Ce (as defined below) *(Note c)*	**632**	–
	178,492	167,582

Notes:

(a) For the purpose of impairment testing, goodwill has been allocated to an individual cash generating unit, comprising one subsidiary, namely Nantong Meiya Co-generation Co., Ltd. 南通美亞熱電有限公司 ("**Nantong**") in the coal-fired and co-generation unit. The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on a five-year period financial budget, which was approved by senior management and discount rate of 13.92% (2016: 13.07%) as at 31 December 2017. Nantong's cash flows beyond the five-year period are extrapolated with zero growth rate. Other key assumptions for the value in use calculations relate to the budgeted sales and gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Nantong to exceed the aggregate recoverable amount of Nantong. Since the recoverable amount of the cash generating unit is higher than its carrying amount, the directors of the Company consider that the goodwill is not impaired.

(b) For the purpose of impairment testing, goodwill has been allocated to the subsidiaries under CGN Wind Power Company, Limited acquired in 2015 ("**Wind Energy Subsidiaries**") and subsidiaries under CGN Solar Energy Development Co., Ltd. acquired in 2015 ("**Solar Energy Subsidiaries**") which are considered as group of cash generating units. The recoverable amounts of the Wind Energy Subsidiaries and Solar Energy Subsidiaries have been determined based on value in use calculation. Goodwill impairment testing has been assessed for the Wind Energy Subsidiaries and Solar Energy Subsidiaries individually. That calculation uses cash flow projections based on a five-year period financial budget of the Group of Wind Energy Subsidiaries and Solar Energy Subsidiaries, which was approved by management and discount rate of 6.88% and 8.19% (2016: 7.31% and 8.94%) as at 31 December 2017, respectively. The cash flows of the Wind Energy Subsidiaries and Solar Energy Subsidiaries beyond the five year period are extrapolated with zero growth rate. Other key assumptions for the value in use calculations relate to the budgeted sales and gross margin, which is determined based on past performance of the Wind Energy Subsidiaries and Solar Energy Subsidiaries and management's expectations for the market development. Management believes that any reasonably possible change in the assumptions would not cause the carrying amounts of the Wind Energy Subsidiaries and Solar Energy Subsidiaries to exceed their recoverable amounts. Since the recoverable amounts of the Wind Energy Subsidiaries and Solar Energy Subsidiaries are higher than their respective carrying amounts, the directors of the Company consider that the goodwill is not impaired.

(c) For the purpose of impairment testing, goodwill has been allocated to an individual cash generating unit, comprising one subsidiary, namely 上海同策雲啟分布式能源有限公司 ("**Tong Ce**"). The recoverable amount of this unit has been determined based on value in use calculation. That calculation uses cash flow projections based on a five-year period financial budget, which was approved by senior management and discount rate of 16.84% (2016: nil) as at 31 December 2017. Tong Ce's cash flows beyond the five-year period are extrapolated with zero growth rate. Other key assumptions for the value in use calculations relate to the budgeted sales and gross margin, which is determined based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Tong Ce to exceed the aggregate recoverable amount of Tong Ce. Since the recoverable amount of the cash generating unit is higher than its carrying amount, the directors of the Company consider that the goodwill is not impaired.

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19. INTERESTS IN ASSOCIATES

	2017	2016
	US$'000	*US$'000*
Cost of unlisted investment in associates	**146,276**	146,276
Share of post-acquisition profits net of dividends received, and exchange realignment	**21,835**	15,441
	168,111	161,717

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

As at 31 December 2017 and 2016, the Group has interests in the following principle associates:

Name of associates	**Place of establishment/ incorporation**	**Date of establishment/ incorporation**	**Legal form**	**Registered capital/ issued and fully paid-up share capital**	**Attributable equity interest held by the Group**		**Principal activities**
					2017	2016	
Hubei Huadian Xisaishan Power Generation Co., Ltd. ("**Hubei Huadian**") 湖北華電西塞山發電有公司	The PRC	15 August 2007	Sino-foreign equity joint venture	Registered capital of RMB950,000,000 and paid-up capital of RMB950,000,000	**49%**	49%	Generation and supply of electricity
Hubei Xisaishan Power Generation Co., Ltd. ("**Hubei Xisaishan**") 湖北西塞山發電有限公司	The PRC	18 October 2000	Sino-foreign cooperative joint venture	Registered capital of RMB945,000,000 and paid-up capital of RMB945,000,000	**49%**	49%	Generation and supply of electricity

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

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

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19. INTERESTS IN ASSOCIATES *(Continued)*

Hubei Xisaishan

	2017	2016
	US$'000	*US$'000*
Current assets	**51,206**	90,679
Non-current assets	**224,010**	226,984
Current liabilities	**(125,711)**	(168,571)
Non-current liabilities	**(1,188)**	(511)
Revenue	**170,886**	175,922
Profit and total comprehensive income for the year	**15,135**	12,505
Dividends received from associate during the year	**6,121**	21,306

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

	2017	2016
	US$'000	*US$'000*
Net assets of the associate	**148,317**	148,581
Proportion of the Group's ownership interest in Hubei Xisaishan	**49%**	49%
Carrying amount of the Group's interest in Hubei Xisaishan	**72,675**	72,805

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19. INTERESTS IN ASSOCIATES *(Continued)*

Hubei Huadian

	2017	2016
	US$'000	*US$'000*
Current assets	**90,960**	114,361
Non-current assets	**542,265**	521,029
Current liabilities	**(255,591)**	(245,736)
Non-current liabilities	**(186,114)**	(211,448)
Revenue	**355,378**	320,838
Profit and total comprehensive income for the year	**24,188**	32,624
Dividends received from associate during the year	**12,953**	32,653

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

	2017	2016
	US$'000	*US$'000*
Net assets of the associate	**191,520**	178,206
Proportion of the Group's ownership interest in Hubei Huadian	**49%**	49%
	93,845	87,321
Goodwill	**1,591**	1,591
Carrying amount of the Group's interest in Hubei Huadian	**95,436**	88,912

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20. AMOUNTS DUE FROM NON-CONTROLLING SHAREHOLDERS

	2017	2016
	US$'000	*US$'000*
Non-trade related:		
Guangxi Chongzuo Huiyuan Hydropower Company 廣西崇左市滙源水電公司 ("**Chongzuo Huiyuan**")	**8**	–
Guangxi Liuzhou Rongjiang Hydropower Development Company Limited 廣西柳州融江水電開發有限責任公司 ("**Guangxi Liuzhou**")	**–**	549
Mianyang Sanjiang Construction Company Limited 綿陽市三江建設有限公司 ("**MSCC**")	**–**	9
	8	558
Less: Amount due within one year	**(8)**	(119)
Amount due after one year	**–**	439

The amounts due from Chongzuo Huiyuan, Guangxi Liuzhou and MSCC, being non-controlling shareholders of subsidiaries of the Group are unsecured, non-interest bearing and have no fixed repayment term.

During the year 2017, Guangxi Liuzhou has fully transferred its entire share of 18.67% in Guangxi Rongjiang Meiya Hydropower Company Limited to an independent third party, 廣西投資集團有限公司 (Guangxi Investment Group Company Limited). After the share transfer, Guangxi Liuzhou is no longer classified as a non-controlling shareholder of the Group and such balance has been grouped under other assets as at 31 December 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

21. DEFERRED TAX ASSETS AND LIABILITIES

The following are the major deferred tax (liabilities) and assets recognised and movements thereon during the current and prior years:

	Withholding tax on distributable profits	Accelerated tax depreciation	Revaluation of prepaid lease payments	Fair value adjustment of property, plant and equipment	Deferred connection charges	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2016	(35,564)	(2,581)	(9,598)	25,019	65	(566)	(23,225)
Exchange differences	(91)	(48)	27	(1,012)	(2)	7	(1,119)
Disposal of a subsidiary *(note 41)*	(472)	331	–	–	–	–	(141)
Credit to hedging reserve	–	–	–	–	–	29	29
Credit (charge) to profit or loss	2,312	(10)	199	(698)	(27)	–	1,776
At 31 December 2016	(33,815)	(2,308)	(9,372)	23,309	36	(530)	(22,680)
Exchange differences	386	138	27	1,249	28	6	1,834
Deconsolidation of a subsidiary *(note 41)*	–	(1,025)	–	–	–	–	(1,025)
Credit to hedging reserve	–	–	–	–	–	31	31
(Charge) credit to profit or loss	(1,315)	382	197	(1,725)	(13)	–	(2,474)
At 31 December 2017	(34,744)	(2,813)	(9,148)	22,833	51	(493)	(24,314)

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For the year ended 31 December 2017

21. DEFERRED TAX ASSETS AND LIABILITIES *(Continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	2017	2016
	US$'000	*US$'000*
Deferred tax assets	**25,366**	25,927
Deferred tax liabilities	**(49,680)**	(48,607)
	(24,314)	(22,680)

As at 31 December 2017, the Group has unused tax losses of approximately US$13,868,000 (2016: approximately US$11,944,000), available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The tax losses will be expired at various times within a period of five years from the year of origination.

22. OTHER ASSETS

	2017	2016
	US$'000	*US$'000*
Prepayment for maintenance	**7,849**	9,827
Deposit for acquisition of property, plant and equipment	**40,687**	6,889
Prepaid insurance expenditure and usage right of electricity transmission facilities *(Note)*	**1,069**	1,076
Others	**11,441**	5,000
	61,046	22,792

Note: Included in the balance, approximately US$450,000 (2016: approximately US$472,000) as at 31 December 2017 represents the prepayment for usage right of electricity transmission facilities made to KEPCO.

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For the year ended 31 December 2017

23. INVENTORIES

	2017 US$'000	2016 US$'000
Coal and oil	11,083	12,241
Spare parts and supplies	22,640	20,278
	33,723	32,519

24. TRADE RECEIVABLES

	2017 US$'000	2016 US$'000
Trade receivables	255,787	202,331
Less: allowance for bad and doubtful receivables	(346)	(1,420)
	255,441	200,911

The Group allows a credit period from 30 to 90 days throughout the year to its trade customers. Over 72% (2016: 76%) of the trade receivables are neither past due nor impaired as at 31 December 2017. The management considers that these receivables have good credit rating attributable under the credit review policy used by the Group.

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

	2017 US$'000	2016 US$'000
0 – 60 days	174,826	145,277
61 – 90 days	8,099	8,334
91 – 120 days	32,595	47,300
121 – 180 days	39,852	–
Over 180 days	69	–
	255,441	200,911

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of approximately US$72,516,000 (2016: approximately US$47,300,000) as at 31 December 2017, which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age date of these receivables is 67 days (2016: 57 days) as at 31 December 2017.

Approximately US$90,507,000 (2016: approximately US$62,842,000) of the Group's trade receivable balance which are past due as at the end of the reporting period represent the tariff premium receivable from relevant government authorities pursuant to Cai Jian [2012] No. 102 Notice on the Interim Measures for administration of Subsidy Funds for Tariff Premium of Renewable Energy (《可再生能源電價附加補助資金管理暫行辦法》) jointly issued by the Ministry of Finance, the National Department and Reform Commission and the National Energy Administration in March 2012. The tariff premium has been approved by relevant government authorities and expected to be recovered within one year. Based on the historical settlement record, the directors of the Group consider the receivables is not impaired for both years.

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24. TRADE RECEIVABLES *(Continued)*

Ageing of trade receivables which are past due but not impaired

	2017 US$'000	2016 US$'000
Past due for:		
1 – 90 days	**50,586**	62,842
91 – 180 days	**39,852**	–
Over 180 days	**69**	–
Total	**90,507**	62,842

The Group has assessed individual cases and provided allowance for bad and doubtful receivables when the management considers the receivables are unlikely to recover in foreseeable future.

Movement in the allowance for bad and doubtful receivables

	2017 US$'000	2016 US$'000
At beginning of the year	**1,420**	189
Exchange differences	**87**	(65)
Allowance for bad and doubtful receivables	**95**	1,296
Amounts recovered during the year	**(414)**	–
Amounts written off during the year	**(842)**	–
At end of the year	**346**	1,420

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit initially granted up to the end of the reporting period.

In order to minimise credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Accordingly, the directors of the Company believe that no further allowance is required in excess of the existing allowance for bad and doubtful debts.

25. AMOUNTS DUE FROM (TO) ASSOCIATES/FELLOW SUBSIDIARIES

As at 31 December 2017 and 2016, all amounts are non-trade nature, unsecured, non-interest bearing and recoverable/ repayable on demand.

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26. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

Bank balances carry interest at market rates which range from 0% to 1.72% (2016: 0% to 1.68%) per annum as at 31 December 2017. The pledged bank deposits carry interest at market rates ranging from 0.1% to 1.68% (2016: 0.1% to 1.68%) per annum as at 31 December 2017.

Included in the cash balance, US$45,333,000 (2016: US$97,792,000) deposits has been made to CGNPC Huasheng. These deposits are unsecured, interest bearing at ranging from 0.01% to 1.72% (2016: ranging from 0.01% to 1.5%) and recoverable on demand. As the Group can withdraw these deposits without giving any notice and without suffering any penalty, the directors of the Company consider that these deposits made to CGNPC Huasheng is qualified as cash and cash equivalent.

As at 31 December 2017, US$179,831,000 (2016: US$184,265,000) of the bank and cash balance are deposited in CGN Finance Co. Ltd. ("**CGN Finance**"), a fellow subsidiary established in the PRC with limited liability and a non-banking financial institution subject to the regulations of the People's Bank of China and the China Banking Regulatory Commission, in the PRC.

Pledged bank deposits are pledged to banks to secure bank borrowings granted to the Group *(note 31)*, and it cannot be withdrawn prior to the approval of the relevant banks.

27. TRADE PAYABLES

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

	2017	2016
	US$'000	*US$'000*
0 – 61 days	**104,280**	80,225
61 – 90 days	**1,643**	274
Over 90 days	**5,223**	6,220
Total	**111,146**	86,719

The average credit period on purchases of goods is 26 (2016: 34) days for the year ended 31 December 2017. The Group has financial risk management policies in place to ensure all payables are settled within the credit period.

28. OTHER PAYABLES AND ACCRUALS

	2017	2016
	US$'000	*US$'000*
Construction costs payable	**125,133**	86,226
Staff costs payable	**10,657**	8,189
Accrued interest expense on borrowings	**1,579**	1,528
Accrued acquisition expenses	**974**	–
Value-added tax payable	**12,080**	11,336
Others	**20,237**	20,627
	170,660	127,906

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For the year ended 31 December 2017

29. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS

	2017 US$'000	2016 US$'000
Non-trade related:		
Chongzuo Huiyuan	**4,813**	4,628
MSCC	**131**	124
寶鋼集團上海第一鋼鐵有限公司 (Baosteel Group Shanghai No. 1 Iron & Steel Co., Ltd) ("**Baosteel**")	**–**	94
信原實業有限公司 (Through In Industries Limited)	**1**	1
武漢華原能源物資開發公司 (Wuhan Huayuan Energy and Material Development Company)	**664**	–
上海市金橋熱力有限公司 (Shanghai Jinqiao Thermal Company)	**761**	–
北京天潤新能投資有限公司 (Tianrun New Energy Investment Co., Ltd.)	**–**	381
	6,370	5,228

The amounts due to non-controlling shareholders of certain subsidiaries of the Group are unsecured, non-interest bearing and repayable on demand.

30. ADVANCE FROM NON-CONTROLLING SHAREHOLDERS

	2017 US$'000	2016 US$'000
Chongzuo Huiyuan *(Note a)*	**2,339**	2,203
MSCC *(Note b)*	**896**	792
	3,235	2,995
Less: Amounts due for settlement within one year shown under current liabilities	**(2,339)**	(2,203)
Amounts due for settlement after one year	**896**	792

Notes:

(a) The advance is unsecured, non-interest bearing and repayable on demand.

(b) As at 31 December 2017 and 2016, the advances are unsecured, non-interest bearing and repayable in 2032 and are therefore shown as non-current liabilities.

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31. BANK BORROWINGS

	2017 US$'000	2016 US$'000
Secured	**1,548,923**	1,504,115
Unsecured	**47,824**	48,095
	1,596,747	1,552,210

The maturity profile of bank borrowings is as follows:

	2017 US$'000	2016 US$'000
Within one year	**179,032**	133,886
More than one year but not exceeding two years	**151,241**	206,869
More than two years but not more than five years	**496,015**	421,880
Over five years	**770,459**	789,575
	1,596,747	1,552,210
Less: Amounts due for settlement within one year shown under current liabilities	**(179,032)**	(133,886)
Amounts due for settlement after one year	**1,417,715**	1,418,324

The exposure of the fixed-rate borrowings are as follows:

	2017 ***US$'000***	2016 *US$'000*
Fixed-rate borrowings		
Within one year	**30,761**	–
More than one year but not exceeding two years	**3,479**	–
More than two years but not more than five years	**46,685**	29,940
Over five years	**145,878**	144,084
	226,803	174,024

The exposure of the variable-rate borrowings are as follows:

	2017 ***US$'000***	2016 *US$'000*
Variable-rate borrowings		
Within one year	**148,271**	133,886
More than one year but not exceeding two years	**147,762**	206,869
More than two years but not more than five years	**449,330**	391,940
Over five years	**624,581**	645,491
	1,369,944	1,378,186

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31. BANK BORROWINGS *(Continued)*

All bank borrowings at the end of the reporting period are denominated in the functional currency of the respective group entities. The bank borrowings of the Group carry interest rates which range from 1.75% to 5.15% (2016: 1.75% to 4.95%) per annum during the year ended 31 December 2017.

As at 31 December 2017 and 2016, the variable-rate bank borrowings of the Group carry interest at the PRC's lending rate less certain margin, South Korean Government Treasury Bond Rate, One Year Corporate Bond Rate plus 1.2% (2016: 1.2%), or Three Year Corporate Bond Rate plus 1.2% (2016: 1.2%). The maturities of these borrowings are ranging from within twelve months from the reporting period end to 2029 and 2030.

Included in the Group's secured bank borrowings, approximately US$188,339,000 (2016: approximately US$215,707,000) and US$17,047,000 (2016: approximately US$16,862,000) are guaranteed by the Group's fellow subsidiaries, CGN Wind Power Company, Limited ("**CGN Wind Energy**") and CGN Solar Energy Development Co., Ltd, respectively.

Approximately US$25,980,000 (2016: US$28,551,000) of the unsecured bank borrowings are guaranteed by CGN Wind Energy.

The Group pledged the following assets to banks for credit facilities granted to the Group:

	2017 ***US$'000***	2016 *US$'000*
Property, plant and equipment *(note 16)*	**1,128,486**	1,049,400
Prepaid lease payments *(note 17)*	**25**	2,085
Trade receivables *(note 24)*	**95,452**	67,954
Bank deposits *(note 26)*	**92,446**	72,398
	1,316,409	1,191,837

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32. BOND PAYABLES

On 19 August 2013, the Company issued bond in an aggregate principal amount of US$350,000,000 (the "**Bond**"). The Bond was priced at 99.686% of the principal amount of the Bond which is listed on the Stock Exchange of Hong Kong Limited. The Bond carries interest at 4% per annum and interest is payable semi-annually in arrears and will mature on 19 August 2018, unless redeemed earlier.

At any time and from time to time on or after 19 August 2013, the Company or the bondholders may redeem the Bond with the options set forth below:

Redemption for taxation reasons:

The Bond may be redeemed at the option of the Company in whole, but not in part, at their principal amount, together with accrued interest, at any time in the event of certain changes (effective on or after 12 August 2013) affecting taxes of Bermuda, the PRC or Hong Kong or any political subdivision or any authority thereof or therein having power to tax.

Redemption for change of control:

At any time following the occurrence of a change of control (as defined in the terms and conditions of the Bond) of the Company, the bondholders will have the right, at such holder's option, to require the Company to redeem all, but not some only, of such holder's Bond, at 101%, of their principal amount, together with accrued interest.

Redemption at the option of the Company:

On giving not less than 30 nor more than 60 days' notice to Citicorp International Limited and the bondholders, the Company may at any time redeem the Bond in whole but not in part, at a redemption amount per Bond equal to the amount (i.e. the greater of (i) the present value of the principal amount of the Bond, assuming a scheduled repayment thereof on the maturity date, plus the present value of all required remaining scheduled interest payments due on such Bond through the maturity date (but excluding accrued and unpaid interest to the option redemption date), computed using a discount rate equal to the adjusted treasury rate plus 20 basis points, and (ii) the principal amount of such Bond), together with accrued interest.

The Bond contains a liability component and the above early redemption options:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at the time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the year is calculated by applying an effective interest rate of approximately 4.18% per annum to the liability component since the Bond was issued.

(ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 31 December 2017 and 2016.

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32. BOND PAYABLES *(Continued)*

Redemption at the option of the Company: *(Continued)*

The movement of the liability component in the Bond during the year is set out below:

	US$'000
Carrying amount as at 31 December 2015	354,103
Interest expenses charged (*note 9*)	14,377
Payment of interest	(14,000)
Carrying amount as at 31 December 2016	354,480
Interest expenses charged (*note 9*)	14,378
Payment of interest	(14,000)
Carrying amount as at 31 December 2017	354,858

	At 31 December 2017 ***US$'000***	At 31 December 2016 *US$'000*
Amount represented as:		
Current	**354,858**	4,717
Non-current	**–**	349,763
	354,858	354,480

33. LOANS FROM FELLOW SUBSIDIARIES

As at 31 December 2017, the loan from China Clean Energy Development Limited ("**China Clean Energy**"), a fellow subsidiary of the Company, amounting to US$450,000,000 is unsecured, interest bearing at 4.5% per annum and repayable in 2025. It is shown as non-current liability as at 31 December 2017.

During the year ended 31 December 2016, approximately US$39,579,000 has been advanced from CGNPC Huasheng, a fellow subsidiary of the Company, which is unsecured, interest bearing at 4.05% per annum and repayable in 2017. It is shown as current liabilities as at 31 December 2016. The loan has been repaid in full during the year 2017.

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34. GOVERNMENT GRANTS

The government grants consists of (i) subsidies of RMB19,478,000 (2016: RMB5,784,000), equivalent to approximately US$2,889,000 (2016: US$869,000) given by the PRC government to certain subsidiaries of the Group in the PRC for operating cost and environmental protection. Of the subsidies, RMB1,335,000 (2016: RMB5,784,000), equivalent to approximately US$198,000 (2016: US$869,000) is with no specific conditions attached to the incentives and other income was recognised upon receipt and approximating RMB7,019,000 (2016: nil), equivalent to approximately US$1,041,000 (2016: nil) has been approved from the government and recognised as other income and (ii) grants arising from the acquisition of one of the subsidiaries in 2015, which represent grants received from government in the PRC in respect of a project for the construction of property, plant and equipment and such government grants are still subject to the approval from the government. The movement of the government grants during the year is set out below:

	2017 ***US$'000***	2016 *US$'000*
As at 1 January	**10,179**	11,536
Exchange difference	**657**	(691)
Receipt of government grants	**2,889**	869
Recognition as other income *(note 7)*	**(1,877)**	(1,535)
As at 31 December	**11,848**	10,179

	At **31 December** **2017** ***US$'000***	At 31 December 2016 *US$'000*
Amount represented as:		
Current	**658**	620
Non-current	**11,190**	9,559
	11,848	10,179

35. SHARE OPTION SCHEMES

The Company's share option scheme (the "**2015 Scheme**"), was adopted pursuant to a resolution passed on 24 November 2015 for the primary purpose of providing incentives to directors and eligible employees. The 2015 Scheme will remain in force for a period of 10 years commencing from the date on which the Share Option Scheme is adopted by the Shareholders. Under the 2015 Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The exercise price in relation to each share option was determined by the Board of Directors at its absolute discretion and was not less than the highest of (i) the official closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of offer of share options; (ii) the average of the official closing prices of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of share options; and (iii) the nominal value of a share of the Company on the date of offer of share options. Each of the grantees was required to pay HK$1 as consideration for the grant of share options in accordance with the 2015 Scheme.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, were subject to approval in advance by the Independent Non-executive directors. In addition, any share options granted to a substantial shareholder or an Independent Non-executive director of the Company, or to any of their associates, in excess of in aggregate 0.1% of the shares of the Company in issue (based on the date of offer) and an aggregate value of HK$5,000,000 (based on the closing price of the Company's shares at the date of each offer), within any 12-month period, were subject to shareholders' approval in advance in a general meeting.

On 8 December 2015 and 30 December 2015, 34,450,000 share options and 1,160,000 share options have been granted to certain eligible participants. At 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the 2015 Scheme was 18,860,000 representing 0.44% of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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35. SHARE OPTION SCHEMES *(Continued)*

The share options are exercisable during each period specified below for up to the number of Shares specified (i) on the first business day after 24 months from the date of grant to the last business day in the 60th month after the date of grant, approximately one-third of the options granted will be exercisable, (ii) on the first business day after 36 months from the date of grant to the last business day in the 72nd month after the date of grant, approximately an additional one-third of the options granted will be exercisable; and (iii) on the first business day after 48 months from the date of grant to the last business day in the 84th month after the date of grant, approximately the remaining one-third of the options granted will be exercisable.

The following tables disclose details of the share options held by Directors, employees and other eligible participants under the 2015 Scheme and movements in such holdings during the years ended 31 December 2017 and 2016:

2017

	Number of share options								
Grantees	At 1.1.2017	Granted during 2017	Exercised during 2017	Lapsed during 2017 *(Note 1)*	At 31.12.2017 *(Note 2)*	Date of grant	Vesting period	Exercisable period	Exercise price per share *HK$*
Directors of the Company									
Mr. CHEN Sui 陳遂	233,333	–	–	(233,333)	–	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	233,333	–	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	233,334	–	–	–	233,334	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
Mr. LIN Jian 林堅	233,333	–	–	(233,333)	–	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	233,333	–	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	233,334	–	–	–	233,334	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
	1,400,000	–	–	(466,666)	933,334				
Other employees of the Group	10,320,000	–	–	(10,320,000)	–	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	10,320,000	–	–	(1,356,667)	8,963,333	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	10,320,000	–	–	(1,356,667)	8,963,333	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
	193,333	–	–	(193,333)	–	30.12.2015	30.12.2015 to 29.12.2017	30.12.2017 to 29.12.2020	1.712
	193,333	–	–	(193,333)	–	30.12.2015	30.12.2015 to 29.12.2018	30.12.2018 to 29.12.2021	1.712
	193,334	–	–	(193,334)	–	30.12.2015	30.12.2015 to 29.12.2019	30.12.2019 to 29.12.2022	1.712
	31,540,000	–	–	(13,613,334)	17,926,666				
	32,940,000	–	–	(14,080,000)	18,860,000				
Exercisable	–				–				

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35. SHARE OPTION SCHEMES *(Continued)*

2016

Grantees	At 1.1.2016	Granted during 2016	Exercised during 2016	Lapsed during 2016 *(Note 1)*	At 31.12.2016 *(Note 2)*	Date of grant	Vesting period	Exercisable period	Exercise price per share *HK$*
	Number of share options								
Directors of the Company									
Mr. CHEN Sui 陳遂	233,333	–	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	233,333	–	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	233,334	–	–	–	233,334	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
Mr. LIN Jian 林堅	233,333	–	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	233,333	–	–	–	233,333	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	233,334	–	–	–	233,334	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
	1,400,000	–	–	–	1,400,000				
Other employees of the Group	10,806,667	–	–	(486,667)	10,320,000	8.12.2015	8.12.2015 to 7.12.2017	8.12.2017 to 7.12.2020	1.612
	10,806,667	–	–	(486,667)	10,320,000	8.12.2015	8.12.2015 to 7.12.2018	8.12.2018 to 7.12.2021	1.612
	10,806,666	–	–	(486,666)	10,320,000	8.12.2015	8.12.2015 to 7.12.2019	8.12.2019 to 7.12.2022	1.612
	386,666	–	–	(193,333)	193,333	30.12.2015	30.12.2015 to 29.12.2017	30.12.2017 to 29.12.2020	1.712
	386,667	–	–	(193,334)	193,333	30.12.2015	30.12.2015 to 29.12.2018	30.12.2018 to 29.12.2021	1.712
	386,667	–	–	(193,333)	193,334	30.12.2015	30.12.2015 to 29.12.2019	30.12.2019 to 29.12.2022	1.712
	33,580,000	–	–	(2,040,000)	31,540,000				
	34,980,000	–	–	(2,040,000)	32,940,000				
Exercisable	–				–				

Notes:

1. Among the lapsed share-options during current year, 9,430,000 (2016: nil) share options were forfeited due to the failure of fulfilling the performance conditions set out in the share option scheme and 4,650,000 (2016: 2,040,000) share options were forfeited by employees who have left the Company.

2. One-third of total share options granted will be exercisable after 2 years, 3 years and 4 years from the date of grant.

The Group recognised the total expense of US$985,000 for the year ended 31 December 2017 (2016: US$969,000) in relation to share options granted by the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

36. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Authorised:		
At 1 January 2016, 31 December 2016 and 2017	250,000,000,000	25,000
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 2017	4,290,824,000	429
		US$'000
Shown in the consolidated financial statements as		55

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of debt, which includes amounts due to fellow subsidiaries, amounts due to non-controlling shareholders, advances from non-controlling shareholders, bank borrowings, bond payables and loans from fellow subsidiaries, as disclosed in notes 25, 29, 30, 31, 32 and 33, respectively, net of pledged bank deposits, cash and cash equivalents, and equity attributable to owner of the Company, comprising issued capital, accumulated profits and other reserves.

The management of the Group reviews the capital structure from time to time. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

38. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2017	2016
	US$'000	*US$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**649,797**	642,696
Financial liabilities		
Derivative financial instruments	**9,957**	–
Amortised cost	**2,687,227**	2,612,122

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

38. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amounts due from (to) non-controlling shareholders, amounts due from associates, amounts due from (to) fellow subsidiaries, advances from non-controlling shareholders, loans from fellow subsidiaries, pledged bank deposits, bank balances and cash, derivative financial instruments, trade payables, other payables, bank borrowings and bond payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose them primarily to the financial risks of changes in interest rates and foreign currency exchange rate. The Group would enter into a variety of derivative financial instruments, if applicable, to manage their exposure to interest rate and foreign currency risk, including:

- Interest rate swaps to mitigate the risk of rising interest rates; and
- Foreign currency forward contract to hedge the exchange rate risk related to U.S. dollar – denominated purchase of machinery.

(i) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to bank borrowings, pledged bank deposits, and bank balances. The Group would use interest rate swaps to reduce exposure to interest rate fluctuations associated with floating-rate debt. Pledged bank deposits, and bank balances are with counterparties of high credit quality. Therefore, the risk of non-performance by the counterparties is considered negligible.

The Group is also exposed to fair value interest rate risk in relation to bank borrowings, bond payables and loans from fellow subsidiaries (see notes 31, 32 and 33, respectively for details).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for bank borrowings, pledged bank deposits and bank balances (excluding bank balances carrying interest rate below 0.1%) at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 10 basis points for pledged bank deposits and bank balances (excluding bank balances carrying interest rate below 0.10%) and 50 basis points for variable-rate bank borrowings increase or decrease are used during the year for the Group when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower for pledged bank deposits and bank balances (excluding bank balances carrying interest rate below 0.1%), with all other variables held constant, the Group's post-tax profit for the years ended 31 December 2017 would have increased/decreased by approximately US$251,000 (2016: US$299,000).

If interest rates had been 50 basis points higher/lower for variable-rate bank borrowings, with all other variables held constant, and taking into account of the capitalisation effect, the Group's post-tax profit for the years ended 31 December 2017 would have decreased/increased by approximately US$5,137,000 (2016: US$5,186,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

38. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Market risks *(Continued)*

(ii) Foreign currency risk management

The Group's exposure to currency risk attributable to the bank balances and payables which are denominated in the currencies other than the functional currency of the entity to which they related. The management manages and monitors this exposure to ensure approximate measures are implemented on a timely and effective manner.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities other than the functional currency of the entity to which they related at the end of the reporting period are as follows:

	Liabilities		**Assets**	
	2017	2016	**2017**	2016
	US$'000	*US$'000*	***US$'000***	*US$'000*
HK$	**4,529**	3,978	**840**	1,207
RMB	**2,228**	–	**5,650**	38

Sensitivity analysis

The sensitivity analysis below has been determined based on a 10% increase/decrease in functional currency of respective entities against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates an increase in post-tax profit, where functional currency of respective foreign entities had weakened 10% against the relevant foreign currency. For a 10% strengthening of functional currency of respective entities against the relevant foreign currency, there would be an equal and opposite impact on the profit for the year.

If currency rate of US$ had been 10% weakened/strengthened to RMB for respective RMB denominated monetary assets and liabilities, the Group's post-tax profit for the year ended 31 December 2017 would have increased/decreased by approximately US$257,000 (2016: US$4,000).

For the exposure of HK$ against US$, there will be no significant impact as HK$ is pegged with US$. Accordingly, no foreign currency sensitivity analysis is presented.

(iii) Other price risk

The Group was exposed to other price risk in relation to its foreign currency forward contract. The directors of the Company considered the Group's exposure to other price risk on these derivatives was insignificant. Accordingly, no other price risk sensitivity analysis is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

38. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings, amounts due to non-controlling shareholders, loans from fellow subsidiaries and other payables and ensures compliance with loan covenants.

The Group finances its operations by short-term and long-term bank and other borrowings and shareholders' equity. The Group's and the Company's current liabilities exceeded its current assets by US$65,605,000 and US$496,477,000 as at 31 December 2017, respectively. Further, the Group had cash and cash equivalents of US$242,825,000 with bank borrowings and bond payables due within one year amounted to US$179,032,000 and US$354,858,000, respectively, while the Company had cash and cash equivalents of US$45,570,000 with bond due within one year amounted to US$354,858,000.

The directors of the Company are of the opinion that, taking into account the financial resources of the Group, including the financing facilities granted by CGNPC Huasheng, the fellow subsidiary of the Company and the directors of the Company are now negotiating with the banks for obtaining new banking facilities. The directors of the Company are of the option that, the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months.

The following tables detail the Group's remaining contractual maturities for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on derivatives instruments that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

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38. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate %	Repayable on demand or less than 3 months *US$'000*	3 months to 1 year *US$'000*	1 – 2 years *US$'000*	2 – 5 years *US$'000*	Over 5 years *US$'000*	Total undiscounted cash flows *US$'000*	Carrying amount *US$'000*
As at 31 December 2017								
Non-derivative financial liabilities								
Trade payables	–	107,378	3,768	–	–	–	111,146	111,146
Other payables and accruals	–	159,310	–	–	–	–	159,310	159,310
Amounts due to fellow subsidiaries	–	5,561	–	–	–	–	5,561	5,561
Amounts due to non-controlling shareholders	–	6,370	–	–	–	–	6,370	6,370
Advances from non-controlling shareholders	–	2,339	–	–	–	896	3,235	3,235
Loans from fellow subsidiaries	4.50	5,062	15,188	20,250	81,000	490,500	612,000	450,000
Back borrowings								
Fixed-rate	4.52	2,329	37,749	10,928	75,955	151,421	278,382	226,803
Variable-rate	4.73	32,501	172,627	199,819	500,772	647,269	1,552,988	1,369,944
Bond Payables	4.18	8,595	355,408	–	–	–	364,003	354,858
		329,445	584,740	230,997	657,727	1,290,086	3,092,995	2,687,227
Derivatives – gross settlement								
Foreign exchange forward contracts								
– inflow		–	(350,000)	–	–	–	(350,000)	(350,000)
– outflow		–	359,957	–	–	–	359,957	359,957
		–	9,957	–	–	–	9,957	9,957

	Weighted average effective interest rate %	Repayable on demand or less than 3 months *US$'000*	3 months to 1 year *US$'000*	1 – 2 years *US$'000*	2 – 5 years *US$'000*	Over 5 years *US$'000*	Total undiscounted cash flows *US$'000*	Carrying amount *US$'000*
As at 31 December 2016								
Non-derivative financial liabilities								
Trade payables	–	80,499	6,220	–	–	–	86,719	86,719
Other payables and accruals	–	116,570	–	–	–	–	116,570	116,570
Amounts due to fellow subsidiaries	–	4,341	–	–	–	–	4,341	4,341
Amounts due to non-controlling shareholders	–	5,228	–	–	–	–	5,228	5,228
Advances from non-controlling shareholders	–	2,995	–	–	–	–	2,995	2,995
Loans from fellow subsidiaries	4.46	44,810	15,188	20,250	60,750	527,172	668,170	489,579
Bank borrowings								
Fixed-rate	3.80	1,653	4,960	6,613	49,048	149,559	211,833	174,024
Variable-rate	4.10	14,123	176,257	194,163	481,232	725,148	1,590,923	1,378,186
Bond payables	4.18	8,375	10,973	359,219	–	–	378,567	354,480
		278,594	213,598	580,245	591,030	1,401,879	3,065,346	2,612,122

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest-rates determined at the end of the reporting period.

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For the year ended 31 December 2017

38. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position. The Group's credit risk is primarily attributable to its trade receivables, other receivables, amounts due from associates, fellow subsidiaries and non-controlling shareholders, pledged bank deposits and bank balances. For the trade receivable, the Group has been largely dependent on a small number of customers which are state-owned enterprises for a substantial portion of its business. Most of the power plants of the Group sell the electricity generated to their respective sole customer who is the principal grid company where the power plant is located. The failure of these customers to make required payments could have a substantial negative impact on the Group's profits. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts.

The Group has concentration of credit risk as 92% (2016: 97%) of the total trade receivables was due from 33 (2016: 30) state-owned enterprises as at 31 December 2017. The Group's remaining customers individually contribute to less than 10% of the total trade receivables of the Group.

The credit risk on pledged bank deposits and bank balances are limited because the counterparties are reputable banks or a financial institution with high credit ratings assigned by international credit-rating agencies.

c. Fair value

The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

For the derivative instruments, the directors of the Company would engage an independent valuer, whenever necessary, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group will engage the independent valuer to perform the valuation and determine the appropriate valuation techniques and inputs to the model. The findings of the valuation will be reported to the board of directors of the Company to explain the cause of fluctuations in the fair value of the assets and liabilities regularly. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

The fair value of the foreign currency forward contracts was measured using quoted forward exchange rates and yield curves derived from quoted exchange rates matching maturities of the contract, which is categorised as Level 2.

The Company entered into two foreign currency forward contracts (classified as at FVTPL), to manage the particular exposure to exchange rate movements on its bond payables maturing in August 2018. The fair value of the contracts as at 31 December 2017 is estimated at a loss of approximately US$9,957,000 and have been directly recognised in profit or loss in the current year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

38. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value *(Continued)*

Major terms of the foreign currency forward contracts as follows:

Notional amounts	Maturity	Exchange rate
Sell RMB495,495,000	14 August 2018	US$1: RMB7.0785
Sell RMB495,530,000	14 August 2018	US$1: RMB7.0790

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from price).

Future cash flows are estimated based on forward exchange rates from observable forward exchange rates at the end of the reporting period and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The directors of the Group consider that the carrying amounts of financial assets and financial liabilities carried at amortised costs approximate their fair values.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings	Loans from fellow subsidiaries	Dividend payable	Amounts due to fellow subsidiaries	Amounts due to non-controlling shareholders	Advances from non-controlling shareholders	Bond payables	Derivative financial instruments	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
	(note 31)	*(note 33)*		*(note 25)*	*(note 29)*	*(note 30)*	*(note 32)*	*(note 38(c))*	
At 1 January 2017	1,552,210	489,579	–	4,341	5,228	2,995	354,480	–	2,408,833
Financing cash flows *(Note)*	(158,934)	(60,238)	(20,167)	(213)	(7,353)	–	(14,000)	–	(260,905)
Increase in amounts due from fellow subsidiaries	–	–	–	1,433	–	–	–	–	1,433
Dividend declared	–	–	20,167	–	8,172	–	–	–	28,339
Change in fair value of derivative financial instruments	–	–	–	–	–	–	–	9,957	9,957
Interest expenses recognised	66,671	20,659	–	–	–	–	14,378	–	101,708
Foreign exchange translation	136,800	–	–	–	323	240	–	–	137,363
At 31 December 2017	1,596,747	450,000	–	5,561	6,370	3,235	354,858	9,957	2,426,728

Note: The cash flows from bank borrowings, loans from fellow subsidiaries, dividend payable, amounts due to fellow subsidiaries, amounts due to non-controlling shareholders, advances from non-controlling shareholders, bond payables and derivative financial instruments make up the net amount of proceeds and repayments in the consolidated statement of cash flows.

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40. ACQUISITION OF A SUBSIDIARY

On 1 December 2017, 中廣核新能源投資(深圳)有限公司, a wholly-owned subsidiary of the Company entered into a framework agreement with two independent third parties to acquire their entire equity interests in Tong Ce which is engaged in generation and supply of electricity at a total consideration of approximately RMB8,433,000 (equivalent to US$1,284,000) (the "**Acquisition**"). Consideration will be settled by 3 instalments, the Group has to pay RMB3,240,000 (equivalent to US$493,000), RMB4,693,000 (equivalent to US$715,000) and RMB500,000 (equivalent to US$76,000) by 31 December 2017, 31 January 2018 and 28 February 2018, respectively. The consideration payable is recognised under other payables. All the conditions of the Acquisition were fulfilled and the completion of the Acquisition took place on 25 December 2017. The Acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the Acquisition was US$628,000.

Assets acquired and liabilities recognised at date of acquisition are as follows:

	Acquiree's carrying amount before combination *US$'000*	**Fair value adjustment** *US$'000*	**Fair value** *US$'000*
Property, plant and equipment *(note 16)*	3,465	–	3,465
Trade receivables *(Note)*	353	–	353
Bank balances and cash	10	–	10
Trade payables	(3,650)	–	(3,650)
Other payables and accruals	(16)	–	(16)
Tax recoverable	494	–	494
Net assets acquired	656	–	656
Less: considerated transferred			(1,284)
Goodwill arising from the Acquisition *(note 18)*			628

Note: The fair value of trade receivables at the date of acquisition amounted to US$353,000, which represented the gross contractual amounts acquired at the date of acquisition.

Net cash outflow in Acquisition of Tong Ce

	US$'000
Cash consideration paid	493
Less: bank balances and cash acquired	(10)
	483

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

40. ACQUISITION OF A SUBSIDIARY *(Continued)*

As the Group is positioned to focus on development and operation of non-nuclear clean and renewable power generation projects, the Group intended to acquire clean and renewable power generation projects with solid returns from independent third parties. The directors of the Company considered that the acquisition was in line with the Group's strategy and the Group would enjoy the stable returns from Tong Ce through the Acquisition.

Goodwill arose in the acquisition of Tong Ce because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development of Tong Ce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Had the acquisition been completed on 1 January 2017, the total revenue of the Group would have been US$1,108,854,000, and profit for the year would have been US$66,160,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

41. DECONSOLIDATION/DISPOSAL OF A SUBSIDIARY

2017

On 21 December 2017, the Group entered into a dissolution and assets distribution agreement with Baosteel, the non-controlling interest of Shanghai Wei Gang Energy Co., Ltd. ("**Weigang**"), to voluntarily dissolve Weigang which is engaged in generation and supply of electricity. On the same date, the Group and Baosteel has jointly set up the dissolution panel to take over the control of Weigang in order to execute the liquidation procedures. Upon the formation of the dissolution panel, the Group no longer had controlling power to govern the financial and operating policies of Weigang so as to benefit from its activities. Accordingly the Group recognised a gain on deconsolidation of approximately US$3,825,000 arising from release of cumulative translation difference of Weigang.

Stated in the dissolution and assets distribution agreement, the Group is entitled to receive approximately RMB137,780,000 (approximately equivalent to US$21,089,000) from the dissolution panel upon the liquidation of Weigang and such balance is recognised under other receivables as current asset as the management of the Group expects such balance can be settled within one year from the end of the reporting period. Included in the consideration receivables, RMB31,260,000 (equivalent to approximately US$4,784,000) is the additional compensation from Baosteel, which equal to the excess of the net assets value attributable to the Group, and such gain will be treated as an equity transaction as the capital contribution from non-controlling shareholder.

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41. DECONSOLIDATION/DISPOSAL OF A SUBSIDIARY *(Continued)*

2017 *(Continued)*

	At 21 December 2017
	US$'000
The net assets at the date of disposal were as follows:	
Property, plant and equipment *(note 16)*	12,332
Prepaid lease payments *(note 17)*	472
Inventories	385
Other receivables	64
Amount due from a shareholder	231
Amount due to a related company	(168)
Deferred tax liabilities *(note 21)*	(1,025)
Other payables	(36)
Bank balances and cash	22,049
Net assets deconsolidated	34,304
Gain on deconsolidation of Weigang:	
Cash consideration receivables, net of transaction cost of US$155,000	20,934
Cumulative exchange gain in respect of the net assets of Weigang	3,825
Net assets deconsolidated	(34,304)
Non-controlling interests deconsolidated	18,154
	8,609
Represented by:	
Gain on deconsolidation recognised in profit or loss	3,825
Gain on deconsolidation recognised in equity	4,784
	8,609

Net cash outflow arising from the deconsolidation:

	US$'000
Bank balances and cash deconsolidated	(22,049)

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For the year ended 31 December 2017

41. DECONSOLIDATION/DISPOSAL OF A SUBSIDIARY *(Continued)*

2016

On 13 July 2016, the Group entered into a sale and purchase agreement with an independent third party (the "**Acquirer**") to dispose of its entire interest in Sichuan Hexie Electric Power Co., Ltd. ("**Hexie Company**") to the Acquirer at a cash consideration of RMB220,100,000 (equivalent to approximately US$32,525,000). The disposal was completed on 20 October 2016, when the Group lost control of Hexie Company.

	At 20 October 2016 *US$'000*
The net assets at the date of disposal were as follows:	
Property, plant and equipment *(note 16)*	3,279
Prepaid lease payments *(note 17)*	174
Inventories	396
Trade receivables	226
Other receivables and prepayments	716
Deferred tax liabilities *(note 21)*	(141)
Trade payables	(1)
Other payables and accruals	(24)
Bank balances and cash	12,388
Net assets disposed of	17,013

Gain on disposal of Hexie Company:

	US$'000
Cash consideration received, net of transaction cost of US$1,833,000	30,692
Cumulative exchange gain in respect of the net assets of Hexie Company	4,996
Net assets disposed of	(17,013)
Gain on disposal	18,675

Net cash inflow arising from the disposal:

	US$'000
Cash consideration received, net of transaction cost of US$1,833,000	30,692
Bank balances and cash disposed of	(12,388)
	18,304

Notes to the Consolidated Financial Statements

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42. COMMITMENTS

(a) Operating commitments

The Group as lessee

	2017	2016
	US$'000	*US$'000*
Minimum lease payments under operating leases during the year in respect of premises	**4,134**	6,821

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2017	2016
	US$'000	*US$'000*
Within one year	**5,353**	4,192
In the second to fifth year inclusive	**8,817**	10,780
Over five years	**1,549**	1,141
	15,719	16,113

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated and rentals are fixed for two to ten years.

In accordance with the power purchase agreement ("**PPA**") entered into between CGN Korea Holdings Co., Ltd. ("**CGN Korea**") and KEPCO in 1996 (the PPA was subsequently transferred from CGN Korea to CGN Yulchon Generation Co., Ltd upon the restructuring of the Group's operations in South Korea in July 2009), CGN Korea was required to construct electricity transmission facilities for connection of CGN Korea's power plant ("**Yulchon Plant**") to the power grid of KEPCO and CGN Korea was obligated under the PPA to sell such facilities to KEPCO within six months of commencing operation of Yulchon Plant. CGN Korea constructed electricity transmission facilities with a net book value of approximately US$2,862,000, which was subsequently disposed of to KEPCO in 2005 for an amount approximate to US$1,365,000, resulting in a loss on disposal of approximately KRW1,707 million (equivalent to approximately US$1,497,000) in 2005. The sales proceeds had been fully settled as of 31 December 2008.

In connection with such disposition of the electricity transmission facilities to KEPCO in 2005, CGN Korea has a right of use of the facilities for 20 years, which is the term of the PPA. Accordingly, it is considered as a sale and leaseback transaction and results in an operating lease. The difference between the net book value of the facilities and the related proceeds of approximately US$1,497,000 was considered as future lease payments and was recorded as long-term prepaid expenses. The carrying value of the long-term prepaid expenses as at 31 December 2017 is approximately KRW481 million (equivalent to approximately US$450,000) (2016: approximately KRW569 million (equivalent to approximately US$472,000)) *(note 22)*. These long-term prepaid expenses are to be amortised over the term of the PPA.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

42. COMMITMENTS *(Continued)*

(a) Operating commitments *(Continued)*

The Group as lessor

The Group has signed long-term electricity supply contracts with power purchasers since 2005 which, among other matters, require the Group to make some of its generation capacity available for a fixed capacity charge for 20 years.

Certain of the Group's electric and steam generating facilities is held for rental purpose under operating lease since 2007 with a carrying amount of approximately US$990,000 and expected to generate rental yield of 7% on an ongoing basis. The rental contract was expired in 2016 and no renewal contract was signed.

At the end of each reporting period, the Group had contracted with lessees for future minimum lease payments in respect of leasing of equipment and power purchasers for capacity charge payments as follows:

	2017 ***US$'000***	2016 *US$'000*
Leasing of equipment		
Within one year	**–**	12
Leasing of generation capacity		
Within one year	**43,223**	38,368
In the second to fifth year inclusive	**172,894**	153,476
After five years	**108,058**	134,291
	324,175	326,135

(b) Capital commitments

	2017 ***US$'000***	2016 *US$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	**137,090**	13,701

(c) Acquisition of Xinjiang Project

On 22 December 2011, the Company entered into a joint development agreement with an independent third party being the vendor and an individual who is a director of the target company (the "**Target Company**") (collectively, the "**Parties**"), upon the satisfaction of certain conditions, to acquire 100% equity interest of the Target Company at a consideration of RMB10 million (the "**Proposed Acquisition**").

The Target Company, through its 93% shareholding in the project company (the "**Project Company**"), owns the right to develop a wind farm project in the north eastern part of Xinjiang Autonomous Region of the PRC (the "**Xinjiang Project**"). The other 7% interest in the Project Company is owned by an independent third party.

At 31 December 2017, the Proposed Acquisition is still subject to final negotiation between the Parties.

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For the year ended 31 December 2017

43. RELATED PARTY DISCLOSURES

The Company is ultimately controlled by CGN, which is a state-owned enterprise under the direct supervision of the State Council of the PRC.

Apart from details of the balances with related parties disclosed in the consolidated statement of financial position and other details disclosed elsewhere in the consolidated financial statements, the Group also entered into the following significant transactions with related parties during the year:

Name of related company	*Note*	**Nature of transactions**	**2017** **US$'000**	2016 *US$'000*
Hubei Xisaishan	*i*	Management service fee income	**51**	200
CGN Finance	*ii*	Interest expense	**15**	3,032
		Interest income	**1,263**	1,269
CGN Energy Development Co., Ltd. ("**CGN Energy**") and its subsidiaries	*ii*	Management service fee income	**7,817**	7,470
CGNPC Huasheng	*ii*	Interest income	**387**	1,270
		Interest expense	**113**	714
Huamei Holding Company Limited ("**Huamei Holding**") and its subsidiaries	*ii*	Management service fee income	**5,413**	9,481
CGN CLP Energy Services (Shenzhen) Company Limited (中廣核中電能源服務(深圳)有限公司)	*ii*	Consultancy service expense	**140**	–
CGNPC International Limited	*iii*	Interest expense	**–**	3,738
China Clean Energy	*ii*	Interest expense	**20,531**	20,588
CGN Wind Energy	*ii*	Management service fee income	**10,465**	5,774
CGN Solar Energy Development Co., Ltd.	*ii*	Management service fee income	**1,905**	1,117
China Solar Energy Investment Limited	*ii*	Management service fee income	**11,512**	2,103
Baosteel	*iv*	Sales of electricity	**–**	10,425

Notes:

(i) Hubei Xisaishan is an associate of the Group.

(ii) CGN Finance, CGN Energy and its subsidiaries, CGN CLP Energy Services (Shenzhen) Company Limited, CGNPC Huasheng, Huamei Holding and its subsidiaries, China Clean Energy, CGN Wind Energy, CGN Solar Energy Development Co., Ltd. and China Solar Energy Investment Limited are fellow subsidiaries of the Company.

(iii) CGNPC International Limited is an intermediate holding company of the Company.

(iv) Baosteel is a non-controlling shareholder of the Group in 2016.

The Group has entered into various transactions including deposits placements, borrowings and other general banking facilities, with certain banks and financial institutions which are the PRC government-related entities in its ordinary course of business. A majority of the bank deposits and 55.6% (2016: 56.2%) of borrowings of the Group are with the PRC government-related entities as at 31 December 2017.

Also, the Group's transactions with other PRC government-related entities include sales of electricity to local power bureau and a state-owned entity. About 29% (2016: 30%) of its sales of electricity and capacity charges are to the PRC government-related entities for the year ended 31 December 2017.

Certain directors have also been employed by CGN and its subsidiaries and the payments of their emoluments were borne by CGN and its subsidiaries for the years ended 31 December 2017 and 2016.

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44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

	2017	2016
	US$'000	*US$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**464**	483
Investments in subsidiaries *(Note (a))*	**1,318,413**	1,091,064
	1,318,877	1,091,547
CURRENT ASSETS		
Other receivables and prepayments	**690**	760
Amounts due from fellow subsidiaries	**8,220**	9,044
Bank balances and cash	**45,570**	97,966
	54,480	107,770
CURRENT LIABILITIES		
Other payables and accruals	**9,246**	8,525
Amounts due to fellow subsidiaries	**3,956**	4,018
Amounts due to subsidiaries	**172,940**	58,035
Loan from a fellow subsidiary	**–**	39,579
Bond payables – due within one year	**354,858**	4,717
Derivative financial instruments	**9,957**	–
	550,957	114,874
NET CURRENT LIABILITIES	**(496,477)**	(7,104)
TOTAL ASSETS LESS CURRENT LIABILITIES	**822,400**	1,084,443
NON-CURRENT LIABILITIES		
Loan from a fellow subsidiary	**450,000**	450,000
Bond payables – due after one year	**–**	349,763
	450,000	799,763
NET ASSETS	**372,400**	284,680
CAPITAL AND RESERVES		
Share capital	**55**	55
Reserves *(Note (b))*	**372,345**	284,625
TOTAL EQUITY	**372,400**	284,680

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44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

a. INVESTMENTS IN SUBSIDIARIES

Details of the Company's principal operating subsidiaries at 31 December 2017 and 2016 are as follows:

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2017	2016	
Indirect							
CGN Meineng Corporate Management (Shenzhen) Ltd. 中廣核美能企業管理(深圳)有限公司	The PRC	6 December 2013	Foreign investment enterprise with limited liability	Registered capital of RMB10,000,000 and paid-up capital of RMB10,000,000	**100%**	100%	Corporate management advisory
Guangxi Rongjiang Meiya Company Limited* 廣西融江美亞有限公司	The PRC	15 September 1999	Sino-foreign equity joint venture	Registered capital of RMB48,000,000 and paid-up capital of RMB48,000,000	**55%**	55%	Investment in dam and other associated facilities
Guangxi Rongjiang Meiya Hydropower Company Limited* 廣西融江美亞水電有限公司	The PRC	15 September 1999	Sino-foreign equity joint venture	Registered capital of RMB72,000,000 and paid-up capital of RMB72,000,000	**80%**	80%	Generation and supply of electricity
Guangxi Rongyuan Hydropower Company Limited* 廣西融源水電有限公司	The PRC	4 January 2011	Foreign investment enterprise with limited liability	Registered capital of RMB38,000,000 and paid-up capital of RMB38,000,000	**100%**	100%	Generation and supply of electricity
Guangxi Zuojiang Meiya Hydropower Company Limited 廣西左江美亞水電有限公司	The PRC	8 October 1998	Sino-foreign equity joint venture	Registered capital of RMB345,596,455 and paid-up capital of RMB345,596,455	**60%**	60%	Generation and supply of electricity
Haian Meiya Cogeneration. Co., Ltd 海安美亞熱電有限公司	The PRC	20 December 2002	Foreign investment enterprise with limited liability	Registered capital of US$11,920,000 and paid-up capital of US$11,920,000	**100%**	100%	Generation and supply of steam, electricity and other related products
Mianyang Sanjiang Meiya Hydropower Company Limited* 綿陽三江美亞水電有限公司	The PRC	25 October 2002	Sino-foreign cooperative joint venture	Registered capital of RMB100,000,000 and paid-up capital of RMB100,000,000	**75%**	75%	Generation and supply of electricity
CGN Daesan Power Co., Ltd.	Korea	8 April 2009	Joint stock company	Issued capital of KRW3,430,000,000 and paid-up capital of KRW3,430,000,000	**100%**	100%	Generation and supply of electricity from an oil-fired combined cycle power plant
CGN Korea	Korea	22 November 1996	Joint stock company	Issued capital of KRW37,311,150,000 and paid-up capital of KRW37,311,150,000	**100%**	100%	Investment holding
CGN Yulchon Generation Co., Ltd.	Korea	28 July 2009	Joint stock company	Issued capital of KRW18,044,400,000 and paid-up capital of KRW18,044,400,000	**100%**	100%	Generation and supply of electricity from a gas-fired combined cycle power plant
Nantong	The PRC	13 March 1997	Foreign investment enterprise with limited liability	Registered capital of US$16,800,000 and paid-up capital of US$16,800,000	**100%**	100%	Generation and supply of electricity and steam and other related products
Nanyang General Light Electric Co., Ltd. 南陽普光電力有限公司	The PRC	1 January 1997	Sino-foreign cooperative joint venture	Registered capital of RMB476,667,000 and paid-up capital of RMB476,667,000	**59.5%**	59.5%	Generation and supply of electricity and other related services

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44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

a. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2017	2016	
Shanghai Meiya Jinqiao Energy Co., Ltd. 上海美亞金橋能源有限公司	The PRC	14 July 1995	Sino-foreign equity joint venture	Registered capital of RMB98,000,000 and paid-up capital of RMB98,000,000	**60%**	60%	Generation and supply of steam
Shanghai Wei Gang Energy Co., Ltd. 上海威鋼能源有限公司	The PRC	21 January 1998	Sino-foreign cooperative joint venture	Registered capital of US$29,800,000 and paid-up capital of US$29,800,000	**–**	65%	Generation and supply of electricity
Wuhan Han-Neng Power Development Co., Ltd. 武漢漢能電力發展有限公司	The PRC	11 October 1995	Sino-foreign equity joint venture	Registered capital of RMB100,000,000 and paid-up capital of RMB100,000,000	**60%**	60%	Generation and supply of electricity
Yaneng Consulting (Shanghai) Co., Ltd.* 亞能咨詢(上海)有限公司	The PRC	18 January 2000	Foreign investment enterprise with limited liability	Registered capital of US$500,000 and paid-up capital of US$500,000	**100%**	100%	Provision of consulting services and market research
中廣核太陽能(德州)有限公司	The PRC	29 December 2014	Foreign investment enterprise with limited liability	Registered capital of US$6,000,000 and paid-up capital of US$6,000,000	**100%**	100%	Generation and supply of electricity
CGN New Energy Investments (Shenzhen) Co., Ltd* 中廣核新能源投資(深圳)有限公司	The PRC	20 May 2015	Foreign investment enterprise with limited liability	Registered capital of US$640,000,000 and paid-up capital of US$640,000,000	**100%**	100%	Investment holding
CGN (Zhejiang Xiangshan) Wind Power Co., Ltd* 中廣核(浙江象山)風力發電有限公司	The PRC	11 July 2011	Foreign investment enterprise with limited liability	Registered capital of RMB134,610,000 and paid-up capital RMB134,610,000	**100%**	100%	Generation and supply of electricity
CGN (Zhejiang Ninghai) Wind Power Co., Ltd.* 中廣核(浙江寧海)風力發電有限公司	The PRC	19 December 2013	Foreign investment enterprise with limited liability	Registered capital of RMB79,600,000 and paid-up capital RMB79,600,000	**100%**	100%	Generation and supply of electricity
Anqiu Taipingshan Wind Power Co., Ltd* 安丘太平山風電有限公司	The PRC	10 December 2008	Foreign investment enterprise with limited liability	Registered capital of RMB187,889,991 and paid-up capital RMB187,889,991	**100%**	100%	Generation and supply of electricity
Yishui Tangwangshan Wind Power Co., Ltd* 沂水唐王山風力發電有限公司	The PRC	23 November 2009	Foreign investment enterprise with limited liability	Registered capital of RMB71,375,034 and paid-up capital RMB71,375,034	**100%**	100%	Generation and supply of electricity
CGN Linqu Wind Power Company Limited Co., Ltd* 中廣核(臨朐)風力發電有限公司	The PRC	29 December 2009	Foreign investment enterprise with limited liability	Registered capital of RMB75,040,000 and paid-up capital RMB75,040,000	**100%**	100%	Generation and supply of electricity
CGN Linqu Longgang Wind Power Co., Ltd* 中廣核臨朐龍崗風力發電有限公司	The PRC	28 June 2013	Foreign investment enterprise with limited liability	Registered capital of RMB77,074,180 and paid-up capital RMB77,074,180	**100%**	100%	Generation and supply of electricity
CGN Yishui Wind Power Co., Ltd* 中廣核沂水風力發電有限公司	The PRC	2 April 2011	Foreign investment enterprise with limited liability	Registered capital of RMB91,125,000 and paid-up capital RMB91,125,000	**100%**	100%	Generation and supply of electricity
Yishui Longshan Wind Power Co., Ltd* 沂水龍山風力發電有限公司	The PRC	13 August 2013	Foreign investment enterprise with limited liability	Registered capital of RMB88,546,800 and paid-up capital RMB88,546,800	**100%**	100%	Generation and supply of electricity

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44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

a. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2017	2016	
CGN Gansu Minqin Wind Power Co., Ltd* 中廣核甘肅民勤風力發電有限公司	The PRC	4 March 2011	Foreign investment enterprise with limited liability	Registered capital of RMB162,200 and paid-up capital RMB162,200	**100%**	100%	Generation and supply of electricity
CGN Gansu Minqin (II) Wind Power Co., Ltd* 中廣核甘肅民勤第二風力發電有限公司	The PRC	24 October 2013	Foreign investment enterprise with limited liability	Registered capital of RMB549,760 and paid-up capital RMB549,760	**100%**	100%	Generation and supply of electricity
CGN Gansu Guazhou Wind Power Co., Ltd* 中廣核甘肅瓜州風力發電有限公司	The PRC	18 November 2011	Foreign investment enterprise with limited liability	Registered capital of RMB165,480 and paid-up capital RMB165,480	**100%**	100%	Generation and supply of electricity
CGN Gansu Guazhou (II) Wind Power Co., Ltd* 中廣核甘肅瓜州第二風力發電有限公司	The PRC	15 November 2013	Foreign investment enterprise with limited liability	Registered capital of RMB287,000 and paid-up capital RMB287,000	**100%**	100%	Generation and supply of electricity
Guazhou Tianrun Wind Power Co., Ltd* 瓜州天潤風電有限公司	The PRC	6 March 2009	Foreign investment enterprise with limited liability	Registered capital of RMB98,100,000 and paid-up capital RMB98,100,000	**60%**	60%	Generation and supply of electricity
CGN Solar Dunhuang Co., Ltd* 中廣核太陽能敦煌有限公司	The PRC	8 September 2011	Foreign investment enterprise with limited liability	Registered capital of RMB97,970,000 and paid-up capital RMB97,970,000	**100%**	100%	Generation and supply of electricity
CGN Solar Jinta Co., Ltd* 中廣核太陽能金塔有限公司	The PRC	6 December 2011	Foreign investment enterprise with limited liability	Registered capital of RMB36,360,000 and paid-up capital RMB36,360,000	**100%**	100%	Generation and supply of electricity
CGN Solar (Dachaidan) Development Co., Ltd* 中廣核太陽能(大柴旦)開發有限公司	The PRC	15 January 2010	Foreign investment enterprise with limited liability	Registered capital of RMB492,931,000 and paid-up capital RMB492,931,000	**100%**	100%	Generation and supply of electricity
CGN Solar Wulan Co., Ltd* 中廣核太陽能烏蘭有限公司	The PRC	29 August 2012	Foreign investment enterprise with limited liability	Registered capital of RMB100,000,000 and paid-up capital RMB100,000,000	**100%**	100%	Generation and supply of electricity
Suzhou Zemei Trading Co., Ltd. 蘇州澤美貿易有限公司	The PRC	26 November 2015	Foreign investment enterprise with limited liability	Registered capital of RMB5,000,000 and paid-up capital nil	**100%**	100%	Sales of coal
CGN Solar (Jiaxing) Co., Ltd.* 中廣核太陽能(嘉興)有限公司	The PRC	9 July 2013	Foreign investment enterprise with limited liability	Registered capital of RMB30,500,000 and paid-up capital RMB30,500,000	**100%**	100%	Generation and supply of electricity
CGN Solar (Shenzhen) Co., Ltd* 中廣核太陽能(深圳)有限公司	The PRC	17 August 2011	Foreign investment enterprise with limited liability	Registered capital of RMB43,400,000 and paid-up capital RMB43,400,000	**100%**	100%	Generation and supply of electricity
中廣核新能源(洪澤)有限公司	The PRC	27 November 2015	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid-up capital RMB500,000	**100%**	100%	Generation and supply of electricity
雲南中廣核電力銷售有限公司 (Name changed to 雲南中廣核能源服務有限公司 with effect from 6 June 2017)	The PRC	7 April 2016	Foreign investment enterprise with limited liability	Registered capital of RMB200,000,000 and paid-up capital RMB100,000,000	**100%**	100%	Generation and supply of electricity
濰坊中廣核能源有限公司	The PRC	26 August 2016	Foreign investment enterprise with limited liabilities	Registered capital of RMB153,760,000 and paid-up capital RMB80,000,000	**100%**	100%	Generation and supply of electricity

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44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

a. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2017	2016	
中廣核售電(山西)有限公司	The PRC	28 July 2016	Foreign investment enterprise with limited liabilities	Registered capital of RMB60,000,000 and paid-up capital RMB20,000,000	**100%**	100%	Generation and supply of electricity
德州安務能源有限公司	The PRC	15 November 2016	Foreign investment enterprise with limited liabilities	Registered capital of RMB113,530,000 and paid-up capital RMB113,530,000	**87%**	87%	Generation and supply of electricity
海寧中廣核新能源有限公司	The PRC	20 December 2016	Foreign investment enterprise with limited liabilities	Registered capital of US$20,000,000 and paid-up capital RMB138,918,000	**100%**	100%	Generation and supply of electricity
中廣核新能源如東有限公司	The PRC	22 November 2016	Foreign investment enterprise with limited liabilities	Registered capital of RMB230,000,000 and paid-up capital RMB198,712,000	**100%**	100%	Generation and supply of electricity
中廣核太陽能(濱州)有限公司	The PRC	2 November 2016	Foreign investment enterprise with limited liability	Registered capital of RMB67,410,000 and paid up capital of RMB67,410,000	**100%**	100%	Development, design, construction and operation in solar power project
中廣核新能源濉溪有限公司	The PRC	7 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development in solar power and wind power project
中廣核(橫峰縣)新能源有限公司	The PRC	2 November 2016	Foreign investment enterprise with limited liability	Registered capital of RMB79,850,000 and paid up capital of RMB79,850,000	**100%**	100%	Development, construction, operation and maintenance in wind power project
上饒市信州區中廣核太陽能有限公司	The PRC	8 November 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Research and development in solar power project
中廣核新能源(吳川)有限公司	The PRC	7 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development in solar power project
中廣核新能源(洋浦)有限公司	The PRC	1 November 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development in solar power project
中廣核電力銷售(寧夏)有限公司	The PRC	28 October 2016	Foreign investment enterprise with limited liability	Registered capital of RMB60,000,000 and paid up capital of RMB60,000,000	**100%**	100%	Purchase of electricity, thermal energy and water supply services
中廣核新能源(天津寧河)有限公司	The PRC	9 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development in solar energy, photovoltaic light, energy-saving technology
濟源中廣核新能源有限公司	The PRC	21 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development in solar and wind power project
中廣核重慶售電服務有限公司	The PRC	24 November 2016	Sino-foreign equity joint venture	Registered capital of RMB200,000,000 and paid up capital of RMB200,000,000	**51%**	51%	Provision of electricity
金華中廣核太陽能有限公司	The PRC	9 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development in solar power project

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For the year ended 31 December 2017

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

a. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group 2017	2016	Principal activities
中廣核新能源(漣水)有限公司	The PRC	9 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development in wind power and solar power project
中廣核新能源(樂都)有限公司	The PRC	15 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development in wind power and solar power project
中廣核新能源(太谷)有限公司	The PRC	22 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development, construction, operation and maintenance in Wind power project
中廣核太陽能睢寧有限公司	The PRC	27 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB690,000 and paid up capital of RMB690,000	**100%**	100%	Generation of solar energy
湖州南潯中廣核新能源有限公司	The PRC	29 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development, construction and management in solar project
湖州吳興中廣核新能源有限公司	The PRC	28 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Research and development in technology of new energy; development in solar power project
中廣核烏海新能源有限公司	The PRC	23 February 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Operation and development in generation of electricity of new energy
中廣核太陽能龍嘉有限公司	The PRC	13 July 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Development in solar and other new energy project
中廣核太陽能盱眙有限公司	The PRC	22 July 2016	Foreign investment enterprise with limited liability	Registered capital of RMB300,000,000 and paid up capital of RMB300,000,000	**100%**	100%	Development in solar project
中廣核(東至)新能源有限公司	The PRC	19 August 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Generation solar and wind power
中廣核(南陵)新能源有限公司	The PRC	25 November 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Generation solar and wind power
中廣核農業科技濉溪有限公司	The PRC	7 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	100%	Investment, design and construction of solar farmhouses
禹州中廣核新能源有限公司	The PRC	6 March 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	–	Construction and operation of solar and wind power station
鄢陵中廣核新能源有限公司	The PRC	6 March 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	–	Construction of electricity station of new energy
蘭考中廣核新能源有限公司	The PRC	21 March 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	–	Development in wind power and new energy project

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44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

a. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2017	2016	
中廣核青海電力銷售有限公司	The PRC	10 March 2017	Foreign investment enterprise with limited liability	Registered capital of RMB50,000,000 and paid up capital of RMB50,000,000	**100%**	–	Supply of electricity
湖南中廣核綜合能源服務有限公司	The PRC	30 March 2017	Foreign investment enterprise with limited liability	Registered capital of RMB200,000,000 and paid up capital of RMB200,000,000	**100%**	–	Supply of electricity
中廣核(北京)售電服務有限公司	The PRC	15 May 2017	Foreign investment enterprise with limited liability	Registered capital of RMB200,010,000 and paid up capital of RMB200,010,000	**100%**	–	Sales of electricity
中廣核(湖北)售電有限公司 (Name changed to 中廣核(湖北)綜合能源服務有限公司 with effect from 5 January 2018)	The PRC	4 May 2017	Foreign investment enterprise with limited liability	Registered capital of RMB200,000,000 and paid up capital of RMB200,000,000	**100%**	–	Sales of electricity
中廣核(吉林)售電有限公司	The PRC	1 June 2017	Foreign investment enterprise with limited liability	Registered capital of RMB20,000,000 and paid up capital of RMB20,000,000	**100%**	–	Generation of electricity
中廣核益陽新能源有限公司	The PRC	18 May 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	–	Generation of electricity
中廣核(合肥)新能源有限公司	The PRC	27 April 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	–	Research and development in solar and wind power project
中廣核新能源(長沙)有限公司	The PRC	27 April 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	–	Generation of electricity
中廣核(大同)新能源有限公司	The PRC	2 June 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	–	Development in wind power and solar project
內蒙古中廣核電力有限公司	The PRC	14 June 2017	Foreign investment enterprise with limited liability	Registered capital of RMB20,000,000 and paid up capital of RMB20,000,000	**100%**	–	Supply of electricity
中廣核(上海)新能源有限公司	The PRC	14 June 2017	Foreign investment enterprise with limited liability	Registered capital of RMB20,000,000 and paid up capital of RMB20,000,000	**100%**	–	Development, transfer and consulting service on technical
冷水江中廣核新能源有限公司	The PRC	26 July 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	–	Generation of electricity
中廣核(貴州)電力銷售有限公司	The PRC	27 December 2016	Foreign investment enterprise with limited liability	Registered capital of RMB200,000,000 and paid up capital of RMB200,000,000	**100%**	100%	Sales of electricity
中廣核喀左新能源有限公司	The PRC	22 June 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	**100%**	–	Development and investment in electricity station

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For the year ended 31 December 2017

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

a. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2017	2016	
中廣核(文昌)新能源有限公司	The PRC	1 August 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	–	Development in Integrated systems and technology of generation of electricity
中廣核(鞍山)新能源有限公司	The PRC	19 June 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	–	Development and investment in electricity station
崇左中廣核新能源有限公司	The PRC	11 July 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	–	Development in solar power and new energy project
中廣核(嵊泗)新能源有限公司	The PRC	5 July 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	–	Generation of electricity
廣西中廣核合同能源管理有限公司	The PRC	9 June 2017	Foreign investment enterprise with limited liability	Registered capital of RMB200,000,000 and paid up capital of RMB200,000,000	100%	–	Management of energy contract
濟南老莊能源有限公司	The PRC	30 November 2017	Sino-foreign equity joint venture	Registered capital of RMB1,000,000 and paid up capital of RMB1,000,000	90%	–	Generation and supply of electricity
河北中廣核電力銷售有限公司	The PRC	28 June 2017	Foreign investment enterprise with limited liability	Registered capital of RMB20,000,000 and paid up capital of RMB20,000,000	100%	–	Sales of electricity
中廣核(遼寧)電力有限公司	The PRC	20 October 2017	Foreign investment enterprise with limited liability	Registered capital of RMB20,000,000 and paid up capital of RMB20,000,000	100%	–	Sales of electricity
中廣核(陝西)綜合能源服務有限公司	The PRC	15 August 2017	Foreign investment enterprise with limited liability	Registered capital of RMB20,000,000 and paid up capital of RMB20,000,000	100%	–	Sales and purchase of electricity
河南中廣核綜合能源服務有限公司	The PRC	24 August 2017	Foreign investment enterprise with limited liability	Registered capital of RMB20,000,000 and paid up capital of RMB20,000,000	100%	–	Supply and sales of electricity
中廣核(齊齊哈爾)新能源有限公司	The PRC	10 November 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	–	Provision of consulting on technical
湘潭中廣核新能源有限公司	The PRC	27 November 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	–	Generation of electricity
中廣核(招遠)能源有限公司	The PRC	24 November 2017	Foreign investment enterprise with limited liability	Registered capital of RMB67,000,000 and paid up capital of RMB67,000,000	100%	–	Generation of electricity
Tong Ce	The PRC	5 July 2016	Foreign investment enterprise with limited liability	Registered capital of RMB50,000,000 and paid up capital of RMB50,000,000	100%	–	Technical transfer, consultation and services
中廣核(察哈爾右翼中旗)新能源投資有限公司	The PRC	24 November 2017	Sino-foreign equity joint venture	Registered capital of RMB500,000 and paid up capital of RMB500,000	56.67%	–	Development in generation of new energy project

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

a. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of establishment/ incorporation/ operation	Date of establishment/ incorporation	Legal form	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group		Principal activities
					2017	2016	
中廣核(屏南)風力發電有限公司	The PRC	15 November 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	100%	Development in wind power and new energy project
中廣核(封開)新能源有限公司	The PRC	29 December 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	–	Development in new energy electricity generation projects, integrated systems and new energy electricity generation related technology
中廣核保定望都縣太陽能發電有限公司	The PRC	14 October 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	100%	Solar energy generation
石家莊市正定縣中廣核光伏發電有限公司	The PRC	14 November 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	100%	Development in solar power project
中廣核承德豐寧風力發電有限公司	The PRC	20 December 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	–	Development in wind power and solar power project
資興中廣核新能源有限公司	The PRC	6 December 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	–	Generation and supply of electricity
湘鄉中廣核新能源有限公司	The PRC	25 December 2017	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	–	Generation and supply of electricity
黑龍江中廣核電力有限公司	The PRC	15 December 2017	Foreign investment enterprise with limited liability	Registered capital of RMB20,000,000 and paid up capital of RMB20,000,000	100%	–	Supply of electricity
千陽中廣核新能源有限公司	The PRC	21 November 2016	Foreign investment enterprise with limited liability	Registered capital of RMB500,000 and paid up capital of RMB500,000	100%	100%	Research and development in solar power project

* *English names are for identification purpose only.*

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

44. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

b. RESERVES

	Share premium *US$'000*	Share option reserve *US$'000*	Capital reserve *US$'000* *(Note)*	Accumulated (losses) profits *US$'000*	Total equity *US$'000*
At 1 January 2016	250,406	78	–	72,455	322,939
Loss for the year and total comprehensive expense	–	–	–	(20,403)	(20,403)
Effects of share options *(note 35)*	–	969	–	–	969
Dividend declared and paid *(note 13)*	–	–	–	(18,880)	(18,880)
At 31 December 2016	250,406	1,047	–	33,172	284,625
Profit for the year and total comprehensive income	**–**	**–**	**–**	**28,963**	**28,963**
Effects of share options *(note 35)*	**–**	**985**	**–**	**–**	**985**
Deemed capital contribution	**–**	**–**	**77,939**	**–**	**77,939**
Dividend declared and paid *(note 13)*	**–**	**–**	**–**	**(20,167)**	**(20,167)**
At 31 December 2017	**250,406**	**2,032**	**77,939**	**41,968**	**372,345**

Note: The capital reserve represented the difference between the investment cost and the carrying value of certain subsidiaries arising from the internal group reorganisation.

45 SUBSEQUENT EVENTS

On 21 March 2018, the Company entered into two memoranda of understanding ("**MOUs**") with CGN. Pursuant to the MOUs, the Company intends to acquire 51% of the registered capital in CGN Wind Energy through its subsidiary ("**Possible Acquisition**") and the Company intends to dispose 100% of the issued shares in CGN Korea to CGN's subsidiary or other third party ("**Possible Disposal**").

For details, please refer to the announcements of the Company dated 21 March 2018 regarding the MOUs in relation to the Possible Acquisition and the Possible Disposal.

Five-Year Financial Summary

	2013 *US$'000* *(Note)*	2014 *US$'000*	2015 *US$'000*	2016 *US$'000*	**2017** ***US$'000***
Revenue	1,054,523	1,379,552	1,151,905	1,074,448	**1,108,560**
Operating expenses:					
Coal, oil and gas	742,926	996,629	729,336	587,176	**619,829**
Depreciation of property, plant and equipment	71,282	94,752	109,478	143,429	**134,299**
Repair and maintenance	22,521	23,525	27,889	38,729	**40,179**
Staff costs	45,857	60,394	62,943	69,237	**76,389**
Others	54,950	54,351	63,359	58,480	**71,634**
Total operating expenses	937,536	1,229,651	993,005	897,051	**942,330**
Operating profit	116,987	149,901	158,900	177,397	**166,230**
Other income	12,901	13,096	18,630	14,281	**14,459**
Other gains and losses	3,127	1,713	(1,652)	2,631	**(7,521)**
Finance costs	(51,704)	(63,274)	(76,799)	(115,172)	**(101,708)**
Share of results of associates	28,936	42,572	63,313	22,113	**19,268**
Share of results of a joint venture	55,946	21,016	–	–	**–**
Impairment loss on interest in an associate	(18,758)	–	–	–	**–**
Impairment loss on property, plant and equipment	(24,000)	–	–	–	**–**
Gain on disposal of subsidiaries, associates and a joint venture	–	96,343	–	–	**–**
Gain on deconsolidation/disposal of a subsidiary	–	–	–	18,675	**3,825**
Initial public offering expenses	(6,866)	(4,087)	–	–	**–**
Profit before tax	116,569	257,280	162,392	119,925	**94,553**
Income tax expense	(47,242)	(39,568)	(39,978)	(28,893)	**(28,587)**
Profit for the year	69,327	217,712	122,414	91,032	**65,966**
Profit for the year attributable to:					
Owners of the Company	55,817	202,203	103,879	79,472	**61,872**
Non-controlling interests	13,510	15,509	18,535	11,560	**4,094**
	69,327	217,712	122,414	91,032	**65,966**
Earnings per share of the Group, basic and diluted *(US cents)*	1.80	5.97	2.42	1.85	**1.44**

Note: Figures for the year ended 31 December 2013 are extracted from the Company's prospectus dated 19 September 2014.

Five-Year Financial Summary

	2013 *US$'000* *(Note)*	2014 *US$'000*	2015 *US$'000*	2016 *US$'000*	**2017** ***US$'000***
ASSETS AND LIABILITIES					
Total assets	2,957,589	2,486,934	3,852,868	3,498,621	**3,740,617**
Total liabilities	2,019,731	1,670,844	3,003,315	2,686,785	**2,780,242**
NET ASSETS	937,858	816,090	849,553	811,836	**960,375**
Equity attributable to owners of the Company	778,541	709,048	741,732	710,758	**875,894**
Non-controlling interests	159,317	107,042	107,821	101,078	**84,481**
TOTAL EQUITY	937,858	816,090	849,553	811,836	**960,375**