China Ruifeng Renewable Energy Holdings Limited

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

ANNUAL REPORT 2017

CONTENTS

Company Information

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 00527

EXECUTIVE DIRECTORS

Mr. Zhang Zhixiang *(Chief Executive Officer)*
Mr. Ning Zhongzhi
Mr. Li Tian Hai
Mr. Peng Ziwei

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Cheng Sau Man *(resigned on 2 June 2017)*
Mr. Yeung Tze Long *(appointed on 2 June 2017)*

AUTHORISED REPRESENTATIVES

Mr. Zhang Zhixiang
Ms. Cheng Sau Man *(resigned on 2 June 2017)*
Mr. Yeung Tze Long *(appointed on 2 June 2017)*

PRINCIPAL BANKERS

In Hong Kong:

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

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

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

Company Information

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

www.c-ruifeng.com

LEGAL ADVISERS AS TO HONG KONG LAWS

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

AUDITORS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

Corporate Profile

Corporate Profile

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

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

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

Apart from Hongsong's wind farm, Baotou City Yinfeng Huili New Energy Investment Limited ("Baotou Yinfeng"), a subsidiary of the Group is principally engaged in the development of a wind farm that generates renewable energy in the Inner Mongolia Autonomous Region. The wind farms of Baotou Yinfeng have been developing since mid 2016 and the expected installable capacity of phase 1 of the wind farms (the "Phase 1 Project") operation is 49.8 MW. Phase 1 Project is still under construction which is expected to be completed in the coming years and would contribute to the Group's revenue from the operation of wind farms in the future.

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

The Company is also in touch with prospective partners in the financial sectors and is keeping its eyes open for investment opportunities in other renewable energy businesses.

Chief Executive Officer's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Ruifeng Renewable Energy Holdings Limited ("Ruifeng Renew" or the "Company", together with its subsidiaries referred to as the "Group"), I hereby present to the shareholders of the Company (the "Shareholders") the results of the Group for the year ended 31 December 2017.

As a renewable energy enterprise specialised in wind power development and operation, during the year of 2017, Ruifeng Renew is principally engaged in the businesses of wind farms development and operation as well as wind power generation, and commenced to step into the business in finance sector, such as finance leasing and security trading. Since the mid of year 2016, the Group has also been conducting due diligence on a wind turbine manufacturer which the Group has entered into a memorandum of understanding in respect of a proposed acquisition for further expansion of its down-stream manufacturing business in wind power. The combination of different businesses does not only expand the Group's various income streams, but each of the businesses also complements each other to facilitate the development and continuous enhancement of the Company's industrial structure, which will solidify the foundation to reinforce the comprehensive development of its wind power operation.

The year of 2017 was the second year of implementing the 13th Five-year Plan. Although the situation at home and abroad was grim and complicated, the new norms of China's economic development were more distinct, signifying the hard-won results of the stabilisation and bottoming out of the economic trend amid a slowdown. China's Gross Domestic Profit (the "China's GDP") retained a growth of 6.9% in 2017, whereas the paradigm of economic growth has been shifting its emphasis to higher efficacy and better quality. As the requirements on environmental and ecological protection become more stringent, China's clean energy consumption gains importance, the wind power and other new energy industries as the nation's seven strategic new industries will be getting more policy support after the 13th Five-year Plan takes the stage, China has been recognised as having the largest hydropower, wind power and solar power in terms of installed capacity in the world. In the face of the new circumstances and in the effort to capture the opportunities of the government's policy reforms, the Company will improve its development quality and efficiency to become a world-class renewable energy enterprise characterised by a large scale, high market share, great contribution to the society, strong profitability, solid competitiveness, and sound sustainability, with the objective of bringing continuous, stable and substantial returns to the Shareholders.

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

Chief Executive Officer's Statement

For the year ended 31 December 2017, the Group recorded a net profit of approximately RMB24,125,000 (2016: net loss of approximately RMB11,205,000) and the revenue from wind power business of approximately RMB389,996,000 (2016: approximately RMB369,150,000). The improvement in the operating result is mainly attributable to the increase of electricity sales and decrease in administrative expense. Further analysis of the operating result was included in the Management Discussion and Analysis session of this report.

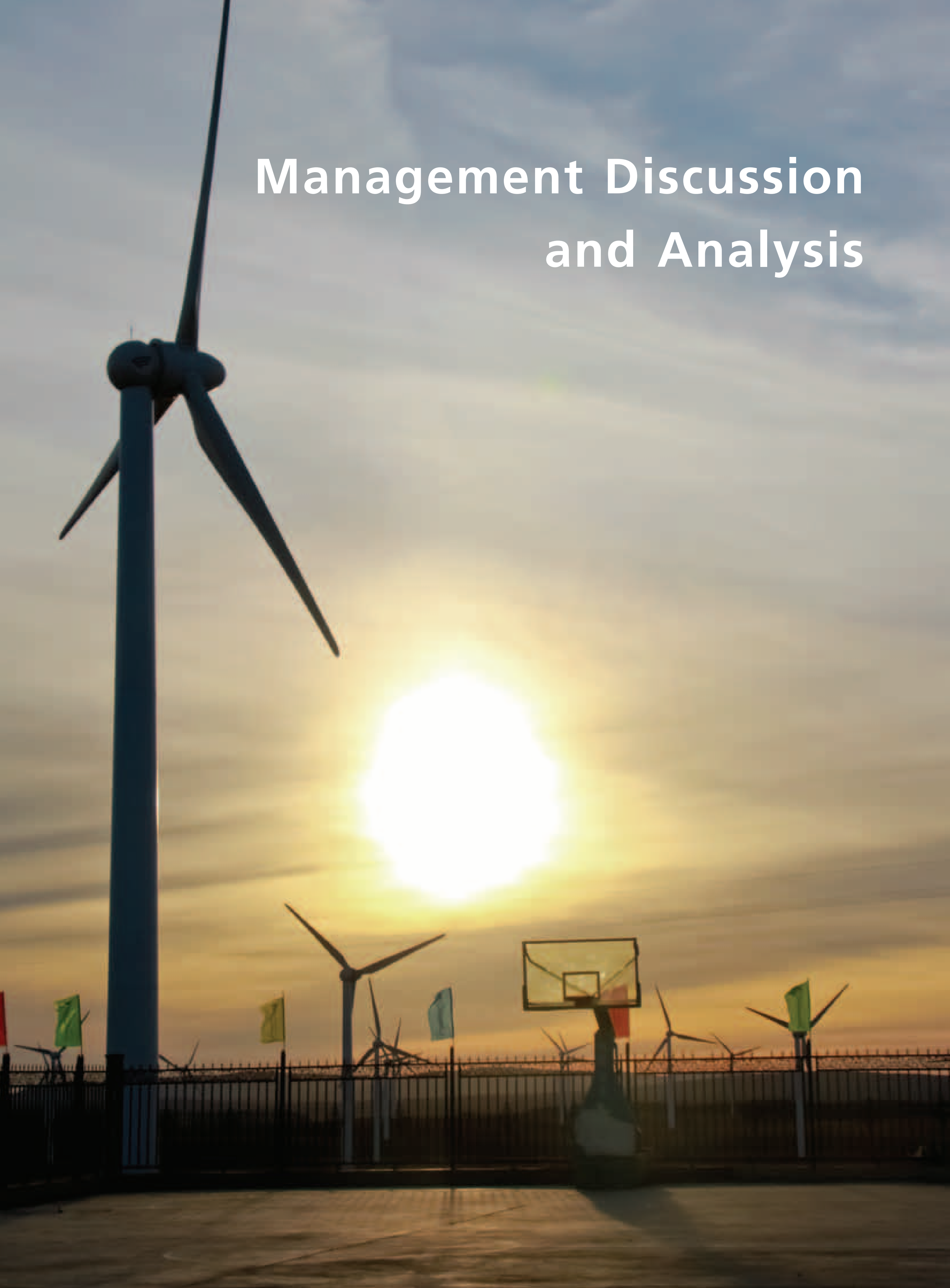
In the future, Ruifeng Renew will consolidate its resources and continue to accelerate the development in wind power business. By fully leveraging the Group's wind farms, Ruifeng Renew will actively seek for development opportunities and strive for a solid foothold in the renewable energy industry in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

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

Zhang Zhixiang
Chief Executive Officer

Hong Kong, 28 March 2018

Management Discussion and Analysis



BUSINESS OVERVIEW

Wind farm operations

For the year ended 31 December 2017, the revenue from the wind farm operations amounted to approximately RMB389,996,000 (2016: approximately RMB369,150,000), representing an increase of approximately 6% from that of 2016. The segment profit from the wind farm operations were approximately RMB136,087,000 (2016: approximately RMB107,232,000), representing an increase of approximately 27% from that of 2016.

Hongsong's wind farm projects

The construction of the Phase 9 Project – The Yuanhui Project of Hongsong had been completed in December 2013. Hongsong currently has an installable capacity of 398.4 MW, and its wind farm operation made a steady and stable progress in 2017 which made significant contribution to the Group's revenue from wind farm operations for the year ended 31 December 2017.

Baotou Yinfeng's wind farm projects

Baotou Yinfeng is a subsidiary of the Company, which possesses a wind farm in Baotou City of Inner Mongolia with the 49.8 MW of the Phase 1 Project. In October 2015, Baotou Yinfeng received the relevant project approval from Baotou City's NDRC for its Phase 1 Project. Baotou Yinfeng Phase 1 Project is currently under construction and is expected to contribute to the Group's future revenue from the operation of wind farms.

OPERATING ENVIRONMENT

With the kick off of the 13th Five-year Plan in the year of 2016, China's GDP has recorded an increase by 6.9% year on year for the year ended 31 December 2017, evidencing China's entering into the "new normal" mode of economic development. Compared to 2016, China's economy maintained a stable trend with increasing positive changes and stabilising growth. China's GDP growth for the fourth quarter of 2017 increased by 6.8% year on year, while various indicators such as industrial electricity consumption, power generation and freight volume in the second half of the year witnessed significantly accelerated growth, and the industry showed a clearly stabilising trend.

Management Discussion and Analysis

While the growth of China's wind power industry has somewhat slowed down in recent years, China's economy still maintains a trend of steady growth and the wind power industry still managed to record fairly good development in 2017. The newly installed on-grid wind power capacity in 2017 was 15.03 gigawatt ("GW"). Despite the fact that the year-on-year figure decreased 22.12% as compared with 2016, the accumulative on-grid wind power capacity reached 164 GW, accounting for 9.2% of all power generation installed capacity, representing an increase of 0.2% year-on-year. Wind power generation capacity for the year reached 305,700 GW, accounting for 4.8% of all power generation output, and representing an increase of 0.8% year-on-year as compared with 2016. The national average wind power utilization hours was 1,948 hours, representing a year-on-year increase of 203 hours. The national wind power curtailment was 41,900 GWh (2016: 49,700 GWh), with a year-on-year decrease of 7,800 GWh. This demonstrates that despite there is a slow-down of the newly installed on-grid power generation, but wind power generation industry still maintains a relatively healthy and steady development trend as compared with other power generation industries, thanks to the driving force of environmental protection and clean energies advocated by the government.

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

MAJOR RISKS AND UNCERTAINTIES

(1) Risks of wind turbine equipment utilisation hours fluctuation

The average number of utilisation hours of power generation equipment are influenced by electric supply and demand, and therefore fluctuate accordingly. The average utilisation hours in Hebei Province for the years 2016 and 2017 were 2,077 and 2,250 hours, respectively. The average utilisation hours of the Company's Hongsong Wind Farm in Hebei Province for the same two years were 2,089 and 2,134 hours, respectively. As economic growth rate slackened, there are risks in fluctuations of the average utilisation hours of the Company's wind turbine equipment in the future, and these will definitely have an impact on the Company's profitability.

(2) Risks of wind power pricing fluctuation

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

(3) Risks arising from interest rate fluctuations

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

FUTURE PROSPECTS

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

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

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

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

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

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

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

FINANCIAL REVIEW

The Group is currently and principally engaged in wind farm operations during the year ended 31 December 2017 ("the current year").

Operating results for the year ended 31 December 2017 were as follows:

	Year ended 31 December		Increase/	Approximate change in
	2017	2016	**(decrease)**	**percentage**
	RMB'000	*RMB'000*	*RMB'000*	%
Revenue	**389,996**	369,150	20,846	6
Gross profit	**176,863**	144,837	32,026	22
Profit from operations	**176,071**	126,644	49,427	39
Profit before taxation	**55,844**	10,837	45,007	415
Profit/(loss) for the year	**24,125**	(11,205)	35,330	N/A
Attributable to:				
Equity shareholders of the Company	**(7,090)**	(38,217)	31,127	N/A
Non-controlling interests	**31,215**	27,012	4,203	16
Profit/(loss) for the year	**24,125**	(11,205)	35,330	N/A

		Year ended 31 December	
	Note	**2017**	2016
Net cash *(RMB'000)*	*1*	**(1,252,236)**	(1,286,848)
Net assets *(RMB'000)*	*2*	**933,765**	916,475
Liquidity ratio	*3*	**107%**	101%
Trade receivables turnover (number of days)	*4*	**145**	102
Trade payables turnover (number of days)	*5*	**49**	36
Earning interest multiple	*6*	**1.46**	1.09
Net debt to capital ratio	*7*	**134%**	140%

Notes:

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

Revenue

During the year ended 31 December 2017, the Group's revenue was mainly derived from the business of wind power generation. The Group's operating bases for the business of wind power generation are mainly located in Chengde City of Hebei Province and Inner Mongolia, the PRC.

Revenue for the year ended 31 December 2017 was approximately RMB389,996,000, representing an increase of approximately 6% in comparing with that of 2016 of approximately RMB369,150,000. The increase was mainly due to the increase in electricity sales of Hongsong, an indirect non-wholly owned subsidiary of the Company, which outweighed the decrease in revenue of approximately RMB22,148,000 for the year of 2016 as contributed by Hexigten Qi Langcheng Ruifeng Electric Development Co., Ltd.) ("Langcheng") which was disposed of by the Group on 3 May 2016, and thus contributed nil revenue for the current year.

Analysis of the Group's revenue for the year ended 31 December 2017 is set out below:

Revenue by business

	Year ended 31 December		**Increase/**	**Approximate change in**
	2017	2016	**(decrease)**	**percentage**
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
Wind power generation	**389,996**	369,150	20,846	6

Cost of Sales

Cost of sales mainly included the cost of raw materials, staff costs, depreciation, repair and maintenance cost, water, electricity, gas and other ancillary materials. Cost of sales for the year ended 31 December 2017 accounted for approximately RMB213,133,000 (2016: RMB224,313,000), which represented approximately 55% of the Group's revenue (2016: 61%). The decrease in the ratio was mainly due to less proportionate fixed overheads costs in respect to the increased production volume of Hongsong for the current year.

Gross Profit

Gross profit was approximately RMB176,863,000 for the year ended 31 December 2017 (2016: approximately RMB144,837,000) which was primarily derived from the operation of the Group's business of wind power generation. The gross profit margin for the current year was approximately 45%, as compared to approximately 39% for the year of 2016, representing an improvement of production efficiency as achieved by Hongsong.

Other Revenue and Net Income

Other revenue and net income for the year ended 31 December 2017 was mainly comprised of (i) tax refund from the PRC government (2017: approximately RMB24,064,000; 2016: approximately RMB26,867,000), (ii) interest income (2017: approximately RMB12,783,000; 2016: approximately RMB9,151,000); (iii) rental income from operating leases (2017: approximately RMB2,474,000; 2016: approximately RMB2,126,000); and (iv) net foreign exchange gains (2017: approximately RMB12,461,000; 2016: Nil). Balance for the year ended 31 December 2016 also included the gain on disposal on Langcheng amounting to approximately RMB15,909,000 while no such item was recorded for the current year.

Administrative Expenses

Administrative expenses mainly included wages, salaries and welfare expenses, professional fees, rental expenses, entertainment expenses, travelling expenses, office expenses, other taxation expenses, exchange losses and allowance of doubtful debts for trade and other receivables. It decreased by approximately 23% to approximately RMB56,163,000 for the year ended 31 December 2017 when compared with that of approximately RMB72,749,000 for the year ended 31 December 2016. The decrease was the combined effect of (i) the cost-tightening measurements taken by the management of the Company during the current year; and (ii) net foreign exchange losses of approximately RMB23,416,000 being recorded for the year of 2016 while net foreign exchange gains were recorded as "Other Revenue and Net Income" for the year of 2017. Net foreign exchange losses/gains were mainly derived from depreciation/appreciation of Renminbi ("RMB") against Hong Kong Dollar ("HKD") for the year 2016 and 2017.

Finance Costs

Finance costs mainly referred to the interest expenses and the bank charges of the Group's borrowings including bank loans obtained, bonds and convertible notes issued by the Group. It amounted to approximately RMB121,541,000 for the year of 2017, represented a slight increase as compared to approximately RMB118,143,000 for the year of 2016. This was the combined effect of (i) an increase in convertible notes interests as full-year interests were charged for the year of 2017 while only half-year interests were charged for the year of 2016; and (ii) a decrease in bank loan interests resulted from settlements of certain bank loans during the current year.

Taxation

Taxation expenses increased to approximately RMB31,719,000 for the year ended 31 December 2017 (2016: approximately RMB22,042,000). Such increase was mainly derived from the increase in taxable income of Hongsong.

Profit/(loss) for the Year

Profit for the year ended 31 December 2017 was approximately RMB24,125,000 (2016: loss for the year of approximately RMB11,205,000). The improvement in the result was mainly due to the increase in electricity sales by Hongsong together with a decrease in cost of sales and administrative expenses.

Loss attributable to equity shareholders was approximately RMB7,090,000 (2016: approximately RMB38,217,000).

Net Current Assets

Net current assets of the Group as at 31 December 2017 increased to approximately RMB46,273,000 when compared with that of approximately RMB6,357,000 as at 31 December 2016. The increase was mainly due to the decrease in current liabilities as a result of bank loans settlements during the year ended 31 December 2017.

Liquidity and Financing

The cash and bank balances as at 31 December 2017 and 31 December 2016 amounted to approximately RMB104,495,000 (mainly denominated in RMB, United States dollar ("USD") and HKD, which is comprised of approximately RMB101,463,000, USD158,000 and HKD2,406,000), and approximately RMB266,841,000, respectively.

Total borrowings of the Group as at 31 December 2017 amounted to approximately RMB1,356,731,000, representing a decreased by approximately RMB196,958,000 when compared with approximately RMB1,553,689,000 as at 31 December 2016. The decrease in the total borrowings was mainly resulted from the repayments of borrowings during the current year.

The Group repaid its debts mainly through the steady recurrent cash-flows generated by its operations and by other financing. The Group's gearing ratio decreased to approximately 62% as at 31 December 2017 from approximately 65% as at 31 December 2016. That ratio was calculated by dividing the Group's total liabilities by its total assets. During the year ended 31 December 2017, all of the Group's borrowings were settled in RMB, USD and HKD and all of the Group's income was denominated in RMB. Interest bearing borrowings were approximately RMB1,356,731,000 as at 31 December 2017. Among the interest bearing borrowings of the Group, approximately RMB308,849,000 were fixed rate loans, while RMB1,047,882,000 were variable rate loans. The Group had not engaged in any currency hedging facility for the year ended 31 December 2017 and up to the date of this report, as the Board considered that the cost of any hedging facility would be higher than the potential risk of the costs incurred from currency fluctuations and interest rate fluctuations in individual transactions.

Issuing of Corporate Bonds

During the year ended 31 December 2017, the Company issued additional non-listing corporate bonds (the "Bonds") to potential investors in an aggregate principal amount of HKD18,500,000 at par value with maturity period ranging from 1 year to 7 years, and bearing fixed interest rate at 6% to 7% per annum.

The Company intends to use the net proceeds from the Bonds issued in the year of 2017 for general working capital of the Group. As at 31 December 2017 and 31 December 2016, principal amount of approximately HKD173,736,000 and HKD155,236,000 of the Bonds had been issued, respectively.

Extension of Convertible Notes

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

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

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

As at 31 December 2016, (i) approximately 50% of the net proceeds was used in settlement for investment of the Group and to finance the Group's wind farm development, including the prepayment and deposit for construction works; (ii) approximately 40% of the net proceeds was used in repaying the outstanding loan borrowings of the Group; and (iii) approximately 10% of the net proceeds was used in general working capital.

On 12 December 2017, the Company and all the holders of the Convertible Notes entered into a deed of amendment (the "Amendment Deed") to extend the maturity date of the Convertible Notes from 15 December 2017 to 15 June 2019. Save for the extension of the maturity date, all other terms and conditions of the Convertible Notes remained unchanged. The Amendment Deed has become unconditional on 15 December 2017 upon approval being received from The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Further details are set out in the announcements of the Company dated 26 May 2016, 15 June 2016, 12 December 2017 and 19 December 2017, respectively.

Capital Raising

During the year ended 31 December 2017, save as disclosed in this report, the Group did not have any capital raising activity.

Material Acquisition and Disposal

Acquisition of 20% equity interest in in Candice Group Limited ("Candice Group")

On 28 September 2017, (i) On Win Corporation Limited ("On Win"), a wholly-owned subsidiary of the Company, as the Purchaser entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with Huajun Logistics Co. Limited ("Huajun Logistics") and Gather Take Development Limited ("Gather Take") (collectively as the Vendors), pursuant to which the Vendors conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the sale shares (representing 23% equity interests in Candice Group) for the sale consideration of HKD9,461,970 upon the terms and conditions set out in the Sale and Purchase Agreement; and (ii) On Win, Mr. Ng Yuk Ping ("Mr. Ng") and Evergrace Fund Limited ("Evergrace Fund"), as the Subscribers, entered into a subscription agreement (the "Subscription Agreement") with Candice Group, pursuant to which Candice Group conditionally agreed to allot and issue to the Subscribers, and the Subscribers conditionally agreed to subscribe for, a total of 40,000 subscription shares at the subscription price of HKD411.39 each upon the terms and conditions set out in the Subscription Agreement. Upon completion of the transactions, the Company would indirectly own 20% equity interest in Candice Group. Transaction was completed on 31 October 2017.

Please refer to the announcements of the Company dated 28 September 2017 and 31 October 2017 for further details.

Financial Guarantee to Langcheng

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

* *For identification purpose only.*

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

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

As agreed, Hongsong assisted Mr. Wang to proceed with the necessary registration procedures for transfer of the Sale Equity Interest. Upon completion of the registration procedures, Mr. Wang pledged the Sale Equity Interest to Tianxin as a security (the "Wang's Guarantee") for Tianxin's Loan until such loan (including accrued interest thereof) being fully repaid by Hongsong.

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

With the efforts made by all involved parties, on 28 December 2017, the Hongsong's Guarantee has been discharged from the PRC Bank and the Group has fully repaid Tianxin's Loan. The Counter-guarantee provided by Mr. Wang has also been released by Hongsong accordingly.

Please refer to the announcements of the Company dated 3 May 2016, 30 November 2016, 31 May 2017, 31 August 2017 and 29 December 2017 for further details of the aforesaid transactions.

Business Cooperation

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

The scope of the cooperation includes the following:

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

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

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

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

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

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

Up to the year ended 31 December 2017, no legal binding contract or approved document has been entered between the parties.

Pledge of Assets

As at 31 December 2017, the Group has pledged certain property, plant and equipment and certain leasehold land including in lease prepayments with a carrying value of approximately RMB1,035,187,000 (31 December 2016: approximately RMB1,035,576,000), and trade and other receivables with a carrying value of approximately RMB200,986,000 (31 December 2016: approximately RMB127,555,000) as security for the borrowings obtained by the Group. As at 31 December 2017 and 31 December 2016, the issued share capital of certain subsidiaries of the Company were pledged for borrowings obtained by the Group.

Contingent Liabilities

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

Important Events Occurred Since the End of the Reporting Period

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

Employees

As at 31 December 2017, the Group had approximately 140 full-time employees (2016: approximately 140 employees) in Hong Kong and the PRC in respect of the Group's operations. For the year ended 31 December 2017, the relevant staff costs (including directors' remuneration) were approximately RMB39,408,000 (2016: approximately RMB34,911,000). The Group's remuneration and bonus packages were given based on performance of employees in accordance with the general standards of the Group's salary policies.

Under the ordinary resolution passed at the annual general meeting on 1 June 2015, the Board adopted a new share option scheme and simultaneously terminated the share option scheme which was adopted by the Company on 17 May 2006. During the year ended 31 December 2017, no share options were granted. Further details regarding the aforesaid share option schemes are set out in the section headed "Share Options Scheme" in the Directors' Report.

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Zhang Zhixiang（張志祥）("Mr. Zhang"), aged 50, is the chief executive officer of the Company and an executive Director. He is also an authorised representative of the Company, a member of each of the remuneration committee and nomination committee of the Company. He was appointed as an executive Director on 7 July 2010.

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

Mr. Zhang is a director of, and the sole beneficial owner of the share capital in, Diamond Era Holdings Limited ("Diamond Era"), a substantial shareholder of the Company interested in 539,562,325 shares, representing approximately 29.99% of the issued share capital of the Company as at 31 December 2017. Mr. Zhang also himself holds 4,620,000 share options of the Company, representing approximately 0.26% of the issued share capital of the Company.

Mr. Ning Zhongzhi（寧忠志）("Mr. Ning"), aged 54, was appointed as an executive Director on 28 January 2013.

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

Mr. Li Tian Hai（李天海）("Mr. Li"), aged 51, was appointed as an executive Director on 14 July 2015.

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

* *For identification purposes only*

Company*) from 2007 to 2014, he served as the deputy general manager as well as the chief accountant. Since 2014 to present, Mr. Li was the deputy general manager in 華能集團北方聯合電力公司錫林郭勒熱電公司 (China Huaneng Group North United Power Corporation Xilin Gol Thermo Electricity Corporation*). Mr. Li is experienced in the power systems and financial arrangements of the state-owned enterprises in PRC.

Mr. Peng Ziwei（彭子瑋）("Mr. Peng"), aged 31, was appointed as an executive Director on 20 June 2016.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Wong Wai Ling（黃慧玲）("Ms. Wong"), aged 56, is an independent non-executive Director, the chairman to the audit committee of the Company and a member of each of the remuneration committee and nomination committee of the Company. Ms. Wong was appointed as an independent non-executive Director on 16 May 2006.

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

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

* *For identification purposes only*

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

Pursuant to code provision A4.3 of the Corporate Governance Code (the "Code") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the appointment of Ms. Wong Wai Ling, an independent non-executive Director serving the Company for more than nine years, would be subject to a separate resolution as approved by the Shareholders on 1 June 2017.

Mr. Qu Weidong（屈衛東）("Mr. Qu"), aged 51, is an independent non-executive Director, the chairman to the nomination committee of the Company and a member of each of the audit committee and the remuneration committee of the Company. Mr. Qu was appointed as an independent non-executive Director on 11 December 2010.

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

Ms. Hu Xiaolin（胡曉琳）("Ms. Hu"), aged 49, is an independent non-executive Director, the chairman to the remuneration committee and a member of each of the audit committee and nomination committee of the Company. Ms. Hu was appointed as an independent non-executive Director on 9 May 2011.

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

SENIOR MANAGEMENT

Mr. Wang Jian（王劍）("Mr. Wang"), aged 49, is the director and general manager of Hongsong, responsible for the daily operation of Hongsong. Mr. Wang was graduated in 2004 from China Agricultural University（中國農業大學）majoring at economic management professional. He obtained senior operating qualification in 2005 and obtained advanced project management qualification in 2006. Mr. Wang joined Hongsong in 1999 and involved in the establishment of Hongsong. He was appointed as the director and general manager of Hongsong since 2001, and he has over 14 years working experience in wind farm operation and management.

Mr. Yu Haichun（于海春）("Mr. Yu"), aged 57, is the secretary of the party committee and deputy general manager of Hongsong responsible for the operation and maintenance of Hongsong's wind farm. Mr. Yu graduated from 河北水利專科學校 (Hebei School of Water Conservancy*) majoring hydropower in 1981. Mr. Yu joined Hebei Hongsong Renewable Energy Investment Co., Ltd.（河北紅松新能源投資有限公司）and served as the chairman and general manager since 2010.

Mr. Yeung Tze Long（楊子朗）("Mr. Yeung"), aged 44, is an authorised representative, chief financial officer and the company secretary of the Company. Mr. Yeung joined the Group since June 2017. Mr. Yeung is an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in audit and financial advisory services. He had worked in a major international accounting firm over 10 years and as an internal audit and finance integration director of a Hong Kong listed company before joining the Group.

Mr. Fan Guoliang（范國亮）("Mr. Fan"), aged 37, is the secretary of the Board of Hongsong. He is mainly responsible for the Board and the administrative management of the Group. Mr. Fan graduated from Hebei University of Science and Technology majoring Business Administration in 2005 and received a Bachelor's degree in Management. He received a Master's degree in Economics from Central University of Finance and Economics in 2014. In March 2005, he joined Hongsong and served as the head of the secretary office of the Board, deputy director, directors of certain subsidiaries of the Group in the PRC, secretary of the board and deputy general manager.

COMPANY SECRETARY

Mr. Yeung Tze Long（楊子朗）, personal details of Mr. Yeung are included in the paragraph headed "Senior Management" above.

* *For identification purpose only*

Directors' Report

The Directors present this report and the audited consolidated financial statements for the year ended 31 December 2017 ("the current year").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and the principal activities of the Group are wind farm operation. The activities of its principal subsidiaries are set out in note 14 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 and further discussion and analysis of the matters as required by Schedule 5 to the Companies Ordinance, Chapter 622, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business are set out in the section headed "Management Discussion and Analysis" of this report. The discussion forms part of this directors' report.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 69 of this report.

PROPOSED FINAL DIVIDEND

The Directors did not recommend the payment of dividends for the year ended 31 December 2017 (2016: NIL).

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 170 of this report.

PROPERTY, PLANT AND EQUIPMENT

During the current year, the Group acquired property, plant and equipment in the amount of approximately RMB11,928,000 (2016: approximately RMB114,362,000). Details of movements in the property, plant and equipment of the Group during the current year are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the current year are set out in note 27 to the consolidated financial statements.

DONATIONS

No charitable or other donations were made by the Group during the current year (2016: Nil).

RESERVES

Movements in the reserves of the Company during the current year are set out in note 27 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Pursuant to the relevant rules of the Cayman Islands, the Company's reserves available for distribution to Shareholders as at 31 December 2017 amounted to approximately RMB571,974,000.

DIRECTORS

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

Executive Directors

Mr. Zhang Zhixiang *(Chief Executive Officer)*
Mr. Ning Zhongzhi
Mr. Li Tian Hai
Mr. Peng Ziwei

Independent non-executive Directors

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

In accordance with Article 108(a) of the Company's articles of association (the "Articles of Association"), Mr. Zhang Zhixiang, Mr. Li Tian Hai, Ms. Hu Xiaolin and Ms. Wong Wai Ling shall retire by rotation at the forthcoming annual general meeting of the Company (the "AGM").

All the retiring Directors, being eligible, offer themselves for re-election at the AGM.

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACTS OF THE RETIRING DIRECTORS

Mr. Zhang Zhixiang, being executive Director, has entered into a service agreement with the Company for a term of three years expiring on 6 July 2019, subject to the termination provisions therein.

Mr. Li Tian Hai, being executive Director, has entered into a service agreement with the Company for a term of three years expiring on 14 July 2018, subject to the termination provisions therein.

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

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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

Save as discloses in note 31 to the consolidated financial statements, no transaction, arrangement and contract of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director has a material interest, where directly or indirectly, subsisted at the end of the year or at any time during the current year.

SHARE OPTION SCHEME

Share Option Scheme

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

Share Option Scheme shall be valid for 10 years from 1 June 2015 and the particulars of the Share Option Scheme are set out in note 25 to the consolidated financial statements.

The following table discloses movements in the Company's share options held by each of the Directors, employees of the Company and other grantees in aggregate granted under the scheme during the year ended 31 December 2017:

	Number of unlisted share options								
Name and category of participant	As at 1 January 2017	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	As at 31 December 2017	Grant date	Exercise period	Exercise price per share	Price per share at grant date
Directors									
Zhang Zhixiang	4,620,000	–	–	–	4,620,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Ning Zhongzhi	4,620,000	–	–	–	4,620,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Other employees									
In aggregate	31,500,000	–	–	–	31,500,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Ex-director									
Zheng Xian Tao *(note i)*	4,620,000	–	–	–	4,620,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Li Baosheng *(note ii)*	4,620,000	–	–	–	4,620,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
Other grantees									
In aggregate	74,940,000	–	–	–	74,940,000	31 July 2015	3 years commencing from 31 July 2015	HKD1.07	HKD1
TOTAL	**124,920,000**	**–**	**–**	**–**	**124,920,000**				

Note:

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

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

VALUATION OF SHARE OPTIONS

The details of the model and significant assumptions used to estimate the fair value of the share options granted by the Company to the eligible participants are set out in note 25 to the consolidated financial statements of the Company.

EQUITY-LINKED AGREEMENTS

(a) Convertible Notes

On 15 June 2016, the Company issued the Convertible Notes in the aggregate principal amount of HK$171,600,000 which can be converted into a total of 264,000,000 shares of the Company at an initial conversion price of HK$0.65 per share. On 15 December 2017, the Convertible Notes has been extended for 18 months with maturity date on 15 June 2019. The Convertible Notes can be converted into shares of the Company after six month from the completion date on 15 June 2016, and ending on the earlier of (i) the redemption date and (ii) five business days prior to the maturity date, provided that the Company's minimum public float requirements under the Listing Rules could be complied with. Up to 31 December 2017, no conversion of the Convertible Notes were applied.

(b) Share Options

Details of the Share Option Scheme of the Company are set out in the section headed "Share Option Scheme" above and note 25 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

MATERIAL CONTRACTS

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

DISCLOSURE OF INTEREST

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

As at 31 December 2017, save as disclosed below, none of the Directors or chief executive had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) ("SFO") which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Directors or chief executives of the Company is taken or deemed to have under such provisions of the SFO) or which was required to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules:

Long positions in shares and underlying shares of the Company

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

Note:

1. Mr. Zhang is the beneficial owner of the entire issued shares of Diamond Era. As at 31 December 2017, 308,867,000 shares held by Diamond Era were pledged to a commercial bank in relation to a borrowing by the bank to the Group. Mr. Zhang is deemed, or taken to be, interested in the shares of the Company in which Diamond Era is interested for the purpose of the SFO.

(b) Interests of substantial Shareholders and other persons

As at 31 December 2017, save as disclosed below, the Directors were not aware of any person (other than the Directors or chief executives of the Company) who had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

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

Note:

As at 31 December 2017, Diamond Era was interested in 539,562,325 Shares. Diamond Era is wholly-owned by Mr. Zhang, an executive Director.

CONNECTED TRANSACTIONS

Save as otherwise disclosed in this report, all the related party transactions in 2017 as disclosed in note 31 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with the relevant reporting, announcement or independent shareholders' approval requirements. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

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

— the largest customer	100%
— five largest customers	100%
— the largest supplier	27%
— five largest suppliers	74%

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

BANK LOANS

Particulars of bank loans are set out in note 23 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISIONS

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

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

EMOLUMENT POLICY

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

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

The Company has adopted share option schemes as an incentive to Directors and eligible employees. Details of the Share Option Scheme are set out in note 25 to the consolidated financial statements and the paragraph headed "Share Option Scheme" in this Directors' Report.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

ADVANCE TO AN ENTITY

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

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

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

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

On 31 October 2017, the Hongsong Guarantee has been successfully discharged from the PRC bank.

The further details of the balance, the nature of transactions, the identity of the debtor group, interest rate, repayment terms and collateral are set out in the section headed "Management Discussion and Analysis — Material Acquisition and Disposal — Financial Guarantee to Langcheng".

ACQUISITIONS AND DISPOSAL

Save as disclosed in the section headed "Material Acquisition and Disposal" in the Management and Discussion Analysis session, there are no materials acquisition and disposal during the current year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Among the global community focusing increasingly on reducing the dependence on conventional fossil fuels to mitigate global warming caused by greenhouse gases, China has also identified wind power generation as a key component of national economic growth. The Company recognises that clean energy has become an indispensable part of the environment and economy for the country and even the globe. The Company is committed to developing wind farm projects to provide the state power grid with clean and renewable energy, easing the dependence on conventional fossil fuels and hence effectively avoiding greenhouse gas emissions, serving as an important direct towards the Company's sustainable development. See the Environmental, Social and Governance Report for details.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Board pays attention to the Company's policies and practices on compliance with legal and regulatory requirements in both the PRC and in Hong Kong. External compliance and legal advisers are engaged to ensure transactions and business performed by the Group are within the applicable legal framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. During the year ended 31 December 2017 and up to the date of this report, there is no material non-compliance with the relevant prevailing laws and regulation in the PRC and in Hong Kong by the Company.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company emphasizes the protection of employees' legitimate rights and occupational health and safety, as well as observing Labour Law of the People's Republic of China and standards relating to occupational health in the wind power industry. Meanwhile, we understand that maintaining a close work relationship with the National Grid and suppliers has a far-reaching impact on the Company's sustainable development. During the current year, the Company maintains a sound relationship with the National Grid and suppliers without any major disputes.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE REPORTING PERIOD

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

AUDITORS

The accounts for the years ended 31 December 2015, 2016 and 2017 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the AGM.

On behalf of the Board

Zhang Zhixiang
Executive Director & Chief Executive Officer

Hong Kong

28 March 2018

CORPORATE GOVERNANCE

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

CORPORATE GOVERNANCE CODE

For the year ended 31 December 2017 ("the current year"), the Company has adopted and complied with the code provisions (the "Code Provision(s)") set out in the Corporate Governance Code (the "Code") in Appendix 14 to the Listing Rules, except for the deviations from Code Provisions as described below:

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

Mr. Qu Weidong (an independent non-executive Director) and Ms. Hu Xiaolin (an independent non-executive Director) did not attend the general meeting held during the year ended 31 December 2017 because they were out of town for other businesses.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Director's securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Company had made specific enquiries with all the Directors and all the Directors confirmed that they had complied with the practice as contained in the Model Code and the aforesaid code of conduct adopted by the Company for the year ended 31 December 2017.

Senior management and those staff who are more likely to be in possession of unpublished price-sensitive information, inside information or other relevant information in relation to the Group have adopted rules based on the Model Code. These senior management and staff have been individually notified and advised about the Model Code by the Company. No incident of non-compliance of the Model Code by relevant senior management members was noted by the Company during the year ended 31 December 2017.

THE BOARD OF DIRECTORS

Board Responsibility and Delegation

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

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

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

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

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

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

COMPOSITION AND APPOINTMENT

Composition

As at the date of this report, the Board comprises seven Directors, of whom four are executive Directors and three are independent non-executive Directors. The composition of the Board during the year ended 31 December 2017 and up to the date of this report is as follows:

Executive Directors

Mr. Zhang Zhixiang *(Chief Executive Officer)*
Mr. Ning Zhongzhi
Mr. Li Tian Hai
Mr. Peng Ziwei

Independent Non-executive Directors

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

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

The details of the biographies of the existing Directors are set out in the section headed "Biographies of Directors and Senior Management" on page 23 to page 26 of this report.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, during the year ended 31 December 2017, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents at least one-third of the Board, among the three independent non-executive Directors, Ms. Wong Wai Ling, possesses appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Board considers that the independent non-executive Directors are all independent persons with appropriate qualifications or expertise and the Company has complied with the relevant requirements of the Listing Rules.

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

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

As at 31 December 2017, Mr. Zhang Zhixiang is a director and holds 100% of the issued share capital of Diamond Era, which is a substantial shareholder of the Company holding approximately 29.99% of the issued share capital of the Company.

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

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

Board meetings

The Board has supervised and controlled the Company's affairs effectively, and relevant decisions were made in the Company's best interests. For the year ended 31 December 2017, the Board had held 16 Board meetings to consider (of which included) the Company's transactions, financial affairs and other matters under the Articles of Associations to carry out its duties. The Board has adopted a telephone-conference system to raise the attendance rates, the average rate of attendance was between 81% and 100%.

For the year ended 31 December 2017, the Board has complied the following statistics:

	Attendance rate for Board meetings and general meetings *(Note 1)*			
Director's name	**Attendance/ Number of Board meetings held**	**Percentage (%)**	**Attendance/ Number of general meetings held**	**Percentage (%)**
Executive Directors				
Mr. Zhang Zhixiang *(Chief Executive Officer)*	16/16	100	1/1	100
Mr. Ning Zhongzhi	16/16	100	0/1	0
Mr. Li Tian Hai	16/16	100	0/1	0
Mr. Peng Ziwei	16/16	100	0/1	0
Independent non-executive Directors				
Ms. Wong Wai Ling	14/16	88	1/1	100
Mr. Qu Weidong	13/16	81	0/1	0
Ms. Hu Xiaolin	15/16	94	0/1	0

Note:

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

PROCEDURES OF BOARD MEETINGS

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

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

INDUCTION AND PROFESSIONAL DEVELOPMENT

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

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

According to the records provided by the Directors, a summary of training received by the Directors since 1 January 2017 up to 31 December 2017 is as follows:

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

AUDITOR'S REMUNERATION

During the year ended 31 December 2017, the amount of fee paid or payable to the auditors of the Group was as follows:

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

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

ACCOUNTABILITIES AND AUDIT

The Directors understand their responsibility to prepare the Group's financial statements according to relevant legal provisions and the Hong Kong Generally Accepted Accounting Principles to ensure that the financial reports present a true and fair view of the Group's financial conditions. In the preparation of the Group's financial reports for the year ended 31 December 2017, the Directors had adopted and implemented the appropriate accounting policies, made prudent and reasonable judgments and projections and prepared the financial statements on a going concern basis.

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

The auditors' responsibilities are set out in the Independent Auditors' Report on pages 64 to 68 of this report.

The accounts for the year ended 31 December 2017 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the AGM. The audit committee of the Board (the "Audit Committee") has recommended to the Board that HLB Hodgson Impey Cheng Limited be re-appointed as the auditors of the Company at the AGM.

RISK MANAGEMENT AND INTERNAL CONTROL

Effectively implementing the risk management and internal control measures is an ongoing responsibility of the Board and the management of the Company. The monitoring objectives of the Company are to provide reasonable assurance that the Company's operational management is lawful and compliant, the assets are safe, the financial statements and related information are true, fair and complete, and operational efficiency and effectiveness are enhanced, thereby the development strategy of the Company is accomplished.

The Company paid particular attention to the ongoing optimization of the internal control, including risk assessment and internal control evaluation, into its daily supervision and management of the Company. The internal control awareness and system are gradually strengthened, while the duties are clearer segregated and elaborated. Through effective assessment in accordance with the confirmative risk assessment and internal control evaluation plan, the internal control infrastructure through the said assessment and evaluation is further established. With a summary of the general defects identified in the operating system of the Company come the proposed solutions and remediations.

The Board acknowledges its responsibility to evaluate and determine the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and to ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems. However, risk-taking is an unavoidable necessity and an accepted part of the Company's business, effective risk management is an integral to preserving competitive advantages and ensures the Company achieves its strategic and business objectives. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management

Risk management applies to all aspects of the Group's business and is a critical component in developing strategic plans, preparing operational plans and budgets, approving investment projects and managing project plans. The major procedures of risk assessment of the Company consist of: goal setting, information collection and risk identification, risk analysis, response to risk, risk monitoring and reporting.

Business units and divisions specify the risk management strategies and the solutions to risk management, and set a risk alert level and the relevant strategies pursuant to the prescribed risk tolerance corresponding to the operating objectives. Solutions to risk management are established for each significant risk based on the risk management strategy. Combining with the development stages and the business expansion needs, information relating to changes in risks is continuously collected for risk identification and risk assessment, and for prompt adjustment to the strategies in response to risks.

The management of the Group follows up on and evaluates the management of significant risks on a regular basis.

The Group integrates the risk management and internal control system into various business processes, and adopts various measures and procedures to evaluate and prudently improve the effectiveness of the risk management and internal control system, including organizing the Group and affiliated companies to conduct self-assessment on risks on a regular basis, and to conduct independent risk assessment and internal control evaluation as well.

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

Based on the risk evaluation, the Group manages the risks as follows:

- Risk elimination: management may identify and implement certain changes or controls that in effect eliminate the risk entirely.
- Risk mitigation: management may implement a risk mitigation plan designed to reduce the likelihood and/or the severity of impact to an acceptable level.
- Risk acceptance: management may decide that the risk rating is acceptable for the Company meanwhile and as such no action is required. However, the risk would continue to be monitored to ensure the level of risk does not increase to an unacceptable level.

Controls and review

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

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

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

Inside Information

The Board is the governing body of inside information. In order to standardize the inside information management of the Group, the Board strengthens the confidentiality of inside information, maintains the principle of fairness of information disclosure, and protects the legitimate rights and interests of the Company and its Shareholders, creditors and other stakeholders. The Company formulated a control system in accordance with relevant laws, regulations and rules by taking into consideration the actual situation of the Company.

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

- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission;

- closely communicates and seeks advice from its legal advisor in the assessment of the likely impact of any unexpected and significant event that may impact the price of the Shares or their trading volume and to determine whether the relevant information is considered inside information that needs to be disclosed as soon as reasonably practicable pursuant to the SFO and the Listing Rules;

- has included in its Corporate Code of Conduct a strict prohibition on the unauthorized use of confidential or inside information; and

- ensures, through its own internal reporting processes and the consideration of their outcome by senior management, the appropriate handling and dissemination of inside information.

Assessing the effectiveness of Risk Management and Internal Control Systems

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

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

- Review with management annually those reports on compliance with the risk management policy;

- Discuss with management annually on the Group's major risks and the steps management has taken since then or should take to address and deal with such risks; and

- Review the effectiveness of the Group's risk management practices.

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

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

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

2017 Risk Management and Internal Control Process

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

This assessment considers:

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

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

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

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

- areas of risk identified by management;

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

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

- significant issues arising from internal and external audit.

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

Internal Audit

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

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

AUDIT COMMITTEE

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

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

The Audit Committee has held 3 meetings during the current year. The attendance rates of the members of the Audit Committee are as follows:

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

The Audit Committee has reviewed the audit performance, the internal controls and risk management and the interim and audited accounts for the year ended 31 December 2017. In performing its duties, the Audit Committee has overseen the Company's relationship with the auditors, the nature and scope of the audit, reviewed of the process by which the Company evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It also reported to the Board on the proceedings and deliberations of the Audit Committee. The Audit Committee has also reviewed this report and confirmed that it is complete and accurate and complies with the Listing Rules.

REMUNERATION COMMITTEE

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

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

The Remuneration Committee held 2 meetings during the current year, at which the Remuneration Committee reviewed, discussed and determined the remuneration policy and the remuneration of the Directors and the senior management during the year. The attendances of the meetings of the Remuneration Committee are as follows:

	Attendance rate for Remuneration Committee meetings		
Name of member	**Attendance/ Number of meetings**	**Percentage (%)**	**Title**
Ms. Hu Xiaolin *(chairman of the Remuneration Committee)*	2/2	100	Independent non-executive Director
Mr. Zhang Zhixiang	2/2	100	Executive Director and Chief Executive Officer
Ms. Wong Wai Ling	1/2	50	Independent non-executive Director
Mr. Qu Weidong	0/2	0	Independent non-executive Director

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2017, there was no arrangement in which the Directors waived their remuneration.

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

Senior management's remuneration payment of the Group in the year ended 31 December 2017 falls within the following bands:

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

NOMINATION COMMITTEE

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

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

The Nomination Committee held 1 meeting during the current year. The attendances of the meeting of the Nomination Committee are as follows:

	Attendance rate for Nomination Committee meetings		
Name of member	**Attendance/ Number of meetings**	**Percentage (%)**	**Title**
Mr. Qu Weidong *(chairman of the Nomination Committee)*	1/1	100	Independent non-executive Director
Mr. Zhang Zhixiang	1/1	100	Executive Director and Chief Executive Officer
Ms. Wong Wai Ling	1/1	100	Independent non-executive Director
Ms. Hu Xiaolin	1/1	100	Independent non-executive Director

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

COMPANY SECRETARY

Ms. Cheng Sau Man had been appointed as the Company Secretary from 15 April 2016 to 2 June 2017. With effect from 2 June 2017 and to the date of this report, Mr. Yeung Tze Long has been appointed as the Company Secretary in place of Ms. Cheng Sau Man. The Company Secretary reports directly to the Board. All the Directors have easy access to the Company Secretary and responsibility of the Company Secretary is to ensure the Board meetings are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advices with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of disclosable transactions, connected transactions and inside information.

The Company Secretary, Mr. Yeung Tze Long, had taken no less than 15 hours of relevant professional training during the year ended 31 December 2017.

INVESTORS RELATIONSHIP

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

During the year ended 31 December 2017, the Company did not make any significant changes to its memorandum and Articles of Association.

COMMUNICATION WITH SHAREHOLDERS

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

Procedures for directing Shareholders' enquiries to the Board

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

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

Procedures for putting forward proposals at general meetings by Shareholders

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

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

REPORTING SCOPE

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

This report covers the financial year ended 31 December 2017 ("the current year") and coincides with that of the Company's 2017 annual report.

This report is compiled pursuant to the Environmental, Social and Governance Reporting Guide under Appendix 27 of the Main Board Listing Rules of the Hong Kong Stock Exchange, with disclosures made pursuant to its requirement to "comply or explain" and certain "recommended disclosures" and having extended the reporting scope for the current year to key performance indicators.

COMMUNICATION WITH STAKEHOLDERS

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

A ENVIRONMENTAL

Aspect A.1 Emissions

Among the global community focusing increasingly on reducing the dependence on conventional fossil fuels to mitigate global warming caused by greenhouse gases, China has also identified wind power generation as a key component of national economic growth. The Company recognises that clean energy has become an indispensable part of the environment and economy for the country and even the globe. The Company is committed to developing wind farm projects to provide the state power grid with clean and renewable energy, easing the dependence on conventional fossil fuels and hence effectively avoiding greenhouse gas emissions. The Company invests resources so as to progressively improve wind power capacity and integrates environmental management into each level of its operational strategies.

The main type of hazardous waste generated by wind farms is related to lubricant oil and its associated wastes such as lubricant oil containers. Lubricant oil, as used mainly for lubrication of turbines, is applied by technicians on an adequate basis according to maintenance requirements to avoid unnecessary waste oil. The Company also engages appropriate and qualified contractor to properly handle the materials contaminated with lubricant oil and recycle and dispose of the lubricant oil containers in strict accordance with regulation requirements, so as to effectively reduce and manage hazardous wastes in all aspects.

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

Total greenhouse gas emissions and intensity of Hongsong Wind Farm

Greenhouse Gas Emissions The calculation scope includes the consumption of electric oil and diesel oil by mobile sources, the consumption of diesel oil by fixed sources, and electricity power consumption	2,915.36 tonnes of carbon dioxide equivalent
Average greenhouse gas emissions per kWh production	3.43 grams of carbon dioxide equivalent/kWh

Greenhouse gas emissions avoided by wind power generation of Hongsong Wind Farm

Power generation	850,490,000 kWh
Greenhouse gas emissions avoided	850,490 tonnes of carbon dioxide equivalent

Hongsong Wind Farm's total hazardous wastes generated and intensity

Total hazardous wastes	31.2 tonnes (waste lubricant oil or the wastes containing waste lubricant oil)
Average hazardous wastes per unit of power generation	0.037 g/kWh

Aspect A.2 Use of Resources

As a company providing and generating clean energy, the Company also attaches great importance to the efficient use of all kinds of natural resources. The Company seeks to constantly improve the efficiency of resource utilisation from all aspects covering resource recovery, energy saving, moving towards to electronic means and water conservation. Oil containers used in the lubrication of wind turbines in the wind farms are recycled, to reduce wastes and utilise resources in an appropriate and effective manner. The Company also uses high-efficiency heat pumps that could reduce more than 50 tonnes of standard coal consumption annually. Moreover, for the efficient use of electricity, the following measures are adopted:

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

- Air conditioner temperatures in Company's offices are set within 25°C
- Idle office equipment such as computer displays, printers and so on are switched off at the end of the working day

In view of the burden on forest resources from paper used in offices, the Company takes initiatives to conserve paper using and move towards to electronic means. Whenever feasible, all paper should be used on both sides and file-sharing should be done using digital versions to reduce paper consumption in the course of day operation, amounting to substantive action towards the protection of valuable forest resources.

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

Hongsong Wind Farm's direct and indirect energy consumption in total and intensity

Energy type	**Energy consumption**
Electricity power	2,698,390 kWh
Diesel oil	369,755 kWh
Electric oil	462,996 kWh
Total	3,517,796 kWh
Average energy consumption to power generation ratio	0.0041

Hongsong Wind Farm's water consumption in total and intensity

Total water consumption	5,137 cubic metres
Average water consumption per unit of power generation	6 mL/kWh

Aspect A.3 Environment and Natural Resources

The Company seeks to achieve desirable environmental protection in the construction and operation stages of wind farms. The construction of wind farms generally requires the use of significant land resources, where noise is generated during the wind farm operation and waste oil-related wastes are also generated from turbine maintenance. In site selection, the Company gives full consideration to the site's ecological value, impact on surrounding areas and the susceptible groups, and ensures that all constructions have environmental assessment approvals issued by regulatory authorities and conform to national environmental protection policies. The Company also abides by the operational requirements, including the handling of wastes related to lubricant oil in accordance with national laws and regulations, to minimise the potential environmental impact and maximise the benefit of clean wind power.

B SOCIAL

Aspect B.1 Employment

The Company emphasizes the protection of employees' legitimate rights and interests in employment. Employees are provided with equal opportunities, regardless of individual gender, marital status, family status and disability. To ensure employees are sufficiently respected and protected, the Company's employee handbook clearly sets out anti-discrimination guidance and the principle of equal opportunities.

The Company has formulated the Labour Contract Management Methods based on the Labour Law of the PRC, the Labour Contract Law of the PRC and other relevant laws and regulations in the PRC, with reference to its actual operating conditions. This helps to govern the Company's management of labour contracts and strengthen the bilateral bond with employees. In circumstances where a labour contract ends or is terminated according to the stipulations of the contract, the Company will provide financial compensation to the employee according to law.

The Company attaches importance to the fair and objective evaluation of employee performance. The Attendance Management System formulated in accordance with relevant national regulations ensures regular production and working. The well-established internal rules help to reinforce labour discipline, improve man-hour utilisation and labour efficiency, and protect employees' right to rest periods and vacations. The Company has also established Administrative Measures on Employee Performance to fully assess employee contribution to the Company and provide an objective and reliable basis for remuneration decision, education and training, promotion, reward and recognition, etc..

The Company participates in social insurance programmes as per national and relevant local social insurance legislation, regulations and policies by contributing to employee social insurance premiums according to law. During the employment period, every employee receives appropriate remuneration with sufficient compensation for rest period, vacation, sickness, injury and occupational disease, as well as childbirth benefit and death compensation. Durations and remuneration levels for periods of medical treatment, pregnancy, childbirth and lactation all comply with relevant laws and regulations.

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

Hongsong Wind Farm's total number of employees by gender at the end of the current year

Male	84
Female	15
Total	99

Hongsong Wind Farm's total number of employees by employment type at the end of the current year

Full time	99
Part time	0
Total	99

Hongsong Wind Farm's total number of employees by age group at the end of the current year

Aged 18 — 30	49
Aged 31 — 45	50
Aged 46 — 60	0
Aged 61 or above	0
Total	99

Aspect B.2 Health and Safety

The Company attaches great importance to occupational health and safety. The Company implements the Labour Law of the PRC and standards relating to occupational health in the wind power industry, formulating Safety Education and Training System, Work Safety Supervision System, Safety Hazard Screening System, Labour Protection System and Occupational Health Inspection System to fully guarantee advanced levels of occupational safety through systems, education, inspection and so on.

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

The Company achieves top-down supervision of work safety pursuant to the Work Safety Supervision System as well as supervision and guidance from local government regulatory departments. Accident risks in workplaces and equipment are screened, registered or eliminated in accordance with the Safety Hazard Screening System.

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

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

Hongsong Wind Farm's number and rate of work-related fatalities and lost days due to work injury

Number of work-related fatalities	None
Rate of work-related fatalities	0%
Lost days due to work injury	0 man-day

Aspect B.3 Development and Training

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

Hongsong Wind Farm's monthly average percentage of trained employees by gender, and monthly average training hours per employee during the current year

	Monthly average percentage of trained employees by gender during the year	Monthly average training hours per employee during the year
Male	90%	5.39 hours
Female	80%	5 hours

Aspect B.4 Labour Standards

The Company believes that ethical operation practices can ensure long-term business growth, and child labour and forced labour are strictly prohibited. Identification of candidates is rigorously inspected at the recruitment stage to ensure they are at least 18 years of age, and their biographical information is checked by comparing their educational background with queries to the website designated by the Ministry of Education. The employment contract with the Company clearly specifies working hours, deliverables, job descriptions, labour protection measures and so on, so that the employees can commence their work in full awareness and consensus. The Company prohibited all forms of forced labour and exploitation of labour and ensures all employees work under voluntary circumstances. Recruitment is also fair and voluntary, prohibiting employee recruitment by any coerced or fraudulent means.

The Company had no case of child labour or forced labour during the current year.

Aspect B.5 Supply Chain Management

The Company's business department verifies suppliers' legal and regulatory compliance before engaging their services. This step includes verifying their legal entity qualification, rights and legitimacy to undertake the supply contract, the management system including quality assurance, contractual capacity and credit standing. The supplier's reputation and track record in environmental management and social responsibility are also considered during the process, to allow the Company to review and control environmental and social risks in the supply chain. A comparison is then made among the qualifications and relevant information of multiple suppliers to ensure the performance of those selected meets requirements of the Company. In addition, past cooperation with suppliers is evaluated on the basis of quality of deliverables, promptness, after-sales service, etc., thereby facilitating their continual improvements.

Aspect B.6 Product Responsibility

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

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

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

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

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

Aspect B.7 Anti-corruption

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

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

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

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

Aspect B.8 Community Investment

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

OUTLOOK

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

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Hong Kong

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

OPINION

We have audited the consolidated financial statements of China Ruifeng Renewable Energy Holdings Limited and its subsidiaries (the "Group") set out on pages 69 to 169, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Carrying amount of property, plant and equipment	
The Group's property, plant and equipment measured at cost less accumulated depreciation and impairment amounted to approximately RMB1,638,513,000 as at 31 December 2017. We identified this balance as a key audit matter because of the Group has a material operational asset base and the balance is significant to the consolidated financial statements. Management has assessed the recoverable amount of property, plant and equipment at 31 December 2017 and concluded that the carrying values remain appropriate. These conclusions were based on value in use models valuation performed by an independent professional valuer (the "valuer") engaged by the Group, requiring significant management judgement over the key sources of estimate assumptions as set out in note 32 in the consolidated financial statements.	Our procedures in relation to management's impairment assessment included: • We assessed the competence, capabilities and objectivity of the independent professional valuer. • We assessed the appropriateness of the valuation methodology. • We assessed the reasonableness of key assumptions based on our knowledge of the business and industry. • We consulted our firm's external expert evaluating the valuation report. • We reconciled input data to supporting evidence, such as latest financial forecasts approved by the management and considering the reasonableness of these forecasts. • We evaluated the adequacy of financial statement disclosures.

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

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditors' report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 28 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	3	**389,996**	369,150
Cost of sales		**(213,133)**	(224,313)
Gross profit		**176,863**	144,837
Other revenue and net income	4	**55,371**	54,556
Administrative expenses		**(56,163)**	(72,749)
Profit from operations		**176,071**	126,644
Finance costs	5(a)	**(121,541)**	(118,143)
Share of profits less losses of associates		**2,554**	2,351
Share of losses of a joint venture		**(1,240)**	(15)
Profit before taxation	5	**55,844**	10,837
Income tax	6	**(31,719)**	(22,042)
Profit/(loss) for the year		**24,125**	(11,205)
Attributable to:			
Equity shareholders of the Company		**(7,090)**	(38,217)
Non-controlling interests		**31,215**	27,012
Profit/(loss) for the year		**24,125**	(11,205)
Loss per share attributable to the owners of the Company during the year			
Basic and diluted (RMB)	9	**(0.004)**	(0.022)

The notes on pages 76 to 169 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	RMB'000	*RMB'000*
Profit/(loss) for the year	**24,125**	(11,205)
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of operations outside the PRC	**13,714**	9,300
Net movement in the fair value change in respect of available-for-sale investments	**2,481**	—
Other comprehensive income for the year (net of tax)	**16,195**	9,300
Total comprehensive income for the year	**40,320**	(1,905)
Total comprehensive income attributable to:		
Equity shareholders of the Company	**8,384**	(28,917)
Non-controlling interests	**31,936**	27,012
Total comprehensive income for the year	**40,320**	(1,905)

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

The notes on pages 76 to 169 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	12	**1,638,513**	1,784,627
Lease prepayments	13	**10,405**	10,803
Interests in associates	15	**91,790**	77,306
Interest in a joint venture	16	**7,354**	8,594
Available-for-sale investments	17	**18,710**	6,229
		1,766,772	1,887,559
Current assets			
Trading securities	18	**1,012**	7,806
Trade and other receivables	19	**578,197**	461,374
Lease prepayments	13	**398**	398
Cash and cash equivalents	20	**104,495**	266,841
		684,102	736,419
Current liabilities			
Trade and other payables	21	**120,157**	112,165
Borrowings	22	**509,484**	611,011
Current taxation	26(a)	**8,188**	6,886
		637,829	730,062
Net current assets		**46,273**	6,357
Total assets less current liabilities		**1,813,045**	1,893,916
Non-current liabilities			
Borrowings	22	**847,247**	942,678
Deferred tax liabilities	26(b)	**32,033**	34,763
		879,280	977,441
Net assets		**933,765**	916,475

Consolidated Statement of Financial Position

At 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Capital and reserves	27		
Share capital		**15,677**	15,677
Reserves		**666,323**	635,646
Total equity attributable to equity shareholders of the Company		**682,000**	651,323
Non-controlling interests		**251,765**	265,152
Total equity		**933,765**	916,475

Approved and authorised for issue by the board of directors on 28 March 2018.

Zhang Zhixiang
Director

Peng Ziwei
Director

The notes on pages 76 to 169 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Translation reserve RMB'000	Share-based payment reserve RMB'000	Convertible notes reserve RMB'000	Fair value reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016		13,182	1,274,346	19,348	(10,926)	21,147	–	–	(849,804)	467,293	244,738	712,031
Changes in equity for 2016:												
(Loss)/profit for the year		–	–	–	–	–	–	–	(38,217)	(38,217)	27,012	(11,205)
Other comprehensive income		–	–	–	9,300	–	–	–	–	9,300	–	9,300
Total comprehensive income for the year		–	–	–	9,300	–	–	–	(38,217)	(28,917)	27,012	(1,905)
Transfer to statutory reserves		–	–	9,480	–	–	–	–	(9,480)	–	–	–
Issue of shares upon open offer	*27(b)(ii)*	2,495	184,616	–	–	–	–	–	–	187,111	–	187,111
Share issue expenses		–	(4,626)	–	–	–	–	–	–	(4,626)	–	(4,626)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	97	97
Disposal of a subsidiary	*29*	–	–	–	–	–	–	–	1,803	1,803	(6,697)	(4,894)
Issue of convertible notes		–	–	–	–	–	34,324	–	–	34,324	–	34,324
Recognition of deferred tax liabilities relating to issuance of the convertible notes		–	–	–	–	–	(5,663)	–	–	(5,663)	–	(5,663)
Acquisition of non-controlling interests		–	–	–	–	–	–	–	(2)	(2)	2	–
Balance at 31 December 2016 and 1 January 2017		15,677	1,454,336	28,828	(1,626)	21,147	28,661	–	(895,700)	651,323	265,152	916,475
Changes in equity for 2017:												
(Loss)/profit for the year		–	–	–	–	–	–	–	(7,090)	(7,090)	31,215	24,125
Other comprehensive income		–	–	–	13,714	–	–	1,760	–	15,474	721	16,195
Total comprehensive income for the year		–	–	–	13,714	–	–	1,760	(7,090)	8,384	31,936	40,320
Transfer to statutory reserves		–	–	20,374	–	–	–	–	(20,374)	–	–	–
Acquisition of non-controlling interests		–	–	–	–	–	–	–	(2)	(2)	(98)	(100)
Extinguishment upon extension of the convertible notes		–	–	–	–	–	(28,661)	–	28,661	–	–	–
Recognition upon extension of the convertible notes		–	–	–	–	–	26,701	–	–	26,701	–	26,701
Recognition of deferred tax liabilities relating to extension of the convertible notes		–	–	–	–	–	(4,406)	–	–	(4,406)	–	(4,406)
Dividends to non-controlling interests		–	–	–	–	–	–	–	–	–	(45,225)	(45,225)
Balance at 31 December 2017		**15,677**	**1,454,336**	**49,202**	**12,088**	**21,147**	**22,295**	**1,760**	**(894,505)**	**682,000**	**251,765**	**933,765**

The notes on pages 76 to 169 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Profit before taxation		**55,844**	10,837
Adjustments for:			
Depreciation for property, plant and equipment		**157,887**	162,019
Gain on disposal of property, plant and equipment		**(20)**	(1)
Gain on disposal of a subsidiary		**—**	(15,909)
Gain on bargain purchase of acquisition of an associate		**(1,719)**	—
Impairment loss on trade and other receivables		**4,269**	2,361
Impairment loss on goodwill		**—**	826
Amortisation of lease prepayments		**398**	438
Interest income		**(12,783)**	(9,151)
Share of profits less losses of associates		**(2,554)**	(2,351)
Share of losses of a joint venture		**1,240**	15
Interest expenses		**121,541**	118,143
Net realised and unrealised loss/(gain) on trading securities		**1,121**	(339)
Operating cash flows before movements in working capital		**325,224**	266,888
Decrease/(increase) in trading securities		**5,673**	(7,467)
Increase in trade and other receivables		**(79,945)**	(253,788)
Increase in amount due from non-controlling interest		**(1,530)**	(3,300)
Increase in amount due from an associate		**(1,748)**	(23,023)
Decrease in amount due from a former subsidiary		**1,613**	4,301
Increase in trade and other payables		**3,657**	188,347
Increase in amount due to directors		**322**	183
Cash generated from operations		**253,266**	172,141
PRC Enterprise Income Tax paid		**(33,086)**	(25,026)
Net cash from operating activities		**220,180**	147,115

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Investing activities			
Payments for the purchase of property, plant and equipment		**(11,928)**	(114,362)
Payments for acquisition of the available-for-sale investment		**(10,000)**	—
Payments for the capital injection to an associate		**(400)**	(64,500)
Payments for acquisition of an associate		**(9,811)**	(600)
Payments for acquisition of non-controlling interests		**(100)**	—
Payments of acquisition of investment in a joint venture		**—**	(8,609)
Cash inflow from disposal of a subsidiary		**—**	27,270
Cash outflows for acquisition of subsidiaries		**—**	(5,265)
Interest received		**6,583**	4,181
Proceeds from disposal of property, plant and equipment		**156**	53
(Increase)/decrease in loan receivables		**(38,044)**	3,431
Net cash used in investing activities		**(63,544)**	(158,401)
Financing activities			
Proceeds from new bank loans and other loans		**467,622**	358,815
Proceeds from issue of bonds		**16,411**	9,219
Proceeds from issue of convertible notes		**—**	142,342
Proceeds from issue of shares upon open offer		**—**	182,485
Repayments of bank loans and other loans		**(651,774)**	(487,223)
Other borrowing costs paid		**(93,464)**	(101,294)
Dividends paid to non-controlling interests		**(40,673)**	—
Net cash (used in)/from financing activities		**(301,878)**	104,344
Net (decrease)/increase in cash and cash equivalents		**(145,242)**	93,058
Cash and cash equivalents at 1 January		**266,841**	143,747
Effect of foreign exchange rate changes		**(17,104)**	30,036
Cash and cash equivalents at 31 December	*20(a)*	**104,495**	266,841

The notes on pages 76 to 169 form part of these consolidated financial statements.

1 GENERAL INFORMATION

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

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in note 14.

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and a joint venture.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— financial instruments classified as available-for-sale or as trading securities (see note 2(g)); and

— derivative financial instruments (see note 2(h)).

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 32.

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 20(b) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

(e) Associates and a joint venture

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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

(f) Goodwill

Goodwill represents the excess of

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in equity securities

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Derivative financial instruments

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

(i) Property, plant and equipment

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

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

— other items of plant and equipment.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

(j) Lease prepayments

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets

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

(i) Classification of assets leased to the group

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

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(ii) Impairment of other assets

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

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

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

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

— Reversals of impairment losses

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

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

(m) Trade and other receivables

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Convertible notes

(i) Convertible notes that contain an equity component

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Convertible notes *(continued)*

(ii) Other convertible notes

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

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

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

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

(o) Borrowings

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

(p) Trade and other payables

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Cash and cash equivalents

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

(r) Employee benefits

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Employee benefits *(continued)*

(ii) Share-based payments

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

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

(iii) Termination benefits

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

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

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

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

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

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

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

  — the same taxable entity; or

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Provisions and contingent liabilities

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

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

(u) Revenue recognition

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

(i) Sale of electricity

Electricity revenue is recognised when electricity is supplied to the provincial grid companies. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Revenue recognition *(continued)*

(iii) Interest income

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

(iv) Dividends

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

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

(v) Government grants

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

(v) Translation of foreign currencies

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Translation of foreign currencies *(continued)*

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

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

(w) Borrowing costs

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Segment reporting

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

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

3 REVENUE

The principal activity of the Group is wind power generation.

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

	2017	2016
	RMB'000	*RMB'000*
Sales of electricity	**389,996**	369,150

4 OTHER REVENUE AND NET INCOME

	2017 RMB'000	2016 RMB'000
Interest income on financial assets not at fair value through profit or loss	**12,783**	9,151
Government subsidy income related to value added tax refund	**24,064**	26,867
Gain on bargain purchase for the acquisition of an associate	**1,719**	—
Gain on disposal of a subsidiary	**—**	15,909
Gain on disposal of property, plant and equipment	**20**	1
Net realised and unrealised (loss)/gain on trading securities	**(1,121)**	339
Net foreign exchange gains	**12,461**	—
Rental income from operating leases	**2,474**	2,126
Others	**2,971**	163
	55,371	54,556

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		2017	2016
		RMB'000	*RMB'000*
(a)	**Finance costs:**		
	Interest expenses on bank loans and other loans	**68,764**	87,646
	Interest expenses on bonds	**13,837**	12,026
	Interest expenses on convertible notes *(note 22(b)(ii))*	**38,931**	18,462
	Finance charges on obligations under finance lease	**9**	9
	Total Interest expenses on financial liabilities not at fair value through profit or loss	**121,541**	118,143
(b)	**Staff costs (including directors' remuneration):**		
	Contributions to defined contribution retirement plans	**3,578**	3,078
	Salaries, wages and other benefits	**35,830**	31,833
		39,408	34,911
(c)	**Other items:**		
	Amortisation of lease prepayments	**398**	438
	Impairment losses:		
	— trade and other receivables (included in administrative expenses) *(note 19)*	**4,269**	2,361
	— goodwill	**—**	826
	Depreciation for property, plant and equipment		
	— owned assets	**157,796**	161,930
	— assets held for own use under finance lease	**91**	89
	Net foreign exchange (gains)/losses	**(12,461)**	23,416
	Auditors' remuneration		
	— audit services	**973**	1,021
	Operating lease charges		
	— minimum lease payments in respect of property rentals	**4,225**	3,094
	— minimum lease payments in respect of rentals of motor vehicle	**2,182**	185
	Gain on disposal of a subsidiary	**—**	(15,909)
	Gain on disposal of property, plant and equipment	**(20)**	(1)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2017	2016
	RMB'000	*RMB'000*
Current tax — PRC Enterprise Income Tax		
Provision for the year	**34,359**	26,305
Under-provision in respect of prior years	**29**	1,015
Withholding tax		
Provision for the year	**4,298**	—
Deferred tax		
Origination and reversal of temporary differences *(note 26(b))*	**(6,967)**	(5,278)
	31,719	22,042

No provision of Hong Kong Profits Tax had been made as the Group's profit neither arises in, nor is derived from Hong Kong during the year (2016: Nil).

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

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

Except for mentioned as above, the applicable income tax rate to the Group's PRC subsidiaries is 25% in 2017 and 2016.

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

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

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

	2017	2016
	RMB'000	*RMB'000*
Profit before taxation	**55,844**	10,837
Notional tax on profit before taxation, calculated at the rates applicable to profits in PRC of 25%	**13,961**	2,709
Tax effect of non-deductible expenses	**28,572**	33,277
Tax effect of non-taxable income	**(3,495)**	(2,526)
Tax effect of tax loss not recognised	**2,252**	321
Tax effect of tax concessions in the PRC	**(6,931)**	(7,476)
Under-provision in prior years	**29**	1,015
Withholding tax	**4,298**	—
Deferred tax	**(6,967)**	(5,278)
Actual tax expense	**31,719**	22,042

7 DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

Year ended 31 December 2017

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	2017 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Zhang Zhixiang					
(Chief Executive Officer)	—	1,991	254	16	2,261
Ning Zhongzhi	—	820	152	112	1,084
Li Tian Hai	—	1,071	—	16	1,087
Peng Ziwei	—	626	—	10	636
Independent non-executive directors					
Wong Wai Ling	157	1	—	—	158
Qu Weidong	130	1	—	—	131
Hu Xiaolin	130	1	—	—	131
	417	4,511	406	154	5,488

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

Year ended 31 December 2016

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

Notes:

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2017 (2016: Nil).

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2016: three) were directors of the Company whose emoluments are disclosed in note 7 above. The aggregate of the emoluments in respect of the remaining two (2016: two) individuals are as follows:

	2017	2016
	RMB'000	*RMB'000*
Salaries and other benefits	**1,465**	2,391
Retirement scheme contributions	**129**	30
	1,594	2,421

The emoluments of the two (2016: two) individuals with the highest emolument are within the following bands:

	2017	2016
	Number of Individuals	*Number of Individuals*
HKD		
Nil – 1,000,000	**2**	1
1,000,001 – 1,500,000	**—**	—
1,500,001 – 2,000,000	**—**	1

During the year, no emolument or incentive payments were paid to the directors, the chief executive and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

9 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB7,090,000 (2016: approximately RMB38,217,000).

The weighted average of approximately 1,799,141,000 ordinary shares (2016: approximately 1,713,936,000 ordinary shares) in issue during the year, calculated as follows:

(i) Weighted average number of ordinary shares

	2017	2016
	'000	*'000*
Issued ordinary shares at 1 January	**1,799,141**	1,499,284
Effect of issue of shares upon open offer	**—**	214,652
Weighted average number of ordinary shares at 31 December	**1,799,141**	1,713,936

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2017 and 2016 is not presented because (i) the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise price of those share options are higher than the average market prices of the Company's shares during the year; and (ii) the impact of the convertible notes outstanding has an anti-dilutive effect on the basic loss per share amounts presented.

10 DIVIDENDS

No dividend has been declared or paid by the Company for the year ended 31 December 2017 (2016: Nil).

11 SEGMENT REPORTING

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

For the years ended 31 December 2017 and 2016, the Group has one segment of using wind turbine blades to generate electricity power in the People's Republic of China (the "PRC").

(a) Segment results, assets and liabilities

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

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

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

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

11 SEGMENT REPORTING *(continued)*

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

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

Information regarding the Group's reportable segment as provided to the Group's chief executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2017 and 2016 is set out below.

For the year ended 31 December 2017:

	Wind farm operations *RMB'000*	Un-allocated *RMB'000*	Total *RMB'000*
Reportable segment revenue	**389,996**	—	**389,996**
Reportable segment profit	**136,087**	**23,077**	**159,164**
Central administrative costs	—	**(30,589)**	**(30,589)**
Central finance costs	—	**(72,731)**	**(72,731)**
Profit before taxation			**55,844**
Income tax			**(31,719)**
Profit for the year			**24,125**

11 SEGMENT REPORTING *(continued)*

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

For the year ended 31 December 2016:

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

11 SEGMENT REPORTING *(continued)*

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

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

For the year ended 31 December 2017:

	Wind farm operations *RMB'000*	Un-allocated *RMB'000*	Total *RMB'000*
Depreciation and amortisation for the year	(157,412)	(873)	(158,285)
Impairment losses on trade and other receivables	(1,753)	(2,516)	(4,269)
Interest income	5,854	6,929	12,783
Share of losses of a joint venture	—	(1,240)	(1,240)
Share of profits less losses of associates	(297)	2,851	2,554
Additions to non-current segment assets during the year	11,782	146	11,928

As at 31 December 2017:

	Wind farm operations *RMB'000*	Un-allocated *RMB'000*	Total *RMB'000*
Assets	2,179,802	171,928	2,351,730
Associates	702	91,088	91,790
Joint venture	—	7,354	7,354
Reportable segment assets	2,180,504	270,370	2,450,874
Reportable segment liabilities	(962,466)	(554,643)	(1,517,109)

11 SEGMENT REPORTING *(continued)*

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

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

For the year ended 31 December 2016:

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

As at 31 December 2016:

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

11 SEGMENT REPORTING *(continued)*

(b) Geographic information

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

(c) Information about a major customer

For the year ended 31 December 2017, revenue of approximately RMB389,996,000 (2016: approximately RMB369,150,000) was made to a single customer attributable to the wind farm operation segment comprising 100% (2016: 100%) of the total revenue of the Group.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Generators and related equipment	Plant and machinery	Equipment, furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2016	52,180	2,538,043	5,251	8,085	3,143	86,332	2,693,034
Additions	—	3,257	201	389	628	109,887	114,362
Exchange realignment	—	—	—	72	30	—	102
Disposals	—	—	—	(28)	(70)	—	(98)
Acquisition of a subsidiary	—	—	—	—	76	—	76
Disposal of a subsidiary	—	(228,848)	(327)	—	(84)	(177,083)	(406,342)
At 31 December 2016 and 1 January 2017	52,180	2,312,452	5,125	8,518	3,723	19,136	2,401,134
Additions	—	876	—	2,605	724	7,723	11,928
Exchange realignment	—	—	—	(80)	(33)	—	(113)
Disposals	—	(107)	—	—	(356)	—	(463)
At 31 December 2017	52,180	2,313,221	5,125	11,043	4,058	26,859	2,412,486
Accumulated depreciation and impairment:							
At 1 January 2016	7,727	442,778	3,099	3,604	1,338	—	458,546
Charge for the year	2,555	157,478	578	976	432	—	162,019
Exchange realignment	—	—	—	60	15	—	75
Written back on disposal	—	—	—	(27)	(19)	—	(46)
Disposal of a subsidiary	—	(4,027)	(50)	—	(10)	—	(4,087)
At 31 December 2016 and 1 January 2017	10,282	596,229	3,627	4,613	1,756	—	616,507
Charge for the year	2,555	153,512	557	848	415	—	157,887
Exchange realignment	—	—	—	(72)	(22)	—	(94)
Written back on disposal	—	(87)	—	—	(240)	—	(327)
At 31 December 2017	12,837	749,654	4,184	5,389	1,909	—	773,973
Net book value:							
At 31 December 2017	**39,343**	**1,563,567**	**941**	**5,654**	**2,149**	**26,859**	**1,638,513**
At 31 December 2016	41,898	1,716,223	1,498	3,905	1,967	19,136	1,784,627

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2017, the Group has pledged its certain property, plant and equipment with carrying values of approximately RMB1,033,044,000 (2016: approximately RMB1,033,320,000) to secure its bank and other loans (notes 22 and 23).

At the end of the reporting period, the net book value of the Group's motor vehicle held under the finance lease was approximately RMB109,000 (2016: approximately RMB212,000).

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

13 LEASE PREPAYMENTS

The Group's lease prepayments comprise:

	2017	2016
	RMB'000	*RMB'000*
Land in PRC:		
Medium term lease	**10,803**	11,201
Analysed for reporting purpose as:		
Current assets	**398**	398
Non-current assets	**10,405**	10,803
	10,803	11,201

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

At 31 December 2017, the Group has pledged its lease prepayments with a carrying value of approximately RMB2,143,000 (2016: RMB2,256,000) to secure its bank loans (note 23).

14 INVESTMENTS IN SUBSIDIARIES

Details of subsidiaries at 31 December 2017 are as follows. The class of shares held is ordinary unless otherwise stated.

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

14 INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment	Place of operations	Particulars of issued and fully paid share capital/ registered capital	Proportion of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Hebei Hongsong Renewable Energy Investment Co., Ltd.[2 ^] 河北紅松新能源投資有限公司	PRC	PRC	Registered capital RMB171,720,000	—	79.06%	Investment holding
Hebei Hongsong Wind Power Co., Ltd.[3 ^] 河北紅松風力發電股份有限公司	PRC	PRC	Registered capital RMB910,000,000	—	86.55%	Wind farm operation
Chengde Hongsong Yun Wei Electrical and Equipment Installation Co., Ltd[2] (previously named as"Heibei Quan Tai Electrical and Mechanical Equipment Maintenance Co., Ltd.")[2] 承德紅松運維機電設備安裝有限公司（前身為河北全泰機電設備維修有限公司）	PRC	PRC	Registered capital RMB3,000,000	—	79.06%	Electrical and mechanical equipment maintenance
Hong Song Holdings Limited	BVI	HK	Ordinary share USD1	100%	—	Investment holding
Sino Renewable Energy Holdings Company Limited	BVI	HK	Ordinary share USD1	100%	—	Investment holding
Redwood Group Limited 紅松集團有限公司	HK	HK	Ordinary share HKD1	—	100%	Investment holding
Asia Renewable Energy Company Limited 亞洲新生能源有限公司	HK	HK	Ordinary share HKD1	—	100%	Investment holding
World Business Limited 環宇國际商務有限公司	HK	HK	Ordinary shares HKD10,000	—	100%	Investment holding

14 INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment	Place of operations	Particulars of issued and fully paid share capital/ registered capital	Proportion of issued/registered capital held by the Company Directly	Indirectly	Principal activities
Zhuhai Dong Fang Renewable Energy Limited 珠海東方新生能源有限公司[1]	PRC	PRC	Registered capital RMB100,000	–	100%	Investment holding
承德紅松風力發電資詢服務有限公司[2]	PRC	PRC	Registered capital USD20,000	–	100%	Investment holding
承德紅松新能源技術服務有限公司[1]	PRC	PRC	Registered capital RMB30,000	–	100%	Investment holding
Tycoon Gold Limited 亨金有限公司	BVI	HK	Ordinary share USD1	100%	–	Inactive
北京銀風滙利投資有限公司[2]	PRC	PRC	Registered capital RMB360,000,000	–	100%	Investment holding
包頭市銀風滙利新能源投資有限公司[2]	PRC	PRC	Registered capital RMB123,000,000	–	100%	Wind farm operation
北京紅松創投科技發展有限公司[2]	PRC	PRC	Registered capital RMB9,000,000	–	100%	Investment holding
泰安捷盈融資租賃有限公司[2]	PRC	PRC	Registered capital USD50,000,000	–	100%	Financing and leasing
Well Ming Internotanal Limited 樺銘國際有限公司	HK	HK	Registered Capital HKD10,000	–	100%	Investment holding
Leading Win Credit Limited 領達信貸有限公司	HK	HK	Registered Capital HKD10,000	–	100%	Money lending business

1 wholly-owned foreign enterprise
2 private limited liability company
3 sino-foreign equity joint venture company
^ At 31 December 2017 and 2016, the issued shares/registered capital of these companies were pledged under shares charges to secured certain bank loans of the Group (note 22 and 23)
# At 31 December 2016, the issued shares/registered capital of the company was pledged under share charges to secured certain bank loans of the Group (note 22 and 23)

14 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following table lists out the information relating to Hongsong, a subsidiary of the Group which has a material non-controlling interests ("NCI"). The summarised financial information for the year ended 31 December 2017 and 2016 presented below represents the post-acquisition amounts before any inter-company elimination.

	At 31 December 2017	At 31 December 2016
Proportion of registered capital held by the Group	**86.55%**	86.55%
Proportion of ownership interests held by the Group	**70.97%**	70.97%
Proportion of registered capital held by NCI	**13.45%**	13.45%
Proportion of ownership interests held by NCI	**29.03%**	29.03%

	2017 ***RMB'000***	2016 *RMB'000*
Current assets	**408,223**	427,384
Non-current assets	**1,636,895**	1,787,725
Current liabilities	**342,349**	245,546
Non-current liabilities	**633,467**	851,660
Net assets	**1,069,302**	1,117,903
Carrying amount of NCI	**250,340**	264,455
Revenue	**389,996**	347,002
Profit for the year	**111,904**	82,983
Total comprehensive income	**114,385**	82,983
Profit allocated to NCI	**33,206**	24,090
Dividend paid to NCI	**47,321**	—
Cash flows generated from operating activities	**193,136**	246,561
Cash flows (used in)/generated from investing activities	**(4,304)**	74,357
Cash flows used in financing activities	**(277,848)**	(209,042)

15 INTERESTS IN ASSOCIATES

	2017	2016
	RMB'000	*RMB'000*
Cost of unlisted investments in associates	**86,883**	74,953
Share of post-acquisition profit	**4,907**	2,353
	91,790	77,306

Details of the associates as at 31 December 2017 are as follow:

			Proportion of ownership interest			
Name of associate	**Place of establishment and operation**	**Particulars of registered and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Shenzhen Qianhai Jiefeng Financing and Leasing Limited# 深圳前海捷豐融資租賃有限公司	PRC	Registered capital USD35,000,000 (of which USD24,725,696 has been paid up)	45.13%	—	49%	Financial leasing, purchase of leased assets, lease advisory and guarantees *(Note (i))*
紅松河北生物科技股份有限公司#	PRC	Registered capital RMB10,000,000 (of which RMB5,000,000 has been paid up)	20%	—	20%	Bio-technology promotion, food processing *(Note (i))*
Candice Group Limited 華君科技集團有限公司#	Cayman Islands/PRC	Registered capital HKD380,000 (of which HKD1,400 has been paid up)	20%	—	20%	Investment holding *(Note (ii))*

\# private limited liability company

Notes:

(i) The investment in associates enables the Group to have exposure to the market.

(ii) The Candice Group Limited and its subsidiaries principally engaged in trading of electronic products and enables the Group to have exposure to the market.

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

15 INTERESTS IN ASSOCIATES *(continued)*

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

	Assets	Liabilities	Equity	Revenue	Profit/ (Loss)
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
2017					
Shenzhen Qianhai Jiefeng and Leasing Limited					
100 per cent	**213,679**	**46,383**	**167,296**	**10,714**	**6,429**
The Group's effective interest	**96,433**	**20,933**	**75,500**	**4,835**	**2,901**
紅松河北生物科技股份有限公司					
100 per cent	**3,626**	**116**	**3,510**	**174**	**(1,483)**
The Group's effective interest	**725**	**23**	**702**	**35**	**(297)**
Candice Group Limited					
100 per cent	**100,984**	**44,881**	**56,103**	**121,199**	**(249)**
The Group's effective interest	**20,197**	**8,976**	**11,221**	**24,240**	**(50)**

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

On 28 September 2017, On Win Corporation Limited ("On Win"), a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with Huajun Logistics Co. Limited ("Huajun") and Gather Take Development Limited, to acquire 23% equity interests in Candice Group Limited ("Candice Group") in an aggregate consideration of approximately HKD9,462,000 (equivalent to approximately RMB8,059,000). On the same date, On Win entered into the subscription agreement with Candice Group, Mr. Ng Yuk Ping and Evergrace Fund Limited, to subscribe 28,000 shares of Candice Group at the subscription price of HKD411.39. On Win was subscribed 5,000 shares with a total consideration of approximately HKD2,057,000 (equivalent to approximately RMB1,752,000). These two transactions are inter-conditional and take place simultaneously. Upon completion of the transaction, the Group indirectly own 20% equity interest in Candice Group and recognised the bargain purchase of approximately RMB1,719,000.

16 INTEREST IN A JOINT VENTURE

	2017 RMB'000	2016 RMB'000
Cost of unlisted investments in a joint venture	**8,609**	8,609
Share of post-acquisition profit	**(1,255)**	(15)
	7,354	8,594

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

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

* private limited liability company

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

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenue RMB'000	Profit/(Loss) RMB'000
2017					
100 per cent	**15,122**	**875**	**14,247**	**213**	**(2,481)**
The Group's effective interest	**7,561**	**438**	**7,123**	**106**	**(1,240)**
2016					
100 per cent	17,888	4	17,884	—	(30)
The Group's effective interest	8,944	2	8,942	—	(15)

17 AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	RMB'000	*RMB'000*
Unlisted equity securities, at fair value *(note (ii))*	**8,710**	—
Unlisted equity securities, at cost *(note (i) and (ii))*	**10,000**	6,229
	18,710	6,229

This represents the Group's investments in unlisted equity securities of PRC companies.

Notes:

(i) Unlisted equity security, at cost

On 21 March 2017, an indirect wholly-owned subsidiary of the Company, 北京紅松創投科技發展有限公司(「紅松創投」), made a cash capital contribution of RMB10 million, approximately 6.45% of total capital contribution in a limited partnership established in the PRC. The investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors are of the opinion that fair values cannot be measured reliably.

The investee engaged in provision of assets management services in PRC.

At 31 December 2017, the management reviews the latest investee's financial position, observable data such as net asset value and consequently considers no objective evidence of impairment was identified. Accordingly, the directors of the Company consider no impairment should be recognised during the year ended 31 December 2017.

Investments in unlisted securities are held for an identified long term strategic purpose so the Group does not intend to dispose them in the foreseeable future.

Included in the unlisted equity security, the carrying value of approximately RMB6,229,000 in 2016, represents a 13% interest in an investee engaged in solar farm operations in PRC.

As at 31 December 2016, the unlisted equity security measured at cost less impairment since the investee was in pre-operation during the year ended 31 December 2016. The directors of the Company are of the opinion that the fair value cannot be measured reliably.

17 AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

Notes: (continued)

(ii) Unlisted equity security, at fair value

The unlisted equity security represents a 13% interest in an investee engaged in solar farm operations in PRC. Such investment was measured at cost less impairment as at 31 December 2016 since the investment was in pre-operation and fair value could not be measured reliably.

As at 31 December 2017, the unlisted equity security was measured at fair value since the investee commenced operation during the year ended 31 December 2017. An increase in fair value of the unlisted equity securities of approximately RMB2,801,000 (2016: Nil) was recognised in other comprehensive income under fair value reserve.

18 TRADING SECURITIES

	2017	2016
	RMB'000	*RMB'000*
Listed equity securities, at fair value		
— in PRC	**986**	7,806
— in HK	**26**	—
	1,012	7,806

19 TRADE AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables *(note (v))*	**192,796**	118,585
Less: allowance for doubtful debts	**(2,030)**	—
	190,766	118,585
Other receivables	**71,556**	84,172
Less: allowance for doubtful debts	**(8,239)**	(6,000)
	63,317	78,172
Loan receivables *(note (iv))*	**124,053**	86,979
Less: allowance for doubtful debts	**(9,000)**	(9,000)
	115,053	77,979
Amount due from an associate *(note (ii))*	**24,771**	23,023
Amount due from a former subsidiary *(note (iii))*	**32**	1,645
Amount due from non-controlling interest *(note (iii))*	**6,550**	5,020
Loans and receivables	**400,489**	304,424
Prepayments and deposits *(note (vi))*	**177,708**	156,950
	578,197	461,374

Notes:

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

(ii) As at 31 December 2017, the amount due from an associate with principal amount of RMB23,000,000 (2016: RMB23,000,000) was unsecured, bore interest at 10% per annum and repayable within nine months, the remaining balance was unsecured, interest-free and repayable on demand.

(iii) As at 31 December 2017 and 2016, the amount due from a former subsidiary and non-controlling interest were unsecured, interest-free and repayable on demand.

(iv) As at 31 December 2017 and 2016, the loan receivables from independent third parties were unsecured, bore interest at rates ranging from 7%-20% (2016: 5%-18%) per annum and repayable within one year.

(v) As at 31 December 2017, the Group has pledged certain of its trade receivables with carrying values of approximately RMB190,766,000 (2016: approximately RMB116,555,000) to secure its bank loans.

(vi) As at 31 December 2017 and 2016, the Group has pledged certain of its deposit with carrying values of RMB10,220,000 (2016: RMB11,000,000) to secure its other loan.

19 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis

Trade receivables are net of allowance for doubtful debts of approximately RMB2,030,000 (2016: Nil) with the following ageing analysis as of the end of the reporting period:

	2017	2016
	RMB'000	*RMB'000*
Within three months	**100,698**	46,121
More than three months but within one year	**82,238**	70,434
More than one year	**7,830**	2,030
	190,766	118,585

Trade receivables are due within 90 days (2016: 5-90 days) from the date of billing.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**—**	—
Impairment loss recognised	**2,030**	—
At 31 December	**2,030**	—

At 31 December 2017, trade receivables of the Group amounting to approximately RMB2,030,000 (2016: Nil) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over 90 days as at the end of the reporting period or related to customers that were in financial difficulties. The Group does not hold any collateral over these balances.

19 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Impairment of other receivables

As at 31 December 2017, other receivables of approximately RMB8,239,000 (2016: RMB6,000,000) were individually determined to be impaired. The individually impaired receivables related to debtors that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB8,239,000 (2016: RMB6,000,000) were recognised.

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

(d) Trade receivables that are not impaired

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

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**100,698**	46,121
Past due but not impaired		
— Less than three months past due	**15,064**	70,434
— More than three months but within one year past due	**67,174**	1,425
— More than one year past due	**7,830**	605
	190,766	118,585

Trade receivable that were (a) neither past due nor impaired or (b) past due but not impaired mainly relates to a power grid company for whom there was no recent history of default and has a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

20 CASH AND CASH EQUIVALENTS

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

	2017	2016
	RMB'000	*RMB'000*
Cash at bank and in hand	**104,495**	243,990
Time deposits	**—**	22,851
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	**104,495**	266,841

20 CASH AND CASH EQUIVALENTS *(continued)*

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans and other loans (Note 22) *RMB'000*	Bonds (Note 22) *RMB'000*	Convertible notes (Note 22) *RMB'000*	Obligation under finance lease (Note 22) *RMB'000*	Total *RMB'000*
At 1 January 2017	**1,306,139**	**120,311**	**127,075**	**164**	**1,553,689**
Changes from financing cash flows:					
Proceeds from new bank loans and other loans	467,622	—	—	—	467,622
Repayment of bank loans and other loans	(651,686)	—	—	—	(651,686)
Proceeds from issue of bonds	—	16,411	—	—	16,411
Capital elements of finance lease rentals paid	—	—	—	(88)	(88)
Interest elements of finance lease rentals paid	—	—	—	(9)	(9)
Other borrowing costs paid	(69,106)	(12,517)	(11,832)	—	(93,455)
Total changes from financing cash flows	(253,170)	3,894	(11,832)	(97)	(261,205)
Exchange realignment	(11,051)	(9,734)	(9,799)	(9)	(30,593)
Other changes:					
Finance charges on obligation under finance leases	—	—	—	9	9
Interest expenses	68,764	13,837	38,931	—	121,532
Recognition upon extension of the convertible notes	—	—	(26,701)	—	(26,701)
Total other changes	68,764	13,837	12,230	9	94,840
At 31 December 2017	**1,110,682**	**128,308**	**117,674**	**67**	**1,356,731**

Note: Bank loans and other borrowings consist of bank loans, loans from independent third parties as disclosed in note 22(b)(iii).

21 TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**25,980**	31,756
Other payables *(note (i))*	**89,118**	80,224
Amounts due to directors *(note (ii))*	**507**	185
Amounts due to non-controlling interest *(note (iii))*	**4,552**	—
Financial liabilities measured at amortised cost	**120,157**	112,165

Notes:

(i) As at 31 December 2017, the balance included in the other payables amounting of approximately RMB27,353,000 (2016: approximately RMB51,548,000) represented the outstanding payable to the vendors for the acquisition of equity interest in Hebei Hongsong Renewable Energy Investment Co., Ltd. to, in aggregate, approximately 76.98% by the Group in 2014.

(ii) As at 31 December 2017 and 2016, the amounts were unsecured, interest-free and repayable on demand.

(iii) As at 31 December 2017, the amounts were unsecured, interest-free and repayable on demand.

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

	2017	2016
	RMB'000	*RMB'000*
Within three months	**6,293**	20,896
More than three months but within one year	**14,375**	4,231
More than one year	**5,312**	6,629
	25,980	31,756

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

22 BORROWINGS

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

	2017	2016
	RMB'000	*RMB'000*
Bank loans *(note 23)*	**947,082**	1,141,963
Bonds *(note 22(b)(i))*	**128,308**	120,311
Convertible notes *(note 22(b)(ii))*	**117,674**	127,075
Other loans *(note 22(b)(iii))*	**163,600**	164,176
Obligation under finance lease *(note 22(c))*	**67**	164
	1,356,731	1,553,689
Analysis as:		
Current	**509,484**	611,011
Non-current	**847,247**	942,678
	1,356,731	1,553,689

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

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

(i) Bonds issued since July 2014

As at 31 December 2017, the Company issued unsecured bonds in an aggregated principle amount of HKD173,736,000 (2016: HKD155,236,000) with maturity period of one to seven years (2016: three to seven years). During the year, the Company issued unsecured bonds in a principle amount of HKD18,500,000 (2016: HKD11,000,000). The bonds carry fixed interest rate at 6%-7% (2016: 6%-7%) per annum and interest is payable in arrears yearly. As at 31 December 2017, the bonds are classified as current liabilities of approximately RMB6,235,000 and non-current liabilities of approximately RMB122,073,000 (2016: all bonds of approximately RMB120,311,000 were classified as non-current liabilities).

22 BORROWINGS *(continued)*

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

(ii) Convertible notes

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

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

Noteholders have the right on any business day during the conversion period to convert in whole or in part the outstanding principal amount of the convertible notes in whole or in integral multiples of HKD1,300,000 into conversion shares at an initial conversion price of HKD0.65 per conversion share (subject to adjustments), subject to and upon compliance with the term and conditions of the convertible notes.

On 12 December 2017, the Company and the noteholders entered into a deed of amendment (the "Amendment Deed") to extend the maturity date from 15 December 2017 to 15 June 2019. Save for the extension of the maturity date, all other terms and conditions of the convertible notes remained unchanged. The Amendment Deed has become unconditional on 15 December 2017 upon approval being received from the Stock Exchange.

The extension resulted in substantial modification of the terms of the convertible notes. On 15 December 2017, the liability component of the convertible notes before extension was extinguished with the corresponding original convertible notes reserve being transferred to the accumulated losses while the liability component of the convertible notes after extension was newly recognised with the fair value being determined by the prevailing market interest rate of similar non-convertible debts which has been ascertained by RHL Appraisal Limited. The residual amount was assigned as the equity component and included in shareholders' equity.

Interest expenses on the convertible notes before and after extension was calculated using the effective interest method by applying the effective interest rate of approximately 33.43% and 25% to the respective liability component.

22 BORROWINGS *(continued)*

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

(ii) Convertible notes *(continued)*

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

	Liability component ***RMB'000***	**Equity component** ***RMB'000***	**Total** ***RMB'000***
At 1 January 2016	—	—	—
Issued during the year	108,018	34,324	142,342
Recognition of deferred tax liabilities in respect of issuance of convertible notes	—	(5,663)	(5,663)
Interest expenses *(note 5(a))*	18,462	—	18,462
Exchange realignment	595	—	595
At 31 December 2016 and 1 January 2017	**127,075**	**28,661**	**155,736**
Interest expenses *(note 5(a))*	**38,931**	**—**	**38,931**
Settlement of interests	**(11,832)**	**—**	**(11,832)**
Extinguishment upon extension of the convertible notes	**(145,165)**	**(28,661)**	**(173,826)**
Recognition upon extension of the convertible notes	**118,464**	**26,701**	**145,165**
Recognition of deferred tax liabilities in respect of extension of the convertible notes	**—**	**(4,406)**	**(4,406)**
Exchange realignment	**(9,799)**	**—**	**(9,799)**
At 31 December 2017	**117,674**	**22,295**	**139,969**

22 BORROWINGS *(continued)*

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

(iii) Other loans

As 31 December 2017, the other loans were guaranteed as follows:

	2017	2016
	RMB'000	*RMB'000*
Secured *(note (a))*	**100,800**	104,176
Unsecured *(note (b))*	**50,000**	50,000
Guaranteed *(note (c))*	**12,800**	10,000
	163,600	164,176

Notes:

(a) At 31 December 2017, the Group had secured other loan of approximately RMB100,800,000 (2016: approximately 104,176,000) was secured by certain property, plant and equipment with the carrying value of approximately RMB147,173,000 (2016: approximately RMB59,770,000), a deposit with carrying values of RMB10,220,000 (2016: RMB11,000,000), and was guaranteed by Mr. Zhang Zhixiang, an Executive Director, and his wife and a wholly owned subsidiary of the Company. Other loan as at 31 December 2016 of approximately RMB104,176,000 was fully repaid during the current year.

(b) At 31 December 2017, the Group had unsecured other loan of RMB50,000,000 (2016: RMB500,000,000), bore interest at 7% per annum and repayable at 2019.

(c) At 31 December 2017, the Group had the other loan of (i) RMB10,000,000 (2016: RMB 10,000,000) which was guaranteed by Mr. Li Baosheng, a former executive director, bore interest at 10% per annum and repayable in 2018; and (ii) RMB2,800,000 (2016: Nil) which was guaranteed by Mr. Li Tian Hai, a Executive Director, bore interest at 36% per annum and was repayable in 2018.

22 BORROWINGS *(continued)*

(c) Obligation under finance lease

At 31 December 2017, the Group had obligations under finance leases repayable as follows:

	2017		2016	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Within 1 year	**67**	**73**	92	101
After 1 year but within 2 years	**—**	**—**	72	80
	—	**—**	72	80
	67	**73**	164	181
Less: total future interest expenses		**(6)**		(17)
Present value of lease obligations		**67**		164

Note:

(i) On 7 February 2018, the Group entered into a finance lease agreement with Hengqin Financial Investment Leasing Company Limited ("Hengqin FI") pursuant to which Hengqin FI agreed to lease the equipment to the Group for a period of sixty months at a total lease payment of approximately RMB154,960,000. The equipment were purchased on the same date by Hengqin FI from two suppliers selected by the Group at an aggregate consideration of approximately RMB159,657,000.

23 BANK LOANS

At 31 December 2017, the bank loans were repayable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year or on demand	**423,582**	408,963
After 1 year but within 2 years	**138,000**	209,500
After 2 years but within 5 years	**265,500**	371,500
More than 5 years	**120,000**	152,000
	947,082	1,141,963

As 31 December 2017, the bank loans were secured and guaranteed as follows:

	2017	2016
	RMB'000	*RMB'000*
Bank loans		
— secured *(note (a))*	**947,082**	1,141,963

Notes:

(a) At 31 December 2017, the Group's secured bank loans were secured by the following:

- — the Group's certain property, plant and equipment with carrying values of approximately RMB885,872,000 (2016: approximately RMB973,550,000);
- — the Group's certain lease prepayments with carrying values of approximately RMB2,143,000 (2016: approximately 2,256,000);
- — the Group's certain trade receivables with carrying values of approximately RMB190,766,000 (2016: approximately RMB116,555,000);
- — 308,867,000 ordinary shares of the Company owned by Diamond Era;
- — the shares charges over the issued shares capital of certain subsidiaries of the Company; and
- — personal guarantee provided by Mr. Zhang (2016: Mr. Li and his spouse, Mr. Zhang and his spouse) to the extent of the indebtedness of certain bank loans.

The average effective interest rate on secured bank loans approximated 5.82% (2016: approximated 6.70%) per annum.

(b) At 31 December 2017, except for the bank loans of approximately RMB185,840,000 (2016: approximately RMB221,184,000) which is denominated in United States dollars ("USD"), all other bank loans are denominated in RMB.

24 EMPLOYEE RETIREMENT BENEFITS

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

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

The total expenses recognised in the consolidated statement of profit or loss for the year of approximately RMB3,578,000 (2016: approximately RMB3,078,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

25 SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted pursuant to an ordinary resolution passed by the shareholders of the Company on 1 June 2015, whereas, the share option scheme which was adopted on 17 May 2006 (the "Old Scheme") was terminated pursuant to an ordinary resolution passed by the shareholders of the Company on the even date and no further share option can be granted under the Old Scheme. As at 31 December 2017 and 2016, no share option has been granted, exercised, cancelled, lapsed or outstanding under the Old Scheme.

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

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

25 SHARE OPTION SCHEME *(continued)*

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

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

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

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

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

25 SHARE OPTION SCHEME *(continued)*

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

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

No option has been granted under the Share Option Scheme during the year ended 31 December 2017 and 2016.

During the year ended 31 December 2017, the Group recognised total expenses of appropriately RMB4,926,000 (2016: RMB4,832,000) in relation to the share options granted by the Company.

As at 31 December 2017 and 2016, the number of shares in respect of which options had been granted and remained outstanding under the Scheme Option Scheme was 124,920,000 representing approximately 6.94% of the shares of the Company in issue as at that dates.

As at the date of this report, the total number of outstanding options available for grant under the Share Option Scheme was 179,934,480 (2016: 20,400) shares, which represented 10% (2016: 0.0011%) of the shares of the Company in issue as at that date.

25 SHARE OPTION SCHEME *(continued)*

(a) The terms and conditions of the grants are as follows:

Name and category of participant	Grant date	Exercise period	Exercise price per share	As at 1 January 2017	Granted during the year	Cancelled/ lapsed during the year	Exercised during the year	As at 31 December 2017
Directors								
Zhang Zhixiang	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	4,620,000	—	—	—	4,620,000
Ning Zhongzhi	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	4,620,000	—	—	—	4,620,000
Other employees								
In aggregate	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	31,500,000	—	—	—	31,500,000
Ex-director								
Zheng Xian Tao *(note (i))*	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	4,620,000	—	—	—	4,620,000
Li Baosheng *(note (ii))*	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	4,620,000	—	—	—	4,620,000
Other grantees								
In aggregate	31 July 2015	3 years commencing from 31 July 2015	HK$1.07	74,940,000	—	—	—	74,940,000
Total				124,920,000	—	—	—	124,920,000

25 SHARE OPTION SCHEME *(continued)*

(a) The terms and conditions of the grants are as follows: *(continued)*

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

Notes:

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

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

25 SHARE OPTION SCHEME *(continued)*

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

As at 31 December 2017	**Weighted average exercise price**	**Number of options**
Outstanding at the beginning of the year and at the end of the year	**HKD1.07**	**124,920,000**
As at 31 December 2016		
Outstanding at the beginning of the year and at the end of the year	HKD1.07	124,920,000

The options outstanding at the year ended 31 December 2017 had an exercise price of HKD1.07 and a weighted remaining contractual life of 0.6 years (2016: 1.6 years).

(c) Fair value of share options and assumption

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

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

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2017 RMB'000	2016 RMB'000
At 1 January	**6,886**	4,592
Provision for PRC Enterprise Income Tax for the year	**34,359**	26,305
Under provision in respect of prior years	**29**	1,015
PRC Enterprise Income Tax paid	**(33,086)**	(25,026)
At 31 December	**8,188**	6,886

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax liabilities

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

	Revaluation of property RMB'000	Convertible notes RMB'000	Withholding tax on future dividend income RMB'000	Total RMB'000
Deferred tax arising from:				
At 1 January 2016	(40,572)	—	(1,372)	(41,944)
Credited to income statement	3,398	1,880	—	5,278
Charged to reserves	—	(5,663)	—	(5,663)
Disposal of subsidiary	7,808	—	—	7,808
Exchange realignment	—	(242)	—	(242)
At 31 December 2016	(29,366)	(4,025)	(1,372)	(34,763)
Credited/(charged) to income statement	3,399	4,117	(549)	6,967
Charged to reserves	—	(4,406)	—	(4,406)
Exchange realignment	—	169	—	169
At 31 December 2017	(25,967)	(4,145)	(1,921)	(32,033)

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

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

(ii) Reconciliation to the consolidated statement of financial position

	2017	2016
	RMB'000	*RMB'000*
Net deferred tax asset recognised in the consolidated statement of financial position	**—**	—
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(32,033)**	(34,763)
	(32,033)	(34,763)

(c) Deferred tax assets not recognised

At the end of the reporting period, the Group has unused tax losses of approximately RMB8,047,000 (2016: approximately RMB10,448,000) available for offset against future profits that may be carried forward five years after they are incurred. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profits streams. The tax losses do not expire under current tax legislation.

(d) Deferred tax liabilities not recognised

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

At 31 December 2017, deferred tax liabilities of approximately RMB1,921,000 (2016: approximately RMB1,372,000) have been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed profits of a PRC subsidiary.

At 31 December 2017, deferred tax liabilities of approximately RMB3,919,000 (2016: approximately RMB7,361,000) have not been provided for in the consolidated financial statements in respect of the temporary difference attributable to the undistributed profits of other PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

27 CAPITAL AND RESERVES

(a) Movements in components of equity

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

Company

	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Share-based payment reserve RMB'000	Convertible notes reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2016	13,182	1,274,346	(16,623)	22,651	—	(781,383)	512,173
Loss for the year	—	—	—	—	—	(55,840)	(55,840)
Other comprehensive income	—	—	37,564	—	—	—	37,564
Total comprehensive income for the year	—	—	37,564	—	—	(55,840)	(18,276)
Issue of shares upon open offer *(note 27(b))*	2,495	184,616	—	—	—	—	187,111
Share issue expenses	—	(4,626)	—	—	—	—	(4,626)
Issue of convertible notes	—	—	—	—	34,324	—	34,324
Recognition of deferred tax liabilities in respect of issuance of the convertible notes	—	—	—	—	(5,663)	—	(5,663)
At 31 December 2016 and 1 January 2017	15,677	1,454,336	20,941	22,651	28,661	(837,223)	705,043
Loss for the year	—	—	—	—	—	(73,800)	(73,800)
Other comprehensive income	—	—	(35,769)	—	—	—	(35,769)
Total comprehensive income for the year	—	—	(35,769)	—	—	(73,800)	(109,569)
Extinguishment upon extension of the convertible notes	—	—	—	—	(28,661)	28,661	—
Recognition upon extension of the convertible notes	—	—	—	—	26,701	—	26,701
Recognition of deferred tax liabilities in respect of extension of the convertible notes	—	—	—	—	(4,406)	—	(4,406)
At 31 December 2017	15,677	1,454,336	(14,828)	22,651	22,295	(882,362)	617,769

27 CAPITAL AND RESERVES *(continued)*

(b) Share capital

	2017		2016	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***RMB'000***	*'000*	*RMB'000*
Authorised:				
Ordinary shares of HKD0.01 each *(note (i))*	**10,000,000**	**87,912**	10,000,000	87,912
Ordinary shares, issued and fully paid:				
At 1 January	**1,799,141**	**15,677**	1,499,284	13,182
Issue of shares upon open offer *(note (ii))*	**—**	**—**	299,857	2,495
At 31 December	**1,799,141**	**15,677**	1,799,141	15,677

Notes:

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

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

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

27 CAPITAL AND RESERVES *(continued)*

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

(a) Share-based payment reserve

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

(b) Convertible notes reserve

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

(iii) Statutory reserves

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

(iv) Translation reserve

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

(v) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available for-sale securities held at the end of the reporting period and is dealt with in accordance with the accounting polices in notes 2(g) and 2(l)(i).

27 CAPITAL AND RESERVES *(continued)*

(d) Distributability of reserves

As at 31 December 2017, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately RMB571,974,000 (2016: approximately RMB617,113,000).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management regularly reviews and manages the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. During the year ended 31 December 2017, the Group's strategy remained unchanged from 2016.

The Group monitors its capital structure by reviewing its net debt-to-equity ratio and cash flow requirements, taking into account its future financial obligations and commitments. The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017	2016
	RMB'000	*RMB'000*
Borrowings:		
Current portion	**509,484**	611,011
Non-current portion	**847,247**	942,678
Total borrowings *(note 22)*	**1,356,731**	1,553,689
Less: Cash and cash equivalents *(note 20)*	**(104,495)**	(266,841)
Net debt	**1,252,236**	1,286,848
Total equity	**933,765**	916,475
Gearing ratio	**134%**	140%

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity prices.

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

(a) Credit risk

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

(ii) The receivables from sales of electricity mainly represent receivables from the provincial power grid companies. The Group have no significant credit risk with any of these power grid companies as the Group and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for approximately 99% (2016: 98%) of the Group's total trade debtors as at 31 December 2017.

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

(iv) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group had a certain concentration of credit risk as 99% (2016: 98%) of the total trade receivables were due from the Group's largest debtor as at 31 December 2017. The Group does not hold any collateral over these balances.

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

(vi) Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

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

(b) Liquidity risk

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

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

2017

	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total contractual undiscounted cash flow *RMB'000*	Carrying amount *RMB'000*
Bank loans	472,239	165,142	309,829	132,197	1,079,407	947,082
Bonds	16,116	12,810	124,062	18,344	171,332	128,308
Convertible notes	11,428	148,556	—	—	159,984	117,674
Obligation under finance lease	73	—	—	—	73	67
Other loans	38,894	71,820	58,183	17,353	186,250	163,600
Trade and other payables (excluding advance from customers)	117,157	—	—	—	117,157	117,157
	655,907	398,328	492,074	167,894	1,714,203	1,473,888

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

(b) Liquidity risk *(continued)*

2016

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

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

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

(c) Interest rate risk

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

(i) Interest rate profile

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

	2017		2016	
	Effective interest rates		Effective interest rates	
	%	***RMB'000***	%	*RMB'000*
Fixed rate borrowings:				
Bonds	**11.14**	**128,308**	11.14	120,311
Convertible notes	**24.91**	**117,674**	33.43	127,075
Other loans	**15.69**	**62,800**	10.00	60,000
Obligation under finance lease	**4.84**	**67**	4.84	164
		308,849		307,550
Variable rate borrowings:				
Bank loans				
Long term loans	**6.27**	**733,000**	6.70	1,138,682
Short term loans	**4.27**	**214,082**	5.29	3,281
Other loan	**6.08**	**100,800**	6.75	104,176
		1,047,882		1,246,139
Total net borrowings		**1,356,731**		1,553,689
Net fixed rate borrowings as a percentage of total net borrowings		**23%**		20%

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

(c) Interest rate risk *(continued)*

(ii) Sensitivity analysis

At 31 December 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increase/decrease the Group's profit after taxation and accumulated losses by approximately RMB8,324,000 (2016: approximately RMB9,899,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after taxation (and accumulated losses) that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after taxation (and accumulated losses) is estimated as an annualised impact on interest expense of such a change in interest rates. The analysis is performed on the same basis of year 2016.

(d) Currency risk

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

(i) Exposure to currency risk

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

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

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

(d) Currency risk *(continued)*

(i) Exposure to currency risk (continued)

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

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

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

	2017	2016	**2017**	2016
	USD'000	*USD'000*	***HKD'000***	*HKD'000*
Trade and other receivables	**—**	—	**172,196**	78,202
Cash and cash equivalents	**158**	7	**2,406**	69,508
Trade and other payables	**—**	—	**(14,131)**	(3,259)
Amounts due to directors	**—**	—	**(309)**	(207)
Bonds	**—**	—	**(154,123)**	(134,339)
Convertible notes	**—**	—	**(141,350)**	(141,891)
Bank loans	**(28,568)**	(31,843)	**—**	—
Obligation under finance lease	**—**	—	**(79)**	(183)
Overall exposure arising from recognised assets and liabilities	**(28,410)**	(31,836)	**(135,390)**	(132,169)

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

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

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

	2017			2016		
	Increase/ (Decrease) in foreign exchange rates	**Effect on profit after taxation**	**Effect on accumulated losses**	Increase/ (Decrease) in foreign exchange rates	Effect on loss after taxation	Effect on accumulated losses
		RMB'000	***RMB'000***		*RMB'000*	*RMB'000*
UNITED STATES DOLLARS	**5%/(5%)**	**9,389/ (9,389)**	**9,389/ (9,389)**	5%/(5%)	11,057/ (11,057)	11,057/ (11,057)
HONG KONG DOLLARS	**5%/(5%)**	**9,969/ (9,969)**	**9,969/ (9,969)**	5%/(5%)	5,918/ (5,918)	5,918/ (5,918)

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting period. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities loss after taxation and equity measured in the respective functional currencies translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2016.

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

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

Recurring fair value measurement

2017

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Assets				
Trading securities, listed in PRC	**986**	**—**	**—**	**986**
Trading securities, listed in HK	**26**	**—**	**—**	**26**
Available-for-sale investments	**—**	**—**	**8,710**	**8,710**

2016

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Trading securities, listed in PRC	7,806	—	—	7,806

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

(e) Fair value measurement *(continued)*

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

During the year there were no significant transfer between instruments in Level 1 and Level 2 and no transfer into or out of Level 3 (2016: Nil).

			Fair value measurements as at 31 December 2017 categorised into			
	Carrying amounts	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
— Available-for-sale investments	**8,710**	**8,710**	**—**	**—**	**8,710**	**8,710**

The carrying amounts of the Group's and financial instruments carried at cost or amortised cost are not materially different from their fair values because of their immediate or short term maturity as at 31 December 2017 and 2016.

As at 31 December 2016, the available-for-sale investments is measured at cost less impairment, therefore no fair value measurement at 2016.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2017	2016
	RMB'000	*RMB'000*
Unlisted available-for-sale equity securities:		
At 1 January	**—**	—
Transfer from available-for-sale investment previously measured at cost	**6,229**	—
Net unrealised gains or losses recognised in other comprehensive income during the year	**2,481**	—
At 31 December	**8,710**	—

The net unrealised gains arising from the remeasurement of the unlisted available-for-sale equity securities are recognised in fair value reserve in other comprehensive income.

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

(e) Fair value measurement *(continued)*

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 2016 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

			Fair value measurements as at 31 December 2017 categorised into			
	Carrying amounts	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
— Non-current borrowings	**847,247**	**738,270**	**—**	**738,270**	**—**	**738,270**

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

Valuation techniques and inputs used in level 2 fair value measurements

The fair values of the non-current borrowings are estimated as being the present values of future cash flows, discounted at interest rates based on observable yield curves as at 31 December 2017 and 2016 taking into account the credit spread of the Group as appropriate.

29 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

On 23 November 2015, Zhuhai Dong Fang Renewable Energy Limited ("Zhuhai Dong Fang"), a wholly-owned subsidiary of the Group, entered into an equity transfer agreement with Beijing Tai Run Ze International Investment Limited（北京泰潤澤國際投資有限公司）and Mr. Cao Yang（曹洋）to acquire 99% and 1% of the equity interest of Beijing Yinfeng, an investment holding company of which have 99.58% equity interest in Baotou City Yinfeng Huili New Energy Investment Limited（包頭市銀風滙利新能源投資有限公司）, at a cash consideration of RMB9,990,000 and RMB10,000, respectively. The acquisition was completed in March 2016.

Identifiable assets acquired and liabilities assumed:

	RMB'000
Property, plant and equipment	76
Trade and other receivables	19,133
Cash and cash equivalents	4,735
Trade and other payables	(14,673)
Net asset acquired	9,271
Cash consideration	10,000
Add: non-controlling interest	97
Net asset acquired	(9,271)
Goodwill arising on acquisition	826
Net cash outflow for acquisitions:	
Cash consideration	10,000
Cash and cash equivalents acquired	(4,735)
	5,265

29 ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Disposal of subsidiaries

On 3 May 2016, the Group disposed its entire interest in Hexigten Qi Langcheng Ruifeng Electric Development Co. Ltd. ("Langcheng"). Details of the subsidiary disposed of during the year ended 31 December 2016 are set as below:

	RMB'000
Property, plant and equipment	402,255
Lease prepayment	5,637
Trade and other receivables	235,319
Cash and cash equivalents	81,630
Trade and other payables	(188,248)
Borrowings	(430,900)
Deferred tax liabilities	(7,808)
Non-controlling interest	(4,894)
Gain on disposal of subsidiaries	15,909
Total consideration received	108,900
Net cash inflow arising on disposal:	
Cash consideration	108,900
Cash and cash equivalents disposed of	(81,630)
	27,270

The consideration of RMB108,900,000 was satisfied by cash.

30 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2017 not provided for in the financial statements were as follows:

	2017	2016
	RMB'000	*RMB'000*
Capital injection in subsidiaries		
— Contracted for	**927,820**	949,864
Capital injection in an associate		
— Contracted for	**39,977**	43,019
Acquisition of property, plant and equipment		
— Contracted for	**205,891**	196,381
	1,173,688	1,189,264

(b) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**1,818**	2,315
After 1 year but within 5 years	**—**	1,642
	1,818	3,957

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to two years. None of the leases includes contingent rentals.

31 MATERIAL RELATED PARTY TRANSACTIONS

Save as the transactions and balances disclosed elsewhere in the financial statements and the followings, the Group did not enter into any other material related party transaction.

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid to employees as disclosed in note 8, is as follows:

	2017	2016
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**6,799**	7,256
Post-employment benefits	**283**	162
Salaries and other emoluments	**7,082**	7,418

Total remuneration is included in "staff costs" *(see note 5(b))*.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) Impairment of property, plant and equipment and lease prepayments

The recoverable amount of an asset is the greater of its fair value less costs of disposal and the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(ii) Impairment of receivables

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

(iii) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual values. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(a) Key sources of estimation uncertainty *(continued)*

(iv) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the Directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(v) Recognition of deferred tax liabilities

As at 31 December 2017, deferred tax liabilities of approximately RMB3,919,000 (2016: RMB7,361,000) have not been recognised on the distributable profits of certain group companies in the PRC as the Group plans to retain those profits in the respective entities for their daily operations and future developments. In case there is distribution of profits, additional tax liabilities will arise, which will be recognised in the profit or loss for the period in which such profits are declared or the future development plan of the Group amends, whichever is earlier.

(b) Critical accounting judgements in applying the Group's accounting policies

In determining the carrying amounts of some assets and liabilities, the Group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The Group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the Group's accounting policies.

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2017 *RMB'000*	2016 *RMB'000*
Non-current assets		
Investments in subsidiaries	**159,543**	159,543
Current assets		
Other receivables	**143,281**	159,502
Amounts due from subsidiaries	**773,065**	700,012
Cash and cash equivalents	**2,282**	32,482
	918,628	891,996
Current liabilities		
Other payables	**4,110**	1,481
Amounts due to subsidiaries	**20,325**	5,677
Borrowings	**192,075**	215,002
	216,510	222,160
Net current assets	**702,118**	669,836
Total assets less current liabilities	**861,661**	829,379
Non-current liabilities		
Borrowings	**239,747**	120,311
Deferred tax liabilities	**4,145**	4,025
	243,892	124,336
Net assets	**617,769**	705,043
Capital and reserves		
Share capital	**15,677**	15,677
Reserves	**602,092**	689,366
Total equity	**617,769**	705,043

Approved and authorised for issue by the Board of Directors on 28 March 2018.

Zhang Zhixiang
Director

Peng Ziwei
Director

34 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time on 2017. Further details of these developments are disclosed in note 2(c).

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKAS 40, *Investment property, Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretation is expected to be in the period of initial application. So far the group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, *Financial instruments: Recognition and measurement*. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVOTCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 9, Financial instruments *(continued)*

(a) Classification and measurement *(continued)*

With respect to the group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the group has the option to irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated with irrevocable election to present in other comprehensive income the changes in fair value.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit losses or a lifetime expected credit losses, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. This new impairment model may result in an earlier recognition of credit losses on the group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

(c) Hedge accounting

HKFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under HKAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 15, Revenue from contracts with customers

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to adopt HKFRS 15 initially on 1 January 2018.

HKFRS 15 establishes a five-step model comprehensive framework for the recognition of revenue from contracts with customer: (i) identify the contract; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise 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. The Group has assessed that the application of HKFRS 15 in the future will not have a significant impact on the Group's consolidated financial statements.

HKFRS 16, Leases

As disclosed in note 2(k), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 *(continued)*

HKFRS 16, Leases *(continued)*

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

Save as discussed above, all other new standards, amendments to standards and interpretations issued but not effective are not likely to have significant impact on the consolidated financial statements.

Five Years' Financial Summary

			Year ended 31 December		
	2017	2016	2015	2014	2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Results					
Revenue	**389,996**	369,150	355,614	530,959	735,245
Profit from operations	**176,071**	126,644	56,034	69,711	180,286
Profit/(loss) before taxation	**55,844**	10,837	(60,368)	(68,131)	37,576
Profit/(loss) for the year	**24,125**	(11,205)	(72,428)	(88,749)	37,584
Attributable to:					
Equity holders of the Company	**(7,090)**	(38,217)	(84,449)	(150,827)	23,502
Non-controlling interests	**31,215**	27,012	12,021	62,078	14,082
	24,125	(11,205)	(72,428)	(88,749)	37,584
Assets and liabilities					
Total assets	**2,450,874**	2,623,978	2,804,519	2,898,564	3,134,381
Total liabilities	**(1,517,109)**	(1,707,503)	(2,092,488)	(2,258,183)	(2,245,815)
Net assets	**933,765**	916,475	712,031	640,381	888,566
Equity					
Share capital	**15,677**	15,677	13,182	11,180	9,476
Reserves	**666,323**	635,646	454,111	381,915	373,574
Total equity attributable to equity shareholders of the Company	**682,000**	651,323	467,293	393,095	383,050
Non-controlling interests	**251,765**	265,152	244,738	247,286	505,516
Total equity	**933,765**	916,475	712,031	640,381	888,566

Note:

1 The results for the year ended 31 December 2017, and the assets and liabilities as at 31 December 2017 have been extracted from the consolidated statement of profit or loss and consolidated statement of financial position as set out on pages 69 to 72 respectively, of the consolidated financial statements.