THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Power International Development Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire purchase or subscribe for securities of the Company.

China Power International Development Limited
中 國 電 力 國 際 發 展 有 限 公 司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANIES

Financial Adviser

Bank of America Merrill Lynch

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders

Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 7 to 31 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 32 to 33 of this circular. A letter from Gram Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 34 to 64 of this circular.

A notice dated 23 October 2017 convening an EGM to be held on Wednesday, 8 November 2017 at Ballroom, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

23 October 2017

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:

"Acquisitions"	Acquisition I and Acquisition II
"Acquisition Agreements"	Agreement I and Agreement II
"Acquisition I"	the proposed acquisition by the Company of the entire equity interests in Target Companies I pursuant to Agreement I
"Acquisition II"	the proposed acquisition by the Company of the entire equity interests in Target Companies II pursuant to Agreement II
"Aggregate Consideration"	the total consideration of RMB4,969,321,000 (equivalent to approximately HK$5,846,260,000) payable by the Company under Agreement I and Agreement II, which is subject to adjustment on Completion
"Agreement I"	the conditional sale and purchase agreement dated 9 October 2017 entered into by the Company and CPI Holding in relation to Acquisition I
"Agreement II"	the conditional sale and purchase agreement dated 9 October 2017 entered into by the Company and SPIC in relation to Acquisition II and any amendments thereto
"AIC"	the State Administration for Industry and Commerce of China or its local counterpart
"Anhui Company"	SPIC Anhui New Energy Development Co., Ltd.* (國家電力投資集團安徽新能源有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SPIC
"Asset Appraisal Reports I"	the asset appraisal reports prepared by China Enterprise, an independent appraiser, in relation to each of Guangdong Company, Guangxi Company and Sihui Company which indicates the aggregated net asset value as at 31 March 2017 is RMB4,850,240,500 (equivalent to approximately HK$5,706,165,300)
"Asset Appraisal Reports II"	the asset appraisal reports prepared by China Alliance, an independent appraiser, in relation to each of Target Companies II which indicates the aggregated net asset value as at 31 March 2017 is RMB115,381,000 (equivalent to approximately HK$135,742,400)

"associates"	has the meaning given to it under the Listing Rules
"Board"	the board of Directors
"Closing Process"	means, with respect to each of the Target Companies, the satisfaction (or waiver, where applicable) of the conditions precedent set out in the Acquisition Agreements (the last day on which all the conditions must be satisfied or waived, where applicable, being 31 March 2018 or a later date as agreed by the parties in writing), upon which relevant deliverables in relation to each of the Target Companies will be exchanged between the parties within 20 business days or a date as agreed by the parties
"Company"	China Power International Development Limited, a company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange
"Completion"	means, with respect to each of the Target Companies, the completion of the AIC filing in relation to the transfer of the entire equity interest in the relevant Target Companies after the Closing as required under the respective Acquisition Agreements but before the settlement of the consideration by the Company
"connected person"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder"	has the meaning ascribed to it under the Listing Rules
"CPDL"	China Power Development Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of CPI Holding
"CPI Holding"	China Power International Holding Limited, a company incorporated in Hong Kong with limited liability, the controlling company of the Company and a wholly-owned subsidiary of SPIC
"Director(s)"	director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Acquisitions and the transactions contemplated thereunder, currently scheduled to take place on 8 November 2017
"Enlarged Group"	the Group as enlarged as a result of the Acquisitions

"Exercisable Options"	the options granted by the Company to subscribe for an aggregate of 12,040,000 Shares pursuant to the Share Option Scheme, which were outstanding as at the Latest Practicable Date and are capable of being exercised on or before the Record Date
"GDP"	Gross domestic product
"Group"	the Company and its subsidiaries from time to time
"Guangdong Company"	SPIC Guangdong Power Company Limited* (國家電投集團廣東電力有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SPIC
"Guangxi Company"	SPIC Guangxi Power Company Limited* (國家電投集團廣西電力有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SPIC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hubei Company"	SPIC Hubeilvdong New Energy Co., Ltd.* (國家電投集團湖北綠動新能源有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SPIC
"Independent Board Committee"	the committee of Directors, formed to advise the Independent Shareholders in respect of the terms of the Acquisitions
"Independent Financial Adviser"	Gram Capital Limited, a licensed corporate to carry out type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions
"Independent Shareholder(s)"	Shareholder(s) of the Company other than CPI Holding and CPDL and their associates
"Latest Practicable Date"	20 October 2017
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MW"	megawatt, that is one million watts. The installed capacity of a power plant is generally expressed in MW

"Non-Qualifying Shareholder(s)"	those Overseas Shareholder(s) in respect of whom the Directors, based on legal opinions obtained by the Company, consider it necessary or expedient not to offer Rights Shares to such Shareholder(s) on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"Outstanding Options"	the options granted by the Company to subscribe for an aggregate of 12,040,000 Shares pursuant to the Share Option Scheme, which were outstanding as at the Latest Practicable Date
"Overseas Shareholder(s)"	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register is/are outside Hong Kong
"PRC" or "China"	the People's Republic of China. Geographical reference in this circular to the PRC or China excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Pre-agreement"	the conditional sale and purchase agreement dated 9 October 2017 entered into by SPIC and CPI Holding in relation to the sale of the entire equity interest in Guangdong Company and Guangxi Company
"Qian Zhan"	CPI Qian Zhan Gang Dian Company Limited* (中電投前詹港電有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Company
"Qian Zhan Agreement"	the conditional sale and purchase agreement dated 9 October 2017 entered into by Guangdong Company and CPI Holding in relation to the sale of the entire equity interest in Qian Zhan
"Qualifying Shareholder(s)"	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
"Record Date"	a date to be determined by the Board or its authorized person(s) by reference to which entitlements to the proposed rights issue are to be determined
"Rights Share(s)"	the new Shares to be allotted and issued by the Company to the Qualifying Shareholders under the proposed rights issue

"RMB"	Renminbi, the lawful currency of the PRC
"Settlement of the Acquisitions" or "Settlement of Acquisition I" or "Settlement of Acquisition II"	the settlement of the consideration by the Company after the Completion as required under the Acquisition Agreements (or, where the context requires, Agreement I or Agreement II)
"SFO"	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
"Shandong Company"	SPIC Shandong Energy Development Co., Ltd.* (國家電投集團山東能源發展有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SPIC
"Share(s)"	the ordinary share(s) of the Company
"Shareholder(s)"	person(s) whose name(s) appear on the register of members as registered holder(s) of Share(s)
"Share Option Scheme"	the share option scheme which was conditionally approved and adopted by a written resolution passed by the Shareholders on 24 August 2004
"Shouxian Company"	SPIC Shouxian New Energy Development Co., Ltd.* (國家電力投資集團壽縣新能源有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of SPIC
"Sihui Company"	China Power (Sihui) Cogeneration Company Limited* (中電(四會)熱電有限責任公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CPI Holding
"SPIC"	State Power Investment Corporation* (國家電力投資集團公司), the ultimate controlling company of the Company, a wholly State-owned enterprise formerly known as China Power Investment Corporation* (中國電力投資集團公司), was approved by the State Council of the PRC* (中華人民共和國國務院) for the consolidation and reorganization with the State Nuclear Power Technology Corporation* (國家核電技術公司) in 2015
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules

"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Target Companies"	Target Companies I and Target Companies II
"Target Companies I"	Guangdong Company (excluding Qian Zhan), Guangxi Company and Sihui Company
"Target Companies II"	Anhui Company, Hubei Company, Shandong Company and Shouxian Company
"Target Groups"	Target Groups I and Target Groups II
"Target Groups I"	Target Companies I and their respective subsidiaries (excluding Qian Zhan)
"Target Groups II"	Target Companies II and their respective subsidiaries
"Underwriter(s)"	the underwriter(s) to be appointed for the purposes of the underwriting arrangements for the proposed rights issue
"Underwriting Agreement"	the underwriting agreement to be entered into between the Company and the Underwriter(s) in relation to the proposed rights issue
"Wu Ling Power"	Wu Ling Power Corporation* (五凌電力有限公司), a company incorporated in the PRC with limited liability and a 63%-owned subsidiary of the Company

* *English or Chinese translation, as the case may be, is for identification only*

This circular contains translation between Renminbi and Hong Kong dollars at RMB0.85 to HK$1.00. The translation shall not be taken as representation that the Renminbi could actually be converted into Hong Kong dollars at that rate, or at all.

China Power International Development Limited
中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

Executive Directors:
Mr. Yu Bing *(Chairman)*
Mr. Tian Jun *(President)*

Non-executive Directors:
Mr. Guan Qihong
Mr. Wang Xianchun

Independent non-executive Directors:
Mr. Kwong Che Keung, Gordon
Mr. Li Fang
Mr. Yau Ka Chi

Registered Office:
Suite 6301, 63/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

23 October 2017

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANIES

I. INTRODUCTION

Reference is made to the announcement of the Company dated 9 October 2017 in relation to the Acquisitions.

On 9 October 2017, the Company entered into Agreement I with CPI Holding, a wholly-owned subsidiary of SPIC, pursuant to which the Company has conditionally agreed to acquire and CPI Holding has conditionally agreed to sell Target Companies I (excluding Qian Zhan), at the consideration of RMB4,852,240,000 (equivalent to approximately HK$5,708,517,600), which is subject to adjustment on Completion.

The Company has also on 9 October 2017 entered into Agreement II with SPIC, pursuant to which the Company has conditionally agreed to acquire and SPIC has conditionally agreed to sell Target Companies II, at the consideration of RMB117,081,000 (equivalent to approximately HK$137,742,400), which is subject to adjustment on Completion.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisitions and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) other information as required to be disclosed under the Listing Rules; and (v) a notice of the EGM.

II. THE ACQUISITIONS

A. The Acquisition Agreements

1. Agreement I

(1) Date

9 October 2017

(2) Parties

(i) the Company (as the purchaser)

(ii) CPI Holding (as the seller)

(3) Assets to be acquired

The Company has conditionally agreed to acquire and CPI Holding has conditionally agreed to sell the entire equity interest in Target Companies I (excluding its equity interest in Qian Zhan).

(4) Consideration

The consideration for the acquisition of the entire equity interest in Target Companies I is RMB4,852,240,000 (equivalent to approximately HK$5,708,517,600), which is subject to adjustment on Completion.

The consideration was arrived at after arm's length negotiations between the Company and CPI Holding. It was based on various relevant factors including, among other things, (i) the operating conditions, financial position and performance of Target Companies I, (ii) the value and price ratios of listed companies in the PRC and Hong Kong and companies being acquired in precedent transactions whose businesses are similar to that of Target Companies I, and (iii) the business prospect and value proposition of Target Companies I.

The consideration of RMB4,852,240,000 will be adjusted with the change in net asset value of each of the Target Companies I (between 1 April 2017 and the last day of the calendar month immediately prior to Completion) by reference to the completion audited reports to be produced within 30 business days of Completion of each of Target Companies I.

The Directors are of the view that the consideration for the purchase of the entire equity interest in Target Companies I (excluding its equity interest in Qian Zhan) and the other terms of Agreement I are fair and reasonable, on normal commercial terms and that Acquisition I is in the interests of the Company and the Shareholders as a whole.

(5) Regulatory requirements

In order to comply with the PRC regulatory requirements set forth by the State-owned Assets Supervision and Administration Commission, SPIC and the Company engaged China Enterprise Appraisal Co., Ltd.* (北京中企華資產評估有限責任公司) ("China Enterprise"), an independent and qualified PRC appraiser, to perform asset appraisals and prepared the Asset Appraisal Reports I. China Enterprise has appraised the value of Guangdong Company, Guangxi Company and Sihui Company, among which, in aggregate of RMB4,520,038,700 (equivalent to approximately HK$5,317,692,600) as at 31 March 2017 by using asset-based approach for Guangdong Company and Guangxi Company, and RMB330,201,800 (equivalent to approximately HK$388,472,700) as at 31 March 2017 by using income approach for Sihui Company.

(6) Conditions precedent

Unless otherwise specified, the Closing Process of each of Target Companies I is conditional upon satisfaction (or waiver, where applicable) of the following conditions on or before 31 March 2018 or a later date as agreed by the parties in writing:

(i) completion of due diligence to the satisfaction of the Company;

(ii) the approval by each of Target Companies I of the transfer of equity interests under Agreement I;

(iii) the filing of the Asset Appraisal Reports I by SPIC in accordance with applicable law;

(iv) each party (with the assistance and support of the other party) having obtained all necessary approvals for the acquisition of each of Target Companies I from all relevant governmental and regulatory authorities (other than those administrative procedures which can only be carried out at or after the Completion of each of Target Companies I);

(v) the passing of an ordinary resolution by the Independent Shareholders approving Agreement I and the transactions contemplated thereunder;

(vi) CPI Holding and/or each of Target Companies I having obtained consent given by third parties (e.g. creditors which are financial institutions) in relation to the transactions contemplated under Agreement I;

(vii) CPI Holding and/or each member of Target Groups I has not breached the provisions concerning the business operations before the Closing Process;

(viii) there has not been any material adverse change to the financial position, business operations or prospects of each of Target Groups I since 31 March 2017 up to the Closing Process of each of Target Companies I;

(ix) the representations and warranties made by CPI Holding are true and accurate and not misleading in any material respect at the time of the Closing Process of each of Target Companies I;

(x) the representations and warranties made by the Company are true and accurate and not misleading in any material respect at the time of the Closing Process of each of Target Companies I;

(xi) completion of all relevant legal documentation for the acquisition of each of Target Companies I in form satisfactory to both the Company and CPI Holding;

(xii) the Completion of Guangxi Company contemplated under the Pre-agreement (applicable to Guangxi Company only);

(xiii) the Completion of Guangdong Company contemplated under the Pre-agreement (applicable to Guangdong Company only); and

(xiv) the Completion of the transaction contemplated under Qian Zhan Agreement (applicable to Guangdong Company only).

For the avoidance of doubt, subject to relevant provisions in Agreement I, the parties could proceed to the Closing Process of any of Target Companies I after the above conditions in relation to such company having been satisfied or waived. The Closing Process and the Completion of any of Target Companies I shall not be conditional upon the above conditions in relation to other companies being satisfied or waived.

The conditions set out in paragraphs (i), (vi), (vii), (viii), (ix) and (xi) (insofar as it applies to the obligations of CPI Holding) above may be waived by the Company, and the conditions set out in paragraphs (x) and (xi) (insofar as it applies to the obligations of the Company) above may be waived by CPI Holding. The waiver by the Company of the condition set out in paragraph (ix) will not affect the right of the Company to seek for compensation for any losses and damages caused by CPI Holding's breach of its representations, warranties, undertakings or other obligations.

(7) The Settlement of Acquisition I

The Settlement of Acquisition I in relation to each of Target Companies I shall take place within three calendar months after the Completion.

2. Agreement II

(1) Date

9 October 2017

(2) Parties

(i) the Company (as the purchaser)

(ii) SPIC (as the seller)

(3) Assets to be acquired

The Company has conditionally agreed to acquire and SPIC has conditionally agreed to sell the entire equity interest in Target Companies II.

(4) Consideration

The consideration for the acquisition of the entire equity interest in Target Companies II is RMB117,081,000 (equivalent to approximately HK$137,742,400), which is subject to adjustment on Completion.

The consideration was arrived at after arm's length negotiations between the Company and SPIC. It was based on various relevant factors including, among other things, (i) the operating conditions, financial position and performance of Target Companies II, (ii) the value and price ratios of listed companies in the PRC and Hong Kong and companies being acquired in precedent transactions whose businesses are similar to that of Target Companies II, and (iii) the business prospect and value proposition of Target Companies II.

The consideration of RMB117,081,000 will be adjusted with the change in net asset value of each of Target Companies II (between 1 April 2017 and the last day of the calendar month immediately prior to Completion) by reference to the completion audited reports to be produced within 30 business days of the Completion of each of Target Companies II.

The Directors are of the view that the consideration for the purchase of the entire equity interests in Target Companies II and the other terms of Agreement II are fair and reasonable, on normal commercial terms and that Acquisition II is in the interests of the Company and the Shareholders as a whole.

(5) Regulatory requirements

In order to comply with the PRC regulatory requirements set forth by the State-owned Assets Supervision and Administration Commission, SPIC and the Company engaged China Alliance Appraisal Co., Ltd.* (北京中同華資產評估有限公司) ("China Alliance"), an independent and qualified PRC appraiser, to perform asset appraisals and prepared the Asset Appraisal Reports II. China Alliance has appraised Target Companies II value, among which, in aggregate of RMB115,381,000 (equivalent to approximately HK$135,742,400) as at 31 March 2017 by using asset-based approach.

(6) Conditions precedent

The Closing Process of each of Target Companies II is conditional upon satisfaction (or waiver, where applicable) of the following conditions on or before 31 March 2018 or a later date as agreed by the parties in writing:

(i) completion of due diligence to the satisfaction of the Company;

(ii) the approval by each of Target Companies II of the transfer of equity interests under Agreement II;

(iii) each party (with the assistance and support of the other party) having obtained all necessary approvals for the acquisition of each of Target Companies II from all relevant governmental and regulatory authorities (other than those administrative procedures which can only be carried out at or after the Completion of each of Target Companies II);

(iv) the filing of the Asset Appraisal Reports II by SPIC in accordance with applicable law;

(v) the passing of an ordinary resolution by the Independent Shareholders approving Agreement II and the transactions contemplated thereunder;

(vi) SPIC and/or each of Target Companies II having obtained consent given by third parties (e.g. creditors which are financial institutions) in relation to the transactions contemplated under Agreement II;

(vii) SPIC and/or each member of Target Groups II has not breached the provisions concerning the business operations before the Closing Process;

(viii) there has not been any material adverse change to the financial position, business operations or prospects of each of Target Groups II since 31 March 2017 up to the Closing Process of each of Target Companies II;

(ix) the representations and warranties made by SPIC are true and accurate and not misleading in any material respect at the time of the Closing Process of each of Target Companies II;

(x) the representations and warranties made by the Company are true and accurate and not misleading in any material respect at the time of the Closing Process of each of Target Companies II; and

(xi) completion of all relevant legal documentation for the acquisition of each of Target Companies II in form satisfactory to both the Company and SPIC.

For the avoidance of doubt, subject to relevant provisions in Agreement II, the parties could proceed to the Closing Process of any of Target Companies II after the above conditions in relation to such company having been satisfied or waived. The Closing Process and the Completion of any of Target Companies II shall not be conditional upon the above conditions in relation to other companies being satisfied or waived.

The conditions set out in paragraphs (i), (vi), (vii), (viii), (ix) and (xi) (insofar as it applies to the obligations of SPIC) above may be waived by the Company, and the conditions set out in paragraphs (x) and (xi) (insofar as it applies to the obligations of the Company) above may be waived by SPIC. The waiver by the Company of the condition set out in paragraph (ix) will not affect the right of the Company to seek for compensation for any losses and damages caused by SPIC's breach of its representations, warranties, undertakings or other obligations.

(7) The Settlement of Acquisition II

The Settlement of Acquisition II in relation to each of Target Companies II shall take place within three calendar months after the Completion.

B. Reasons for and Benefits of the Acquisitions

(1) Accelerate the transition to a clean energy company

The Acquisitions represent the strong commitments and supports from SPIC to the Company. The injection of quality clean energy assets from SPIC and CPI Holding to the Company will enlarge the Group's assets and business coverage and enhance its overall market competitiveness. This is also strategically in line with the implementation of the national "13th Five-Year Plan" in China which the PRC government targets for clean energy and power developments up to the year 2020, after it became a party to the Paris Agreement signed in 2016.

The Acquisitions will further shift the Company's power generation portfolio towards a higher proportion of clean energy assets including large hydropower, wind power, natural gas power, and centralized and distributed photovoltaic power projects.

(2) Enlarge operational capacity with expansion potential

The assets within the Target Companies were composed of approximately 1,994MW of attributable installed capacity in operation and approximately 1,875MW of attributable installed capacity under construction as at 30 June 2017. All the projects in operations and under construction of the Target Companies as at 30 June 2017 were clean energy projects, of which the operational hydropower assets owned by Guangxi Company are among the best within SPIC.

After the Completion of the Acquisitions, the total attributable installed capacity of the Company in operation is expected to increase by approximately 11.84% and proportion of clean energy attributable installed capacity is expected to increase to approximately 32.93% in total. Once all projects under construction of the Target Companies become operational, the total clean energy attributable installed capacity is expected to increase close to 40% in total, without taking into account of the projects under construction by the Group prior to the Completion of the Acquisitions.

(3) Improve profitability

The Acquisitions provide stable and attractive earnings profile. Renewable energy projects have stable feed-in tariff structure and higher priority for power generation given by local governments in general, which would create additional visibility of the Company's earnings in the coming future.

(4) Strengthen presence in the high growth regional markets

The Acquisitions will strengthen the Company's presence in several regional markets in China where the Target Companies are located, namely the five provinces of Guangdong, Guangxi, Anhui, Hubei and Shandong, which are developed regions with healthy power supply-demand balance, mature economic conditions, and limited renewable curtailment issues. The markets may also have ample high quality power projects that would create bolt-on growth opportunities for the Company.

Given all the aforementioned factors, the Directors believe the Acquisitions will have positive impact on the Company's future prospects and thus benefiting the Company as well as the Shareholders as a whole.

The Board further discussed with the management of the Group regarding the development potentials of the Target Companies of the Acquisitions which are expected to have significant impact to the Group in the coming future, as follows:

National policies support clean energy development

Pursuant to the "13th Five-Year Plan" for Power Development of the PRC, during the "13th Five-Year" period, the PRC government will enhance the development of clean energy power generation projects. According to the plan, the total national installed capacity of natural gas power generation, wind power generation and photovoltaic energy power generation in the PRC will reach 110GW, 210GW and 110GW, respectively in 2020, representing an increase of 67%, 60% and 162% as compared to that at the end of 2015, respectively.

Pursuant to the "13th Five-Year Plan" for Natural Gas Development of the PRC, during the "13th Five-Year" period, the PRC government will accelerate the development of the natural gas industry, increase the proportion of natural gas in primary energy consumption, raise the proportion of natural gas power generation and encourage the development of distributed natural gas and other projects for efficient utilization.

Pursuant to the "13th Five-Year Plan" for Renewable Energy Development of the PRC, during the "13th Five-Year" period, the PRC government will accelerate the construction of a clean and low-carbon modern energy system and facilitate the sustainable and healthy development of the renewable energy industry.

In order to proactively further the development of clean energy, the PRC government has rolled out relevant policies in relation to subsidies, guaranteed purchase of renewable energy and tax incentives as well as the corresponding quota system for renewable energy.

Acquisition I

Guangxi Company is located in Guangxi Province that has played an important role in the commercial exchange between China and Association of Southeast Asian Nations (ASEAN). With the advance of China's "Belt and Road Initiative" (一帶一路戰略), economic development of Guangxi Province is facing new and favorable opportunities.

As mentioned, Guangxi Company has one of the best hydropower assets within SPIC which provides favorable earnings and cash flow profile. The acquisition of Guangxi Company not only immediately improves the profitability of the Group, but also enlarges the total installed capacity of the hydropower assets of the Group. It strengthens the Company's position as one of the Hong Kong listed China power generators that possess a high proportion of hydropower installed capacity.

Guangdong Company and Sihui Company both involve in the business of integrated supply of power, heating and cooling related multi-energy supply projects and possess natural gas power plants which are in operation or about to commencing operation in Guangdong Province. Guangdong Company intends to further invest in the development of onshore and offshore wind power plants in the future.

Guangdong Province is one of China's most economically developed provinces. Guangzhou City, Zhuhai City, Zhaoqing City and other cities in China formed "Guangdong-Hong Kong-Macao Big Bay Area" (粵港澳大灣區) urban agglomeration, and "Guangdong-Hong Kong-Macao Big Bay Area" is the Chinese government most vigorously promoting the economic zone. The total GDP of Guangdong Province ranked the first among the provincial administrative regions in the first half of 2017 in China. According to the provincial energy policies and regulations, Guangdong government is devoted to the development of nature gas power and wind power (offshore wind power in particular) and offers supports such as guaranteed purchase of renewable power generation, tax incentives, and renewable power subsidies, etc.

Hengqin thermal power projects (橫琴熱電項目), under Guangdong Company's principal subsidiary CPI Zhuhai Hengqin Thermal Power Co., Ltd.* ("Henggin Thermal Power" (橫琴熱電)), are integrated multi-energy supply projects located in Guangdong-Hong Kong-Macao Big Bay Area which are built to fulfill the energy supply to the entire Zhuhai Hengqin New Area (珠海橫琴新區), and are municipal infrastructure projects with dominant competitive advantages. With the accelerated regional development and increase of demand in the Hengqin Island, it is expected that the earnings profile of Hengqin thermal power projects will be attractive.

In addition, Guangdong Company also has secured several batches of offshore wind power pipelines in Guangdong Province. According to the "13th-Five-Year Plan" of Guangdong Province's marine economic development, offshore wind power will become one of the future focus of renewable energy development within the province and is targeted to reach to 1GW installed capacity by 2020.

Sihui Company is located in Zhaoqing City which is one of the cities in "Guangdong-Hong Kong-Macao Big Bay Area". Sihui Company currently holds a natural gas project under construction with an installed capacity of 800MW. It is an integrated multi-energy supply project that is regarded as one of the key composites of Guangdong Province Zhujiang Delta Reform and Development Plan (《珠江三角洲地區改革發展規劃綱要》) and listed on the 2017 Key Project List of Zhujiang Delta 9-Year Big Leap Plan (《珠三角"九年大跨越"重大項目2017年目標表》). This project is expected to commence commercial operation by the end of 2017 and contribute foreseeable positive cash flow and earnings to the Group since 2018.

We believe the acquisitions of Guangxi Company, Guangdong Company and Sihui Company is critical for the Group to reinforce its market presence and competitiveness in both provinces.

Acquisition II

Target Companies II are holding high quality photovoltaic and wind power projects under construction located in Anhui Province, Hubei Province and Shandong Province, where curtailment is limited and well under control. Acquisition II will help accelerating the Group's transformation into a clean energy power player. With the support of the central and the regional government in those provinces, photovoltaic and wind power projects enjoy various preferential policies such as guarantee of minimal power purchase and tax incentives.

In the first half of 2017, the national utilization hours of wind power amounted to 984 hours, representing a year-on-year increase of 67 hours, while the utilization hours of photovoltaic power amounted to 630 hours, representing a year-on-year increase of 39 hours. The Group currently has photovoltaic power stations operating in Anhui Province and Hubei Province, their return on net assets and earnings rose significantly over the past two years, and are continuing to bring satisfactory profits to the Group. The Group is confident of the future profitability of Target Companies II.

We believe the expected returns on equity of Target Companies II align with SPIC's internal threshold, and therefore meet the Group's requirement. The Group being able to secure the acquisition through arm's length negotiation with SPIC before full operation is in the best interest of the Group to obtain such high quality projects without paying extra premium. And the Group has track record to unlock long-term growth potential post acquisition like acquiring Wu Ling Power from SPIC in 2009 which is now the key profit-driver of the Group. The Group is confident that the earlier the Acquisition II, the more value to be extracted from.

In conclusion, the five provinces of Guangdong, Guangxi, Anhui, Shandong and Hubei where the Target Companies located, are of rapid economic growth and good prospects for economic development. The GDP growth in Guangdong, Guangxi, Anhui, Shandong and Hubei was 7.8%, 7.2%, 8.5%, 7.7% and 7.8% respectively in the first half of 2017, higher than the national GDP growth rate in the first half of the year. We believe that the Acquisitions are of strategic importance to the Group's ability to enhance profitability and market competitiveness in the future.

Details of the management discussion and analysis of the financial position and future prospects of Target Groups are set forth in Appendix III to this circular.

C. Information about the Target Companies

1. *Target Companies*

(1) Guangdong Company

Guangdong Company was incorporated in the PRC on 26 April 2012 and is wholly owned by SPIC. Guangdong Company is principally engaged in development, investment, construction, operation and management of power generation projects (mainly natural gas power, wind power and photovoltaic power plants at present).

As at 30 June 2017, Guangdong Company had an attributable installed capacity of approximately 830MW in operation (among which, 780MW for natural gas power and 50MW for wind power), and an attributable installed capacity of approximately 152MW under construction (among which, 52MW is expected to commence operation by the end of 2017).

Unless otherwise indicated, set out below is the key audited financial information of Guangdong Company and its subsidiaries prior to the disposal of Qian Zhan prepared in accordance with the Hong Kong Financial Reporting Standard ("HKFRS"):

	For the year ended 31 December 2015 *(RMB'000)*	**For the year ended 31 December 2016** *(RMB'000)*	**For the six months ended 30 June 2016** *(RMB'000)* (unaudited)	**For the six months ended 30 June 2017** *(RMB'000)*
Revenue	2,000,241	2,061,306	761,000	951,789
Net (loss)/profit before taxation	(80,742)	169,888	54,534	(1,941)
Net (loss)/profit after taxation	(78,326)	121,153	43,247	(9,677)

	As at 31 December 2016 *(RMB'000)*	**As at 30 June 2017** *(RMB'000)*
Total assets	4,338,165	4,740,190
Net assets	989,421	893,544

Qian Zhan is a wholly-owned subsidiary of Guangdong Company but is not one of the Target Companies. It will be disposed of from Guangdong Company to CPI Holding prior to the Completion of Acquisition I. The net loss of Qian Zhan accounted for a substantial part of the financial results in the current period stated above. Please see the sub-section headed "Qian Zhan Disposal" below for its disposal and financial information.

(2) Guangxi Company

Guangxi Company was incorporated in the PRC on 31 May 2016 and is wholly owned by SPIC. Guangxi Company is principally engaged in development, investment, construction, operation and management of power generation projects (mainly hydropower, wind power and photovoltaic power plants at present).

As at 30 June 2017, Guangxi Company had an attributable installed capacity of approximately 1,042MW in operation (among which, 630MW for hydropower, 392MW for wind power and 20MW for photovoltaic power) and an attributable installed capacity of approximately 666MW under construction.

Unless otherwise indicated, set out below is the key audited financial information of Guangxi Company and its subsidiaries prepared in accordance with the HKFRS:

	For the year ended 31 December 2015* *(RMB'000)*	**For the year ended 31 December 2016** *(RMB'000)*	**For the six months ended 30 June 2016** *(RMB'000)* (unaudited)	**For the six months ended 30 June 2017** *(RMB'000)*
Revenue	1,211,027	1,211,245	610,018	606,653
Net profit before taxation	306,604	328,611	178,897	168,604
Net profit after taxation	259,211	283,251	152,998	139,251

	As at 31 December 2016 *(RMB'000)*	**As at 30 June 2017** *(RMB'000)*
Total assets	8,555,828	9,409,057
Net assets	2,444,072	2,577,800

* Prior to the incorporation of Guangxi Company in 2016, it had been carrying out its business under Guangdong Company. Guangdong Company resolved to split the entire assets and operations of Guangxi Company into a separate legal entity in April 2016 and Guangxi Company was officially incorporated in May 2016.

(3) Sihui Company

Sihui Company was incorporated in the PRC on 14 March 2013 and is wholly owned by CPI Holding. Sihui Company is principally engaged in construction and operation of two sets of 400MW (F level) combined cooling, heat and power units using both a gas and a steam turbine together, production and sales of power and heat related products, supporting construction of heating pipeline projects.

As at 30 June 2017, Sihui Company had an attributable installed capacity of approximately 800MW under construction (all of which is expected to commence operation by the end of 2017).

Unless otherwise indicated, set out below is the key audited financial information of Sihui Company prepared in accordance with the HKFRS:

	For the year ended 31 December 2015 *(RMB'000)*	**For the year ended 31 December 2016** *(RMB'000)*	**For the six months ended 30 June 2016** *(RMB'000)* (unaudited)	**For the six months ended 30 June 2017** *(RMB'000)*
Revenue	—	—	—	—
Net loss before taxation	(20,326)	(19,863)	(4,969)	(7,735)
Net loss after taxation	(15,244)	(14,897)	(3,727)	(5,801)

	As at 31 December 2016 *(RMB'000)*	**As at 30 June 2017** *(RMB'000)*
Total assets	1,529,422	2,140,558
Net assets	276,917	271,116

(4) Anhui Company

Anhui Company was incorporated in the PRC on 11 May 2016 and is wholly owned by SPIC. Anhui Company is principally engaged in development, construction, operation and management of power generation projects (mainly photovoltaic power plants at present) and power distribution networks.

As at 30 June 2017, Anhui Company had an attributable installed capacity of approximately 122MW in operation (all of which is photovoltaic power) and an attributable installed capacity of approximately 76MW under construction (all of which is expected to commence operation by the end of 2017).

Set out below is the key audited financial information of Anhui Company and its subsidiaries prepared in accordance with the HKFRS:

	Period from 11 May to 31 December 2016 *(RMB'000)*	**For the six months ended 30 June 2017** *(RMB'000)*
Revenue	—	3,618
Net loss before taxation	(742)	(2,177)
Net loss after taxation	(742)	(2,177)

	As at 31 December 2016 *(RMB'000)*	**As at 30 June 2017** *(RMB'000)*
Total assets	291,968	1,192,517
Net assets	32,758	194,281

(5) Hubei Company

Hubei Company was incorporated in the PRC on 7 June 2016 and is wholly owned by SPIC. Hubei Company is principally engaged in development, investment, construction, operation and management of power generation projects (mainly photovoltaic power and natural gas power plants at present), new energy projects and distribution networks.

As at 30 June 2017, Hubei Company had an attributable installed capacity of approximately 130MW under construction (among which, 105MW is expected to commence operation by the end of 2017).

Set out below is the key audited financial information of Hubei Company and its subsidiaries prepared in accordance with the HKFRS:

	Period from 7 June to 31 December 2016 *(RMB'000)*	**For the six months ended 30 June 2017** *(RMB'000)*
Revenue	—	—
Net loss before taxation	(134)	(3,986)
Net loss after taxation	(134)	(3,986)

	As at 31 December 2016 *(RMB'000)*	**As at 30 June 2017** *(RMB'000)*
Total assets	20,512	406,588
Net assets	19,866	47,910

(6) Shandong Company

Shandong Company was incorporated in the PRC on 8 June 2016 and is wholly owned by SPIC. Shandong Company is principally engaged in investment, power development, construction, operation and management of power generation projects (mainly wind power plants at present).

As at 30 June 2017, Shandong Company had an attributable installed capacity of approximately 51MW under construction (all of which is expected to commence operation by the end of 2017).

Set out below is the key audited financial information of Shandong Company and its subsidiaries prepared in accordance with the HKFRS:

	Period from 8 June to 31 December 2016	For the six months ended 30 June 2017
	(RMB'000)	*(RMB'000)*
Revenue	—	—
Net loss before taxation	(2,508)	(2,235)
Net loss after taxation	(2,508)	(2,235)

	As at 31 December 2016	As at 30 June 2017
	(RMB'000)	*(RMB'000)*
Total assets	27,844	133,217
Net assets	27,474	82,682

(7) Shouxian Company

Shouxian Company was incorporated in the PRC on 25 May 2016 and is wholly owned by SPIC. Shouxian Company is principally engaged in development, construction, operation and management of power generation projects and its distribution networks (mainly photovoltaic power plants at present).

As at 30 June 2017, Shouxian Company was still under early preparation stage and only had shovel ready projects.

Set out below is the key audited financial information of Shouxian Company prepared in accordance with the HKFRS:

	Period from 25 May to 31 December 2016 *(RMB'000)*	For the six months ended 30 June 2017 *(RMB'000)*
Revenue	—	—
Net loss before taxation	(1,547)	(1,072)
Net loss after taxation	(1,547)	(1,072)

	As at 31 December 2016 *(RMB'000)*	As at 30 June 2017 *(RMB'000)*
Total assets	3,753	2,681
Net assets	3,753	2,681

2. *Qian Zhan Disposal*

(1) Terms of Qian Zhan Agreement

On 9 October 2017, CPI Holding entered into Qian Zhan Agreement with Guangdong Company, pursuant to which CPI Holding has conditionally agreed to acquire and Guangdong Company has conditionally agreed to sell the entire equity interest in Qian Zhan, a wholly-owned subsidiary of Guangdong Company. The Closing Process and the Completion of the sale under Qian Zhan Agreement are conditional upon, among others, the Completion of the acquisition of Guangdong Company under the Pre-agreement. The Closing Process and the Completion of Guangdong Company under Agreement I are conditional upon, among others, the Completion of the transaction contemplated under Qian Zhan Agreement.

The consideration for the sale of the entire equity interest in Qian Zhan is RMB533,058,500 (equivalent to approximately HK$627,127,600), which is subject to adjustment on Completion. The consideration was arrived at after arm's length negotiations between Guangdong Company and CPI Holding.

The consideration of RMB533,058,500 will be adjusted with the change in net asset value of Qian Zhan (between 1 April 2017 and the last day of the calendar month immediately prior to Completion) by reference to the completion audited report to be produced within 30 business days of the

Completion under Qian Zhan Agreement. Within three calendar months after the Completion, the adjusted consideration will be paid by CPI Holding to Guangdong Company.

(2) Reasons for excluding Qian Zhan from the Acquisitions

Qian Zhan holds a cargo port project and a coal-fired power generation project under construction and is currently incurring operating loss. The Company considers that it does not meet the Company's current acquisition criteria. Therefore, Qian Zhan will be disposed of from Guangdong Company to CPI Holding prior to the Completion of Acquisition I.

(3) Information on Qian Zhan

Qian Zhan was incorporated in the PRC on 31 March 2012 and is wholly owned by Guangdong Company. Qian Zhan is principally engaged in operation of cargo port, investment in waterborne freight projects and coal-fired power projects.

Set out below is the key unaudited financial information of Qian Zhan extracted from its management accounts for the relevant periods:

	For the year ended 31 December 2015	**For the year ended 31 December 2016**	**For the six months ended 30 June 2016**	**For the six months ended 30 June 2017**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Revenue	—	—	—	—
Net loss before and after taxation	(13,376)	(25,722)	(5,340)	(9,348)

	As at 31 December 2016	**As at 30 June 2017**
	(RMB'000)	*(RMB'000)*
Net assets	462,483	453,135

D. Financial Effects of the Acquisitions on the Group

Upon the Completion of the Acquisitions, the Target Companies will become wholly-owned subsidiaries of the Company and the consolidated financial results of the Target Companies will be consolidated into the Group's financial statement. The accompanying unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular is prepared as if the Acquisitions had taken place on 30 June 2017 to illustrate the effect of the Acquisitions.

Assets and liabilities

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as set out in Appendix IV to this circular (assuming that the Completion of the Acquisitions had taken place on 30 June 2017), the total assets of the Group would have increased from approximately RMB94,501,264,000 (equivalent to approximately HK$111,177,958,000) to approximately RMB112,006,501,000 (equivalent to approximately HK$131,772,354,000) on a pro forma basis, the total liabilities of the Group would have increased from approximately RMB60,541,060,000 (equivalent to approximately HK$71,224,776,000) to approximately RMB77,994,389,000 (equivalent to approximately HK$91,758,105,000) on a pro forma basis, and the net assets of the Group would have increased from approximately RMB33,960,204,000 (equivalent to approximately HK$39,953,182,000) to approximately RMB34,012,112,000 (equivalent to approximately HK$40,014,249,000) on a pro forma basis. The total net asset value of the Target Companies as at 30 June 2017 amounted to approximately RMB4,070,014,000, whilst the Aggregate Consideration is RMB4,969,321,000, subject to adjustment on completion, representing approximately 122% of the total net asset value.

Earnings

Upon the Completion of the Acquisitions, the Target Companies will become wholly-owned subsidiaries of the Company and the financial results of the Target Companies will be consolidated into the financial statements of the Group. It is expected that the Company will be able to record additional revenue stream from the Target Companies upon the Completion of the Acquisitions.

E. Proposed financing for the Acquisitions

The Company intends to raise further capital by way of rights issue to the existing Shareholders to finance a substantial part of the final adjusted Aggregate Consideration. The Company proposes to raise an amount which will not be less than approximately HK$2,000,000,000 but will not exceed the Aggregate Consideration payable by the Company under the Acquisitions.

The remaining balance of the final adjusted Aggregate Consideration not covered by the proceeds from the proposed rights issue will be financed by the internal resources of the Group.

The final adjusted consideration payable by the Company to CPI Holding under Agreement I may be directly offset against such amount payable by CPI Holding as a shareholder to the Company pursuant to the proposed rights issue and the remaining portion of the consideration will be satisfied in cash.

The final adjusted consideration payable by the Company to SPIC under Agreement II will be satisfied in cash.

The Board considers that it is fair and reasonable and in the interest of the Company and the Shareholders as a whole to raise the required financing for the Acquisitions by way of the proposed rights issue as this exercise will strengthen the Company's capital base and provides equal opportunities for all the Shareholders to maintain their stakes in the Company and to enjoy the anticipated benefits from the Acquisitions.

The reasons for proceeding with the Acquisitions without finalizing the terms of the proposed rights issue are mainly because (i) the proposed rights issue will be conditional upon, among other things, the approval of the Acquisitions by the Independent Shareholders at the EGM but not vice versa; (ii) the entire process of the Acquisitions will probably take much longer than that of the proposed rights issue; and (iii) it is prudent and also in the interest of the Company and the Shareholders to finalize and formally announce the terms of the rights issue once the Acquisitions have been approved by the Independent Shareholders at the EGM.

Details of the proposed rights issue are set out below:

Number of Rights Shares

Basis of the proposed rights issue	Up to one Rights Share for every three existing Shares held on the Record Date by the Qualifying Shareholders and down to one Rights Share for every nine existing Shares held on the Record Date by the Qualifying Shareholders
Number of Shares in issue	7,355,164,741 Shares as at the Latest Practicable Date

The number of Rights Shares will be subject to final determination by the Board or any other person(s) authorized by the Board in consultation with the Underwriter(s), having regard to the market conditions.

As at the Latest Practicable Date, the Company has 12,040,000 Outstanding Options, which are exercisable from the Latest Practicable Date to the Record Date. Had such Exercisable Options been exercised in full, an additional of 12,040,000 Shares (with entitlement to up to 4,013,333 Rights Shares) would have been issued assuming no further grant of option by the Company for the period from the Latest Practicable Date to the Record Date.

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

On the basis of 7,355,164,741 Shares in issue as at the Latest Practicable Date, when

(a) assuming no Exercisable Options are exercised on or before the Record Date, the total number of the Rights Shares to be allotted pursuant to the terms of the proposed rights issue will be up to 2,451,721,580 Rights Shares, representing 33.33% of the Company's existing issued share capital as at the Latest Practicable Date or 25.00% of the enlarged issued share capital of the Company immediately after the completion of the proposed rights issue; and

(b) assuming all Exercisable Options are exercised on or before the Record Date, the total number of the Rights Shares to be allotted pursuant to the terms of the proposed rights issue will be up to 2,455,734,913 Rights Shares, representing 33.39% of the Company's existing issued share capital as at the Latest Practicable Date or 25.00% of the enlarged issued share capital of the Company immediately after the completion of the proposed rights issue.

Subscription Price

The actual Subscription Price will be determined by the Board or any other person(s) authorized by the Board in consultation with the Underwriter(s) with reference to market trading price, having regard to the prevailing market conditions, including but not limited to, the trading price of the Shares before the publication of a further announcement regarding the proposed rights issue.

Conditions of the proposed Rights Issue

It is expected that the proposed rights issue will be conditional upon, among other things, the fulfilment of the following conditions:

(a) the approval of the Acquisitions by the Independent Shareholders at the EGM;

(b) the Underwriting Agreement having become unconditional and the Underwriter(s) not having terminated the Underwriting Agreement in accordance with the terms thereof; and

(c) other customary conditions to be set out in further announcements regarding the proposed rights issue.

Record Date

The Record Date and the trading arrangements for the nil-paid and fully-paid rights shares will be fixed by the Board later.

Application for listing

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares, in both nil-paid and fully-paid forms. Dealings in the nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

Set-off Arrangement

It is expected that CPI Holding, being a substantial shareholder of the Company, will be entitled to set off all or part of the aggregate subscription monies in respect of the proposed Rights Shares against such sums due from the Company to CPI Holding under the Agreement I.

The Company currently expects to issue the formal rights issue announcement right after the EGM, which is scheduled on 8 November 2017. As at the Latest Practicable Date, the Company had not decided whether the subscription price would be at premium or discount to the market trading price of the Shares. As the Acquisitions are not conditional upon the proposed Rights Issue, Shareholders and investors are reminded to assess the Acquisitions on their own merits and to exercise caution when consider and approving the Acquisitions and the transactions contemplated therein.

F. Waiver From Strict Compliance with the Listing Rules

China Enterprise has appraised Sihui Company value by using income approach. Such appraisal is required by the applicable PRC laws and regulations and is not a material factor to be taken into account by the Company in determining the consideration for the acquisition of the entire equity interest in Sihui Company. On this basis, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the profit forecast requirements under Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) of, and Paragraph 29(2) of Appendix 1B to, the Listing Rules in respect of the valuation of Sihui Company.

G. Information on the Group, CPI Holding and SPIC

The Company is a core subsidiary of SPIC for conventional energy business. SPIC (together with its subsidiaries) is the only one integrated energy group which simultaneously owns coal-fired power, hydropower, nuclear power and renewable energy resources in the PRC. CPI Holding is wholly owned by SPIC and owns and operates coal-fired, hydropower, wind and natural gas power plants in the PRC. As at the date of this circular, SPIC through CPI Holding, owns approximately 55.61% of the issued share capital of the Company.

The Group is principally engaged in generation and sale of electricity in Mainland China, including investment, development, operation and management of coal-fired power, hydropower, wind power and photovoltaic power plants. Its businesses are located in the major power grid regions of China.

III. LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisitions, when aggregated under Rule 14.22 of the Listing Rules, exceed 25% but are below 100%, the Acquisitions constitute major transactions for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholder's approval requirements under the Listing Rules.

As at the date of this circular, SPIC is an indirect controlling shareholder of the Company holding approximately 55.61% of the issued share capital of the Company through CPI Holding. CPI Holding, a wholly-owned subsidiary of SPIC, is also a controlling shareholder of the Company directly holding approximately 28.47% of the issued share capital of the Company and through CPDL, a wholly-owned subsidiary of CPI Holding, indirectly holding approximately 27.14% of the issued share capital of the Company. As such, SPIC and CPI Holding are both substantial shareholders of the Company and hence connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisitions also constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are also subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, apart from CPI Holding and CPDL, no other shareholder of the Company will be required to abstain from voting on the resolution for approving the Acquisitions at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to consider the Acquisitions and an Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Acquisition Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and the Independent Shareholders as a whole.

Any outstanding amounts between the Target Companies and their respective connected persons will be settled prior to Completion to the extent possible. For any unsettled amount advanced or received which would constitute connected transactions under Chapter 14A of the Listing Rules after Completion, the Company will enter into framework agreements as appropriate prior to Completion and will comply with any reporting, announcement and Shareholder's approval requirements as applicable under Chapter 14A of the Listing Rules.

IV. EGM

The EGM will be held on Wednesday, 8 November 2017 at Ballroom, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong at 11:00 a.m., during which an ordinary resolution will be proposed to the Independent Shareholders to approve the Acquisitions and the transactions contemplated thereunder. CPI Holding, CPDL and its associates, being connected persons in respect of the Acquisitions, will abstain from voting on the ordinary resolution to approve the Acquisitions and the transactions contemplated thereunder. Any vote of the Independent Shareholders at the EGM will be taken by poll.

A notice convening the EGM for the purpose of considering and, if thought fit, approving the Acquisitions and the transactions contemplated is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the share registrar of the Company, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

V. RECOMMENDATION

The Directors consider that the Acquisitions and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and the terms and transactions contemplated are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors recommend that the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisitions and the transactions contemplated thereunder.

By Order of the Board
China Power International Development Limited
Yu Bing
Chairman

China Power International Development Limited
中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

23 October 2017

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANIES

We refer to the circular dated 23 October 2017 (the "**Circular**") issued by the Company to the Shareholders, of which this letter forms part. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Acquisitions and the transactions contemplated thereunder. Gram Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect.

We wish to draw your attention to the letter from the Board, as set out on pages 7 to 31 of the Circular which contains, among others, information in connection with the Acquisitions, as well as the letter from the Independent Financial Adviser set out on pages 34 to 64 of the Circular which contains its advice and recommendation in the same respect.

As your Independent Board Committee, we have discussed with the management of the Company the reasons for the Acquisitions and the basis upon which its terms have been determined. We have also considered the key factors taken into account by the Independent Financial Adviser in arriving at its opinion regarding the terms of the Acquisitions.

Having considered the terms of the Acquisitions and taken into account the advice of the Independent Financial Adviser, we consider that the Acquisitions are on normal commercial terms and in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole, and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM at the end of the Circular.

Yours faithfully,
The Independent Board Committee
Mr. Kwong Che Keung, Gordon
Mr. Li Fang
Mr. Yau Ka Chi
Independent non-executive Directors

Set out below is the text of a letter received from Gram Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions for the purpose of inclusion in the Circular.

Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

23 October 2017

To: The independent board committee and the independent shareholders of China Power International Development Limited

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTIONS IN RELATION TO THE ACQUISITIONS OF ENTIRE EQUITY INTEREST IN THE TARGET COMPANIES

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisitions, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 23 October 2017 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 9 October 2017, the Company entered into Agreement I with CPI Holding, a wholly-owned subsidiary of SPIC, pursuant to which the Company has conditionally agreed to acquire and CPI Holding has conditionally agreed to sell Target Companies I (excluding Qian Zhan), at the consideration of RMB4,852,240,000 (equivalent to approximately HK$5,708,517,600) (the "**Acquisition I Consideration**"), which is subject to adjustment on the Completion.

On the even date, the Company also entered into Agreement II with SPIC, pursuant to which the Company has conditionally agreed to acquire and SPIC has conditionally agreed to sell Target Companies II, at the consideration of RMB117,081,000 (equivalent to approximately HK$137,742,400) (the "**Acquisition II Consideration**"), which is subject to adjustment on the Completion.

With reference to the Board Letter, the Acquisitions constitute major and connected transactions of the Company and are therefore subject to reporting, announcement, circular, independent financial advice and shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising Kwong Che Keung, Gordon, Li Fang and Yau Ka Chi (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Acquisition Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Acquisitions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Acquisition Agreements and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/ arrangement or implied understanding with anyone concerning the Acquisitions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, SPIC, CPI Holding, the Target Companies or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisitions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital Limited to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisitions, we have taken into consideration the following principal factors and reasons:

Background of and reasons for the Acquisitions

Business overview of the Group

With reference to the Board Letter, the Group is principally engaged in generation and sale of electricity in Mainland China, including investment, development, operation and management of coal-fired power, hydropower, wind power and photovoltaic power plants. Its businesses are located in the major power grid regions of China.

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2017 and for the two years ended 31 December 2016 as extracted from the interim report of the Company for the six months ended 30 June 2017 (the "**2017 Interim Report**") and the annual report of the Company for the year ended 31 December 2016 (the "**2016 Annual Report**"):

	For the six months ended 30 June 2017	**For the year ended 31 December 2016**	**For the year ended 31 December 2015**	**Change from 2015 to 2016**
	RMB'000	*RMB'000*	*RMB'000*	*%*
	(Unaudited)	(Audited)	(Audited)	
Revenue	9,144,490	18,866,153	20,196,670	(6.59)
— Coal-fired electricity	*6,139,232*	*13,057,023*	*14,506,552*	*(9.99)*
— Hydropower electricity	*2,601,797*	*5,394,992*	*5,537,358*	*(2.57)*
— Wind and photovoltaic power electricity	*403,461*	*414,138*	*152,760*	*171.10*
Profit for the period/year	739,999	3,255,487	5,329,598	(38.92)

	As at 30 June 2017	As at 31 December 2016	As at 31 December 2015	Change from 2015 to 2016
	RMB'000	*RMB'000*	*RMB'000*	%
	(Unaudited)	(Audited)	(Audited)	
Cash and cash equivalents	2,547,614	1,809,415	1,528,017	18.42
Net assets	33,960,204	34,594,834	34,225,799	1.08

As illustrated by the above table, the Group recorded a decrease of approximately 6.59% in revenue for the year ended 31 December 2016 ("**FY2016**") as compared to that for the year ended 31 December 2015 ("**FY2015**"). With reference to the 2016 Annual Report, the decrease in revenue was mainly due to the decrease in average on-grid tariff of coal-fired power by approximately 9.98% year-on-year. During FY2016, the Group also recorded a substantial decrease of approximately 38.92% in profit as compared to that for FY2015. As advised by the Directors and with reference to the 2016 Annual Report, the decrease in profit was mainly due to (i) the one-off gain on disposal of partial interest in Shanghai Electric Power Co., Ltd. of approximately RMB827,207,000 in FY2015; and (ii) the decrease in average on-grid tariff and the increase in fuel costs for coal-fired power generation.

As at 30 June 2017, the Group had cash and cash equivalents and net assets of approximately RMB2.55 billion and RMB33.96 billion respectively.

With reference to the 2017 Interim Report, for the second half of 2017, the Group will continue to accelerate transformation and development, devote significant efforts to develop clean energy, further proceed with the development of integrated energy projects, control and slow down coal-fired power investments and provide reasonable planning for capital expenditure. In addition, the Group will continue to leverage on the sustained and solid support from SPIC, to accelerate and facilitate the injection of quality clean energy assets in order to enlarge the Group's assets and business coverage, and enhance its overall market competitiveness.

Information on the Target Companies

Guangdong Company

Guangdong Company was incorporated in the PRC on 26 April 2012 and is wholly owned by SPIC. Guangdong Company is principally engaged in development, investment, construction, operation and management of power generation projects (mainly natural gas power, wind power and photovoltaic power plants at present).

As at 30 June 2017, Guangdong Company had an attributable installed capacity of approximately 830MW in operation (among which, 780MW for natural gas power and 50MW for wind power), and an attributable installed capacity of approximately 152MW under construction (among which, 52MW is expected to commence operation by the end of 2017).

Set out below are the key audited financial information of Guangdong Company and its subsidiaries prior to the disposal of Qian Zhan prepared in accordance with the Hong Kong Financial Reporting Standard ("**HKFRS**") as extracted from section headed "A. Accountants' report of Guangdong Company" as contained in Appendix II to the Circular:

	For the six months ended 30 June 2017 *(RMB'000)*	For the year ended 31 December 2016 *(RMB'000)*	For the year ended 31 December 2015 *(RMB'000)*
Revenue	951,789	2,061,306	2,000,241
Profit/(loss) before taxation	(1,941)	169,888	(80,742)
Profit/(loss) after taxation	(9,677)	121,153	(78,326)

As at 30 June 2017, consolidated net asset value of Guangdong Company was approximately RMB893,544,000.

Guangxi Company

Guangxi Company was incorporated in the PRC on 31 May 2016 and is wholly owned by SPIC. Guangxi Company is principally engaged in development, investment, construction, operation and management of power generation projects (mainly hydropower, wind power and photovoltaic power plants at present).

As at 30 June 2017, Guangxi Company had an attributable installed capacity of approximately 1,042MW in operation (among which, 630MW for hydropower, 392MW for wind power and 20MW for photovoltaic power) and an attributable installed capacity of approximately 666MW under construction.

Set out below are the key audited financial information of Guangxi Company and its subsidiaries prepared in accordance with the HKFRS as extracted from section headed "B. Accountants' report of Guangxi Company" as contained in Appendix II to the Circular:

	For the six months ended 30 June 2017 *(RMB'000)*	For the year ended 31 December 2016 *(RMB'000)*	For the year ended 31 December 2015 *(RMB'000)*
Revenue	606,653	1,211,245	1,211,027
Profit before taxation	168,604	328,611	306,604
Profit after taxation	139,251	283,251	259,211

As at 30 June 2017, consolidated net asset value of Guangxi Company was approximately RMB2,577,800,000.

Sihui Company

Sihui Company was incorporated in the PRC on 14 March 2013 and is wholly owned by CPI Holding. Sihui Company is principally engaged in construction and operation of two sets of 400MW (F level) combined cooling, heat and power units using both a gas and a steam turbine together, production and sales of power and heat related products, supporting construction of heating pipeline projects.

As at 30 June 2017, Sihui Company had an attributable installed capacity of approximately 800MW under construction (all of which is expected to commence operation by the end of 2017).

Set out below are the key audited financial information of Sihui Company prepared in accordance with the HKFRS as extracted from section headed ‘‘C. Accountants' report of Sihui Company'' as contained in Appendix II to the Circular:

	For the six months ended 30 June 2017 *(RMB'000)*	**For the year ended 31 December 2016** *(RMB'000)*	**For the year ended 31 December 2015** *(RMB'000)*
Revenue	—	—	—
Loss before taxation	(7,735)	(19,863)	(20,326)
Loss after taxation	(5,801)	(14,897)	(15,244)

As at 30 June 2017, net asset value of Sihui Company was approximately RMB271,116,000.

Anhui Company

Anhui Company was incorporated in the PRC on 11 May 2016 and is wholly owned by SPIC. Anhui Company is principally engaged in development, construction, operation and management of power generation projects (mainly photovoltaic power plants at present) and power distribution networks.

As at 30 June 2017, Anhui Company had an attributable installed capacity of approximately 122MW in operation (all of which is photovoltaic power) and an attributable installed capacity of approximately 76MW under construction (all of which is expected to commence operation by the end of 2017).

Set out below are the key audited financial information of Anhui Company and its subsidiaries prepared in accordance with the HKFRS as extracted from section headed "D. Accountants' report of Anhui Company" as contained in Appendix II to the Circular:

	For the six months ended 30 June 2017 *(RMB'000)*	**For the period from 11 May 2016 to 31 December 2016** *(RMB'000)*
Revenue	3,618	—
Loss before taxation	(2,177)	(742)
Loss after taxation	(2,177)	(742)

As at 30 June 2017, consolidated net asset value of Anhui Company was approximately RMB194,281,000.

Hubei Company

Hubei Company was incorporated in the PRC on 7 June 2016 and is wholly owned by SPIC. Hubei Company is principally engaged in development, investment, construction, operation and management of power generation projects (mainly photovoltaic power and natural gas power plants at present), new energy projects and distribution networks.

As at 30 June 2017, Hubei Company had an attributable installed capacity of approximately 130MW under construction (among which, 105MW is expected to commence operation by the end of 2017).

Set out below are the key audited financial information of Hubei Company and its subsidiaries prepared in accordance with the HKFRS as extracted from section headed "E. Accountants' report of Hubei Company" as contained in Appendix II to the Circular:

	For the six months ended 30 June 2017 *(RMB'000)*	**For the period from 7 June 2016 to 31 December 2016** *(RMB'000)*
Revenue	—	—
Loss before taxation	(3,986)	(134)
Loss after taxation	(3,986)	(134)

As at 30 June 2017, consolidated net asset value of Hubei Company was approximately RMB47,910,000.

Shandong Company

Shandong Company was incorporated in the PRC on 8 June 2016 and is wholly owned by SPIC. Shandong Company is principally engaged in investment, power development, construction, operation and management of power generation projects (mainly wind power plants at present).

As at 30 June 2017, Shandong Company had an attributable installed capacity of approximately 51MW under construction (all of which is expected to commence operation by the end of 2017).

Set out below are the key audited financial information of Shandong Company and its subsidiaries prepared in accordance with the HKFRS as extracted from section headed "F. Accountants' report of Shandong Company" as contained in Appendix II to the Circular:

	For the six months ended 30 June 2017 *(RMB'000)*	**For the period from 8 June 2016 to 31 December 2016** *(RMB'000)*
Revenue	—	—
Loss before taxation	(2,235)	(2,508)
Loss after taxation	(2,235)	(2,508)

As at 30 June 2017, consolidated net asset value of Shandong Company was approximately RMB82,682,000.

Shouxian Company

Shouxian Company was incorporated in the PRC on 25 May 2016 and is wholly owned by SPIC. Shouxian Company is principally engaged in development, construction, operation and management of power generation projects and its distribution networks (mainly photovoltaic power plants at present).

As at 30 June 2017, Shouxian Company was still under early preparation stage and only had shovel ready projects.

Set out below are the key audited financial information of Shouxian Company prepared in accordance with the HKFRS as extracted from section headed "7. Accountants' report of Shouxian Company" as contained in Appendix II to the Circular:

	For the six months ended 30 June 2017 *(RMB'000)*	For the period from 25 May 2016 to 31 December 2016 *(RMB'000)*
Revenue	—	—
Loss before taxation	(1,072)	(1,547)
Loss after taxation	(1,072)	(1,547)

As at 30 June 2017, net asset value of Shouxian Company was approximately RMB2,681,000.

Reasons for and benefits of the Acquisitions

With reference to the Board Letter, after taking into account of the following factors, the Directors believe the Acquisitions will have positive impact on the Company's future prospect and thus benefiting the Company as well as the Shareholders as a whole.

Accelerate the transition to a clean energy company

The Acquisitions represent the strong commitments and supports from SPIC to the Company. The injection of quality clean energy assets from SPIC and CPI Holding to the Company will enlarge the Group's assets and business coverage and enhance its overall market competitiveness. This is also strategically in line with the implementation of the national "13th Five-Year Plan" in China which the PRC government targets for clean energy and power developments up to the year 2020, after it became a party to the Paris Agreement signed in 2016.

The Acquisitions will further shift the Company's power generation portfolio towards a higher proportion of clean energy assets including large hydropower, wind power, natural gas power and centralized and distributed photovoltaic power projects.

Enlarge operational capacity with expansion potential

The assets within the Target Companies were composed of approximately 1,994MW of attributable installed capacity in operation and approximately 1,875MW of attributable installed capacity under construction as at 30 June 2017. All the projects in operations and under construction of the Target Companies as at 30 June 2017 were clean energy projects, of which the operational hydropower assets owned by Guangxi Company are among the best within SPIC.

After the Completion of the Acquisitions, the total attributable installed capacity of the Company is expected to increase by approximately 11.84% and proportion of clean energy attributable installed capacity is expected to increase to approximately 32.93% in total. Once all project under construction of the Target Companies become operational, the total clean energy attributable installed capacity is expected to increase close to 40% in total, without taking into account of the projects under construction by the Group prior to the Completion of the Acquisitions.

Improve profitability

The Acquisitions provide stable and attractive earnings profile. Renewable energy projects have stable feed-in tariff structure and higher priority for power generation given by local governments in general, which would create additional visibility of the Company's earnings in the coming future.

Strengthen presence in the high growth regional markets

The Acquisitions will strengthen the Company's presence in several regional markets in China where the Target Companies are located, namely the five provinces of Guangdong, Guangxi, Anhui, Hubei and Shandong, which are developed regions with healthy power supply-demand balances, mature economic conditions, and limited renewable curtailment issues. These markets may also have ample high quality power projects that would create bolt-on growth opportunities for the Company.

We conducted our independent research and noted the followings:

Favourable national policies in relation to the development of clean energy sector

In December 2016, National Development and Reform Commission of the PRC and National Energy Administration of the PRC jointly published《電力發展「十三五」規劃(2016–2020)》(Energy Sector Development in the 13th Five-Year Plan (2016–2020)*, the "**Plan**")*(Note)*. It successively rolled out a number of energy policies, offering significant guidance for the development of power industry. On the whole, the PRC's government values environmental protection and proactively makes efforts to cope with global climate change, further restricts the consumption of coal, and enhances the use of clean energy. In the meantime, with the deepening of market-oriented reform on the power system, the markets of electricity sales and distribution and integrated energy services will be further opened in an orderly manner.

According to the Plan, among other things, it emphasizes on improving the PRC's electricity system structure by means of accelerating development of clean energy power and clean use of fossil energy. It set targets including:

(i) the wind power and photovoltaic power projects to be moved towards the central and eastern regions of the PRC and to be mainly developed by distribution and locally consumed. The installed capacity of wind power and

Note: Please refer to http://www.ndrc.gov.cn/zcfb/zcfbghwb/201612/P020161222570036010274.pdf for details.

photovoltaic power are expected to reach 210,000,000KW (or 210GW) and 110,000,000KW (or 110GW) respectively by 2020, implying an expected compound annual growth rate ("**CAGR**") of approximately 9.9% and 21.5% respectively from 2015 to 2020;

(ii) the installed capacity of regular hydropower projects and pumped storage hydropower projects are expected to reach 340,000,000KW (or 340GW) and 40,000,000KW (or 40GW) respectively by 2020, implying an expected CAGR of approximately 2.7% and 11.7% respectively from 2015 to 2020;

(iii) the installed capacity of gas power projects is expected to reach 110,000,000KW (or 110GW) by 2020, implying an expected CAGR of approximately 10.8% from 2015 to 2020; and

(iv) nuclear power will be concentrated in the constructions in the eastern coastal areas, with the estimated installed capacity to reach 58,000,000KW (or 58GW) by 2020.

The Plan also mentioned to set strict control measure in development of coal-fired power projects. During the 13th Five-Year period, it targets to cancel and postpone development of coal-fired power projects with installed capacity of not less than 150,000,000KW (or 150GW) and maintain the installed capacity of the coal-fired power at not more than 1,100,000,000KW (or 1,100GW) by 2020. The proportion of coal-fired power installed capacity will be reduced from 59% in 2015 to 55% in 2020.

Pursuant to《2017年能源工作指導意見》(the Guiding Opinions on Energy Development for 2017*)*(Note)* released by the National Energy Administration on 10 February 2017, the State further declared that coal-fired power projects should be strictly controlled, and the scale of clean energy power should be expanded. The targets for installed capacity of various types of power in 2017 were set as follows: (i) to complete the construction of installed capacity of 10,000,000KW (or 10GW) hydropower projects and bring additional installed capacity of 30,000,000KW (or 30GW) into construction; (ii) to complete the construction of installed capacity of 20,000,000KW (or 20GW) wind power projects and bring additional installed capacity of 25,000,000KW (or 25GW) into construction through steadily promoting the progress of preparatory work of wind power projects located at certain regions; (iii) to complete the construction of installed capacity of 18,000,000KW (or 18GW) photovoltaic power projects, and bring additional installed capacity of 20,000,000KW (or 20GW) into construction; and (iv) to complete the construction of installed capacity of 6,410,000KW (or 6.41GW) nuclear power projects. It target to complete the ultra-low emission transformation planned of 80,000,000KW (or 80GW) and the energy-saving transformation planned of 60,000,000KW (or 60GW) during 2017 by pushing forward the transformation in the field of coal-fired power.

Note: Please refer to http://zfxxgk.nea.gov.cn/auto82/201702/t20170217_2602.htm for details.

Overview of the economy and power industry in Guangdong Province

The table below illustrates the gross domestic products ("**GDP**") and electricity generation of Guangdong Province:

	2012	**2013**	**2014**	**2015**	**2016**
GDP (RMB Billion)	5,714.80	6,247.50	6,781.00	7,281.30	7,951.20
Electricity generation (million KWh)	359,324	379,625	386,979	390,021	408,197

Source: Statistics Bureau of Guangdong Province

As shown in the above table, the GDP of Guangdong Province had been increasing from 2012 and reached approximately RMB7,951.2 billion in 2016, representing a CAGR of approximately 8.6% from 2012 to 2016. According to the Statistics Bureau of Guangdong Province, in the first half of 2017, the GDP of Guangdong Province grew by approximately 7.8% as compared to the same period of last year and reached approximately RMB4,195.78 billion. Electricity generation in Guangdong Province had also increased along with the province's GDP growth. Electricity generation in Guangdong Province had been increasing at a CAGR of approximately 3.2% from 2012 to 2016, reaching approximately 408,197 million KWh in 2016.

According to the Statistics Bureau of Guangdong Province, in the first half of 2017, the total electricity consumption of Guangdong Province increased by 4.6% as compared to the same period last year and reached approximately 268,158 million KWh.

Pursuant to 《關於加快推進我省清潔能源建設的實施方案》*(Implementation Plan on Accelerating Clean Energy Construction in Guangdong Province**, the "**Guangdong Plan**") published by Development and Reform Commission of Guangdong Province on 13 July 2015, Guangdong Province established several objectives, policies and execution plans in relation to the construction of clean energy sector in Guangdong.

At present, Guangdong Company is mainly engaged in natural gas power, wind power and photovoltaic power fields. The Guangdong Plan had set up the following execution plan and major targets in the development of natural gas power, wind power and photovoltaic power in Guangdong Province respectively:

(i) expanding the supply channels of natural gas proactively and accelerating the major natural gas pipelines construction. In 2017, Guangdong Province aims to increase the supply capacity of natural gas by approximately 13 billion m^3 per year, construct new major natural gas pipelines around 380 kilometers, increase the installed capacity of natural gas power generation by around 5 million KW and invest additionally RMB20,500 million for the year;

(ii) speeding up the development of wind power by building both onshore and offshore wind power generation facilities. In 2017, Guangdong aims to increase the wind power generation installed capacity by 800,000 KW (including 600,000 KW onshore and 200,000 KW offshore) and invest additionally RMB9,200 million for the year; and

(iii) utilizing the vast rooftop of industrial parks to implement scalable distributed photovoltaic power generation, and also encouraging private enterprises, public institutions, factories and residential areas to develop distributed photovoltaic power generation. In 2017, Guangdong Province aims to increase the photovoltaic power generation installed capacity by 600,000 KW and invest additionally RMB4,800 million for the year.

*Overview of economy and power industry in Guangxi Zhuang Autonomous Region ("**Guangxi**")*

The table below illustrates the GDP and electricity generation of Guangxi:

	2012	**2013**	**2014**	**2015**	**2016**
GDP (RMB Billion)	1,303.51	1,444.99	1,567.29	1,680.31	1,824.51
Electricity generation (million KWh)	113,305	119,907	124,733	122,768	128,141

Source: Guangxi Bureau of Statistics

As shown in the above table, the GDP of Guangxi had been increasing from 2012 and reached approximately RMB1,824.51 billion in 2016, representing a CAGR of approximately 8.8% from 2012 to 2016. According to the Guangxi Bureau of Statistics, in the first half of 2017, the GDP of Guangxi grew by approximately 7.2% as compared to the same period of last year and reached approximately RMB817.98 billion. Despite a slight decrease of 1.58% in electricity generation in Guangxi in the year of 2015 as compared to the year of 2014, electricity generation in Guangxi had generally increased along with the province's GDP growth. Electricity generation in Guangxi had been increasing at a CAGR of approximately 3.1% from 2012 to 2016, reaching approximately 128,141 million KWh in 2016.

According to the Guangxi Bureau of Statistics, in the first half of 2017, the total electricity consumption of Guangxi increased by 4% as compared to the same period last year and reached approximately 65,933 million KWh.

According to the 《廣西能源發展「十三五」規劃》*(Energy development of Guangxi in the 13th Five-Year Plan**, "**Guangxi Plan**"), the installed capacity of electricity generation and the total electricity generation of Guangxi reached 34.55 million KW and 131.8 billion KWh respectively in the year of 2015, representing increases of 35.4% and 27.7% as compared to the year of 2010.

With reference to the Guangxi Plan, Guangxi is expecting tremendous development opportunities because of its strategical positioning in the "一帶一路" (Belt and Road Initiative*) as well as the PRC's deep collaboration with Association of Southeast Asian Nations. Therefore, the sustainable development of the energy sector is crucial for Guangxi. Guangxi will continuously optimize its energy structure by promoting the construction of renewable energy. In 2015, the installed capacity of hydropower, wind power and solar power took up 47.5%, 1.2% and 0.3% of the provincial total installed capacity of electricity generation, and reached 16,402,000 KW, 408,500 KW and 96,500 KW respectively. As set out in the Guangxi Plan, Guangxi will increase the installed capacity of hydropower, wind power and photovoltaic power by 800,000 KW, 3,000,000 KW and 900,000 KW respectively during the "十三五" (13th Five-Year Plan*) period.

Overview of economy and power industry in Anhui Province

The table below illustrates the GDP and electricity generation of Anhui Province:

	2012	**2013**	**2014**	**2015**	**2016**
GDP (RMB Billion)	1,721.21	1,922.93	2,084.88	2,200.56	2,411.79
Electricity generation (million KWh)	176,750	195,840	199,290	203,420	220,620

Source: Statistics Bureau of Anhui Province

As shown in the above table, the GDP of Anhui Province had been increasing from 2012 and reached approximately RMB2,411.79 billion in 2016, representing a CAGR of approximately 8.8% from 2012 to 2016. According to the Statistics Bureau of Anhui Province, in the first half of 2017, the GDP of Anhui Province grew by approximately 8.5% as compared to the same period of last year and reached approximately RMB1,264.54 billion. Electricity generation in Anhui Province had also increased along with the province's GDP growth. Electricity generation in Anhui Province had been increasing at a CAGR of approximately 5.7% from 2012 to 2016, reaching approximately 220,620 million KWh in 2016.

According to the Statistics Bureau of Anhui Province, in the first half of 2017, the total electricity consumption of Anhui Province increased by 6.6% as compared to the same period last year and reached approximately 88,540 million KWh.

According to《安徽省可再生能源發展「十三五」規劃》*(Renewable Energy Development of Anhui Province in the 13th Five-Year Plan**, the "**Anhui Plan**") published by Anhui Energy Administration in May 2017, the installed capacity of renewable energy had developed rapidly during the period of the "十二五" (12th Five-Year Plan*), of which the installed capacity of grid-connected photovoltaic power and grid-connected wind power amounted 1.3 million KW and 1.35 million KW respectively by the end of 2015.

The development of photovoltaic power generation is one of the major tasks that being set out in the Anhui Plan. Anhui Province will proactively (i) promote the construction of national model photovoltaic power projects; (ii) establish a "Photovoltaics +" mode to encourage agriculture and fishery industry to build ground photovoltaic power generation plants; and (iii) accelerate the utilization of distributed photovoltaic power generation on the rooftops of both factories and public buildings. It aims to have an 8 million KW installed capacity of photovoltaic power generation by the year 2020.

Overview of economy and power industry in Hubei Province

According to the Statistics Bureau of Hubei Province, the economic development and growth of electricity generation of Hubei Province in recent years continued to record considerable growth. The table below illustrates the GDP and electricity generation of Hubei Province:

	2012	**2013**	**2014**	**2015**	**2016**
GDP (RMB Billion)	2,225.05	2,479.18	2,737.92	2,955.02	3,229.79
Electricity generation (million KWh)	217,407	211,882	234,481	230,140	242,310

Source: Statistics Bureau of Hubei Province

As shown in the above table, the GDP of Hubei Province had been increasing from 2012 and reached approximately RMB3,229.79 billion in 2016, representing a CAGR of approximately 9.8% from 2012 to 2016. According to the Statistics Bureau of Hubei Province, in the first half of 2017, the GDP of Hubei Province grew by approximately 7.8% as compared to the same period of last year and reached RMB1,587.14 billion. The electricity generation in Hubei Province in 2016 increased as compared to 2012 at CAGR of approximately 2.7%.

According to the Statistics Bureau of Hubei Province, in the first half of 2017, the total electricity consumption of Hubei Province increased by 4.8% as compared to the same period last year and reached approximately 85,963 million KWh.

According to the《湖北省可再生能源發展「十三五」規劃》*(Renewable Energy Development of Hubei Province in the 13th Five-Year Plan*, the* "**Hubei Plan**") published by Hubei Provincial Development and Reform Commission in April 2017, the major objective of energy development in Hubei Province for the period of 2016–2020 is to improve the proportion of renewable energy consumption to 15% of the total energy consumption. With extensive hydropower resources, hydropower generation has always been the major renewable energy in Hubei. The installed capacity of grid-connected hydropower had reached 36.53 million KW by the end of 2015, which is approximately 11.4% of the national installed capacity of hydropower (i.e. 320 million KW). In terms of photovoltaic power generation, the installed capacity of grid-connected photovoltaic power amounted 840,000 KW. With reference to the Hubei Plan, even though the development of solar power in Hubei Province was relatively lagged behind comparing to other provinces, Hubei Province aims to increase the installed capacity of solar power by 2.7 million KW and proactively promote the construction of photovoltaic power generation facilities.

Overview of economy and power industry in Shandong Province

The table below illustrates the GDP and electricity generation of Shandong Province:

	2012	2013	2014	2015	2016
GDP (RMB Billion)	5,001.32	5,523.03	5,942.66	6,300.23	6,700.82
Electricity generation (million KWh)	330,580	359,750	373,780	468,460	510,360

Source: Shandong Provincial Bureau of Statistics

As shown in the above table, the GDP of Shandong Province had been increasing from 2012 and reached approximately RMB6,700.82 billion in 2016, representing a CAGR of approximately 7.6% from 2012 to 2016. According to the Shandong Provincial Bureau of Statistics, in the first half of 2017, the GDP of Shandong Province grew by approximately 7.7% as compared to the same period of last year and reached RMB3,501.74 billion. Electricity generation in Shandong Province had also increased along with the province's GDP growth. Electricity generation in Shandong Province had been increasing at a CAGR of approximately 11.5% from 2012 to 2016, reaching approximately 510,360 million KWh in 2016.

According to the Shandong Provincial Bureau of Statistics, in the first half of 2017, the total electricity consumption of Shandong Province increased by 7.78% as compared to the same period last year and reached 273,721 million KWh.

Pursuant to the《山東省新能源和可再生能源中長期發展規劃 (2016–2030)》*(New Energy and Renewable Energy Mid and Long-term Development Plan (2016–2030) of Shandong Province*)* published by Shandong Development and Reform Commission on 2 May 2017, Shandong Province has significant advantages and natural resources to develop new energy as well as renewable energy, especially wind power and solar power. After preliminary estimation, the potential scale of wind power that can be developed in Shandong Province amounted 3 million KW. Given Shandong Province's geologic structure and stable climate, the conditions to construct scalable wind power are excellent in Shandong Province. In addition, most of the areas in Shandong Province are category III solar-power resource area, and more than 2/3 of its area recorded an annual sunshine duration above 2,200 hours.

The installed capacity of grid-connected wind power amounted approximately 7.22 million KW by the end of 2015, representing 7.4% of the total provincial electricity installed capacity and an increase of 5.2% comparing to the end of the "十一五" (11th Five-Year Plan*) period. Shandong Province targeted to increase the installed capacity of grid-connected wind power to 14 million KW and 23 million KW by the year of 2020 and 2030 respectively. The installed capacity of grid-connected solar power amounted approximately 1.33 million KW by the end of 2015, represent a 47 times increase comparing to the end of the "十一五" (11th Five-Year Plan*) period. Shandong Province targeted to increase the installed capacity of grid-connected solar power to 10 million KW and 25 million KW by the year of 2020 and 2030 respectively.

As mentioned in the section headed "Business overview of the Group" above, for the second half of 2017, the Group will continue to accelerate transformation and development, devote significant efforts to develop clean energy, further proceed with the development of integrated energy projects, control and slow down coal-fired power investments and provide reasonable planning for capital expenditure. In addition, the Group will continue to leverage on the sustained and solid support from SPIC, to accelerate and facilitate the injection of quality clean energy assets in order to enlarge the Group's assets and business coverage, and enhance its overall market competitiveness.

Having considered (i) the background of the Target Companies, all of which are engaged in clean energy power generation and related businesses; (ii) the Acquisitions will further shift the Company's power generation portfolio towards a higher proportion of clean energy power assets; (iii) the PRC government restricts the consumption of coal-fired energy, and supports power generation and consumption of clean energy by publishing favourable policies; (iv) the positive industrial statistics as set out above; and (v) the Acquisitions are in line with the development strategy of the Company as mentioned above, we concur with the Directors that the Acquisitions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

THE ACQUISITION AGREEMENTS

1. The Agreement I

Set out below are the summarised terms of the Agreement I, details of which are set out under the section headed "Agreement I" of the Board Letter.

Date

9 October 2017

Parties

(1) Company (as the purchaser)

(2) CPI Holding (as the seller)

Assets to be acquired

The Company has conditionally agreed to acquire and CPI Holding has conditionally agreed to sell the entire equity interest in the Target Companies I (excluding its equity interest in Qian Zhan).

Consideration

The consideration for the acquisition of the entire equity interest in the Target Companies I is RMB4,852,240,000 (equivalent to approximately HK$5,708,517,600), which is subject to adjustment on Completion.

With reference to the Board Letter, the consideration was arrived at after arm's length negotiations between the Company and CPI Holding. It was based on various relevant factors including, among other things, (i) the operating conditions, financial position and performance of the Target Companies I; (ii) the value and price ratios of listed companies in the PRC and Hong Kong and companies being acquired in precedent transactions whose businesses are similar to that of the Target Companies I; and (iii) the business prospect and value proposition of the Target Companies I.

The operating conditions, financial position and performance of the Target Companies I are set out under the section headed "Information on the Target Companies" above. With reference to the Board Letter, (i) the Company expects the acquisition of Guangxi Company not only immediately improves the profitability of the Group, but also enlarges the total installed capacity of the hydropower assets of the Group; and (ii) Guangdong Company and Sihui Company both involve in the business of integrated supply of power, heating and cooling related multi-energy supply projects and possess natural gas power plants which are in operation or about to commencing operation in Guangdong province. The Company believes that the Acquisition I is critical for the Group to reinforce its market presence and competitiveness in Guangdong province and Guangxi.

Besides, the business prospect of the Target Companies I is also supported by the positive industrial statistics as set under the section headed "Reasons for and benefits of the Acquisitions" above.

For our assessment of the fairness and reasonableness of the Acquisition I Consideration, we performed the trading multiples analysis below.

Trading multiples analysis

Based on our independent research over the internet, we noted that commonly adopted price multiples analysis include the price to book ratio ("**PBR**") and the price to earnings ratio ("**PER**"). We have searched for companies listed in Hong Kong which are engaged in similar line of business as the Target Companies I, being electricity companies which have clean power generation and related businesses. To the best of our knowledge and endeavour, we found 19 companies listed which met our selection criteria (the "**Company Comparables**"). The Company Comparables are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of Target Companies I are not exactly the same as the Company Comparables.

Set out below are the PERs and PBRs of the Company Comparables based on their closing prices quoted from the Stock Exchange's website as at 9 October 2017, being the date of the Agreement I, and their respective latest published financial information:

Company name (Stock code)	**Principal business**	**Year end date**	**PER** *(Note 1)*	**PBR** *(Note 1)*
CLP Holdings Limited (2)	Generation and supply of electricity in Hong Kong, India and Australia, and investment holding of power projects in Mainland China, Southeast Asia and Taiwan	31 December 2016	15.81	1.98
Amber Energy Limited (90)	Development, operation and management of power plants fuelled by natural gas in the PRC	31 December 2016	10.19	0.85
GCL New Energy Holdings Limited (451) ("**GCL New Energy**")	Development, construction, operation and management of solar farms, as well as the manufacturing and selling of printed circuit boards	31 December 2016	64.66	1.66
Beijing Jingneng Clean Energy Company Limited (579)	Gas-fired power and heat energy generation, wind power generation, photovoltaic power generation, hydropower generation and other businesses	31 December 2016	6.54	0.80
Panda Green Energy Group Limited (formerly known as United Photovoltaics Group Limited)(686)	Development, investment, operation and management of solar power plants	31 December 2016	24.72	1.53
China Power Clean Energy Development Company Limited (735) *(Note 5)*	Development, construction, owning, operation and management of clean energy power plants in the PRC, investment holding in the clean energy power industry and property investments and securities investments	31 December 2016	11.24	0.55
Huadian Fuxin Energy Corporation Limited (816)	Generation and sale of hydropower, wind power, coal-fired power, solar power, natural gas-fired power and other clean power in the PRC	31 December 2016	7.04	0.71
China Resources Power Holdings Co. Limited (836)	Construction and operations of power stations and coal mining	31 December 2016	8.90	0.98
Huaneng Power International, Inc. (902 & SH600011)	Generation and sale of electric power to the respective regional or provincial grid companies in the PRC and Singapore	31 December 2016	7.45	0.77

Company name (Stock code)	Principal business	Year end date	PER *(Note 1)*	PBR *(Note 1)*
China Longyuan Power Group Corporation Limited (916)	Design, development, construction, management and operation of wind farms in areas with abundant wind resources in the PRC and the sales of electricity to the local grid companies	31 December 2016	11.88	1.02
China Suntien Green Energy Corporation Limited (956)	Investment, development, management and operation of wind power and solar energy generation, sale of natural gas and gas appliances, and the connection and construction of natural gas pipelines	31 December 2016	11.78	0.77
Huaneng Renewables Corporation Limited (958)	Wind power and solar power generation and sale in the PRC	31 December 2016	8.58	0.96
Xinyi Solar Holdings Limited (968)	Production and sale of solar glass products, development and operation of solar farms and the provision of engineering, procurement and construction services	31 December 2016	10.58	2.34
Datang International Power Generation Company Limited (991 & SH601991)	Power generation and power plant development in the PRC, coal trading, chemical products manufacturing and selling	31 December 2016	N/A *(Note 2)*	0.68
Huadian Power International Corporation Limited (1071 & SH600027)	Generation and sale of electricity and heat, sales of coal and other relevant businesses in the PRC	31 December 2016	8.39	0.62
Beijing Enterprises Clean Energy Group Limited (1250)	Investment, development, construction, operation and management of photovoltaic power plants, photovoltaic power-related businesses and wind power-related business; and design, printing and sale of cigarette packages in the PRC	31 December 2016	23.53	2.08
China Datang Corporation Renewable Power Company Limited (1798)	Generation and sales of wind power and other renewable power	31 December 2016	29.32	0.62
CGN New Energy Holdings Company Limited (1811)	Generation and supply of electricity and steam, construction and operation of power stations and other associated facilities in the PRC and Korea	31 December 2016	7.60	0.79
Haitian Energy International Limited (8261) ("**Haitian Energy**")	Hydropower generation and provision of operating and repair and maintenance services in the PRC	31 December 2016	47.31	4.41

Company name (Stock code)	Principal business	Year end date	PER *(Note 1)*	PBR *(Note 1)*
Maximum			**64.66**	**4.41**
Minimum			**6.54**	**0.55**
Average			**17.53**	**1.27**
Excluding outliers				
Maximum			**29.32**	**2.34**
Minimum			**6.54**	**0.55**
Average			**12.72**	**1.10**
The Acquisition I			**11.25** *(Note 3)*	**1.30** *(Note 4)*

Notes:

1. The PERs of the Company Comparables were calculated based on their respective latest published annual results and the PBRs of the Company Comparables were calculated based on their respective latest published annual results or interim results or quarterly results.

2. The selected company was loss making during the relevant latest financial year.

3. The implied PER of the Acquisition I was calculated based on the Acquisition I Consideration (subtracting consideration receivable as the result of Qian Zhan Disposal) and the sum of net profit attributable to owners of Target Companies I (excluding net loss recorded by Qian Zhan Company and subtracting investment income contributed by Guangxi Company to Guangdong Company (i.e. dividend entitled to Guangdong Company as declared by Guangxi Company in April 2016) for the year ended 31 December 2016.

4. The implied PBR of the Acquisition I was calculated based on the Acquisition I Consideration (subtracting consideration receivable as the result of Qian Zhan Disposal) and the sum of net asset value attributable to owners of the Target Companies I (excluding the net assets value of Qian Zhan Company) as at 31 March 2017.

5. Since 18 July 2017, China Power Clean Energy Development Company Limited has replaced China Power New Energy Development Company Limited as the listing vehicle.

We noticed from the above table that the PERs of the Company Comparables ranged from approximately 6.54 times to 64.66 times, with an average of approximately 17.53 times. Among the Company Comparables, we noted that the PERs of GCL New Energy and Haitian Energy were exceptionally high as compared with those of the other Company Comparables. We are therefore of the view that the PERs of GCL New Energy and Haitian Energy are rather outliers. The PERs of the Company Comparables (excluding outliers) ranged from approximately 6.54 times to 29.32 times, with an average of approximately 12.72 times. The implied PER of the Acquisition I of 11.25 times is within the said PER range of the Company Comparables (excluding outlier) and below the average.

We noticed from the above table that the PBRs of the Company Comparables ranged from approximately 0.55 times to 4.41 times, with an average of approximately 1.27 times. Among the Company Comparables, we noted that the PBR of Haitian Energy was exceptionally high as compared with those of the other Company Comparables. We are therefore of the view that the PBR of Haitian Energy is rather an outlier. The PBRs of the Company Comparables (excluding outliers) ranged from approximately 0.55 times to 2.34 times, with an average of approximately 1.10 times. The implied PBR of the Acquisition I of 1.30 times is within the said PBR range of the Company Comparables (excluding outlier) and above the average.

Comparison with other acquisitions

To further assess the fairness and reasonableness of the Acquisition I Consideration, we have searched over the internet for notifiable/connected transactions involving acquisitions of companies which engages in similar business as Target Companies I and recorded positive net asset values, from 9 October 2016 by listed companies in Hong Kong which is engaged in power or power related business. To the best of our knowledge and endeavour, we found 19 transactions (the "**Transactions Comparables**"), which are exhaustive as far as we are aware of. Shareholders should note that the businesses, operations and prospects of Target Companies I are not exactly the same as the target companies of the Transactions Comparables.

Set out below are the PERs and PBRs of the Transactions Comparables based on their consideration, latest available (at the date of announcement) profit after tax for a full financial year and net asset value:

Company name (Stock code)	Date of announcement	Type of target companies	Percentage of interest to be acquired	PER *(Note 1)*	PBR *(Note 1)*
China Longyuan Power Group Corporation Limited (916)	12 October 2016	Wind power Other clean energy	52%	N/A *(Note 2)*	0.8
Huaneng Power International, Inc. (902 & SH600011)	15 October 2016	Coal-fired power Wind Power Solar Power	80%	8.67	2.35
Huaneng Power International, Inc. (902 & SH600011)	15 October 2016	Thermal power Cogeneration Wind power	100%	18.06	1.55
Beijing Enterprises Clean Energy Group Limited (1250) ("**Beijing Enterprises**")	9 November 2016	Solar power	100%	N/A *(Note 2)*	204.82
Beijing Enterprises Clean Energy Group Limited (1250)	30 November 2016	Solar power	100%	N/A *(Note 2)*	2.08
Kong Sun Holdings Limited (295) ("**Kong Sun**")	30 November 2016	Solar power	100%	N/A *(Note 2)*	1.36

Company name (Stock code)	Date of announcement	Type of target companies	Percentage of interest to be acquired	PER *(Note 1)*	PBR *(Note 1)*
Kong Sun Holdings Limited (295)	2 December 2016	Solar power	100%	N/A *(Note 2)*	2.73
Beijing Enterprises Clean Energy Group Limited (1250)	22 December 2016	Solar power	100% *(Note 6)*	4.89	1.59
Kong Sun Holdings Limited (295)	30 March 2017	Solar power	100%	3.19 *(Note 3)*	1.05 *(Note 3)*
Kong Sun Holdings Limited (295)	30 March 2017	Solar power	98.611%	22.58 *(Note 4)*	1.02 *(Note 4)*
Kong Sun Holdings Limited (295)	30 March 2017	Solar power	100%	N/A *(Note 2)*	1.00 *(Note 4)*
Kong Sun Holdings Limited (295)	30 March 2017	Solar power	100%	6.39	1.01
China Smarter Energy Group Holdings Limited (1004)	31 March 2017	Solar power	100%	N/A *(Note 2)*	1.75
China Smarter Energy Group Holdings Limited (1004)	2 April 2017	Solar power	100%	3.45	1.30
China Smarter Energy Group Holdings Limited (1004)	2 April 2017	Solar power	100%	8.70	1.16
China Smarter Energy Group Holdings Limited (1004)	2 April 2017	Solar power	100%	17.97	1.37
United Photovoltaics Group Limited (Now known as Panda Green Energy Group Limited) (686)	24 April 2017	Solar power Wind power Other new energy	50%	N/A *(Note 4)*	0.94
Kong Sun Holdings Limited (295)	15 June 2017	Solar power	100%	N/A *(Note 2)*	1.06 *(Note 3)*
Kong Sun Holdings Limited (295)	15 June 2017	Solar power	100%	N/A *(Note 2)*	0.96 *(Note 3)*
Maximum				**22.58**	**204.82**
Minimum				**3.19**	**0.80**
Average				**10.43**	**12.10**
Excluding outliers					
Maximum				**22.58**	**2.73**
Minimum				**3.19**	**0.80**
Average				**10.43**	**1.39**

Notes:

1. The PERs of the Transactions Comparables were calculated based on their respective transaction consideration, the then latest available annual results for a full financial year of such target company(ies) and the PBRs of the Transactions Comparables were calculated based on their respective transaction consideration, the then latest available annual results or interim results or quarterly results of such target company(ies).

2. The target company(ies) under the selected transaction(s) were loss making during or no profit or loss was/were recognized by such target company(ies) for the relevant latest financial year.

3. The respective consideration of the selected transaction(s) and net asset value of target companies were adjusted after taking into account of unpaid registered capital of target company(ies) payable by such vendor(s).

4. The consideration of the selected transaction and net asset value of target company were adjusted after taking into account of capital contribution obligations of such vendor assumed by purchaser in the target company.

5. We noticed that Kong Sun announced an acquisition of company solar power project on 15 June 2017. Nevertheless, the financial figures of such acquisition derived a close to zero PBR which we considered unusual and not suitable for comparison. Accordingly, we did not include such acquisition in the Transactions Comparables.

6. As at the date of announcement, 99.9% and 0.1% of the entire equity interest in a target company are held by vendor A and vendor B respectively, and 70% of the equity interest in the target company held by the vendor A is subject to the pledge of 70% equity interest in target company given by the vendor A in favour of an EPC contractor (the "**Equity Pledge**"). In accordance with the terms of a debt settlement agreement entered into among purchaser, the vendor A, the vendor B, the target company and the EPC contractor, the Equity Pledge will be released prior to vendor A, vendor B and the target company completing the relevant procedures necessary for the completion of the acquisition.

We noticed from the above table that the PERs of the Transactions Comparables ranged from approximately 3.19 times to 22.58 times, with an average of approximately 10.43 times. The implied PER of the Acquisition I of 11.25 times is within the said PER range of the Transactions Comparables and above the average.

We noticed from the above table that the PBRs of the Transactions Comparables ranged from approximately 0.80 times to 204.82 times, with an average of approximately 12.10 times. Among the Transactions Comparables, we noted that the PBR Beijing Enterprises (with PBR of approximately 204.82 times) was exceptionally high as compared with those of the other Transactions Comparables. We are therefore of the view that the PBR of Beijing Enterprises is rather an outlier. The PBRs of the Transactions Comparables (excluding outliers) ranged from approximately 0.80 times to 2.73 times, with an average of approximately 1.39 times. The implied PBR of the Acquisition I of 1.30 times is within the said PBR range of the Transactions Comparables (excluding outlier) and below the average.

Information of other acquisitions for a longer period

As illustrated by the table set out under the sub-section headed "Comparison with other acquisitions" above, target companies under majority acquisition transactions are engaged in solar power business. To provide Independent Shareholders with more information regarding the price multiples of acquisition of other type of clean energy power business (other than nuclear power), we extended the review period to approximate three years immediately preceding to the date of Agreement I. Set out below are the PERs and PBRs of our findings based on their consideration, latest available (at the date of announcement) profit after tax for a full financial year and net asset value:

Company name (Stock code)	Date of announcement	Type of target companies	Percentage of interest to be acquired	PER *(Note 1)*	PBR *(Note 1)*
Huaneng Power International, Inc. (902 & SH600011)	14 October 2014	Coal-fired power Hydropower Wind power Others	Certain interests in target companies	5.98	1.75
China Longyuan Power Group Corporation Limited (916)	29 December 2014	Wind power	51%	27.83	1.14
China Suntien Green Energy Corporation Limited (956) ("**China Suntien**")	22 January 2015	Hydropower	20%	461.80	2.17
Canvest Environmental Protection Group Co. Limited (1381)	12 May 2015	Biomass power	45%	14.94	2.51
Canvest Environmental Protection Group Co. Limited (1381)	26 May 2015	Biomass power	100%	25.65	1.25
CGN New Energy Holdings Company Limited (1811) ("**CGN New Energy**")	17 June 2015	Wind power	100%	7.11	1.32
CGN New Energy Holdings Company Limited (1811)	17 June 2015	Wind power	100%	N/A	1.19
CGN New Energy Holdings Company Limited (1811)	17 June 2015	Wind power	100%	10.71	1.25
CGN New Energy Holdings Company Limited (1811)	17 June 2015	Wind power	100%	9.00	0.83
CGN New Energy Holdings Company Limited (1811)	17 June 2015	Wind power	100%	10.88	1.05
CGN New Energy Holdings Company Limited (1811)	17 June 2015	Wind power	100%	5.63	2.63
CGN New Energy Holdings Company Limited (1811)	17 June 2015	Wind power	100%	4.93	1.34

Company name (Stock code)	Date of announcement	Type of target companies	Percentage of interest to be acquired	PER *(Note 1)*	PBR *(Note 1)*
CGN New Energy Holdings Company Limited (1811)	17 June 2015	Wind power	100%	4.35	1.49
CGN New Energy Holdings Company Limited (1811)	17 June 2015	Wind power	100%	5.58	1.13
CGN New Energy Holdings Company Limited (1811)	17 June 2015	Wind power	100%	N/A	1.72
CGN New Energy Holdings Company Limited (1811)	17 June 2015	Wind power	100%	5.37	1.20
CGN New Energy Holdings Company Limited (1811)	17 June 2015	Wind power	100%	N/A	1.55
CGN New Energy Holdings Company Limited (1811)	17 June 2015	Wind power	60% *(Note 5)*	9.42	1.07
CT Environmental Group Limited (1363)	2 July 2015	Biomass power	100%	N/A	1.00
Canvest Environmental Protection Group Co. Limited (1381)	26 January 2016	Biomass power	100%	N/A	0.68
Beijing Enterprises Environment Group Limited (154)	31 March 2016	Biomass power	Certain interests in target companies	23.32 *(Note 2)*	1.73 *(Note 3)*
Maximum				**461.80**	**2.63**
Minimum				**4.35**	**0.68**
Average				**39.53**	**1.43**
Excluding outliers ***(Note 4)***					
Maximum				**27.83**	**2.17**
Minimum				**4.35**	**0.68**
Average				**11.38**	**1.31**

Notes:

1. The PERs of the above transactions comparables were calculated based on their respective transaction consideration, the then latest available annual results for a full financial year of such target company(ies) and the PBRs of the transactions comparables were calculated based on their respective transaction consideration, latest available annual results or interim results or quarterly results of such target company(ies).

2. The implied PER of target companies is calculated by dividing total consideration by total profits attributable to owners of target companies from unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2015.

3. The implied PBR of target companies is calculated by dividing total consideration by total equity attributable to owners of target companies from unaudited pro forma consolidated statement of financial position for the year ended 31 December 2015.

4. Among the above comparables, we noted that the PER of China Suntien (461.80 times) and PBRs of CGN New Energy (2.63 times and 2.51 times) were exceptionally high as compared with those of the other comparables. We are therefore of the view that the aforesaid PER and PBRs are rather outliers.

5. 30% equity interest of the target company is directly held by vendor and 30% equity interest is indirectly held by the vendor through another target company, being a wholly-owned subsidiary of the vendor as at date of announcement.

In light of that (i) the implied PER of the Acquisition I of 11.25 times is within the PERs range of both the Company Comparables (excluding outliners) and Transaction Comparables; and (ii) the implied PBR of the Acquisition I of 1.30 times is within the PBRs range of both the Company Comparables (excluding outliners) and Transaction Comparables (excluding outliners); we are of the view that the Acquisition I Consideration is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

The consideration of RMB4,852,240,000 will be adjusted with the change in net asset value of each of the Target Companies I (between 1 April 2017 and the last day of the calendar month immediately prior to Completion) by reference to the completion audited reports to be produced within 30 business days of the Completion of each of the Target Companies I. Based on our observation, it is normal in the market for acquisition consideration to be adjusted based on completion accounts.

Taking into account the principal terms of the Agreement I, we consider that the terms of the Agreement I are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

2. The Agreement II

Set out below are the summarised terms of the Agreement II, details of which are set out under the section headed "Agreement II" of the Board Letter.

Date

9 October 2017

Parties

(1) Company (as the purchaser)

(2) SPIC (as the seller)

Assets to be acquired

The Company has conditionally agreed to acquire and SPIC has conditionally agreed to sell the entire equity interest in the Target Companies II.

Consideration

The consideration for the acquisition of the entire equity interest in the Target Companies II is RMB117,081,000 (equivalent to approximately HK$137,742,400), which is subject to adjustment on Completion.

Will reference to the Board Letter, the consideration was arrived at after arm's length negotiations between the Company and SPIC. It was based on various relevant factors including, among other things, (i) the operating conditions, financial position and performance of the Target Companies II, (ii) the value and price ratios of listed companies in the PRC and Hong Kong and companies being acquired in precedent transactions whose businesses are similar to that of the Target Companies II, and (iii) the business prospect and value proposition of the Target Companies II.

The operating conditions, financial position and performance of the Target Companies II are set out under the section headed "Information on the Target Companies" above. With reference to the Board Letter, Target Companies II are holding high quality photovoltaic and wind power projects under construction located in Anhui Province, Hubei Province and Shandong Province. Acquisition II will help accelerating the Group's transformation into a clean energy power player. The Group being able to secure the acquisition through arm's length negotiation with SPIC before full operation is in the best interest of the Group to obtain such high quality projects without paying extra premium. And the Group has track record to unlock long-term growth potential post acquisition like acquiring Wu Ling Power from SPIC in 2009 which is now the key profit-driver of the Group. In conclusion, the Group is confident that the earlier the Acquisition II, the more value to be extracted from.

Besides, the business prospect of the Target Companies II is also supported by the positive industrial statistics as set under the section headed "Reasons for and benefits of the Acquisitions" above.

For our assessment of the fairness and reasonableness of the Acquisition II Consideration, we performed the trading multiples analysis below.

Trading multiples analysis

As mentioned above, commonly adopted price multiples analysis include the price to book ratio and the price to earnings ratio. We have searched for companies listed in Hong Kong which are engaged in similar line of business as the Target Companies II, being electricity companies which have clean power generation and related businesses. The selection criteria of comparables are the same as the Company Comparables as demonstrated in the prior sub-section headed "Trading multiples analysis" of section headed "The Agreement I" above. As mentioned above, the Company Comparables are exhaustive as far as we are aware of. Given that the Target Companies II had been loss making for the year ended 31 December 2016, we consider the PER analysis to be inapplicable. Therefore, for the purpose of assessing the fairness and reasonableness of the Acquisition II Consideration, we have performed the PBR analysis. Given that the assets of the Target Companies II are essential to their operation and form the core value of the Target Companies II, the PBR analysis alone can still form a fair and reasonable basis for our assessment on the Acquisition II Consideration.

Based on the Acquisition II Consideration and net asset value attributable to the Target Companies II as at 31 March 2017, the implied PBR of the Acquisition II is approximately 1.14 times. As mentioned above:

(i) the PBRs of the Company Comparables (excluding outliers) ranged from approximately 0.55 times to 2.34 times, with an average of approximately 1.10 times; and

(ii) the PBRs of the Transactions Comparables (excluding outliers) ranged from approximately 0.80 times to 2.73 times, with an average of approximately 1.39 times.

The implied PBR of the Acquisition II of approximately 1.14 times is within the PBRs range of both the Company Comparables (excluding outliners) and Transaction Comparables (excluding outliners). Accordingly, we are of the view that the Acquisition II Consideration is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

The consideration of RMB117,081,000 will be adjusted with the change in net asset value of each of the Target Companies II (between 1 April 2017 and the last day of the calendar month immediately prior to Completion) by reference to the completion audited reports to be produced within 30 business days of the Completion of each of the Target Companies II. Based on our observation, it is normal in the market for acquisition consideration to be adjusted based on completion accounts.

Taking into account the principal terms of the Agreement II, we consider that the terms of the Agreement II are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

3. Possible financial effects of the Acquisitions

As confirmed by the Directors, upon Completion, the Target Companies will become wholly-owned subsidiaries of the Company and their financial results will be consolidated into the Group's financial statement. The accompanying unaudited pro forma financial information of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") as set out in Appendix IV to the Circular is prepared as if the Acquisitions had taken place at 30 June 2017 to illustrate the effect of the Acquisitions.

Based on the Unaudited Pro Forma Financial Information as if the Acquisitions had taken place at 30 June 2017:

(i) the net assets value of the Enlarged Group would be higher than that of the Group as at 30 June 2017;

(ii) the net current liabilities of the Enlarged Group would be higher than that of the Group as at 30 June 2017; and

(iii) the gearing ratio (being calculated as net debt (being total debts less cash and cash equivalents) divided by total capital (being total equity plus net debt)) of the Enlarged Group would be higher than that of the Group as at 30 June 2017.

In addition, the Directors expect that after Completion and all of the Target Companies commencing full operation and contributing to the earnings profile, the Enlarged Group's revenue and earnings will be improved.

Based on the above, although the net current liabilities and gearing ratio of the Enlarged Group would be higher than that of the Group as at 30 June 2017, the net assets value of the Enlarged Group would be higher than that of the Group as at 30 June 2017 and the Directors expect that after Completion and all of the Target Companies commencing full operation and contributing to the earnings profile, the Enlarged Group's revenue and earnings will be improved. We consider and concur with the Directors' view that the possible financial effects above indicate that the financial positions of the Group may be (i) adversely impacted in short term (i.e. higher net current liabilities and gearing ratio); but (ii) improved in long-run (higher net assets value and possible improvement in revenue and earnings).

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon the Completion.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, in particular:

(i) the background of the Target Companies, all of which are engaged in clean energy power generation and related businesses;

(ii) the Acquisitions will further shift the Company's power generation portfolio towards a higher proportion of clean energy power assets;

(iii) the PRC government restricts the consumption of coal-fired energy, and supports power generation and consumption of clean energy by publishing favourable policies;

(iv) the positive industrial statistics as set out above;

(v) the Acquisitions are in line with the development strategy of the Company as mentioned above;

(vi) the implied PER of the Acquisition I of 11.25 times is within the PERs range of both the Company Comparables (excluding outliners) and Transaction Comparables;

(vii) the implied PBR of the Acquisition I of 1.30 times is within the PBRs range of both the Company Comparables (excluding outliners) and Transaction Comparables (excluding outliners);

(viii) the implied PBR of the Acquisition II of approximately 1.14 times is within the PBRs range of both the Company Comparables (excluding outliners) and Transaction Comparables (excluding outliners); and

(ix) based on the Unaudited Pro Forma Financial Information as if the Acquisitions had taken place at 30 June 2017, although the net current liabilities and gearing ratio of the Enlarged Group would be higher than that of the Group as at 30 June 2017, the net assets value of the Enlarged Group would be higher than that of the Group as at 30 June 2017 and the Directors expect that after Completion and all of the Target Companies commencing full operation and contributing to the earnings profile, the Enlarged Group's revenue and earnings will be improved,

we are of the opinion that (i) the terms of the Acquisition Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Acquisitions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the Acquisition Agreements and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

* *For identification purpose only*

1. SUMMARY OF FINANCIAL INFORMATION

The audited consolidated financial information of the Group for each of the three years ended 31 December 2014, 2015 and 2016 have been disclosed in the annual reports of the Company and the unaudited consolidated financial information of the Group for the six months ended 30 June 2017 has been disclosed in the interim report of the Company.

Details of the financial statements have been published on the Stock Exchange website (http://www.hkexnews.hk) and Company website (http://www.chinapower.hk) and can be accessed by the direct hyperlinks below:

(i) in respect of the annual report of the Company for the year ended 31 December 2016 published on 21 April 2017 (pages 93 to 196)

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0421/LTN20170421273.PDF

(ii) in respect of the annual report of the Company for the year ended 31 December 2015 published on 22 April 2016 (pages 93 to 196)

http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0422/LTN20160422800.pdf

(iii) in respect of the annual report of the Company for the year ended 31 December 2014 published on 27 April 2015 (pages 97 to 205)

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0427/LTN20150427885.pdf

(iv) in respect of the interim report of the Company for the six months ended 30 June 2017 published on 15 September 2017 (pages 25 to 60)

http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0915/LTN20170915593.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 August 2017, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group and the Target Groups prior to the printing of this circular, the Group and the Target Groups had total issued debts of RMB62,337,580,000. Details of which are as follows:

	RMB'000
Bank borrowings	
— Secured *(Note i)* and unguaranteed	17,997,740
— Unsecured and guaranteed *(Note ii)*	373,242
— Unsecured and unguaranteed	29,191,308
	47,562,290
Borrowings from related parties	
— Secured *(Note i)* and unguaranteed	631,547
— Unsecured and unguaranteed	8,210,880
	8,842,427
Other borrowings	
— Secured *(Note i)* and unguaranteed	1,053,272
— Unsecured and guaranteed *(Note iii)*	998,974
— Unsecured and unguaranteed	2,000,000
	4,052,246
Obligations under finance leases	
— Secured *(Note i)* and unguaranteed	1,483,875
Amounts due to related parties	
— Unsecured and unguaranteed	396,742
	62,337,580

Notes:

(i) All securities pledged for the indebtedness are owned by the Group and the Target Groups.

(ii) Bank borrowing of RMB373,242,000 are guaranteed by Hunan Provincial Finance Bureau.

(iii) The balance represents certain long-term corporate bonds issued by the Group, which are guaranteed by SPIC.

(iv) As at the close of business on 31 August 2017, the Group has authorised but unissued short-term commercial paper of RMB3,000,000,000.

Save as aforesaid and apart from intra-group liabilities and normal trade and bills payables in the ordinary course of the business, as at the close of business on 31 August 2017, the Group and the Target Groups did not have other debt securities issued and outstanding, and authorised or otherwise created but unissued, outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, taking into account the financial resources available to the Enlarged Group, including the internally generated funds and the unutilized facilities from banks and a related party and the available unutilized short-term commercial paper, the Enlarged Group has, in the absence of unforeseeable circumstances, sufficient working capital for its present requirement for the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or prospect of the Group since 31 December 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As mentioned in the interim report for the six months ended 30 June 2017, the Group posted a profit attributable to owners of the Company of RMB425,138,000. After the Acquisitions, the Group will continue to accelerate transformation and development, devote significant efforts to develop clean energy, further proceed with the development of integrated energy projects, control and slow down coal-fired power investments and provide reasonable planning for capital expenditure. In addition, the Group will continue to leverage on the sustained and solid support from SPIC, to accelerate and facilitate the injection of quality clean energy assets in order to enlarge the Group's assets and business coverage, and enhance its overall market competitiveness.

In light of the evolving economic and business environment, the Group constantly reviews its existing operations from time to time. With the government policies encouraging clean energy power and the broadened geographical base of the Group's power projects, the Group remains optimistic on the overall market environment and the Directors believe that the Group will continue to benefit from strong power demand, operating costs control and improvement in overall efficiency, thereby enhancing the Group's profitability and the return to the Shareholders.

ACCOUNTANTS' REPORT OF THE TARGET COMPANIES

The following is the text of reports received from the reporting accountant, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

A. ACCOUNTANTS' REPORT OF GUANGDONG COMPANY

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

Deloitte. 德勤

Introduction

We report on the historical financial information of SPIC Guangdong Power Company Limited (''Guangdong Company'') and its subsidiaries (together, ''Guangdong Group'') set out on pages II-4 to II-61, which comprises the consolidated statements of financial position as at 31 December 2014, 2015, 2016 and 30 June 2017, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages II-4 to II-61 forms an integral part of this report, which has been prepared for inclusion in the circular issued by China Power International Development Limited (the ''Company'') dated 23 October 2017 (the ''Circular'') in connection with the proposed acquisitions of the entire equity interest in the Target Companies as defined in the Circular (the ''Acquisitions'').

DIRECTOR'S RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The director of Guangdong Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''), and for such internal control as the director of Guangdong Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified

Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the HKFRSs in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of Guangdong Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Guangdong Company's and Guangdong Group's financial position as at 31 December 2014, 2015, 2016 and 30 June 2017 and of Guangdong Group's financial performance and cash flows for the Relevant Periods in accordance with the HKFRSs.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of Guangdong Group which comprises 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 six months ended 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The director of Guangdong Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the HKFRSs. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the HKFRSs.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 14 to the Historical Financial Information which contains information about the dividends paid by Guangdong Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 October 2017

HISTORICAL FINANCIAL INFORMATION OF GUANGDONG GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of Guangdong Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with HKFRSs issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the ''Underlying Financial Statements'').

The Historical Financial Information is presented in Renminbi (''RMB'') and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December			Six months ended 30 June	
		2014	**2015**	**2016**	**2017**	**2016**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Continuing operations						
Revenue	5	348,552	2,000,241	2,061,306	951,789	761,000
Other income	6	426	1,229	3,761	319	398
Fuel costs		(300,618)	(1,618,657)	(1,435,257)	(748,313)	(517,139)
Depreciation		(16,285)	(142,778)	(149,977)	(75,344)	(74,573)
Staff costs	7	(29,791)	(62,357)	(62,302)	(32,138)	(29,407)
Repairs and maintenance		(746)	(47,031)	(55,969)	(11,470)	(8,965)
Consumables		(4,910)	(17,969)	(26,452)	(5,494)	(10,345)
Other gains and losses, net	8	(136,652)	10,610	24,385	8,432	6,854
Other operating expenses		(51,383)	(63,523)	(87,105)	(45,353)	(26,439)
Operating (loss)/profit	9	(191,407)	59,765	272,390	42,428	101,384
Finance income	10	1,981	2,960	4,042	2,425	3,013
Finance costs	10	(41,121)	(143,467)	(106,544)	(46,794)	(49,863)
(Loss)/profit before taxation		(230,547)	(80,742)	169,888	(1,941)	54,534
Income tax credit/(expense)	11	1,060	2,416	(48,735)	(7,736)	(11,287)
(Loss)/profit and total comprehensive (expenses)/income for the year/period		(229,487)	(78,326)	121,153	(9,677)	43,247
Profit from discontinued operations	12	154,129	259,211	165,947	—	165,947
(Loss)/profit for the year/period		(75,358)	180,885	287,100	(9,677)	209,194
Total comprehensive (expense)/ income attributable to:						
Owner of Guangdong Company						
— (Loss)/profit from continuing operations		(219,001)	(75,157)	122,173	(8,771)	44,294
— Profit from discontinued operations	12	154,237	256,322	163,992	—	163,992
		(64,764)	181,165	286,165	(8,771)	208,286

	Note	Year ended 31 December 2014 RMB'000	2015 RMB'000	2016 RMB'000	Six months ended 30 June 2017 RMB'000	2016 RMB'000 (unaudited)
Non-controlling interests						
— Loss from continuing operations		(10,486)	(3,169)	(1,020)	(906)	(1,047)
— (Loss)/profit from discontinued operations	12	(108)	2,889	1,955	—	1,955
		(10,594)	(280)	935	(906)	908
Total comprehensive (expense)/ income attributable to:						
Owner of Guangdong Company		(229,487)	(78,326)	121,153	(9,677)	43,247
Non-controlling interests		154,129	259,211	165,947	—	165,947

The notes on pages II-15 to II-61 are an integral part of the Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2014 RMB'000	2015 RMB'000	2016 RMB'000	As at 30 June 2017 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	*16*	9,669,399	10,007,356	3,294,246	3,583,907
Prepayments for construction of power plants	*17*	297,464	456,327	62,482	21,639
Prepaid lease payments	*18*	485,303	508,929	460,844	477,946
Interests in a joint venture	*19*	50,356	31,714	—	—
Deferred income tax assets	*20*	24,524	28,720	16,634	17,323
Restricted deposits		967	—	—	—
Other non-current assets	*21*	123,129	158,080	24,743	44,838
		10,651,142	11,191,126	3,858,949	4,145,653
Current assets					
Inventories	*22*	17,167	73,291	91,855	94,753
Prepaid lease payments	*18*	7,675	8,471	7,541	7,967
Accounts receivable	*23*	358,906	368,545	213,065	226,173
Prepayments, deposits and other receivables		236,229	97,956	37,067	68,751
Amounts due from related parties	*24*	83,848	1,676	3,880	3,229
Restricted deposits		—	967	—	200
Cash and cash equivalents	*25*	227,862	282,239	125,808	193,464
		931,687	833,145	479,216	594,537
Total assets		11,582,829	12,024,271	4,338,165	4,740,190
EQUITY					
Capital and reserves attributable to owners of Guangdong Company					
Registered capital	*26*	2,149,125	2,302,825	947,795	947,795
Reserves	*27*	391,586	565,751	21,244	(74,527)
		2,540,711	2,868,576	969,039	873,268
Non-controlling interests		32,011	44,922	20,382	20,276
Total equity		2,572,722	2,913,498	989,421	893,544

The notes on pages II-15 to II-61 are an integral part of the Historical Financial Information.

	Note	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 June 2017
		RMB'000	RMB'000	RMB'000	RMB'000
LIABILITIES					
Non-current liabilities					
Deferred income	28	—	3,403	85,235	147,929
Bank borrowings	29	5,887,935	5,995,415	931,587	1,130,480
Borrowings from related parties	30	21,040	19,560	62,833	62,093
Other borrowings	31	—	90,272	—	—
Obligations under finance leases	32	121,985	40,607	597,830	581,975
Provisions for other long-term liabilities	33	291,593	290,645	—	—
		6,322,553	6,439,902	1,677,485	1,922,477
Current liabilities					
Accounts and bills payables	34	300,618	276,147	110,067	51,808
Construction costs payable		647,096	697,137	238,720	249,275
Other payables and accrued charges	35	97,441	139,118	120,439	93,631
Amounts due to related parties	24	60,399	68,820	473,896	608,216
Bank borrowings	29	1,247,920	1,384,120	428,520	843,520
Borrowings from related parties	30	236,480	1,480	251,480	36,480
Current portion of obligations under finance leases	32	91,313	91,414	31,658	31,677
Taxation payable		6,287	12,635	16,479	9,562
		2,687,554	2,670,871	1,671,259	1,924,169
Total liabilities		9,010,107	9,110,773	3,348,744	3,846,646
Total equity and liabilities		11,582,829	12,024,271	4,338,165	4,740,190
Net current liabilities		(1,755,867)	(1,837,726)	(1,192,043)	(1,329,632)
Total assets less current liabilities		8,895,275	9,353,400	2,666,906	2,816,021

STATEMENTS OF FINANCIAL POSITION OF GUANGDONG COMPANY

		As at 31 December			As at 30 June
		2014	2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment		2,646	2,289	1,942	1,607
Investments in subsidiaries		3,235,780	3,468,561	1,514,600	1,548,980
Investments in a joint venture	*19*	50,356	31,714	—	—
Other non-current assets		160	295	580	789
		3,288,942	3,502,859	1,517,122	1,551,376
Current assets					
Prepayments, deposits and other receivables		83,806	153,960	980	2,476
Amounts due from related parties		—	—	—	573
Amounts due from subsidiaries		17,616	5,878	117,010	180,120
Cash and cash equivalents		129,273	120,931	22,022	55,353
		230,695	280,769	140,012	238,522
Total assets		3,519,637	3,783,628	1,657,134	1,789,898
EQUITY					
Capital and reserves attributable to owners of Guangdong Company					
Registered capital	*26*	2,149,125	2,302,825	947,795	947,795
Reserves	*27*	398,703	462,258	112,746	111,403
Total equity		2,547,828	2,765,083	1,060,541	1,059,198

		As at 31 December			As at 30 June
		2014	2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Current liabilities					
Other payables and accrued charges		15,024	33,711	1,133	2,419
Amounts due to subsidiaries		606,619	784,751	—	—
Amounts due to related parties		166	83	445,460	445,281
Bank borrowings		150,000	200,000	—	248,000
Borrowings from related parties		200,000	—	150,000	35,000
		971,809	1,018,545	596,593	730,700
Total equity and liabilities		3,519,637	3,783,628	1,657,134	1,789,898
Net current liabilities		(741,114)	(737,776)	(456,581)	(492,178)
Total assets less current liabilities		2,547,828	2,765,083	1,060,541	1,059,198

The notes on pages II-15 to II-61 are an integral part of the Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of Guangdong Company					
	Registered capital *(Note 26)* *RMB'000*	**Other reserves** *(Note 27)* *RMB'000*	**Retained earnings** *(Note 27)* *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2014	133,070	1,786,215	456,350	2,375,635	40,901	2,416,536
Loss and total comprehensive expenses for the year	—	—	(64,764)	(64,764)	(10,594)	(75,358)
Transfer to registered capital	1,786,215	(1,786,215)	—	—	—	—
Contributions from owner of Guangdong Company	229,840	—	—	229,840	—	229,840
Contributions from non-controlling shareholders of subsidiaries	—	—	—	—	2,631	2,631
Dividends recognized as distributions to a non-controlling shareholder of a subsidiary	—	—	—	—	(927)	(927)
At 31 December 2014	2,149,125	—	391,586	2,540,711	32,011	2,572,722
Profit/(loss) and total comprehensive income/(expenses) for the year	—	—	181,165	181,165	(280)	180,885
Contributions from owner of Guangdong Company	153,700	—	—	153,700	—	153,700
Contributions from a non-controlling shareholder of a subsidiary	—	—	—	—	13,500	13,500
Dividends recognized as distributions to owner of Guangdong Company	—	—	(7,000)	(7,000)	—	(7,000)
Dividends recognized as distributions to a non-controlling shareholder of a subsidiary	—	—	—	—	(309)	(309)
At 31 December 2015	2,302,825	—	565,751	2,868,576	44,922	2,913,498

	Attributable to owners of Guangdong Company					
	Registered capital (Note 26) RMB'000	Other reserves (Note 27) RMB'000	Retained earnings (Note 27) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Profit and total comprehensive income for the year	—	—	286,165	286,165	935	287,100
Contributions from owner of Guangdong Company	118,970	—	—	118,970	—	118,970
Dividends recognized as distributions to non-controlling shareholders of subsidiaries	—	—	—	—	(3,379)	(3,379)
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	(1,474,000)	—	(830,672)	(2,304,672)	(22,096)	(2,326,768)
At 31 December 2016	947,795	—	21,244	969,039	20,382	989,421
Loss and total comprehensive expenses for the period	—	—	(8,771)	(8,771)	(906)	(9,677)
Contributions from a non-controlling shareholder of a subsidiary	—	—	—	—	800	800
Dividends recognized as distributions to owner of Guangdong Company	—	—	(87,000)	(87,000)	—	(87,000)
At 30 June 2017	947,795	—	(74,527)	873,268	20,276	893,544
Six months ended 30 June 2016 (unaudited)						
At 1 January 2016	2,302,825	—	565,751	2,868,576	44,922	2,913,498
Profit and total comprehensive income for the period	—	—	208,286	208,286	908	209,194
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	(1,474,000)	—	(830,672)	(2,304,672)	(22,096)	(2,326,768)
Dividends recognized as distributions to non-controlling shareholders of subsidiaries	—	—	—	—	(3,379)	(3,379)
Contributions from owner of Guangdong Company	12,650	—	—	12,650	—	12,650
At 30 June 2016 (unaudited)	841,475	—	(56,635)	784,840	20,355	805,195

The notes on pages II-15 to II-61 are an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December 2014	2015	2016	Six months ended 30 June 2017	2016
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Cash flows from operating activities						
Cash generated from operations	*36(a)*	774,342	1,363,846	791,673	173,003	636,351
Interest paid		(410,655)	(462,510)	(213,646)	(42,149)	(157,982)
PRC income tax paid		(36,523)	(42,825)	(67,862)	(15,342)	(33,264)
Net cash generated from operating activities		327,164	858,511	510,165	115,512	445,105
Cash flows from investing activities						
Payments for property, plant and equipment and prepayments for construction of power plants		(1,847,910)	(941,620)	(493,027)	(309,070)	(362,233)
Payments for prepaid lease payments		(4,483)	(32,757)	(2,513)	(21,298)	(862)
Proceeds from disposal of property, plant and equipment and prepaid lease payments		267	1,285	42,963	53	42,963
Capital injection to a joint venture		(12,750)	—	—	—	—
Interest received		3,608	4,357	4,184	2,425	3,155
Net cash outflow resulting from Group Reorganization *(Note 1 and Note 12)*	12	—	—	(154,017)	—	(154,017)
Increase in restricted deposits		(967)	—	—	(200)	—
Decrease in restricted deposits		—	—	967	—	—
Net cash used in investing activities		(1,862,235)	(968,735)	(601,443)	(328,090)	(470,994)

	Note	Year ended 31 December 2014 RMB'000	2015 RMB'000	2016 RMB'000	Six months ended 30 June 2017 RMB'000	2016 RMB'000 (unaudited)
Cash flows from financing activities						
Drawdown of bank borrowings	*36(b)*	2,653,275	1,866,600	494,945	823,153	388,615
Drawdown of other borrowings	*36(b)*	—	90,272	—	—	—
Drawdown of borrowings from related parties	*36(b)*	184,200	800,000	750,000	135,000	500,000
Drawdown of obligations under finance leases	*36(b)*	—	—	660,000	—	400,000
Contributions from owner of Guangdong Company		229,480	153,700	118,970	—	12,650
Contributions from non-controlling shareholders of subsidiaries	*36(b)*	2,631	13,500	—	800	—
Repayment of bank borrowings	*36(b)*	(1,045,720)	(1,622,920)	(1,936,373)	(209,260)	(1,189,820)
Repayment of borrowings from related parties	*36(b)*	(231,480)	(1,036,480)	(56,727)	(350,740)	(3,280)
Payments for obligations under finance leases	*36(b)*	(92,393)	(92,762)	(92,589)	(31,719)	(59,191)
Dividends paid to non-controlling shareholders of subsidiaries		(927)	(309)	(3,379)	—	(3,379)
Dividend paid		—	(7,000)	—	(87,000)	—
Net cash generated from/(used in) financing activities		1,699,066	164,601	(65,153)	280,234	45,595
Net increase/(decrease) in cash and cash equivalents		163,995	54,377	(156,431)	67,656	19,706
Cash and cash equivalents at 1 January		63,867	227,862	282,239	125,808	282,239
Cash and cash equivalents at 31 December/30 June	25	227,862	282,239	125,808	193,464	301,945

The notes on pages II-15 to II-61 are an integral part of the Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION, BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

CPI Southern Power Company Limited (''CPI Southern'') was incorporated in the People's Republic of China (the ''PRC'') on 26 April 2012 as a limited liability company under the PRC Companies Law and renamed as SPIC Guangdong Power Company Limited (''Guangdong Company'') (國家電投集團廣東電力有限公司) on 31 May 2016. The registered office and the principal place of incorporation of Guangdong Company is Guangzhou, Guangdong Province.

Historically and prior to completion of the Group Reorganization (as defined below), CPI Southern carried out the operation and owned assets in Guangdong and Guangxi province. Pursuant to a split resolution which was initiated and approved on 12 April 2016 by State Power Investment Corporation (國家電力投資集團公司) (''SPIC''), the ultimate holding company, CPI Southern has been resolved to split into two separate legal entities, namely Guangdong Company and SPIC Guangxi Power Company Limited (''Guangxi Company''), with Guangdong Company retaining business and assets which were registered and situated in Guangdong province and the new entity, Guangxi Company assuming the business and assets in Guangxi province (the ''Group Reorganization''). Guangdong Company and Guangxi Company are owned by SPIC. The Group Reorganization was completed in 31 May 2016.

Prior to the completion of the Group Reorganization, the business and assets in Guangxi province were owned by Guangdong Company. For the purpose of this report, Guangdong Group's consolidated statements of profit or loss and other comprehensive income, consolidated statements of change in equity and consolidated statements of cash flows include the results and cash flows of the Guangxi Group up to the completion of the Group Reorganization. The assets and liabilities of the Guangxi Group are included in the consolidated statements of financial position of Guangdong Group as at 31 December 2014 and 2015.

Therefore, upon the completion of the Group Reorganization on 31 May 2016, Guangdong Group discontinued its business in Guangxi province (''Discontinued Operation''), the profit for the period/year from the Discontinued Operation is presented in Note 12.

Guangdong Group is principally engaged in investment holdings, generation and sales of electricity and the development of power plants in the PRC.

The Historical Financial Information is presented in RMB, which is also the functional currency of Guangdong Company.

2. APPLICATION OF NEW AND AMENDMENTS TO THE HONG KONG FINANCIAL REPORTING STANDARDS (''HKFRSs'')

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Guangdong Group has consistently applied HKFRSs,, which are effective for the accounting period beginning on 1 January 2017 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle except for amendments to HKFRS 12[1]

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

HKFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on Guangdong Group's current business practices and financial position as at 30 June 2017, the director of Guangdong Company does not anticipate that the application of HKFRS 15 in the future will have a material impact on the results and financial position of Guangdong Group but may result in more disclosures.

HKFRS 16 "Leases"

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, Guangdong Group has cancellable operating lease commitments of RMB2,680,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence Guangdong Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16 and may result in changes in measurement, presentation and disclosure as indicated above. The director of the Guangdong Company anticipates that the application of HKFRS 16 does not have any significant impact to Guangdong Group.

Guangdong Group is in the process of making an assessment of the impact of the other new standards and amendments to standards and it is not yet in a position to state whether any substantial financial impact will be resulted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with HKFRSs. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Guangdong Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4.

3.2 Consolidation

(a) Subsidiaries and Business combinations

A subsidiary is an entity (including a structured entity) over which Guangdong Group has control. Guangdong Group controls an entity when Guangdong Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to Guangdong Group. They are deconsolidated from the date that control ceases.

Guangdong Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by Guangdong Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date.

Guangdong Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between members of Guangdong Group are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with Guangdong Group's accounting policies.

(b) Joint ventures

Guangdong Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Guangdong Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize Guangdong Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and Guangdong Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When Guangdong Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of Guangdong Group's net investment in the joint ventures), Guangdong Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between Guangdong Group and its joint ventures are eliminated to the extent of Guangdong Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by Guangdong Group.

3.3 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Guangdong Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their costs less accumulated impairment losses over their estimated useful lives to their residual values, as follows:

Dam	25–45 years
Buildings	17–35 years
Power generators and equipment	7–20 years
Electricity supply equipment	12–30 years
Furniture and fixtures	3–6 years
Tools and other equipment	5–18 years
Transportation facilities	2–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.6). Such impairment losses are recognized in profit or loss.

Gains or losses on disposals are determined by comparing the net sales proceeds with the carrying amount of the relevant assets and are recognized in profit or loss.

3.4 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery, direct labour costs and overheads and, for qualifying assets, borrowing costs capitalized in accordance with Guangdong Group's accounting policy. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 3.3 above.

3.5 Prepaid lease payments

Prepaid lease payments are stated at cost less accumulated amortization and accumulated impairment losses (if any). Cost mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated, and for sea use rights, for a period of 5 to 54 years from the date the respective right was granted. Amortization of prepaid lease payments is calculated on a straight-line basis over the periods of the leases.

3.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (''CGUs''). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.7 Financial assets

Guangdong Group's financial assets are loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of Guangdong Group's financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Guangdong Group's receivables include accounts and other receivables, amount due from related parties, deposits, and deposits at banks and CPI Financial Company Limited (''CPIF'').

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of Guangdong company or the counterparty.

3.8 Impairment of financial assets

Guangdong Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ''loss event'') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the profit or loss.

3.9 Inventories

Inventories comprise consumable supplies and spare parts held for usage and are stated at the lower of cost and net realizable value after provision for obsolete items, and are expensed to repairs and maintenance expense when used, or capitalized to property, plant and equipment when installed, as appropriate using weighted average method. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition and excludes borrowing costs.

3.10 Accounts and other receivables

Accounts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment. If collection of accounts and other receivables is expected in 1 year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and with other financial institutions and other short-term highly liquid investments with original maturities of 3 months or less. Restricted deposits are separately disclosed from cash and cash equivalents.

3.12 Financial liabilities and equity

Financial liabilities and equity instruments issued by Guangdong Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Accounts and other payables (including construction costs payable and amounts due to related parties) are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of Guangdong Group after deducting all of its liabilities.

3.13 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Guangdong Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

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

3.14 Current and deferred income tax

The tax expense comprises current and deferred income tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the places where Guangdong Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint venture, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by Guangdong Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally Guangdong Group is unable to control the reversal of the temporary difference for joint venture. Only where there is an agreement in place that gives Guangdong Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and joint venture only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profits available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable rights to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.15 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which Guangdong Group pays fixed contributions into a separate entity. Guangdong Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For employees in Mainland China, Guangdong Group contributes on a monthly basis to various defined contribution plans organized by the relevant municipal and provincial governments in the PRC based on certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and Guangdong Group has no further constructive obligation for any post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

All contributions to pension plans are fully and immediately vested and Guangdong Group had no unvested benefits available to reduce its future contributions.

(b) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when Guangdong Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

3.16 Government grants

Grants and subsidies from the government are recognized at their fair values where there is a reasonable assurance that the grant or subsidy will be received and Guangdong Group will comply with all attached conditions.

Government grants and subsidies relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants and subsidies relating to property, plant and equipment and other environmental improvement projects are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and projects.

3.17 Provisions

Provisions are recognized when Guangdong Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

3.18 Finance lease

Guangdong Group leases certain property, plant and equipment. Leases of property, plant and equipment where Guangdong Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in short-term and long-term finance lease obligations. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3.19 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases (net of any incentives received from the lessor) are charged or credited to profit or loss on a straight-line basis over the period of the lease.

3.20 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Guangdong Group's activities. Revenue is shown net of value-added tax ("VAT") and discounts and after eliminating sales within Guangdong Group.

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

(i) Sales of electricity is recognized when electricity is generated and transmitted.

(ii) Interest income is recognized on a time-proportion basis using the effective interest method.

(iii) Operating lease rental income is recognized on a straight-line basis over the lease periods.

(iv) Profits on sales of heat and cooling, equipment and spare parts are recognized when the goods are delivered to the customers.

(v) Connection and installation fee received for connecting the customers' premises to the heating (cooling) network of Guangdong Group is deferred and recognized on a straight-line basis over the expected service terms after the completion of the installation work.

3.21 Discontinued operation

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

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

3.22 Dividend distribution

Dividend distribution to Guangdong Company's shareholders is recognized as a liability in Guangdong Group's financial statements in the period in which the dividends are approved by Guangdong Company's shareholders or director as appropriate.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Guangdong Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year from the end of each reporting period are discussed below.

(i) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on higher of value in use calculations and fair value less costs of disposal. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of disposal and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment assessment and as a result affect Guangdong Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated statements of profit or loss.

In 2014, certain preliminary project of Guangdong Group was identified that the likelihood to obtain necessary approval from the National Development and Reform Commission is remote. As a result, the project ceased to develop and carrying amount of RMB141,047,000 of property, plant and equipment was fully impaired during the year ended 31 December 2014.

(ii) Useful lives, residual values and depreciation charges of property, plant and equipment

Guangdong Group's management determines the estimated useful lives, residual values and related depreciation charges for Guangdong Group's property, plant and equipment, other than construction in progress. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technological advancement and innovations in the power industry. Management will adjust the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation charges in the future periods.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the carrying amount of property, plant and equipment, other than construction in progress is RMB7,900,594,000, RMB8,042,235,000, RMB2,045,732,000 and RMB2,103,812,000, respectively.

(iii) Provisions for Inundation Compensation

Guangdong Group made provisions in relation to compensations for inundation caused by the construction of a hydropower plant of Guangdong Group, namely the Changzhou Power Plant (''Inundation Compensation''). The provision is measured at the present value of the expenditure expected to be required to settle the compensation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the compensation.

In determining the best estimate of the provisions for the Inundation Compensation, management is required to make subjective assumptions and judgements, including estimating the timing and duration of the compensation payments, the compensation per unit of area and its growth rate as well as the pre-tax discount rate applied to account for time value of money and the risks specific to the compensation. Any inappropriate assumptions or judgements applied would result in different provision amounts that would potentially significantly affect the profit or loss and financial position of Guangdong Group.

As at 31 December 2014 and 2015, the carrying amount of provision for Inundation Compensation is RMB309,128,000 and RMB308,355,000, respectively (31 December 2016 and 30 June 2017: RMB Nil).

5. TURNOVER, REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivables from the electricity sale contracts by Guangdong Group to external customers. Guangdong Group's operations is solely derived from sale of electricity in the PRC during the Relevant Periods. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the executive director of Guangdong Company) reviews the overall results and financial position of Guangdong Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, Guangdong Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

No geographical segment information is presented as Guangdong Group's revenue are all derived from the PRC based on the location of revenue delivered and all of Guangdong Group's property, plant and equipment as at 31 December 2014, 2015, 2016 and 30 June 2017 respectively are located in the PRC by physical location of assets.

Revenue, representing turnover net of sales related taxes, recognized during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Continuing operations:					
Sales of electricity to provincial power grid company *(note)*	348,552	2,000,241	2,061,306	951,789	761,000
	348,552	2,000,241	2,061,306	951,789	761,000

Note: Pursuant to the power purchase agreement entered into between Guangdong Group and China Southern Power Grid Guangdong Electric Power Company and its sub-branches ("Guangdong Grid"), Guangdong Group's sales of electricity were made to Guangdong Grid at the tariff rates agreed with Guangdong Grid as approved by the relevant government authorities in the PRC.

For the Relevant Periods, all of Guangdong Group's external revenue was generated from one customer, the Guangdong Grid.

6. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Continuing operations:					
Rental income	426	492	729	319	398
Sales of heat and cooling	—	737	3,032	—	—
	426	1,229	3,761	319	398

7. STAFF COSTS (INCLUDING DIRECTOR'S EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Continuing operations:					
Wages, salaries and bonuses	20,312	39,985	39,606	21,472	19,106
Staff welfare	7,237	15,778	15,487	6,916	6,908
Pension costs — defined contribution plans	2,242	6,594	7,209	3,750	3,393
	29,791	62,357	62,302	32,138	29,407

8. OTHER GAINS AND LOSSES, NET

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Continuing operations:					
Government grant	—	10	405	21	—
Amortization of deferred income	—	64	6,340	7,575	1,197
(Loss)/gain on disposal of property, plant and equipment and prepaid lease payments, net	(1)	(5)	(1)	38	(1)
Impairment of property, plant and equipment *(Note 16)*	(141,047)	(1,321)	—	—	—
Profits on trading of equipment and spare parts	4,396	11,862	17,641	798	5,658
	(136,652)	10,610	24,385	8,432	6,854

9. OPERATING (LOSS)/PROFIT

Operating (loss)/profit from continuing operations is stated after charging the followings:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Amortization of prepaid lease payments	2,926	7,615	7,605	3,770	4,036
Auditor's remuneration	1,035	683	1,118	—	—
Depreciation of property, plant and equipment	16,285	142,778	149,977	75,344	74,573
Operating lease rental expenses in respect of buildings	3,617	4,933	5,669	2,985	2,738
Impairment of prepayments, deposits and other receivables	—	—	15,069	—	—

10. FINANCE INCOME AND FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Continuing operations:					
Finance income					
Interest income from bank deposits	1,301	854	1,010	42	980
Interest income from CPIF *(Note 39(a))*	1,280	2,137	3,164	2,699	2,123
	2,581	2,991	4,174	2,741	3,103
Less: amounts capitalized	(600)	(31)	(132)	(316)	(90)
	1,981	2,960	4,042	2,425	3,013
Finance costs					
Interest expense on					
— bank borrowings	130,159	154,538	103,138	40,178	52,104
— long-term borrowings from related parties	11,050	5,986	1,574	1,072	466
— short-term borrowings from related parties	—	4,533	5,087	1,678	1,945
— obligations under finance leases	—	—	16,231	13,890	5,046
	141,209	165,057	126,030	56,818	59,561
Less: amounts capitalized	(100,088)	(21,590)	(19,486)	(10,024)	(9,698)
	41,121	143,467	106,544	46,794	49,863

For the years ended 31 December 2014, 2015, 2016 and six months ended 30 June 2017, the weighted average interest rates on capitalized borrowings are 6.55%, 5.99%, 4.43% and 4.60% (Six months ended 2016: 4.45%) per annum, respectively.

11. INCOME TAX (CREDIT)/EXPENSE

No Hong Kong profits tax has been provided for as Guangdong Group did not have any estimated assessable profits in Hong Kong for the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2017 and 2016.

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% on the estimated assessable profits for the year except as disclosed below.

The amount of income tax recognized in the consolidated income statement represents:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Continuing operations:					
PRC current income tax					
Charge for the year/period	91	65	51,077	8,425	11,481
Deferred income tax					
Credit for the year/period	(1,151)	(2,481)	(2,342)	(689)	(194)
	(1,060)	(2,416)	48,735	7,736	11,287

The income tax (credit)/expense on Guangdong Group's profit before taxation differs from the theoretical amount that would arise using the income tax rate of the PRC as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Continuing operations:					
(Loss)/profit before taxation	(230,547)	(80,742)	169,888	(1,941)	54,534
Calculated at the PRC statutory tax rate of 25%	(57,637)	(20,186)	42,472	(485)	13,634
Effect of tax concession	(378)	(2,761)	(1,257)	(784)	(838)
Income not subject to taxation	—	—	(115)	—	—
Expenses not deductible for taxation purpose	404	134	313	—	—
Tax effect of tax losses not recognized *(Note 20)*	21,289	21,457	13,986	9,005	7,854
Tax effect of temporary difference not recognized *(Note 20)*	35,262	330	3,767	—	—
Utilization of tax losses previously not recognized *(Note 20)*	—	—	(10,431)	—	(9,363)
Utilization of temporary difference previously not recognized *(Note 20)*	—	(1,390)	—	—	—
Income tax expense	(1,060)	(2,416)	48,735	7,736	11,287

Under the PRC enterprise income tax Law, during the Relevant Periods, a subsidiary of Guangdong Group was entitled to a tax concession on the PRC enterprise income tax with a three-year tax exemption from 2014 to 2016 and a three year 50% deduction from 2017 to 2019.

12. DISCONTINUED OPERATION

As set out in Note 1, upon the completion of the Group Reorganization on 31 May 2016, Guangdong Group discontinued its business in Guangxi province.

The results of the Discontinued Operation for the two years ended 31 December 2015 and the period from 1 January 2016 to 31 May 2016, which have been included in the consolidated statements of profit or loss and other comprehensive income, were as follows:

	Year ended 31 December		Period from 1 January 2016 to 31 May
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	1,031,254	1,211,027	550,958
Other income	1,333	1,832	568
Depreciation	(373,561)	(395,916)	(169,805)
Staff costs	(32,624)	(32,609)	(12,364)
Repairs and maintenance	(22,745)	(30,137)	(12,204)
Consumables	(5,013)	(11,254)	(1,951)
Other gains and losses, net	(780)	(1,647)	923
Other operating expenses	(136,300)	(159,676)	(73,430)
Operating profit	461,564	581,620	282,695
Finance income	1,627	1,397	142
Finance costs	(271,498)	(257,771)	(90,025)
Share of losses of a joint venture	(3,497)	(18,642)	(2,759)
Profit before taxation	188,196	306,604	190,053
Income tax expense	(34,067)	(47,393)	(24,106)
Profit and total comprehensive Income for the year/period	154,129	259,211	165,947
Attributable to:			
Owner of Guangdong Company	154,237	256,322	163,992
Non-controlling interests	(108)	2,889	1,955
	154,129	259,211	165,947

The net cash flows incurred by the Discontinued Operation are as follows:

	Year ended 31 December		Period from 1 January 2016 to 31 May
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	697,169	465,701	472,697
Net cash used in investing activities	(818,559)	(669,103)	(35,383)
Net cash generated from/(used in) financing activities	151,671	276,189	(398,040)
Net cash inflows	30,281	72,787	39,274

Details of the net assets of the Discontinued Operation as at 31 May 2016 are as follows:

	31 May 2016
	RMB'000
Non-current assets	
Property, plant and equipment	6,742,387
Prepayments for construction of power plants	442,945
Prepaid lease payments	28,931
Interests in a joint venture	28,955
Deferred income tax assets	15,075
Other non-current assets	140,576
Current assets	
Inventories	17,379
Prepaid lease payments	634
Accounts receivable	115,998
Prepayments, deposits and other receivables	57,190
Amounts due from related parties	533,645
Cash and cash equivalents	154,017
Non-current liabilities	
Bank borrowings	(4,516,000)
Borrowings from related parties	(400,000)
Other borrowings	(90,272)
Obligations under finance leases	(12,000)
Provisions for other long-term liabilities	(298,052)
Current liabilities	
Construction costs payable	(358,934)
Other payables and accrued charges	(73,849)
Amounts due to related parties	(57,737)
Bank borrowings	(62,000)
Current portion of obligations under finance leases	(77,996)
Taxation payable	(4,124)
Net assets disposed of	2,326,768
Less: Non-controlling interests	(22,096)
	2,304,672
Net cash outflow from the Group Reorganization	
Cash consideration received	—
Less: Cash and cash equivalents disposed of	(154,017)
	(154,017)

13. (LOSS)/EARNINGS PER SHARE

(Loss)/earnings per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

14. DIVIDENDS

During the year ended 2015 and the six months ended 30 June 2017, Guangdong Company declared and paid dividends of RMB7,000,000 and RMB87,000,000 to SPIC.

During the years ended 2014 and 2016, no dividend was paid or declared, nor has any dividend been proposed by Guangdong Company.

15. EMOLUMENTS FOR DIRECTOR AND FIVE HIGHEST PAID INDIVIDUALS

(a) Director's emoluments

The remuneration of the director of the Guangdong Company for the Relevant Periods is set out below:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Basic salaries, housing allowance, other allowances and benefits in kind, discretionary bonus, employer's contribution to pension scheme and other benefits					
— Mr. Cheng Boru *(note)*	—	—	—	474	—
— Mr. Wang Xianchun *(note)*	616	681	752	—	522
	616	681	752	474	522

Note: Mr. Wang Xianchun, due to new work arrangement, resigned as director with effect from December 2016. Mr. Cheng Boru, was appointed as director with effect from December 2016. The Director's emolument was for the services in connection with the management of the affairs of the Guangdong Group.

(b) Five highest paid individuals

The aggregate of the emoluments in respect of the five highest paid individuals who are not a director of Guangdong Group during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Basic salaries, housing allowance, other allowances and benefits in kind, discretionary bonus, employer's contribution to pension scheme and other benefits	2,599	2,875	2,095	2,398	1,789
	2,599	2,875	2,095	2,398	1,789

Their emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
					(unaudited)
Zero to HK$1,000,000	5	5	5	5	5

During the Relevant Periods, no emoluments have been paid by Guangdong Group to any of the five highest paid individuals as an inducement to join or upon joining Guangdong Group or as compensation for loss of office.

16. PROPERTY, PLANT AND EQUIPMENT

	Dam	Buildings	Power generators and equipment	Electricity supply equipment	Furniture and fixtures, tools and other equipment	Transportation facilities	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost								
At 1 January 2014	3,367,909	927,255	2,021,868	465,900	768,240	42,416	2,500,852	10,094,440
Additions and transfer from prepayment	—	—	—	—	9,260	2,717	1,674,571	1,686,548
Disposals	—	—	—	—	(292)	(3,887)	—	(4,179)
Transfer between categories	—	287,122	1,486,977	173,018	311,395	—	(2,258,512)	—
At 31 December 2014	3,367,909	1,214,377	3,508,845	638,918	1,088,603	41,246	1,916,911	11,776,809
Additions and transfer from prepayment	—	757	—	—	8,174	771	868,395	878,097
Disposals	—	—	—	—	(614)	(3,668)	—	(4,282)
Transfer between categories	—	91,963	507,454	54,916	16,425	—	(670,758)	—
At 31 December 2015	3,367,909	1,307,097	4,016,299	693,834	1,112,588	38,349	2,114,548	12,650,624
Additions and transfer from prepayment	—	16,270	—	22,982	5,242	90	333,920	378,504
Disposals	—	(29,441)	—	—	(345)	(20)	—	(29,806)
Transfer between categories	—	—	—	—	48,526	—	(48,526)	—
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	(3,367,909)	(1,003,734)	(2,522,302)	(520,089)	(794,227)	(22,630)	(1,002,001)	(9,232,892)
At 31 December 2016	—	290,192	1,493,997	196,727	371,784	15,789	1,397,941	3,766,430
Additions and transfer from prepayment	—	1,500	—	—	2,129	784	360,607	365,020
Disposals	—	—	—	—	—	(508)	—	(508)
Transfer between categories	—	119,456	7,301	—	2,269	—	(129,026)	—
At 30 June 2017	—	411,148	1,501,298	196,727	376,182	16,065	1,629,522	4,130,942

	Dam	Buildings	Power generators and equipment	Electricity supply equipment	Furniture and fixtures, tools and other equipment	Transportation facilities	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment losses								
At 1 January 2014	306,126	176,691	442,755	160,849	460,764	26,334	7,059	1,580,578
Depreciation charge for the year	79,112	38,940	188,907	26,109	53,260	3,518	—	389,846
Impairment charge for the year *(Notes 4 and 8)*	—	—	—	—	—	—	141,047	141,047
Disposals	—	—	—	—	(291)	(3,770)	—	(4,061)
At 31 December 2014	385,238	215,631	631,662	186,958	513,733	26,082	148,106	2,107,410
Depreciation charge for the year	78,803	48,887	285,232	34,662	87,558	3,552	—	538,694
Impairment charge for the year	—	—	—	—	—	—	1,321	1,321
Disposals	—	—	—	—	(599)	(3,558)	—	(4,157)
At 31 December 2015	464,041	264,518	916,894	221,620	600,692	26,076	149,427	2,643,268
Depreciation charge for the year	32,837	28,009	166,742	23,868	66,168	2,158	—	319,782
Disposals	—	—	—	—	(343)	(18)	—	(361)
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	(496,878)	(259,194)	(912,353)	(222,299)	(583,965)	(15,816)	—	(2,490,505)
At 31 December 2016	—	33,333	171,283	23,189	82,552	12,400	149,427	472,184
Depreciation charge for the period	—	6,096	39,745	6,205	22,572	726	—	75,344
Disposals	—	—	—	—	—	(493)	—	(493)
At 30 June 2017	—	39,429	211,028	29,394	105,124	12,633	149,427	547,035
Net book value								
At 31 December 2014	2,982,671	998,746	2,877,183	451,960	574,870	15,164	1,768,805	9,669,399
At 31 December 2015	2,903,868	1,042,579	3,099,405	472,214	511,896	12,273	1,965,121	10,007,356
At 31 December 2016	—	256,859	1,322,714	173,538	289,232	3,389	1,248,514	3,294,246
At 30 June 2017	—	371,719	1,290,270	167,333	271,058	3,432	1,480,095	3,583,907

Notes:

(a) As at 31 December 2014, 2015, 2016 and 30 June 2017, the legal title of certain properties of Guangdong Group had not been transferred to Guangdong Group subject to certain administrative procedures to be completed by the relevant local government authorities. However, the director of the Guangdong Company is of the opinion that the risks and rewards of using these assets have been transferred to Guangdong Group.

(b) As at 31 December 2014, 2015, 2016 and 30 June 2017, the cost of power generators and equipment held by Guangdong Group under finance leases amounted to RMB538,039,000, RMB538,039,000, RMB713,570,000 and RMB713,570,000, respectively and the accumulated depreciation of such power generators and equipment amounted to RMB165,510,000, RMB231,737,000, RMB69,528,000 and RMB86,910,000, respectively.

(c) As at 31 December 2014, 2015, 2016 and 30 June 2017, the accumulated impairment losses of property, plant and equipment amounted to RMB148,106,000, RMB149,427,000, RMB149,427,000 and RMB149,427,000, respectively.

17. PREPAYMENTS FOR CONSTRUCTION OF POWER PLANTS

Prepayments for construction of power plants represent advance payments made to contractors in connection with the construction of Guangdong Group's power plants including payments for equipment and machineries pending delivery to the relevant power plants for installation.

18. PREPAID LEASE PAYMENTS

The amount represents cost of the prepaid lease payments in respect of land located in the PRC where certain of Guangdong Group's property, plant and equipment are built on, and sea use rights paid to the State Oceanic Administration of the PRC, respectively.

	As at 31 December			**As at 30 June**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current asset	7,675	8,471	7,541	7,967
Non-current asset	485,303	508,929	460,844	477,946
	492,978	517,400	468,385	485,913

19. INTERESTS IN A JOINT VENTURE

	As at 31 December			**As at 30 June**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost	63,990	63,990	63,990	—
Share of undistributed post-acquisition reserves	(13,634)	(32,276)	(35,035)	—
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	—	—	(28,955)	—
	50,356	31,714	—	—

As at 31 December 2014 and 2015, Guangdong Group had interest in the following joint venture:

Name of joint venture	Place the date of incorporation/ establishment	Fully paid capital/ registered capital	Equity interest attributable to Guangdong Company	Principal activities
SPIC Guangxi Beibu Gulf (Qinzhou) Thermal Power Co., Ltd.	The PRC 4 July 2008	RMB125,471,000/ RMB125,471,000	51%	Generation and sales of heat

The joint venture of Guangdong Group was not individually material to Guangdong Group.

20. DEFERRED INCOME TAX ASSETS

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the end of reporting period.

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets	24,524	28,720	16,634	17,323

The net movement on the deferred income tax assets during the Relevant Periods are as follows:

	Decelerated tax depreciation	Total
	RMB'000	*RMB'000*
At 1 January 2014	19,421	19,421
Credited to profit or loss	5,103	5,103
At 31 December 2014	24,524	24,524
Credited to the profit or loss	4,196	4,196
At 31 December 2015	28,720	28,720
Credited to profit or loss	2,989	2,989
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	(15,075)	(15,075)
At 31 December 2016	16,634	16,634
Credited to profit or loss	689	689
At 30 June 2017	17,323	17,323
Six months ended 30 June 2016 (unaudited)		
At 1 January 2016	28,720	28,720
Credited to profit or loss	841	841
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	(15,075)	(15,075)
At 30 June 2016 (unaudited)	14,486	14,486

As at 31 December 2014, 2015, 2016 and 30 June 2017, Guangdong Group had unrecognized tax losses to be carried forward against future taxable profits amounting to RMB142,123,000, RMB227,951,000, RMB242,171,000 and RMB278,191,000, respectively, which will expire in 5 years.

As at 31 December 2014, 2015, 2016 and 30 June 2017, Guangdong Group had deductible temporary differences of RMB148,106,000, RMB149,427,000, RMB164,496,000 and RMB164,496,000, respectively, which mainly relates to the impairment losses of Guangdong Group's property, plant and equipment (Note 8) and prepayments, deposits and other receivables (Note 9). No deferred income tax assets had been recognized in relation to such deductible temporary difference as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilized.

21. OTHER NON-CURRENT ASSETS

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deductible VAT and other taxes	111,129	117,854	24,743	44,838
Prepaid rent on leasehold land	—	28,226	—	—
Deposit for obligations under finance leases	12,000	12,000	—	—
	123,129	158,080	24,743	44,838

22. INVENTORIES

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Spare parts and consumables	17,167	73,291	91,855	94,753
	17,167	73,291	91,855	94,753

23. ACCOUNTS RECEIVABLE

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable from provincial power grid company *(note)*	358,906	368,545	213,065	226,173
	358,906	368,545	213,065	226,173

Notes:

(a) Guangdong Group normally grants 15 to 90 days credit period to customer from the end of the month in which the sales are made. The ageing analysis of the accounts receivable presented based on invoice date is as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 to 3 months	358,906	368,545	213,065	226,173
	358,906	368,545	213,065	226,173

The accounts receivable are neither past due nor impaired considering the existing counterparties did not have default in the past.

(b) As at 31 December 2014, 2015, 2016 and 30 June 2017, certain bank borrowings and long-term borrowings from CPIF (Notes 29(d) and 30(b)) were secured by the rights on accounts receivable of certain subsidiaries of Guangdong Group. The accounts receivable secured under these borrowings as at 31 December 2014, 2015, 2016 and 30 June 2017 amounted to RMB272,543,000, RMB217,527,000, RMB209,442,000 and RMB217,447,000, respectively.

(c) The fair value of accounts receivable approximate its carrying amount as the impact of discounting is not significant. The accounts receivable is denominated in RMB.

24. AMOUNTS DUE FROM/TO RELATED PARTIES

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
Amount due from a joint venture	79,700	—	—	—
Amounts due from fellow subsidiaries	4,148	1,676	3,880	3,229
	83,848	1,676	3,880	3,229
Amounts due to related parties				
Amount due to Guangxi Group *(note (c))*	—	—	445,281	445,347
Amount due to CPIF	166	83	318	6
Amounts due to fellow subsidiaries	60,233	68,737	28,297	162,863
	60,399	68,820	473,896	608,216

Notes:

(a) The list of major related parties that had transactions with Guangdong Group and their relationships with Guangdong Company is disclosed in Note 39.

(b) The amounts due from related parties are within 180 days based on the invoice date.

(c) The amount due to Guangxi Group is unsecured, interest free and repayable on demand.

(d) Balances with related parties, are unsecured, interest free and repayable on demand.

(e) The fair values of these balances approximate their carrying amounts as the impact of discounting is not significant.

25. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	42,758	7,556	3,212	3,434
Deposits at CPIF	185,104	274,683	122,596	190,030
	227,862	282,239	125,808	193,464
Denominated in:				
RMB	227,862	282,239	125,808	193,464
	227,862	282,239	125,808	193,464

During the Relevant Periods, Guangdong Group's cash at banks and deposits at CPIF are interest bearing at rates ranging from 0.30% to 1.38% per annum. As at 31 December 2014, 2015, 2016 and 30 June 2017, all of Guangdong Group's cash and cash equivalents are RMB denominated and are deposited with banks and CPIF in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

26. REGISTERED CAPITAL OF GUANGDONG COMPANY

	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	133,070	2,149,125	2,302,825	947,795
Transfer from capital reserve	1,786,215	—	—	—
Contributions from SPIC	229,840	153,700	118,970	—
Disposal resulting from Group Reorganization *(Note)*	—	—	(1,474,000)	—
At 31 December/30 June	2,149,125	2,302,825	947,795	947,795

Note: The net assets disposed of RMB2,304,672,000 resulting from the Group Reorganization, were deducted from register capital of RMB1,474,000,000 and retained earnings of RMB830,672,000 respectively (Note 1 and Note 12).

27. RESERVES

(a) Reserves of Guangdong Group

	Capital reserve and other reserves sub-total *(note (a))* *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2014	1,786,215	456,350	2,242,565
Loss for the year	—	(64,764)	(64,764)
Transfer to registered capital	(1,786,215)	—	(1,786,215)
At 31 December 2014	—	391,586	391,586
Profit for the year	—	181,165	181,165
Dividends recognized as distributions to owner of Guangdong Company	—	(7,000)	(7,000)
At 31 December 2015	—	565,751	565,751
Profit for the year	—	286,165	286,165
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	—	(830,672)	(830,672)
At 31 December 2016	—	21,244	21,244
Loss for the period	—	(8,771)	(8,771)
Dividends recognized as distributions to owner of Guangdong Company	—	(87,000)	(87,000)
At 30 June 2017	—	(74,527)	(74,527)
Six months ended 30 June 2016 (unaudited)			
Profit for the period	—	208,286	208,286
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	—	(830,672)	(830,672)
At 30 June 2016 (unaudited)	—	(56,635)	(56,635)

(b) Reserves of Guangdong Company

	Capital reserve and other reserves sub-total *(note (a))* *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2014	1,786,215	(63,393)	1,722,822
Profit for the year	—	462,096	462,096
Transfer to registered capital	(1,786,215)	—	(1,786,215)
At 31 December 2014	—	398,703	398,703
Profit for the year	—	70,555	70,555
Dividends recognized as distributions to owner of Guangdong Company	—	(7,000)	(7,000)
At 31 December 2015	—	462,258	462,258
Profit for the year	—	203,976	203,976
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	—	(553,488)	(553,488)
At 31 December 2016	—	112,746	112,746
Profit for the period	—	85,657	85,657
Dividends recognized as distributions to owner of Guangdong Company	—	(87,000)	(87,000)
At 30 June 2017	—	111,403	111,403
Six months ended 30 June 2016 (unaudited)			
Profit for the period	—	223,589	223,589
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	—	(553,488)	(553,488)
At 30 June 2016 (unaudited)	—	132,359	132,359

Note:

(a) Capital reserve represents the difference between the fair value of the net assets injected by the owner of the relevant companies of Guangdong Group and the registered capital of these companies upon their establishment.

28. DEFERRED INCOME

Deferred income represents the unearned portion of connection and installation fees received from customers for connecting the customers' premises to the heating (cooling) network of Guangdong Group. The amount is deferred until completion of the installation work and recognized in profit or loss in equal instalments over the expected service terms of the relevant services.

The connection and installation fee recognized during the Relevant Periods are credit to profit or loss as "other gains and losses" (note 8).

29. BANK BORROWINGS

Bank borrowings are analysed as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Long-term bank borrowings				
— secured *(note (d))*	5,747,180	6,030,660	790,887	797,040
— unsecured	597,275	617,275	409,220	521,960
	6,344,455	6,647,935	1,200,107	1,319,000
Less: Current portion of long-term bank borrowings	(456,520)	(652,520)	(268,520)	(188,520)
	5,887,935	5,995,415	931,587	1,130,480
Current				
Short-term bank borrowings — secured *(note (d))*	170,000	—	—	—
Short-term bank borrowings — unsecured	621,400	731,600	160,000	655,000
Current portion of long-term bank borrowings	456,520	652,520	268,520	188,520
	1,247,920	1,384,120	428,520	843,520
Total bank borrowings	7,135,855	7,379,535	1,360,107	1,974,000

Notes:

(a) All of the carrying amounts of Guangdong Group's bank borrowings are denominated in RMB.

(b) The repayment terms of the long-term bank borrowings are analysed as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	456,520	652,520	268,520	188,520
Between one and two years	641,520	610,520	208,520	278,520
Between two and five years	1,483,560	1,496,160	540,560	554,087
Over five years	3,762,855	3,888,735	182,507	297,873
	6,344,455	6,647,935	1,200,107	1,319,000

(c) The effective interest rates of Guangdong Group's bank borrowings are as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
Short-term bank borrowings	6.48%	5.62%	4.11%	4.03%
Long-term bank borrowings (including the current portion of long-term bank borrowings)	6.55%	5.68%	4.62%	4.72%

(d) As at 31 December 2014, 2015, 2016 and 30 June 2017, the bank borrowings of Guangdong Group are secured as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured against the rights on accounts receivable of certain subsidiaries of the Guangdong Group *(Note 23(b))*	5,917,180	6,030,660	790,887	797,040
	5,917,180	6,030,660	790,887	797,040

(e) As at 31 December 2014, 2015, 2016 and 30 June 2017, Guangdong Group had available unutilized banking facilities amounting to RMB3,133,105,000, RMB4,396,180,000, RMB1,699,740,000 and RMB3,764,801,000, respectively.

(f) The fair values of short-term bank borrowings approximate their carrying amounts as the impact of discounting is not significant.

The fair values of long-term bank borrowings at floating interest rates approximate their carrying amounts. And during the Relevant Periods, there were no long-term bank borrowings at fixed interest rates.

30. BORROWINGS FROM RELATED PARTIES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Long-term borrowings from SPIC *(note (a))*	200,000	—	50,000	50,000
Long-term borrowings from CPIF *(note (b))*	22,520	21,040	14,313	13,573
Less: Current portion of long-term borrowings from SPIC	(200,000)	—	—	—
Less: Current portion of long-term borrowings from CPIF	(1,480)	(1,480)	(1,480)	(1,480)
	21,040	19,560	62,833	62,093
Current				
Short-term borrowings from CPIF *(note (c))*	35,000	—	250,000	35,000
Current portion of long-term borrowings from SPIC *(note (a))*	200,000	—	—	—
Current portion of long-term borrowings from CPIF *(note (b))*	1,480	1,480	1,480	1,480
	236,480	1,480	251,480	36,480
	257,520	21,040	314,313	98,573

Notes:

(a) As at 31 December 2014, 2016 and 30 June 2017, the long-term borrowing from SPIC are unsecured, interest bearing at rate are 4.94%, 2.88% and 2.88% respectively, and are repayable as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	200,000	—	—	—
Between one and two years	—	—	50,000	50,000
	200,000	—	50,000	50,000

(b) As at 31 December 2014, 2015, 2016 and 30 June 2017, the long-term borrowings from CPIF, a fellow subsidiary of Guangdong Group as disclosed in Note 39, are secured against the rights on accounts receivable of a subsidiary of Guangdong Group, interest bearing at 6.55%, 5.65%, 4.90% and 4.90% per annum respectively.

The repayment terms of these borrowings are analysed as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,480	1,480	1,480	1,480
Between one and two years	1,480	1,480	1,480	1,480
Between two and five years	4,440	4,440	4,440	4,440
Over five years	15,120	13,640	6,913	6,173
	22,520	21,040	14,313	13,573

(c) As at 31 December 2014, 31 December 2016 and 30 June 2017, the short-term borrowings from CPIF are unsecured, interest bearing at 6.30%, 4.35% and 4.57% per annum respectively and are repayable within one year.

(d) As at 31 December 2014, 2015, 2016 and 30 June 2017, Guangdong Group had available unutilized facilities from CPIF amounting to RMB220,000,000, RMB241,896,000, RMB229,687,000 and RMB230,427,000, respectively.

(e) The fair values of short-term borrowings from related parties approximate their carrying amounts as the impact of discounting is not significant.

The carrying amounts and fair values of long-term borrowings from SPIC at fixed rates are as follows. The fair values are calculated using cash flows discounted at a rate based on the market borrowing rates and are within level 3 of the fair value hierarchy.

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amounts	200,000	—	50,000	50,000
Fair values	204,367	—	49,369	50,515

31. OTHER BORROWINGS

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Long-term other borrowings *(note (a)(b))*	—	90,272	—	—
Less: Current portion of long-term other borrowings *(note (a)(b))*	—	—	—	—
Total other borrowings	—	90,272	—	—

Notes:

(a) During the Relevant Periods, the long-term other borrowing are unsecured, interest bearing at 3.14% per annum, and repayable in 2018.

(b) The fair value of the other borrowing approximates its carrying amount as the impact of discounting is not significant.

32. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Obligations under finance leases	213,298	132,021	629,488	613,652
Less: Current portion of obligations under finance leases	(91,313)	(91,414)	(31,658)	(31,677)
Non-current portion of obligations under finance leases	121,985	40,607	597,830	581,975

In 2016, Guangdong Group entered into two new agreements with independent leasing companies for a 3 year and 5 year period respectively. Guangdong Group has an option to purchase the leased assets at a nominal price of RMB1 and RMB100 respectively at the end of the lease period.

Certain property, plant and equipment of Guangdong Group are under finance leases. As at 31 December 2014, 2015, 2016 and 30 June 2017, Guangdong Group's obligations under finance leases are repayable as follows:

	Minimum lease payments			
	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	92,762	92,589	63,114	62,337
Between one and two years	92,589	45,931	62,337	347,498
Between two and five years	45,931	—	594,963	278,860
	231,282	138,520	720,414	688,695
Future finance charges on obligations under finance leases	(17,984)	(6,499)	(90,926)	(75,043)
Present value of obligations under finance leases	213,298	132,021	629,488	613,652

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 4.97% to 5.20% per annum. These leases have no terms of renewal or purchase options and escalation clauses.

The present value of Guangdong Group's obligations under finance leases is as follows:

	Present value of minimum lease payments			
	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	91,313	91,414	31,658	31,677
Between one and two years	91,414	40,607	33,800	324,430
Between two and five years	30,571	—	564,030	257,545
Present value of obligations under finance leases	213,298	132,021	629,488	613,652

33. PROVISIONS FOR OTHER LONG-TERM LIABILITIES

Provisions for other long-term liabilities represent provisions for Inundation Compensation caused by the construction of a hydropower plant of SPIC Guangxi Changzhou Hydropower Development Co., Ltd. (''Changzhou Company''), a subsidiary of Guangdong Group located in Guangxi Province.

The provision is measured at the present value of the expenditures expected to be required to settle the compensation, based on the latest rules and regulations as set out by the relevant local government authorities in the PRC and the expected useful lives of the two hydropower plants, using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the compensation. The increase in the provision due to the passage of time is recognized as interest expense.

Analysis of the provisions for Inundation Compensation is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities (included in provisions for other long-term liabilities)	291,593	290,645	—	—
Current liabilities (included in other payables and accrued charges) *(Note 35)*	17,535	17,710	—	—
	309,128	308,355	—	—

The movement of the provisions for Inundation Compensation is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	309,857	309,128	308,355	—
Payment	(18,611)	(18,611)	—	—
Interest expense	17,882	17,838	7,407	—
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	—	—	(315,762)	—
At 31 December	309,128	308,355	—	—

34. ACCOUNTS AND BILLS PAYABLES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts payable *(note (a))*	300,618	76,147	38,771	51,808
Bills payable *(note (b))*	—	200,000	71,296	—
	300,618	276,147	110,067	51,808

Notes:

(a) The normal credit period for accounts payable generally ranges from 60 to 180 days. The ageing analysis of the accounts payable presented based on invoice date is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 to 6 months	300,618	76,147	38,771	51,808

(b) As at 31 December 2014, 2015, 2016 and 30 June 2017, bills payable are bills of exchange with maturity period ranging from 15 to 360 days.

(c) The fair values of accounts and bills payables approximate their carrying amounts as the impact of discounting is not significant. All accounts and bills payables are denominated in RMB.

35. OTHER PAYABLES AND ACCRUED CHARGES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and staff welfare payable	6,386	7,449	1,304	2,136
VAT and other taxes payable	28,493	47,703	30,731	34,554
Repairs and maintenance expense payable	5,670	31,108	45,508	14,470
Interest payable	15,503	9,923	3,389	4,480
Current portion of deferred income	—	385	10,676	16,376
Current portion of provisions for other long-term liabilities *(Note 33)*	17,535	17,710	—	—
Other payables and accrued operating expenses	23,854	24,840	28,831	21,615
	97,441	139,118	120,439	93,631

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
(Loss)/profit before taxation	(42,351)	225,862	359,941	(1,941)	244,587
Share of losses of a joint venture	3,497	18,642	2,759	—	2,759
Finance income	(3,608)	(4,357)	(4,184)	(2,425)	(3,155)
Finance costs	312,619	401,238	196,569	46,794	139,888
Depreciation of property, plant and equipment	389,846	538,694	319,782	75,344	244,378
Impairment of property, plant and equipment	141,047	1,321	—	—	—
Amortization of prepaid lease payments	3,321	8,335	7,935	3,770	4,366
Amortization of deferred income	—	(64)	(6,340)	(7,575)	(1,197)
Loss/(gain) on disposal of property, plant and equipment, net	(149)	(475)	32	(38)	32
Impairment of prepayments, deposits and other receivables	—	—	15,069	—	—
Operating profit before working capital changes	804,222	1,189,196	891,563	113,929	631,658
(Increase)/decrease in accounts receivable	(255,151)	(9,639)	39,482	(13,108)	(31,424)
(Increase)/decrease in prepayments, deposits and other receivables	(195,559)	138,273	(11,370)	(31,684)	(3,008)
Increase in inventories	(3,626)	(56,124)	(35,943)	(2,898)	(13,821)
Changes in balances with related parties	(122,038)	90,676	(73,271)	135,245	6,823
Increase/(decrease) in accounts and bills payables	300,618	(24,471)	(166,080)	(58,259)	42,381
Increase/(decrease) in other payables and accrued charges	245,876	32,083	48,829	(46,191)	(27,344)
Increase in deferred income	—	3,852	98,463	75,969	31,086
Cash generated from operations	774,342	1,363,846	791,673	173,003	636,351

(b) Analysis of changes in financing during the year/period

	Bank borrowings and other borrowings *RMB'000*	Borrowings from related parties *RMB'000*	Obligations under finance leases *RMB'000*	Non-controlling interests *RMB'000*
At 1 January 2014	5,528,300	304,800	288,744	40,901
Drawdown of bank borrowings	2,653,275	—	—	—
Repayment of bank borrowings	(1,045,720)	—	—	—
Drawdown of borrowings from related parties	—	184,200	—	—
Repayment of borrowings from related parties	—	(231,480)	—	—
Payments for obligations under finance leases	—	—	(92,393)	—
Interest element for obligations under finance leases	—	—	16,947	—
Contributions from non-controlling shareholders of subsidiaries	—	—	—	2,631
Profit attributable to non-controlling interests	—	—	—	(10,594)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(927)
At 31 December 2014	7,135,855	257,520	213,298	32,011
Drawdown of bank borrowings	1,866,600	—	—	—
Repayment of bank borrowings	(1,622,920)	—	—	—
Drawdown of other borrowings	90,272	—	—	—
Drawdown of borrowings from related parties	—	800,000	—	—
Repayment of borrowings from related parties	—	(1,036,480)	—	—
Payments for obligations under finance leases	—	—	(92,762)	—
Interest element for obligations under finance leases	—	—	11,485	—
Contributions from non-controlling shareholders of subsidiaries	—	—	—	13,500
Profit attributable to non-controlling interests	—	—	—	(280)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(309)
At 31 December 2015	7,469,807	21,040	132,021	44,922

	Bank borrowings and other borrowings *RMB'000*	Borrowings from related parties *RMB'000*	Obligations under finance leases *RMB'000*	Non-controlling interests *RMB'000*
Drawdown of bank borrowings	494,945	—	—	—
Repayment of bank borrowings	(1,936,373)	—	—	—
Drawdown of borrowings from related parties	—	750,000	—	—
Repayment of borrowings from related parties	—	(56,727)	—	—
Drawdown of obligations under finance leases	—	—	660,000	—
Payments for obligations under finance leases	—	—	(92,589)	—
Interest element for obligations under finance leases	—	—	20,052	—
Profit attributable to non-controlling interests	—	—	—	935
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(3,379)
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	(4,668,272)	(400,000)	(89,996)	(22,096)
At 31 December 2016	1,360,107	314,313	629,488	20,382
At 1 January 2017	1,360,107	314,313	629,488	20,382
Drawdown of bank borrowings	823,153	—	—	—
Repayment of bank borrowings	(209,260)	—	—	—
Drawdown of borrowings from related parties	—	135,000	—	—
Repayment of borrowings from related parties	—	(350,740)	—	—
Payments for obligations under finance leases	—	—	(31,719)	—
Interest element for obligations under finance leases	—	—	13,890	—
VAT input for interest element	—	—	1,993	—
Contributions from a non-controlling shareholder of a subsidiary	—	—	—	800
Profit attributable to non-controlling interests	—	—	—	(906)
At 30 June 2017	1,974,000	98,573	613,652	20,276

	Bank borrowings and other borrowings	Borrowings from related parties	Obligations under finance leases	Non-controlling interests
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2016 (unaudited)				
Drawdown of bank borrowings	388,615	—	—	—
Repayment of bank borrowings	(1,189,820)	—	—	—
Drawdown of borrowings from related parties	—	500,000	—	—
Repayment of borrowings from related parties	—	(3,280)	—	—
Drawdown of obligations under finance leases	—	—	400,000	—
Payments for obligations under finance leases	—	—	(59,191)	—
Interest element for obligations under finance leases	—	—	9,886	—
Profit attributable to non-controlling interests	—	—	—	908
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(3,379)
Disposal resulting from Group Reorganization *(Note 1 and Note 12)*	(4,668,272)	(400,000)	(89,996)	(22,096)
At 30 June 2016 (unaudited)	2,000,330	117,760	392,720	20,355

37. COMMITMENTS

(a) Capital commitments

	As at 31 December			30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for in respect of				
— property, plant and equipment	435,284	529,544	1,190,471	1,074,523
	435,284	529,544	1,190,471	1,074,523

(b) Commitments under operating leases

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December			30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings				
— Within one year	3,476	4,273	5,303	2,156
— Between one and five years	974	1,099	1,185	524
	4,450	5,372	6,488	2,680

Future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	As at 31 December			30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings				
— Within one year	246	306	270	135
— Between one and five years	—	270	—	—
	246	576	270	135

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

Guangdong Group's activities expose it to a variety of financial risks: market risks (including interest rate risks and price risk), credit risk and liquidity risk. Guangdong Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Guangdong Group's financial performance.

(a) Interest rate risks

Guangdong Group's income and operating cash flows are substantially independent of changes in market interest rates. Guangdong Group's interest-bearing assets mainly include cash at banks and deposits at CPIF, details of which have been disclosed in Note 25. Guangdong Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Notes 29, 30 and 31. Borrowings carried at floating rates expose Guangdong Group to cash flow interest rate risk whereas borrowings carried at fixed rates expose Guangdong Group to fair value interest rate risk, details of which have been disclosed in Notes 29, 30 and 31. Guangdong Group has not used any specific interest rate swap contracts to hedge its exposure to interest rate risk.

Guangdong Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China interest rate arising from Guangdong Group's RMB denominated floating rate bank borrowings.

As at 31 December 2014, 2015, 2016 and 30 June 2017, if the interest rates on bank borrowings and borrowings from related parties had been 50 basis points higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the year/period (net of interest capitalized) would have been RMB20,370,000, RMB22,959,000, RMB3,699,000 and RMB2,290,000 respectively, lower/higher mainly as a result of higher/lower interest expense on floating rate bank borrowings and borrowings from related parties.

(b) Price risk

Guangdong Group exposes to commodity price risk mainly in relation to the natural gas price. Guangdong Group manages such risk by entering into certain bulk purchase agreements with natural gas supplier.

(c) Credit risk

Guangdong Group's credit risk primarily arises from cash at banks and deposits at CPIF (Note 25), accounts receivable (Note 23), amounts due from related parties (Note 24), and deposits and other receivables.

Substantially all of Guangdong Group's cash and deposits are held in major financial institutions and are at CPIF, which management believes are of high credit quality. The Director does not expect any losses from non-performance by these counterparties.

Guangdong Group is exposed to significant concentration of credit risk in terms of electricity sales as a majority of Guangdong Group's sales of electricity were made to Guangdong Grid. Guangdong Group normally grants credit terms ranging from 15 to 90 days to Guangdong Grid and Guangdong Group does not require collaterals from the Guangdong Grid. Ageing analysis of Guangdong Group's accounts receivable is disclosed in Note 23. Considering the Guangdong Grid did not have default in the past, the director of the Guangdong Company does not expect any losses from non-performance by the counterparty.

Management makes periodic collective assessment as well as individual assessment on the recoverability of all loans and receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. Guangdong Group's historical experience in collection of loans and receivables falls within the recorded allowances and the director of the Guangdong Company is of the opinion that adequate provision for uncollectible receivables has been made.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of credit facilities.

Guangdong Group's primary cash requirements have been for construction of power plants, additions of and upgrades on property, plant and equipment, payment on related debts and payment for purchases and operating expenses. Guangdong Group finances its working capital requirements through a combination of internal resources, including borrowings from related parties, and short-term and long-term bank and other borrowings.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the net current liabilities of Guangdong Group amounted to RMB1,755,867,000, RMB1,837,726,000, RMB1,192,043,000 and RMB1,329,632,000, respectively. Management monitors regularly Guangdong Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of facilities to meet its working capital requirements. As at 31 December 2014, 2015, 2016 and 30 June 2017, Guangdong Group had available unutilized banking facilities and facilities from CPIF amounting to RMB3,353,105,000, RMB4,638,076,000, RMB1,929,427,000 and RMB3,995,228,000, respectively as disclosed in Notes 29(e) and Note 30(d).

The director of Guangdong Company believes that Guangdong Group's current operating cash flows, the above mentioned credit facilities and alternative sources of financing are sufficient for financing its capital commitments in the near future and for working capital purposes.

The table below analyses Guangdong Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

	Within 1 year	Between one and two years	Between two and five years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014				
Payables and accruals	1,016,662	—	—	—
Amounts due to related parties	60,399	—	—	—
Bank borrowings	1,682,264	1,036,476	2,631,500	7,146,172
Borrowings from related parties	258,840	2,955	8,865	29,123
Obligations under finance leases	92,762	92,589	45,931	—
At 31 December 2015				
Payables and accruals	1,064,699	—	—	—
Amounts due to related parties	68,820	—	—	—
Bank borrowings	1,763,482	959,927	2,506,137	6,428,701
Borrowings from related parties	20,826	2,955	8,865	27,643
Other borrowings	2,835	2,835	91,351	—
Obligations under finance leases	92,589	45,931	—	—
At 31 December 2016				
Payables and accruals	438,495	—	—	—
Amounts due to related parties	473,896	—	—	—
Bank borrowings	489,004	265,741	693,241	554,197
Borrowings from related parties	254,837	52,915	6,544	12,166
Obligations under finance leases	63,114	62,337	594,963	—
At 30 June 2017				
Payables and accruals	360,160	—	—	—
Amounts due to related parties	608,216	—	—	—
Bank borrowings	924,567	337,774	723,281	699,485
Borrowings from related parties	39,172	52,165	6,435	10,825
Obligations under finance leases	62,337	347,498	278,860	—

38.2 Capital risk management

Guangdong Group's objectives when managing capital are to safeguard Guangdong Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Guangdong Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, Guangdong Group may adjust the dividend payments to shareholders and sell assets to reduce debt or to obtain bank and other borrowings.

Guangdong Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts (including current and non-current borrowings as well as obligations under finance leases as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "Total equity", as shown in the consolidated statement of financial position, plus net debt.

The table below analyses Guangdong Group's capital structure.

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings *(Note 29)*	7,135,855	7,379,535	1,360,107	1,974,000
Borrowings from related parties *(Note 30)*	257,520	21,040	314,313	98,573
Other borrowings *(Note 31)*	—	90,272	—	—
Obligations under finance leases *(Note 32)*	213,298	132,021	629,488	613,652
Less: Cash and cash equivalents *(Note 25)*	(227,862)	(282,239)	(125,808)	(193,464)
Net debt	7,378,811	7,340,629	2,178,100	2,492,761
Total equity	2,572,722	2,913,498	989,421	893,544
Total capital	9,951,533	10,254,127	3,167,521	3,386,305
Gearing ratio	74%	72%	69%	74%

39. RELATED PARTY TRANSACTIONS

Guangdong Group is controlled by SPIC. As at 31 December 2014, 2015, 2016 and 30 June 2017, SPIC owned 100% equity interest of Guangdong Company in aggregate.

SPIC is controlled by the PRC government which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of Guangdong Group. On that basis, related parties include SPIC, its subsidiaries, joint ventures and associates (other than Guangdong Group), other government-related entities and their subsidiaries, other entities and corporations in which Guangdong Company is able to control or exercise significant influence and key management personnel of Guangdong Company and SPIC as well as their close family members.

For the purpose of the related party transactions disclosures, the director of the Guangdong Company believes that it is also meaningful to disclose the related party transactions with SPIC companies for the interests of the Historical Financial Information users. The director of the Guangdong Company believes that the information of related party transactions has been adequately disclosed in the Historical Financial Information.

Major related parties that had transactions with Guangdong Group were as follows:

Related parties	Relationship with the Guangdong Company
SPIC (國家電投)	Ultimate holding company
CPIF (中電投財務)	A fellow subsidiary
Guangxi Company (國家電投集團廣西電力有限公司) and its subsidiary	Fellow subsidiaries
SPIC Jiangxi Electric Power Company Limited (國家電投集團江西電力有限公司) and its subsidiaries	Fellow subsidiaries
China Power Complete Equipment Company Limited (中國電能成套設備有限公司) and its subsidiaries	Fellow subsidiaries
State Power Investment Corporation Yuanda Environmental Protection Co., Ltd. (國家電投集團遠達環保工程有限公司) and its subsidiaries	Fellow subsidiaries
SPIC Logistics Co., Ltd. (國家電投集團物流有限責任公司) and its subsidiaries	Fellow subsidiaries
CPI Information Technology Company Limited (中電投信息技術有限公司)	A fellow subsidiary
CPI Power Engineering Company Limited (中電投電力工程有限公司)	A fellow subsidiary
China Power Maintenance Engineering Company Limited (中電電力檢修工程有限公司) and its subsidiaries	Fellow subsidiaries
CPI Science and Technology Research Institute Company Limited (中電投科學技術研究院有限公司)	A fellow subsidiary

The following is a summary of significant related party transactions which, in the opinion of the director of the Guangdong Company, are entered into in the ordinary course of Guangdong Group's business in addition to the related party information shown elsewhere in these consolidated financial statements. Management of Guangdong Group is of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

(a) Income

	Note	Year ended 31 December 2014 *RMB'000*	2015 *RMB'000*	2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	2016 *RMB'000* (unaudited)
Interest income from:						
— CPIF		1,280	2,137	3,164	2,699	2,123

Note: During the Relevant Periods, interest income from CPIF was interest bearing at rate ranging from 0.30% to 1.38% per annum.

(b) Expenses

	Note	Year ended 31 December 2014 *RMB'000*	2015 *RMB'000*	2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	2016 *RMB'000* (unaudited)
Construction costs and other services fees to:	*(i)*					
— SPIC						
— fellow subsidiaries		49,902	35,768	63,214	127,598	29,982
Interest expenses to:	*(ii)*					
— SPIC		10,036	4,633	702	720	—
— CPIF		1,014	5,886	5,959	2,030	2,411

Notes:

(i) Construction costs and other services fees were mainly related to construction services, repairs and maintenance services, transportation services and other services which were charged based on mutually agreed prices.

(ii) During the Relevant Periods, interest expenses to SPIC were charged at interest rates ranging from 2.88% to 6.40% per annum, and interest expenses to CPIF were charged at interest rates ranging from 2.88% to 4.35% and 5.60% per annum respectively.

(c) Period-end/year-end balance with related parties

Period-end/year-end balances with related parties are disclosed in Notes 24, 25 and 30.

(d) For the years ended 31 December 2014, 2015, 2016 and six months ended 30 June 2017, Guangdong Group's significant transactions and balances with entities that are controlled, jointly-controlled or significantly influenced by the PRC government mainly include:

(i) bank deposits in state-owned banks and the related interest income

(ii) bank borrowings from state-owned banks and the related interest expenses

(iii) sales of electricity to Guangdong Grid owned by the PRC government and the related receivables

(iv) purchases of natural gas from state-owned enterprises and the related payables

(vi) service fees to state-owned enterprises

The prices and terms of these transactions are set out in the relevant agreements governing these transactions or as mutually agreed.

(e) Key management personnel compensation

	Year ended 31 December			**Six months ended 30 June**	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Fees, basic salaries, housing allowance, other allowances and benefits in kind, discretionary bonus, employer's contribution to pension scheme and other benefits	2,839	3,380	2,189	2,542	1,838

(f) As at 31 December 2014, 2015, 2016 and 30 June 2017, no guarantees issued by related parties.

40. INTERESTS IN SUBSIDIARIES

During the Relevant Periods and as at the date of this report, Guangdong Company has direct equity interests in the following subsidiaries:

Name of subsidiary	Place the date of incorporation/ establishment	Fully paid capital/ registered capital	Equity interest attributable to Guangdong Company as at 31 December 2014	31 December 2015	31 December 2016	30 June 2017	the date of this report	Principal activities	*Notes*
CPI Zhuhai Hengqin Thermal Power Co., Ltd.	The PRC 10 October 2007	RMB552,070,000/ RMB552,070,000	100%	100%	100%	100%	100%	Power generation and electricity sales	*(a)*
Zhuhai Hengqin Energy Development Co., Ltd.	The PRC 6 September 2015	RMB30,000,000/ RMB30,000,000	n/a	55%	55%	55%	55%	Sales of heat and cooling	*(a)*
SPIC Xuwen Wind Power Generation Co., Ltd.	The PRC 1 June 2011	RMB86,000,000/ RMB86,000,000	100%	100%	100%	100%	100%	Power generation and electricity sales	*(a)*
CPI (Shenzhen) Electricity Sales Co., Ltd.	The PRC 29 December 1997	RMB14,000,000/ RMB14,000,000	100%	100%	100%	100%	100%	Sales of electricity	*(a)*
CPI Qian Zhan Gang Dian Company Limited	The PRC 31 March 2012	RMB551,254,300/ RMB411,800,000	100%	100%	100%	100%	100%	Development of power plant	*(a)*
CPI Shantou Songshan Thermal Power Co., Ltd.	The PRC 20 July 2009	RMB243,267,000/ RMB243,267,000	90%	90%	90%	90%	90%	Development of power plant	*(a)*
CPI Zhanjiang Thermal Power Co., Ltd.	The PRC 10 September 2007	RMB28,487,200/ RMB28,487,200	100%	100%	100%	100%	100%	Development of power plant	*(a)*
SPIC Jiedong Energy Co., Ltd.	The PRC 17 October 2016	RMB29,320,000/ RMB150,000,000	n/a	n/a	n/a	100%	100%	Development of power plant	*(a)*
Changzhou Company	The PRC 22 October 2003	RMB1,345,414,000/ RMB1,345,414,000	100%	100%	(b)	(b)	(b)	Power generation and electricity sales	*(b)*
SPIC Guangxi Jin Zishan Wind Power Co., Ltd.	The PRC 28 July 2010	RMB202,632,000/ RMB202,632,000	95%	95%	(b)	(b)	(b)	Power generation and electricity sales	*(b)*
SPIC Guangxi Xing'an Wind Power Co., Ltd.	The PRC 6 March 2012	RMB457,112,000/ RMB427,137,000	95%	95%	(b)	(b)	(b)	Power generation and electricity sales	*(b)*
CPI Leizhou New Energy Power Generation Co., Ltd.	The PRC 21 October 2015	RMB11,500,000/ RMB200,000,000	n/a	n/a	100%	100%	100%	Development of power plant	*(c)*
SPIC Yuzhou Energy Co., Ltd.	The PRC 6 January 2017	RMB2,610,000/ RMB20,000,000	n/a	n/a	n/a	70%	70%	Development of power plant	

All subsidiaries now comprising Guangdong Group are limited liability companies and have adopted 31 December as their financial year end date.

None of these subsidiaries had issued any debt securities at the end of each of the reporting period during the Relevant Periods.

Notes:

(a) The statutory financial statements of the subsidiaries for the year ended 31 December 2014, 2015 and 2016 was prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by DAXIN Certified Public Accountants LLP registered in the PRC.

(b) As set out in Note 1, these subsidiaries became subsidiaries of the Guangxi Group upon the completion of the Group Reorganization on 31 May 2016.

(c) The subsidiary was registered in 2015, whose paid-up capital was in place in 2017.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Guangdong Group, Guangdong Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2017.

B. ACCOUNTANTS' REPORT OF GUANGXI COMPANY

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

Deloitte. 德勤

Introduction

We report on the historical financial information of SPIC Guangxi Power Company Limited (''Guangxi Company'') and its subsidiaries (together, ''Guangxi Group'') set out on pages II-65 to II-115, which comprises the consolidated statements of financial position as at 31 December 2014, 2015, 2016 and 30 June 2017, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages II-65 to II-115 forms an integral part of this report, which has been prepared for inclusion in the circular issued by China Power International Development Limited (the ''Company'') dated 23 October 2017 (the ''Circular'') in connection with the proposed acquisitions of the entire equity interest in the Target Companies as defined in the Circular (the ''Acquisitions'').

Director's responsibility for the Historical Financial Information

The director of Guangxi Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in notes 1 and 3.1 to the Historical Financial Information, and for such internal control as the director of Guangxi Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of Certified Public Accountants (''HKICPA''). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk

assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in notes 1 and 3.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of Guangxi Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Guangxi Company's and Guangxi Group's financial position as at 31 December 2014, 2015, 2016 and 30 June 2017 and of Guangxi Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in notes 1 and 3.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Guangxi Group which comprises 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 six months ended 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The director of Guangxi Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in notes 1 and 3.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in notes 1 and 3.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-65 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which contains information about the dividends paid by Guangxi Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 October 2017

HISTORICAL FINANCIAL INFORMATION OF GUANGXI GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of Guangxi Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2017	2016
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Revenue	*5*	1,031,254	1,211,027	1,211,245	606,653	610,018
Other income	*6*	1,333	1,832	1,301	689	667
Depreciation		(373,561)	(395,916)	(405,043)	(205,335)	(203,540)
Staff costs	*7*	(32,624)	(32,609)	(46,640)	(27,687)	(14,446)
Repairs and maintenance		(22,745)	(30,137)	(33,726)	(15,662)	(15,276)
Consumables		(5,013)	(11,254)	(7,893)	(5,130)	(2,535)
Other gains and losses, net	*8*	(780)	(1,647)	(5,324)	536	873
Other operating expenses		(136,300)	(159,676)	(178,693)	(92,575)	(87,525)
Operating profit	*9*	461,564	581,620	535,227	261,489	288,236
Finance income	*10*	1,627	1,397	692	4,652	311
Finance costs	*10*	(271,498)	(257,771)	(196,337)	(91,752)	(106,967)
Share of losses of a joint venture		(3,497)	(18,642)	(10,971)	(5,785)	(2,683)
Profit before taxation		188,196	306,604	328,611	168,604	178,897
Income tax expense	*11*	(34,067)	(47,393)	(45,360)	(29,353)	(25,899)
Profit and total comprehensive Income for the year/period		154,129	259,211	283,251	139,251	152,998
Attributable to:						
Owner of Guangxi Company		154,237	256,322	278,740	136,611	150,772
Non-controlling interests		(108)	2,889	4,511	2,640	2,226
		154,129	259,211	283,251	139,251	152,998

The notes on pages II-74 to II-115 are an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2014 RMB'000	2015 RMB'000	2016 RMB'000	As at 30 June 2017 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	*15*	6,605,306	6,839,361	6,947,852	7,714,205
Prepayments for construction of power plants	*16*	295,313	449,712	440,552	461,218
Prepaid lease payments	*17*	18,154	28,906	29,033	30,345
Interests in a joint venture	*18*	50,356	31,714	20,743	14,958
Deferred income tax assets	*19*	12,713	14,428	17,516	20,001
Other non-current assets	*20*	93,958	134,756	167,507	152,908
		7,075,800	7,498,877	7,623,203	8,393,635
Current assets					
Inventories	*21*	16,717	17,440	17,457	16,434
Prepaid lease payments	*17*	396	634	636	669
Accounts receivable	*22*	—	45,465	103,665	111,677
Prepayments, deposits and other receivables		48,619	55,967	91,069	98,610
Amounts due from related parties	*23*	686,319	784,751	445,281	745,493
Cash and cash equivalents	*24*	41,956	114,743	274,517	42,539
		794,007	1,019,000	932,625	1,015,422
Total assets		7,869,807	8,517,877	8,555,828	9,409,057
EQUITY					
Capital and reserves attributable to owner of Guangxi Company					
Registered capital	*25*	1,474,000	1,474,000	1,474,000	1,474,000
Reserves	*26*	718,266	903,376	945,420	1,082,031
		2,192,266	2,377,376	2,419,420	2,556,031
Non-controlling interests		20,940	23,520	24,652	21,769
Total equity		2,213,206	2,400,896	2,444,072	2,577,800

		As at 31 December			As at 30 June
		2014	2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Bank borrowings	*27*	3,929,500	4,345,500	4,480,500	4,333,000
Borrowings from related parties	*28*	—	—	400,000	—
Other borrowings	*29*	—	90,272	90,272	—
Obligations under finance leases	*30*	121,985	40,607	—	—
Provisions for other long-term liabilities	*31*	291,593	290,645	289,627	298,485
		4,343,078	4,767,024	5,260,399	4,631,485
Current liabilities					
Construction costs payable		288,895	372,563	347,850	892,370
Other payables and accrued charges	*32*	66,757	83,370	86,906	111,609
Amounts due to related parties	*23*	50,962	46,441	39,652	53,779
Bank borrowings	*27*	759,400	730,600	327,000	645,000
Borrowings from related parties	*28*	50,000	13,000	—	400,000
Other borrowings	*29*	—	—	—	90,272
Current portion of obligations under finance leases	*30*	91,313	91,414	45,157	—
Tax payable		6,196	12,569	4,792	6,742
		1,313,523	1,349,957	851,357	2,199,772
Total liabilities		5,656,601	6,116,981	6,111,756	6,831,257
Total equity and liabilities		7,869,807	8,517,877	8,555,828	9,409,057
Net current (liabilities)/assets		(519,516)	(330,957)	81,268	(1,184,350)
Total assets less current liabilities		6,556,284	7,167,920	7,704,471	7,209,285

The notes on pages II-74 to II-115 are an integral part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	—	—	4,972	4,888
Investments in subsidiaries	1,915,884	1,985,884	2,038,534	2,044,534
Investments in a joint venture	50,356	31,714	20,743	14,958
Other non-current assets	—	—	6,187	5,265
	1,966,240	2,017,598	2,070,436	2,069,645
Current assets				
Prepayments, deposits and other receivables	—	—	104,879	112,705
Amounts due from related parties	—	—	—	300,130
Amounts due from subsidiaries	—	—	2,277	49,093
Cash and cash equivalents	—	—	63,622	11,730
	—	—	170,778	473,658
Total assets	1,966,240	2,017,598	2,241,214	2,543,303
EQUITY				
Capital and reserves attributable to owner of Guangxi Company				
Registered capital *(Note 25)*	1,474,000	1,474,000	1,474,000	1,474,000
Reserves	492,240	543,598	525,199	843,150
Total equity	1,966,240	2,017,598	1,999,199	2,317,150
LIABILITIES				
Non-current liabilities	—	—	—	—
Current liabilities				
Other payables and accrued charges	—	—	3,415	2,753
Construction cost payable	—	—	887	1,117
Amounts due to subsidiaries	—	—	237,713	222,279
Amounts due to related parties	—	—	—	4
	—	—	242,015	226,153
Total liabilities	—	—	242,015	226,153
Total equity and liabilities	1,966,240	2,017,598	2,241,214	2,543,303
Net current (liabilities)/assets	—	—	(71,237)	247,505
Total assets less current liabilities	1,966,240	2,017,598	1,999,199	2,317,150

The notes on pages II-74 to II-115 are an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of Guangxi Company					
	Registered capital *(Note 25)* *RMB'000*	Other reserves *(Note 26)* *RMB'000*	Retained earnings *(Note 26)* *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2014	—	1,809,294	571,575	2,380,869	19,344	2,400,213
Profit and total comprehensive income for the year	—	—	154,237	154,237	(108)	154,129
Transfer to registered capital	1,474,000	(1,474,000)	—	—	—	—
Contributions from owner of Guangxi Company	—	170,580	—	170,580	—	170,580
Contributions from non-controlling shareholders of subsidiaries	—	—	—	—	2,631	2,631
Dividends recognized as distributions to a non-controlling shareholder of a subsidiary	—	—	—	—	(927)	(927)
Dividends recognized as distributions to owner of Guangxi Company	—	—	(513,420)	(513,420)	—	(513,420)
At 31 December 2014	1,474,000	505,874	212,392	2,192,266	20,940	2,213,206
Profit and total comprehensive income for the year	—	—	256,322	256,322	2,889	259,211
Contributions from owner of Guangxi Company	—	70,000	—	70,000	—	70,000
Dividends recognized as distributions to a non-controlling shareholder of a subsidiary	—	—	—	—	(309)	(309)
Dividends recognized as distributions to owner of Guangxi Company	—	—	(141,212)	(141,212)	—	(141,212)
At 31 December 2015	1,474,000	575,874	327,502	2,377,376	23,520	2,400,896

	Attributable to owner of Guangxi Company					
	Registered capital (Note 25) RMB'000	Other reserves (Note 26) RMB'000	Retained earnings (Note 26) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	1,474,000	575,874	327,502	2,377,376	23,520	2,400,896
Profit and total comprehensive income for the year	—	—	278,740	278,740	4,511	283,251
Contributions from owner of Guangxi Company	—	12,650	—	12,650	—	12,650
Dividends recognized as distributions to non-controlling shareholders of subsidiaries	—	—	—	—	(3,379)	(3,379)
Dividends recognized as distributions to owner of Guangxi Company	—	—	(249,346)	(249,346)	—	(249,346)
At 31 December 2016	1,474,000	588,524	356,896	2,419,420	24,652	2,444,072
Profit and total comprehensive income for the period	—	—	136,611	136,611	2,640	139,251
Dividends recognized as distributions to non-controlling shareholders of subsidiaries	—	—	—	—	(5,523)	(5,523)
At 30 June 2017	1,474,000	588,524	493,507	2,556,031	21,769	2,577,800
Six months ended 30 June 2016 (unaudited)						
At 1 January 2016	1,474,000	575,874	327,502	2,377,376	23,520	2,400,896
Profit and total comprehensive income for the period	—	—	150,772	150,772	2,226	152,998
Contributions from owner of Guangxi Company	—	12,650	—	12,650	—	12,650
Dividends recognized as distributions to non-controlling shareholders of subsidiaries	—	—	—	—	(3,379)	(3,379)
Dividends recognized as distributions to owner of Guangxi Company	—	—	(249,346)	(249,346)	—	(249,346)
At 30 June 2016 (unaudited)	1,474,000	588,524	228,928	2,291,452	22,367	2,313,819

The notes on pages II-74 to II-115 are an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2017	2016
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
						(unaudited)
Cash flows from operating activities						
Cash generated from operations	*33(a)*	1,005,603	801,186	1,135,348	522,095	650,708
Interest paid		(273,857)	(292,750)	(217,065)	(129,905)	(105,537)
PRC income tax paid		(34,577)	(42,735)	(56,225)	(29,888)	(35,120)
Net cash generated from operating activities		697,169	465,701	862,058	362,302	510,051
Cash flows from investing activities						
Payments for property, plant and equipment and prepayments for construction of power plants		(807,703)	(659,382)	(487,942)	(416,303)	(84,877)
Payments for prepaid lease payments		—	(11,710)	(862)	(1,675)	(862)
Proceeds from disposal of property, plant and equipment		267	592	92	—	—
Advances to a related party		—	—	—	(300,000)	—
Capital injection to a joint venture		(12,750)	—	—	—	—
Interest received		1,627	1,397	692	4,652	311
Net cash used in investing activities		(818,559)	(669,103)	(488,020)	(713,326)	(85,428)

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2017	2016
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Cash flows from financing activities						
Drawdown of bank borrowings	*33(b)*	1,337,400	1,451,600	650,000	380,000	210,000
Drawdown of other borrowings	*33(b)*	—	90,272	—	—	—
Drawdown of borrowings from related parties	*33(b)*	165,000	613,000	400,000	—	400,000
Contributions from owner of Guangxi Company		170,580	70,000	12,650	—	12,650
Contributions from non-controlling shareholders of subsidiaries		2,631	—	—	—	—
Repayment of bank borrowings	*33(b)*	(687,200)	(1,064,400)	(918,600)	(209,500)	(708,100)
Repayment of borrowings from related parties	*33(b)*	(230,000)	(650,000)	(13,000)	—	(13,000)
Payments for obligations under finance leases	*33(b)*	(92,393)	(92,762)	(92,589)	(45,931)	(46,865)
Dividends paid to non-controlling shareholders of subsidiaries		(927)	(309)	(3,379)	(5,523)	(3,379)
Dividend paid	*13*	(513,420)	(141,212)	(249,346)	—	(249,346)
Net cash generated from/(used in) financing activities		151,671	276,189	(214,264)	119,046	(398,040)
Net increase/(decrease) in cash and cash equivalents		30,281	72,787	159,774	(231,978)	26,583
Cash and cash equivalents at 1 January		11,675	41,956	114,743	274,517	114,743
Cash and cash equivalents at 31 December/30 June	24	41,956	114,743	274,517	42,539	141,326

The notes on pages II-74 to II-115 are an integral part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

SPIC Guangxi Power Company Limited (''Guangxi Company'') (國家電投集團廣西電力有限公司) was incorporated in The People's Republic of China (the ''PRC'') on 31 May 2016 as a limited liability company under the PRC Companies Law. The registered office and the principal place of incorporation of Guangxi Company is Nanning, Guangxi Province.

Historically and prior to completion of the Group Reorganization (as defined below), CPI Southern Power Company Limited (''CPI Southern'') carried out operations and owned assets in Guangdong and Guangxi province. Pursuant to a split resolution which was initiated and approved on 12 April 2016 by State Power Investment Corporation (國家電力投資集團公司) (''SPIC''), the ultimate holding company, CPI Southern has been resolved to split into two separate legal entities, namely the SPIC Guangdong Power Company Limited (''Guangdong Company'') and Guangxi Company, with the Guangdong Company retaining business and assets which were registered and situated in Guangdong province and the new entity, Guangxi Company assuming the business and assets in Guangxi province (the ''Group Reorganization''). Guangdong Company and Guangxi Company are owned by SPIC. The Group Reorganization was completed on 31 May 2016.

Guangxi Group comprising Guangxi Company and its subsidiaries resulting from the Group Reorganization is regarded as a continuing entity. The business and assets registered and situated in Guangxi province have been under the common control by SPIC throughout the Relevant Periods. For the purpose of this report, the consolidated statements of financial position of Guangxi Group have been prepared on the basis as if the current group structure had been in existence throughout the years ended 31 December 2014 and 2015 and prior to Group Reorganisation. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of Guangxi Group for each of the two years ended 31 December 2015 and five months ended 31 May 2016 include the results, changes in equity and cash flows of the business and assets registered and situated in Guangxi as if the current group structure had been in existence at these dates.

Guangxi Group is principally engaged in investment holdings, generation and sales of electricity and the development of power plants in the PRC.

The Historical Financial Information is presented in RMB, which is also the functional currency of Guangxi Company.

2. APPLICATION OF NEW AND AMENDMENTS TO THE HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Guangxi Group has consistently applied the Hong Kong Financial Reporting Standards (the "HKFRSs"), which are effective for the accounting period beginning on 1 January 2017 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle except for amendments to HKFRS 12[1]

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

HKFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on Guangxi Group's current business practices and financial position as at 30 June 2017, the director of Guangxi Company does not anticipate that the application of HKFRS 15 in the future will have a material impact on the results and financial position of Guangxi Group but may result in more disclosures.

HKFRS 16 ''Leases''

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, Guangxi Group has non-cancellable operating lease commitments of RMB49,606,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence Guangxi Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16 and may result in changes in measurement, presentation and disclosure as indicated above. The director anticipates that the application of HKFRS 16 does not have any significant impact to Guangxi Group.

Guangxi Group is in the process of making an assessment of the impact of the other new standards and amendments to standards and it is not yet in a position to state whether any substantial financial impact will be resulted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with HKFRSs. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Guangxi Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

3.2 Consolidation

(a) Subsidiaries and Business combinations

A subsidiary is an entity (including a structured entity) over which Guangxi Group has control. Guangxi Group controls an entity when Guangxi Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to Guangxi Group. They are deconsolidated from the date that control ceases.

Guangxi Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by Guangxi Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date.

Guangxi Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition- date fair values, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between members of Guangxi Group are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with Guangxi Group's accounting policies.

(b) Joint ventures

Guangxi Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Guangxi Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize Guangxi Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and Guangxi Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When Guangxi Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of Guangxi Group's net investment in the joint ventures), Guangxi Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between Guangxi Group and its joint ventures are eliminated to the extent of Guangxi Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by Guangxi Group.

3.3 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Guangxi Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their costs less accumulated impairment losses over their estimated useful lives to their residual values, as follows:

Dam	25–45 years
Buildings	20–35 years
Power generators and equipment	7–20 years
Electricity supply equipment	14–30 years
Furniture and fixtures	3–5 years
Tools and other equipment	5–18 years
Transportation facilities	6–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.6). Such impairment losses are recognized in profit or loss.

Gains or losses on disposals are determined by comparing the net sales proceeds with the carrying amount of the relevant assets and are recognized in profit or loss.

3.4 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery, direct labour costs and overheads and, for qualifying assets, borrowing costs capitalized in accordance with Guangxi Group's accounting policy. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 3.3 above.

3.5 Prepaid lease payments

Prepaid lease payments are stated at cost less accumulated amortization and accumulated impairment losses (if any). Cost mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 50 years from the date the respective right was granted. amortization of prepaid lease payments is calculated on a straight-line basis over the periods of the leases.

3.6 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGUs"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.7 Financial assets

Guangxi Group's financial assets are loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of Guangxi Group's financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Guangxi Group's receivables include accounts and other receivables, amount due from related parties, deposits, and deposits at banks and CPI Financial Company Limited ("CPIF").

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of Guangxi company or the counterparty.

3.8 Impairment of financial assets

Guangxi Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statements of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the profit or loss.

3.9 Inventories

Inventories comprise consumable supplies and spare parts held for usage and are stated at the lower of cost and net realizable value after provision for obsolete items, and are expensed to repairs and maintenance expense when used, or capitalized to property, plant and equipment when installed, as appropriate using weighted average method. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition and excludes borrowing costs.

3.10 Accounts and other receivables

Accounts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment. If collection of accounts and other receivables is expected in 1 year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and with other financial institutions and other short-term highly liquid investments with original maturities of 3 months or less.

3.12 Financial liabilities and equity

Financial liabilities and equity instruments issued by Guangxi Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Accounts and other payables (including construction costs payable and amounts due to related parties) are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of Guangxi Group after deducting all of its liabilities.

3.13 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Guangxi Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

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

3.14 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the places where Guangxi Company and its subsidiaries and a joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profits or losses. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint venture, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by Guangxi Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally Guangxi Group is unable to control the reversal of the temporary difference for joint venture. Only where there is an agreement in place that gives Guangxi Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and joint venture only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profits available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable rights to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.15 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which Guangxi Group pays fixed contributions into a separate entity. Guangxi Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For employees in Mainland China, Guangxi Group contributes on a monthly basis to various defined contribution plans organized by the relevant municipal and provincial governments in the PRC based on certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and Guangxi Group has no further constructive obligation for any post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

All contributions to pension plans are fully and immediately vested and Guangxi Group had no unvested benefits available to reduce its future contributions.

(b) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when Guangxi Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

3.16 Provisions

Provisions are recognized when Guangxi Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

3.17 Government grants

Grants and subsidies from the government are recognized at their fair values for monetary assets where there is a reasonable assurance that the grant or subsidy will be received and the Guangxi Group will comply with all attached conditions.

Government grants and subsidies relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants and subsidies relating to property, plant and equipment and other environmental improvement projects are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and projects.

Non-monetary assets transferred from the government is recognized at nominal amount.

3.18 Finance lease

Guangxi Group leases certain property, plant and equipment. Leases of property, plant and equipment where Guangxi Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in short-term and long-term finance lease obligations. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3.19 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases (net of any incentives received from the lessor) are charged or credited to profit or loss on a straight-line basis over the period of the lease.

3.20 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Guangxi Group's activities. Revenue is shown net of value-added tax ("VAT") and discounts and after eliminating sales within Guangxi Group.

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

(i) Sales of electricity and income form provision of power generation and related services are recognized when electricity is generated and transmitted.

(ii) Interest income is recognized on a time-proportion basis using the effective interest method.

(iii) Operating lease rental income is recognized on a straight-line basis over the lease periods.

3.21 Dividend distribution

Dividend distribution to Guangxi Company's shareholders is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by Guangxi Company's shareholders or director as appropriate.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Guangxi Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year from the end of each reporting period are discussed below.

(i) Useful lives, residual values and depreciation charges of property, plant and equipment

Guangxi Group's management determines the estimated useful lives, residual values and related depreciation charges for Guangxi Group's property, plant and equipment, other than construction in progress. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technological advancement and innovations in the power industry. Management will adjust the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation charges in the future periods. As at 31 December 2014, 2015, 2016 and 30 June 2017, the carrying amount of property, plant and equipment, other than construction in progress is RMB5,636,145,000, RMB5,909,912,000, RMB5,519,221,000 and RMB7,048,398,000, respectively.

(ii) Provisions for Inundation Compensation

Guangxi Group made provisions in relation to compensations for inundation caused by the construction of a hydropower plant of Guangxi Group, namely the Changzhou Power Plant ("Inundation Compensation"). The provision is measured at the present value of the expenditure expected to be required to settle the compensation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the compensation.

In determining the best estimate of the provisions for the Inundation Compensation, management is required to make subjective assumptions and judgements, including estimating the timing and duration of the compensation payments, the compensation per unit of area and its growth rate as well as the pre-tax discount rate applied to account for time value of money and the risks specific to the compensation. Any inappropriate assumptions or judgements applied would result in different provision amounts that would potentially significantly affect the profit or loss and financial position of Guangxi Group.

As at 31 December 2014, 2015, 2016 and 30 June 2017, the carrying amount of provision for Inundation Compensation is RMB309,128,000, RMB308,355,000, RMB307,337,000 and RMB316,195,000, respectively.

5. TURNOVER, REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivables from the electricity sale contracts by Guangxi Group to external customers. Guangxi Group's operations is solely derived from sale of electricity in the PRC during the Relevant Periods. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the director of Guangxi Company) reviews the overall results and financial position of Guangxi Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, Guangxi Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

No geographical segment information is presented as Guangxi Group's revenue are all derived from PRC based on the location of revenue delivered and all of Guangxi Group's property, plant and equipment as at 31 December 2014, 2015, 2016 and 30 June 2017 respectively are located in the PRC by physical location of assets.

Revenue, representing turnover net of sales related taxes, recognized during the year is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Sales of electricity to provincial power grid company *(note)*	1,031,254	1,211,027	1,211,245	606,653	610,018

Note: Pursuant to the power purchase agreement entered into between Guangxi Group and China Southern Power Grid Guangxi Electric Power Company and its sub-branches ("Guangxi Grid"), Guangxi Group's sales of electricity were made to Guangxi Grid at the tariff rates agreed with Guangxi Grid as approved by the relevant government authorities in the PRC.

For the Relevant Periods, all of Guangxi Group's external revenue was generated from one customer, the Guangxi Grid.

6. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Rental income	1,333	1,832	1,301	689	667

7. STAFF COSTS (INCLUDING DIRECTOR'S EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Wages, salaries and bonuses	22,138	22,199	32,188	19,759	9,292
Staff welfare	6,950	6,804	9,685	5,155	3,245
Pension costs — defined contribution plans	3,536	3,606	4,767	2,773	1,909
	32,624	32,609	46,640	27,687	14,446

8. OTHER GAINS AND LOSSES, NET

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Gain/(losses) on disposal of property, plant and equipment, net	150	480	(49)	—	(31)
Government grant	—	—	153	119	—
Others	(930)	(2,127)	(5,428)	417	904
	(780)	(1,647)	(5,324)	536	873

9. OPERATING PROFIT

Operating profit is stated after charging the followings:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Amortization of prepaid lease payments	395	720	733	330	330
Auditor's remuneration	162	274	283	—	—
Depreciation of property, plant and equipment *(Note 15)*	373,561	395,916	405,043	205,335	203,540
Reservoir maintenance and usage fees	24,546	25,792	25,337	12,234	12,968
Operating lease rental expenses in respect of building	923	1,747	7,056	5,929	784

10. FINANCE INCOME AND FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Finance income					
Interest income from bank deposits	96	65	17	12	10
Interest income from CPIF *(Note 36(a))*	389	1,332	675	367	301
Interest income from related parties *(Note 36(a))*	1,142	—	—	4,273	—
	1,627	1,397	692	4,652	311
Finance costs					
Interest expense on					
— bank borrowings	267,393	291,050	227,469	106,698	119,846
— long-term borrowings from a related party	—	—	8,699	6,953	1,945
— short-term borrowings from related parties	6,092	740	—	—	—
— provisions for other long-term liabilities *(Note 31)*	17,882	17,838	17,779	8,858	8,888
— obligations under finance leases	16,947	11,485	5,725	774	4,840
	308,314	321,113	259,672	123,283	135,519
Less: amounts capitalized	(36,816)	(63,342)	(63,335)	(31,531)	(28,552)
	271,498	257,771	196,337	91,752	106,967

For the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2017, the weighted average interest rates on capitalized borrowings are 6.10%, 5.56%, 4.63% and 4.36%, (For the six months ended 2016: 4.96%) per annum, respectively.

11. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for as Guangxi Group did not have any estimated assessable profits in Hong Kong for the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2017.

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% on the estimated assessable profits for the year except as disclosed below.

The amount of income tax recognized in the consolidated statements of profit or loss represents:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
PRC current income tax					
Charge for the year/period	34,848	49,594	48,785	27,862	23,913
Under/(over) provision in prior year	3,171	(486)	(337)	3,976	2,762
	38,019	49,108	48,448	31,838	26,675
Deferred income tax					
Credit for the year/period *(Note 19)*	(3,952)	(1,715)	(3,088)	(2,485)	(776)
	34,067	47,393	45,360	29,353	25,899

The income tax expense on Guangxi Group's profit before taxation differs from the theoretical amount that would arise using the income tax rate of the PRC as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Profit before taxation	188,196	306,604	328,611	168,604	178,897
Less: Share of losses of a joint venture	3,497	18,642	10,971	5,785	2,683
	191,693	325,246	339,582	174,389	181,580
Calculated at the PRC statutory tax rate of 25%	47,923	81,312	84,896	43,597	45,395
Effect of tax concession	(24,340)	(41,225)	(49,414)	(23,494)	(23,723)
Expenses not deductible for taxation purpose	7,313	7,792	5,260	1,989	1,453
Tax effect of tax losses not recognized *(Note 19)*	—	—	4,955	3,285	12
Under/(over) provision in prior year	3,171	(486)	(337)	3,976	2,762
Income tax expense	34,067	47,393	45,360	29,353	25,899

For the year ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2017, certain subsidiaries of Guangxi Group, were either exempted from PRC Enterprise Income Tax or entitled to the preferential tax rate of 12.5% or 15% (For the six months ended 2016: 12.5% or 15%).

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered as meaningful.

13. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Dividends recognized during the year/period:					
— for year ended 31 December 2013	513,420	—	—	—	—
— for year ended 31 December 2014	—	141,212	—	—	—
— for year ended 31 December 2015	—	—	249,346	—	249,346
— for year ended 31 December 2016	—	—	—	—	—
	513,420	141,212	249,346	—	249,346

14. EMOLUMENTS FOR DIRECTOR AND FIVE HIGHEST PAID INDIVIDUALS

(a) Director's emoluments

The remuneration of the director of the Guangxi Company for the Relevant Periods is set out below:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Basic salaries, housing allowance, other allowances and benefits in kind, discretionary bonus, employer's contribution to pension scheme and other benefits	—	—	190	210	27
— Mr. Mao Guoquan	—	—	190	210	27

The director's emolument was for his services in connection with the management of the affairs of the Guangxi Group.

(b) Five highest paid individuals

The aggregate of the emoluments in respect of the five highest paid individuals who are not a director of Guangxi Company during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Basic salaries, housing allowance, other allowances and benefits in kind, discretionary bonus, employer's contribution to pension scheme and other benefits	1,820	1,876	2,029	1,776	452
	1,820	1,876	2,029	1,776	452

Their emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016** (unaudited)
Zero to HK$1,000,000	—	—	5	5	5

During the Relevant Periods, no emoluments have been paid by Guangxi Group to any of the five highest paid individuals as an inducement to join or upon joining Guangxi Group or as compensation for loss of office.

15. PROPERTY, PLANT AND EQUIPMENT

	Dam	Buildings and leasehold improvements	Power generators and equipment	Electricity supply equipment	Furniture and fixtures, tools and other equipment	Transportation facilities	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost								
At 1 January 2014	3,367,909	910,520	2,021,868	465,900	761,606	28,690	768,967	8,325,460
Additions and transfer from prepayment	—	—	—	—	7,409	930	204,384	212,723
Disposals	—	—	—	—	(252)	(3,887)	—	(4,139)
Transfer between categories	—	494	567	706	2,423	—	(4,190)	—
At 31 December 2014	3,367,909	911,014	2,022,435	466,606	771,186	25,733	969,161	8,534,044
Additions and transfer from prepayment	—	757	—	—	6,805	495	622,026	630,083
Disposals	—	—	—	—	(380)	(3,668)	—	(4,048)
Transfer between categories	—	91,963	499,867	53,483	16,425	—	(661,738)	—
At 31 December 2015	3,367,909	1,003,734	2,522,302	520,089	794,036	22,560	929,449	9,160,079
Additions and transfer from prepayment	—	—	67	—	9,796	1,532	502,280	513,675
Disposals	—	—	—	—	—	(412)	—	(412)
Transfer between categories	—	—	505	589	2,004	—	(3,098)	—
At 31 December 2016	3,367,909	1,003,734	2,522,874	520,678	805,836	23,680	1,428,631	9,673,342
Additions and transfer from prepayment	—	—	—	—	4,203	605	966,880	971,688
Transfer between categories	—	—	1,729,611	—	93	—	(1,729,704)	—
At 30 June 2017	3,367,909	1,003,734	4,252,485	520,678	810,132	24,285	665,807	10,645,030

	Dam	Buildings and leasehold improvements	Power generators and equipment	Electricity supply equipment	Furniture and fixtures, tools and other equipment	Transportation facilities	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment losses								
At 1 January 2014	306,126	174,698	442,755	160,849	455,943	18,828	–	1,559,199
Depreciation charge for the year	79,112	35,134	179,644	25,326	52,509	1,836	–	373,561
Disposals	–	–	–	–	(252)	(3,770)	–	(4,022)
At 31 December 2014	385,238	209,832	622,399	186,175	508,200	16,894	–	1,928,738
Depreciation charge for the year	78,803	34,695	203,950	24,074	52,582	1,812	–	395,916
Disposals	–	–	–	–	(378)	(3,558)	–	(3,936)
At 31 December 2015	464,041	244,527	826,349	210,249	560,404	15,148	–	2,320,718
Depreciation charge for the year	78,808	35,200	203,921	28,920	56,547	1,647	–	405,043
Disposals	–	–	–	–	–	(271)	–	(271)
At 31 December 2016	542,849	279,727	1,030,270	239,169	616,951	16,524	–	2,725,490
Depreciation charge for the period	39,500	17,626	103,393	14,656	29,326	834	–	205,335
At 30 June 2017	582,349	297,353	1,133,663	253,825	646,277	17,358	–	2,930,825
Net book value								
At 31 December 2014	2,982,671	701,182	1,400,036	280,431	262,986	8,839	969,161	6,605,306
At 31 December 2015	2,903,868	759,207	1,695,953	309,840	233,632	7,412	929,449	6,839,361
At 31 December 2016	2,825,060	724,007	1,492,604	281,509	188,885	7,156	1,428,631	6,947,852
At 30 June 2017	2,785,560	706,381	3,118,822	266,853	163,855	6,927	665,807	7,714,205

Notes:

(a) As at 31 December 2014, 2015, 2016 and 30 June 2017, the legal title of certain properties of Guangxi Group had not been transferred to Guangxi Group subject to certain administrative procedures to be completed by the relevant local government authorities. However, the director of the Guangxi Company is of the opinion that the risks and rewards of using these assets have been transferred to Guangxi Group.

In addition, certain of Guangxi Group's property, plant and equipment are situated on leasehold land in the PRC which was granted for the use by the relevant government authorities to the relevant subsidiaries of Guangxi Group at nil consideration. As at the date of the accountants' report, necessary certificates from relevant government authorities for such leasehold land has been obtained.

(b) As at 31 December 2014 and 2015, the cost of power generators and equipment held by Guangxi Group under finance leases amounted to RMB538,039,000 and RMB538,039,000 respectively, and the accumulated depreciation of such power generators and equipment amounted to RMB165,510,000 and RMB231,737,000 (As at 31 December 2016 and 30 June 2017: Nil).

(c) As at 31 December 2014, 2015, 2016 and 30 June 2017, the accumulated impairment losses of property, plant and equipment are Nil.

16. PREPAYMENTS FOR CONSTRUCTION OF POWER PLANTS

Prepayments for construction of power plants represent advance payments made to contractors in connection with the construction of Guangxi Group's power plants including payments for equipment and machineries pending delivery to the relevant power plants for installation.

17. PREPAID LEASE PAYMENTS

The amount represents cost of the prepaid lease payments in respect of land located in the PRC where certain of Guangxi Group's property, plant and equipment are built on.

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current asset	396	634	636	669
Non-current asset	18,154	28,906	29,033	30,345
	18,550	29,540	29,669	31,014

18. INTERESTS IN A JOINT VENTURE

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost	63,990	63,990	63,990	63,990
Share of undistributed post-acquisition reserves	(13,634)	(32,276)	(43,247)	(49,032)
	50,356	31,714	20,743	14,958

During the Relevant Periods, Guangxi Group had interest in the following principal joint venture.

Name of joint venture	Place the date of incorporation/ establishment	Fully paid capital/registered capital	Equity interest attributable to Guangxi Company	Principal activities
SPIC Guangxi Beibu Gulf (Qinzhou) Thermal Power Co., Ltd.	The PRC, 4 July 2008	RMB125,471,000/ RMB125,471,000	51%	Generation and sales of heat

The joint venture of Guangxi Group was not individually material to Guangxi Group.

19. DEFERRED INCOME TAX ASSETS

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the end of reporting period.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets	12,713	14,428	17,516	20,001

The net movement on the deferred income tax assets during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Decelerated tax depreciation	**Total**
	RMB'000	*RMB'000*
At 1 January 2014	8,761	8,761
Credited to profit or loss *(Note 11)*	3,952	3,952
At 31 December 2014	12,713	12,713
Credited to the profit or loss *(Note 11)*	1,715	1,715
At 31 December 2015	14,428	14,428
Credited to profit or loss *(Note 11)*	3,088	3,088
At 31 December 2016	17,516	17,516
Credited to profit or loss *(Note 11)*	2,485	2,485
At 30 June 2017	20,001	20,001
Six months ended 30 June 2016 (unaudited)		
At 1 January 2016	14,428	14,428
Credited to profit or loss *(Note 11)*	776	776
At 30 June 2016 (unaudited)	15,204	15,204

As at 31 December 2016 and 30 June 2017, Guangxi Group had unrecognized tax losses to be carried forward against future taxable profits amounting to RMB19,820,000 and RMB32,960,000, which will expire in 5 years (31 December 2014 and 2015: Nil).

20. OTHER NON-CURRENT ASSETS

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deductible VAT and other taxes	81,958	94,530	123,500	122,141
Prepaid rent on leasehold land	—	28,226	27,653	27,367
Deposit for obligations under finance leases	12,000	12,000	12,000	—
Others	—	—	4,354	3,400
	93,958	134,756	167,507	152,908

21. INVENTORIES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Spare parts and consumables	16,717	17,440	17,457	16,434

22. ACCOUNTS RECEIVABLE

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accounts receivable from provincial power grid company *(note (a))*	—	45,465	103,665	111,677

Notes:

(a) Guangxi Group normally grants 15 to 90 days credit period to customer from the end of the month in which the sales are made. The ageing analysis of the accounts receivable presented based on invoice date is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 to 3 months	—	45,465	103,665	111,677

The accounts receivable are neither past due nor impaired considering the existing counterparty did not have default in the past.

(b) As at 31 December 2014, 2015, 2016 and 30 June 2017, certain bank borrowings (Notes 27(d)) were secured by the rights on the rights on accounts receivable of certain subsidiaries of Guangxi Group. The accounts receivable secured under these borrowings as at 31 December 2015, 2016 and 30 June 2017 amounted to RMB45,465,000, RMB103,665,000 and RMB111,677,000, respectively.

(c) The fair values of accounts receivables approximate their carrying amounts as the impact of discounting is not significant. All accounts receivables are denominated in RMB.

23. AMOUNTS DUE FROM/TO RELATED PARTIES

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
Amount due from SPIC	—	—	—	16
Amount due from Guangdong Company *(note (b))*	606,619	784,751	445,281	445,347
Amount due from a fellow subsidiary *(note (c))*	—	—	—	300,130
Amount due from a joint venture *(note (d))*	79,700	—	—	—
	686,319	784,751	445,281	745,493
Amounts due to related parties				
Amount due to Guangdong Company	(17,616)	(5,878)	—	(4)
Amounts due to fellow subsidiaries	(33,346)	(40,563)	(39,652)	(53,775)
	(50,962)	(46,441)	(39,652)	(53,779)

Notes:

(a) The list of major related parties that had transactions with Guangxi Group and their relationships with Guangxi Company is disclosed in Note 36.

(b) The amount due from Guangdong Company representing trade receivables of Guangxi Group collected by Guangdong Company on behalf of Guangxi Group, is unsecured and interest free.

(c) As at 30 June 2017, the amount due from a fellow subsidiary is unsecured. Except for a balance of RMB300,000,000 which is interest bearing at 4.57% per annum and repayable within 1 year, the remaining balances are interest free and repayable on demand.

(d) As at 31 December 2014, the amount due from a joint venture is interest bearing ranging from 6.30% to 6.77% per annum and are fully repaid in the year of 2015.

(e) Balances with related parties, other than those disclosed in notes (c) and (d), are unsecured, interest free and repayable on demand.

(f) The fair values of these balances approximate their carrying amounts as the impact of discounting is not significant.

24. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	23,470	1,270	1,882	2,007
Deposits at CPIF	18,486	113,473	272,635	40,532
	41,956	114,743	274,517	42,539
Denominated in:				
RMB	41,956	114,743	274,517	42,539

During the Relevant Periods, Guangxi Group's cash at banks and deposits at CPIF are interest bearing at floating rates ranging from 0.30% to 1.38% per annum. As at 31 December 2014, 2015, 2016 and 30 June 2017, all of Guangxi Group's cash and cash equivalents are RMB denominated and are deposited with banks and CPIF in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

25. REGISTERED CAPITAL

	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	—	1,474,000	1,474,000	1,474,000
Transfer from capital reserve	1,474,000	—	—	—
At 31 December/30 June	1,474,000	1,474,000	1,474,000	1,474,000

26. RESERVES

Reserves of Guangxi Group

	Capital reserve and other reserves sub-total *RMB'000* *(note)*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2014	1,809,294	571,575	2,380,869
Profit for the year	—	154,237	154,237
Transfer to registered capital	(1,474,000)	—	(1,474,000)
Contributions from owner of Guangxi Company	170,580	—	170,580
Dividends recognized as distributions to owner of Guangxi Company	—	(513,420)	(513,420)
At 31 December 2014	505,874	212,392	718,266
Profit for the year	—	256,322	256,322
Contributions from owner of Guangxi Company	70,000	—	70,000
Dividends recognized as distributions to owner of Guangxi Company	—	(141,212)	(141,212)
At 31 December 2015	575,874	327,502	903,376
Profit for the year	—	278,740	278,740
Contributions from owner of Guangxi Company	12,650	—	12,650
Dividends recognized as distributions to owner of Guangxi Company	—	(249,346)	(249,346)
At 31 December 2016	588,524	356,896	945,420
Profit for the period	—	136,611	136,611
At 30 June2017	588,524	493,507	1,082,031
Six months ended 30 June 2016 (unaudited)			
At 1 January 2016	575,874	327,502	903,376
Profit for the period	—	150,772	150,772
Contributions from owner of Guangxi Company	12,650	—	12,650
Dividends recognized as distributions to owner of Guangxi Company	—	(249,346)	(249,346)
At 30 June 2016 (unaudited)	588,524	228,928	817,452

Reserves of Guangxi Company

	Capital reserve *RMB'000* *(note)*	Retained earnings *RMB'000*	Total *RMB'000*
At 1 January 2014	1,809,294	(10,137)	1,799,157
Profit for the year	—	509,923	509,923
Contributions from owner of Guangxi Company	170,580	—	170,580
Transfer to registered capital	(1,474,000)	—	(1,474,000)
Dividends recognized as distributions to owner of Guangxi Company	—	(513,420)	(513,420)
At 31 December 2014	505,874	(13,634)	492,240
Profit for the year	—	122,570	122,570
Contributions from owner of Guangxi Company	70,000	—	70,000
Dividends recognized as distributions to owner of Guangxi Company	—	(141,212)	(141,212)
At 31 December 2015	575,874	(32,276)	543,598
Profit for the year	—	218,297	218,297
Contributions from owner of Guangxi Company	12,650	—	12,650
Dividends recognized as distributions to owner of Guangxi Company	—	(249,346)	(249,346)
At 31 December 2016	588,524	(63,325)	525,199
Profit for the period	—	317,951	317,951
At 30 June 2017	588,524	254,626	843,150
Six months ended 30 June 2016 (unaudited)			
At 1 January 2016	575,874	(32,276)	543,598
Profit for the period	—	246,616	246,616
Contributions from owner of Guangxi Company	12,650	—	12,650
Dividends recognized as distributions to owner of Guangxi Company	—	(249,346)	(249,346)
At 30 June 2016 (unaudited)	588,524	(35,006)	553,518

Note: Capital reserve represents the difference between the cost of the net assets injected as a result of the Group Reorganization and the registered capital of the company upon their establishment.

27. BANK BORROWINGS

Bank borrowings are analysed as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Long-term bank borrowings				
— secured *(note (d))*	4,089,500	4,516,500	4,349,500	4,170,000
— unsecured	128,000	168,000	458,000	478,000
	4,217,500	4,684,500	4,807,500	4,648,000
Less:				
Current portion of long-term bank borrowings — secured	(288,000)	(339,000)	(327,000)	(315,000)
	3,929,500	4,345,500	4,480,500	4,333,000
Current				
Short-term bank borrowings — unsecured	471,400	391,600	—	330,000
Current portion of long-term bank borrowings	288,000	339,000	327,000	315,000
	759,400	730,600	327,000	645,000
Total bank borrowings	4,688,900	5,076,100	4,807,500	4,978,000

Notes:

(a) All of the carrying amounts of Guangxi Group's bank borrowings are denominated in RMB.

(b) The repayment terms of the long-term bank borrowings are analysed as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	288,000	339,000	327,000	315,000
Between one and two years	328,000	342,000	396,200	396,200
Between two and five years	828,000	930,600	1,366,600	1,366,600
Over five years	2,773,500	3,072,900	2,717,700	2,570,200
	4,217,500	4,684,500	4,807,500	4,648,000

(c) The effective interest rates of Guangxi Group's bank borrowings are as follows:

	As at 31 December 2014	2015	2016	As at 30 June 2017
Short-term bank borrowings	5.52%	4.41%	4.21%	3.92%
Long-term bank borrowings (including the current portion of long-term bank borrowings)	6.10%	5.34%	4.67%	4.39%

(d) As at 31 December 2014, 2015, 2016 and 30 June 2017, the bank borrowings of Guangxi Group are secured as follows:

	As at 31 December 2014	2015	2016	As at 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured against the rights on accounts receivable of certain subsidiaries of Guangxi Group *(Note 22(b))*	4,089,500	4,516,500	4,349,500	4,170,000

(e) As at 31 December 2014, 2015, 2016 and 30 June 2017, Guangxi Group had available unutilized banking facilities amounting to RMB561,640,000, RMB1,800,000,000, RMB2,080,000,000 and RMB2,080,000,000, respectively.

(f) The fair values of short-term bank borrowings approximate their carrying amounts as the impact of discounting is not significant.

The fair values of long-term bank borrowings at floating interest rates approximate their carrying amounts.

As at 31 December 2014, 2015, 2016 and 30 June 2017, there are no long-term bank borrowings at fixed interest rates.

28. BORROWINGS FROM RELATED PARTIES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Long-term borrowings from SPIC *(note (a))*	—	—	400,000	400,000
Less: Current portion of long-term borrowings from SPIC	—	—	—	(400,000)
	—	—	400,000	—
Current				
Short-term borrowings from CPIF *(note (b))*	35,000	—	—	—
Short-term borrowings from a fellow subsidiary	15,000	13,000	—	—
Current portion of Long-term borrowings from SPIC	—	—	—	400,000
	50,000	13,000	—	400,000
Total long-term borrowings from related party	50,000	13,000	400,000	400,000

Notes:

(a) As at 31 December 2016 and 30 June 2017, the long-term borrowing from SPIC is unsecured, interest bearing at fixed rate of 3.25% is repayable as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	—	—	400,000
Between one and two years	—	—	400,000	—
	—	—	400,000	400,000

(b) The short-term borrowings from CPIF as at 31 December 2014 is unsecured, interest bearing at fixed rate of 6.30% per annum and was fully repaid in the year of 2015.

(c) The short-term borrowings from a fellow subsidiary as at 31 December 2014 and 2015 are unsecured, interest bearing at fixed rate of 6.00% and 5.60% respectively per annum, were fully repaid in the year of 2015 and 2016 respectively.

(d) The fair values of short-term borrowings from related parties approximate their carrying amounts as the impact of discounting is not significant.

As at 31 December 2016 and 30 June 2017, the carrying amounts and fair values of long-term borrowings from SPIC at fixed interest rates amounted to RMB400,000,000 and RMB401,143,000, RMB400,000,000 and RMB398,623,000, respectively (31 December 2014 and 2015: Nil).

29. OTHER BORROWINGS

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Long-term other borrowings *(note (a)(b))*	—	90,272	90,272	90,272
Less: Current portion of long-term other borrowings *(note (a)(b))*	—	—	—	90,272
	—	90,272	90,272	—
Current				
Current portion of long-term other borrowings *(note (a)(b))*	—	—	—	90,272
Total other borrowings	—	90,272	90,272	90,272

Notes:

(a) The repayment terms of the long-term other borrowings are analysed as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	—	—	90,272
Between one and two years	—	—	90,272	—
Between two and five years	—	90,272	—	—
	—	90,272	90,272	90,272

(b) During the Relevant Periods, the long-term other borrowing are unsecured, interest bearing at fixed rate of 3.14% per annum.

(c) The fair value of the other borrowing approximates its carrying amount as the impact of discounting is not significant.

30. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Obligations under finance leases	213,298	132,021	45,157	—
Less: Current portion of obligations under finance leases	(91,313)	(91,414)	(45,157)	—
Non-current portion of obligations under finance leases	121,985	40,607	—	—

Certain property, plant and equipment of Guangxi Group are under finance leases. As at 31 December 2014, 2015, 2016 and 30 June 2017, Guangxi Group's obligations under finance leases are repayable as follows:

	Minimum lease payments			
	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	92,762	92,589	45,931	—
Between one and two years	92,589	45,931	—	—
Between two and five years	45,931	—	—	—
	231,282	138,520	45,931	—
Future finance charges on obligations under finance leases	(17,984)	(6,499)	(774)	—
Present value of obligations under finance leases	213,298	132,021	45,157	—

During the Relevant Periods, interest rates underlying the obligations under finance leases is fixed at contract dates at 4.98% per annum. The lease have no terms of renewal or purchase options and escalation clauses.

The present value of Guangxi Group's obligations under finance leases is as follows:

	Present value of minimum lease payments			
	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	91,313	91,414	45,157	—
Between one and two years	91,414	40,607	—	—
Between two and five years	30,571	—	—	—
Present value of obligations under finance leases	213,298	132,021	45,157	—

31. PROVISIONS FOR OTHER LONG-TERM LIABILITIES

Provisions for other long-term liabilities represent provisions for Inundation Compensation caused by the construction of a hydropower plant of Guangxi Group.

The provision is measured at the present value of the expenditures expected to be required to settle the compensation, based on the latest rules and regulations as set out by the relevant local government authorities in the PRC and the expected useful lives of the two hydropower plants, using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the compensation. The increase in the provision due to the passage of time is recognized as interest expense.

Analysis of the provisions for Inundation Compensation is as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities (included in provisions for other long-term liabilities)	291,593	290,645	289,627	298,485
Current liabilities (included in other payables and accrued charges) *(Note 32)*	17,535	17,710	17,710	17,710
	309,128	308,355	307,337	316,195

The movement of the provisions for Inundation Compensation is as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	309,857	309,128	308,355	307,337
Payment	(18,611)	(18,611)	(18,797)	—
Interest expense *(Note 10)*	17,882	17,838	17,779	8,858
At 31 December/30 June	309,128	308,355	307,337	316,195

32. OTHER PAYABLES AND ACCRUED CHARGES

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and staff welfare payable	2,181	2,781	4,094	9,652
VAT payable	13,372	17,893	9,536	11,307
Other taxes payable	13,251	23,676	22,054	14,305
Insurance expense payable	4,972	6,426	5,645	8,065
Interest payable	6,100	5,140	15,744	5,750
Current portion of provisions for other long-term liabilities *(Note 31)*	17,535	17,710	17,710	17,710
Other payables and accrued operating expenses	9,346	9,744	12,123	44,820
	66,757	83,370	86,906	111,609

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Profit before taxation	188,196	306,604	328,611	168,604	178,897
Share of losses of a joint venture	3,497	18,642	10,971	5,785	2,683
Finance income	(1,627)	(1,397)	(692)	(4,652)	(311)
Finance costs	271,498	257,771	196,337	91,752	106,967
Depreciation of property, plant and equipment	373,561	395,916	405,043	205,335	203,540
Amortization of prepaid lease payments	395	720	733	330	330
(Gain)/loss on disposal of property, plant and equipment, net	(150)	(480)	49	—	31
Operating profit before working capital changes	835,370	977,776	941,052	467,154	492,137
Increase in accounts receivable	—	(45,465)	(58,200)	(8,012)	(70,633)
Increase in prepayments, deposits and other receivables	(11,689)	(7,348)	(35,102)	(7,541)	(1,223)
(Increase)/decrease in inventories	(3,176)	(723)	(17)	1,023	61
Decrease/(increase) in amounts due from related parties	206,669	(98,423)	339,470	(82)	251,106
(Decrease)/increase in amounts due to related parties	(42,261)	(4,530)	(15,288)	20,257	2,797
Increase/(decrease)in other payables and accrued charges	20,690	(20,101)	(36,567)	49,296	(23,537)
Cash generated from operations	1,005,603	801,186	1,135,348	522,095	650,708

(b) Analysis of changes in financing during the year

	Bank borrowings and other borrowings *RMB'000*	Borrowings from related parties *RMB'000*	Obligations under finance leases *RMB'000*	Non-controlling interests *RMB'000*
At 1 January 2014	4,038,700	115,000	288,744	19,344
Drawdown of bank borrowings	1,337,400	—	—	—
Repayment of bank borrowings	(687,200)	—	—	—
Drawdown of borrowings from related parties	—	165,000	—	—
Repayment of borrowings from related parties	—	(230,000)	—	—
Payments for obligations under finance leases	—	—	(92,393)	—
Interest element for obligations under finance leases *(Note 10)*	—	—	16,947	—
Contributions from non-controlling shareholders of subsidiaries	—	—	—	2,631
Profit attributable to non-controlling interests	—	—	—	(108)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(927)
At 31 December 2014	4,688,900	50,000	213,298	20,940
Drawdown of bank borrowings	1,451,600	—	—	—
Repayment of bank borrowings	(1,064,400)	—	—	—
Drawdown of other borrowings	90,272	—	—	—
Drawdown of borrowings from related parties	—	613,000	—	—
Repayment of borrowings from related parties	—	(650,000)	—	—
Payments for obligations under finance leases	—	—	(92,762)	—
Interest element for obligations under finance leases *(Note 10)*	—	—	11,485	—
Profit attributable to non-controlling interests	—	—	—	2,889
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(309)
At 31 December 2015	5,166,372	13,000	132,021	23,520
Drawdown of bank borrowings	650,000	—	—	—
Repayment of bank borrowings	(918,600)	—	—	—
Repayment of other borrowings	—	—	—	—
Drawdown of borrowings from related parties	—	400,000	—	—
Repayment of borrowings from related parties	—	(13,000)	—	—
Payments for obligations under finance leases	—	—	(92,589)	—
Interest element for obligations under finance leases *(Note 10)*	—	—	5,725	—
Profit attributable to non-controlling interests	—	—	—	4,511
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(3,379)
At 31 December 2016	4,897,772	400,000	45,157	24,652

	Bank borrowings and other borrowings *RMB'000*	Borrowings from related parties *RMB'000*	Obligations under finance leases *RMB'000*	Non-controlling interests *RMB'000*
At 31 December 2016 and At 1 January 2017	4,897,772	400,000	45,157	24,652
Drawdown of bank borrowings	380,000	—	—	—
Repayment of bank borrowings	(209,500)	—	—	—
Payments for obligations under finance leases	—	—	(45,931)	—
Interest element for obligations under finance leases *(Note 10)*	—	—	774	—
Profit attributable to non-controlling interests	—	—	—	2,640
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(5,523)
At 30 June 2017	5,068,272	400,000	—	21,769
Six months ended 30 June 2016 (unaudited)				
At 1 January 2016	5,166,372	13,000	132,021	23,520
Drawdown of bank borrowings	210,000	—	—	—
Repayment of bank borrowings	(708,100)	—	—	—
Drawdown of borrowings from related parties	—	400,000	—	—
Repayment of borrowings from related parties	—	(13,000)	—	—
Payments for obligations under finance leases	—	—	(46,865)	—
Interest element for obligations under finance leases *(Note 10)*	—	—	4,840	—
Profit attributable to non-controlling interests	—	—	—	2,226
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(3,379)
At 30 June 2016 (unaudited)	4,668,272	400,000	89,996	22,367

34. COMMITMENTS

(a) Capital commitments

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for in respect of — property, plant and equipment	87,092	307,985	254,774	286,919
	87,092	307,985	254,774	286,919

(b) Commitments under operating leases

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Land and buildings				
— Within one year	262	6	8,091	8,470
— Between one and five years	—	—	25,764	24,784
— Over five years	—	—	7,686	16,352
	262	6	41,541	49,606

35. FINANCIAL RISK MANAGEMENT

35.1 Financial risk factors

Guangxi Group's activities expose it to a variety of financial risks: interest rate risks, credit risk and liquidity risk. Guangxi Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Guangxi Group's financial performance.

(a) Interest rate risks

Guangxi Group's income and operating cash flows are substantially independent of changes in market interest rates. Guangxi Group's interest-bearing assets mainly include amount due from a fellow subsidiary, cash at banks and deposits at CPIF, details of which have been disclosed in Notes 23 and 24. Guangxi Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Notes 27, 28 and 29. Borrowings carried at floating rates expose Guangxi Group to cash flow interest rate risk whereas borrowings carried at fixed rates expose Guangxi Group to fair value interest rate risk, details of which have been disclosed in Notes 27 to 29. Guangxi Group has not used any specific interest rate swap contracts to hedge its exposure to interest rate risk.

Guangxi Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China interest rate arising from Guangxi Group's RMB denominated floating rate bank borrowings.

As at 31 December 2014, 2015, 2016 and 30 June 2017, if the interest rates on bank borrowings had been 50 basis points higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the year/period (net of interest capitalized) would have been RMB17,891,000, RMB16,601,000, RMB16,059,000 and RMB9,565,000, respectively, lower/higher mainly as a result of higher/lower interest expense on floating rate bank borrowings and borrowings from related parties.

(b) Credit risk

Guangxi Group's credit risk primarily arises from cash at banks and deposits at CPIF (Note 24), accounts receivable (Note 22), amounts due from related parties (Note 23), and deposits and other receivables.

Substantially all of Guangxi Group's cash and deposits are held in major financial institutions and at CPIF, which management believes are of high credit quality. By reference to the historical information about counterparty default rates, the director of the Guangxi Company does not expect any losses from non-performance by these counterparties.

Guangxi Group is exposed to significant concentration of credit risk in terms of electricity sales as a majority of Guangxi Group's sales of electricity were made to Guangxi Grid. Guangxi Group normally grants credit terms ranging from 15 to 90 days to Guangxi Grid and Guangxi Group does not require collaterals from Guangxi Grid. Ageing analysis of Guangxi Group's accounts receivable is disclosed in Note 22. Considering the Guangxi Grid did not have default in the past, the director of the Guangxi Company does not expect any losses from non-performance by the counterparty.

Management makes periodic collective assessment as well as individual assessment on the recoverability of all loans and receivables and amounts due from related parties based on historical payment records, the financial strength of the debtors and whether there are any disputes with the relevant debtors. By reference to the historical information in collection of receivables, the director of the Guangxi Company is of the opinion that no provision need to be made.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of credit facilities.

Guangxi Group's primary cash requirements have been for construction of power plants, additions of and upgrades on property, plant and equipment, payment on related debts and payment for purchases and operating expenses. Guangxi Group finances its working capital requirements through a combination of internal resources, including borrowings from related parties, and short-term and long-term bank and other borrowings.

As at 31 December 2014, 2015 and 30 June 2017, the net current liabilities of Guangxi Group amounted to RMB519,516,000, RMB330,957,000 and RMB1,184,350,000, respectively (31 December 2016: net current asset: RMB81,268,000). Management monitors regularly Guangxi Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of facilities to meet its working capital requirements. As at 31 December 2014, 2015, 2016 and 30 June 2017, Guangxi Group had available unutilized banking facilities amounting to RMB561,640,000, RMB1,800,000,000, RMB2,080,000,000 and RMB2,080,000,000, respectively, as disclosed in Notes 27(e).

The director of the Guangxi Company believes that Guangxi Group's current operating cash flows, the above mentioned credit facilities and alternative sources of financing are sufficient for financing its capital commitments in the near future and for working capital purposes.

The table below analyses Guangxi Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the Relevant Periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

	Within 1 year	Between one and two years	Between two and five years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014				
Payables and accruals	329,029	—	—	—
Amounts due to related parties	50,962	—	—	—
Bank borrowings	1,040,152	585,800	1,564,951	4,747,297
Borrowings from related parties	51,072	—	—	—
Obligations under finance leases	92,762	92,589	45,931	—
At 31 December 2015				
Payables and accruals	414,364	—	—	—
Amounts due to related parties	46,441	—	—	—
Bank borrowings	987,347	581,865	1,640,630	4,828,581
Borrowings from related parties	13,058	—	—	—
Other borrowings	2,835	2,835	91,351	—
Obligations under finance leases	92,589	45,931	—	—
At 31 December 2016				
Payables and accruals	403,166	—	—	—
Amounts due to related parties	39,652	—	—	—
Bank borrowings	545,381	612,537	2,015,612	4,198,809
Borrowings from related parties	13,013	404,278	—	—
Other borrowings	2,835	91,344	—	—
Obligations under finance leases	45,931	—	—	—
At 30 June 2017				
Payables and accruals	978,367	—	—	—
Amounts due to related parties	53,779	—	—	—
Bank borrowings	865,589	607,629	2,000,886	3,914,709
Borrowings from related parties	410,838	—	—	—
Other borrowings	92,773	—	—	—

35.2 Capital risk management

Guangxi Group's objectives when managing capital are to safeguard Guangxi Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

Guangxi Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, Guangxi Group may adjust the dividend payments to shareholders and sell assets to reduce debt or to obtain bank and other borrowings.

Guangxi Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts (including current and non-current borrowings as well as obligations under finance leases as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "Total equity", as shown in the consolidated statement of financial position, plus net debt.

The table below analyses Guangxi Group's capital structure.

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings *(Note 27)*	4,688,900	5,076,100	4,807,500	4,978,000
Borrowings from related parties *(Note 28)*	50,000	13,000	400,000	400,000
Other borrowings *(Note 29)*	—	90,272	90,272	90,272
Obligations under finance leases *(Note 30)*	213,298	132,021	45,157	—
Less: Cash and cash equivalents *(Note 24)*	(41,956)	(114,743)	(274,517)	(42,539)
Net debt	4,910,242	5,196,650	5,068,412	5,425,733
Total equity	2,213,206	2,400,896	2,444,072	2,577,800
Total capital	7,123,448	7,597,546	7,512,484	8,003,533
Gearing ratio	69%	68%	67%	68%

36. RELATED PARTY TRANSACTIONS

Guangxi Group is controlled by SPIC. As at 31 December 2014, 2015, 2016 and 30 June 2017, SPIC owned 100% equity interest of Guangxi Company.

SPIC is controlled by the PRC government which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of Guangxi Group. On that basis, related parties include SPIC, its subsidiaries, joint ventures and associates (other than Guangxi Group), other government-related entities and their subsidiaries, other entities and corporations in which Guangxi Company is able to control or exercise significant influence and key management personnel of Guangxi Company and SPIC as well as their close family members.

For the purpose of the related party transactions disclosures, the director of the Guangxi Company believes that it is also meaningful to disclose the related party transactions with SPIC companies for the interests of the Historical Financial Information users. The director of the Guangxi Company believes that the information of related party transactions has been adequately disclosed in the Historical Financial Information.

Major related parties that had transactions with Guangxi Group were as follows:

Related parties	Relationship with Guangxi Company
SPIC (國家電投)	Ultimate holding company
CPIF (中電投財務)	A fellow subsidiary
Guangdong Company (國家電投集團廣東電力有限公司) and its subsidiaries	Fellow subsidiaries
State Power Investment Corporation Yuanda Environmental Protection Co., Ltd. (國家電投集團遠達環保工程有限公司) and its subsidiaries	Fellow subsidiaries
China Power Complete Equipment Company Limited (中國電能成套設備有限公司) and its subsidiaries	Fellow subsidiaries
SPIC Logistics Co., Ltd. (國家電投集團物流有限責任公司) and its subsidiaries	Fellow subsidiaries
SPIC Jiangxi Electric Power Company Limited (國家電投集團江西電力有限公司) and its subsidiaries	Fellow subsidiaries
CPI Information Technology Company Limited (中電投信息技術有限公司)	A fellow subsidiary
CPI Power Engineering Company Limited (中電投電力工程有限公司)	A fellow subsidiary
CPI Science and Technology Research Institute Company Limited (中電投科學技術研究院有限公司)	A fellow subsidiary
China Power Maintenance Engineering Company Limited (中電電力檢修工程有限公司) and its subsidiaries	Fellow subsidiaries

The following is a summary of significant related party transactions which, in the opinion of the director of the Guangxi Company, is entered into in the ordinary course of Guangxi Group's business in addition to the related party information shown elsewhere in these consolidated financial statements. Management of Guangxi Group is of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

(a) Income

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2017	2016
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Interest income from:						
— CPIF		389	1,332	675	367	301
— a joint venture		1,142	—	—	—	—
— a fellow subsidiary		—	—	—	4,273	—

Note: During the Relevant Periods, interest income from CPIF, a joint venture and a fellow subsidiary was charged ranging from 0.30% to 1.38% per annum, ranging from 6.30% to 6.77% per annum, and 4.57% per annum respectively.

(b) Expenses

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2017	2016
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
						(unaudited)
Construction costs and other services fees to:	*(i)*					
— fellow subsidiaries		53,309	86,751	14,334	61,041	6,737
Interest expenses to:	*(ii)*					
— SPIC		—	—	8,699	6,953	1,945
— CPIF		5,197	—	—	—	—
— a fellow subsidiary		895	740	—	—	—

Notes:

(i) Construction costs and other services fees were mainly related to construction services, repairs and maintenance services, transportation services and other services which were charged based on mutually agreed prices.

(ii) During the Relevant Periods, interest expenses to SPIC, CPIF and a fellow subsidiary were charged at 3.25% per annum, 6.30% per annum and ranging from 5.60% to 6.00% per annum respectively.

(c) Period-end/year-end balances with related parties

Period-end/year-end balances with related parties are disclosed in Notes 23, 24 and 28.

(d) For the years ended 31 December 2014, 2015, 2016 and six months ended 30 June 2017, Guangxi Group's significant transactions and balances with entities that are controlled, jointly-controlled or significantly influenced by the PRC government mainly include:

(i) bank deposits in state-owned banks and the related interest income

(ii) bank borrowings from state-owned banks and the related interest expenses

(iii) sales of electricity to provincial power grid company owned by the PRC government and the related receivables

(iv) service fees to state-owned enterprises

The prices and terms of these transactions are set out in the relevant agreements governing these transactions or as mutually agreed.

(e) Key management personnel compensation

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Fees, basic salaries, housing allowance, other allowances and benefits in kind, discretionary bonus, employer's contribution to pension scheme and other benefits	1,820	1,876	2,029	1,776	1,365

As at 31 December 2014, 2015, 2016 and 30 June 2017, no guarantees issued by related parties.

37. INTERESTS IN SUBSIDIARIES

As at the date of this report, Guangxi Company has direct equity interests in the following subsidiaries:

Name of subsidiary	Place and the date of incorporation establishment	Issued and fully paid capital/registered capital	Equity interest attributable to Guangxi Company as at 31/12/2014	31/12/2015	31/12/2016	30/06/2017	the date of this report	Principal activities	Notes
SPIC Guangxi Changzhou Hydropower Development Co., Ltd.	The PRC, 22 October 2003	RMB1,345,414,000/ RMB1,345,414,000	100%	100%	100%	100%	100%	Generation and sale of electricity	(a)
SPIC Guangxi Jin Zishan Wind Power Co., Ltd.	The PRC, 28 July 2010	RMB202,632,000/ RMB202,632,000	95%	95%	95%	95%	95%	Generation and sale of electricity	(a)
SPIC Guangxi Xing'an Wind Power Co., Ltd.	The PRC, 6 March 2012	RMB457,112,000/ RMB427,137,000	95%	95%	95%	95%	95%	Generation and sale of electricity	(a)
SPIC Guangxi Lingchuan Wind Power Co., Ltd.	The PRC, 20 January 2017	RMB6,000,000/ RMB100,000,000	n/a	n/a	n/a	100%	100%	Development of power plant	
Guangxi Lingshan Dahuaishan New Energy Co., Ltd.	The PRC, 24 April 2017	RMB7,000,000/ RMB320,000,000	n/a	n/a	n/a	100%	100%	Development of power plant	

All subsidiaries now comprising Guangxi Group are limited liability companies and have adopted 31 December as their financial year end date.

None of these subsidiaries had issued any debt securities at the end of each of the reporting period during the Relevant Periods.

Notes:

(a) The statutory financial statements of the subsidiaries for the year ended 31 December 2014, 2015 and 2016 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by DAXIN Certified Public Accountants LLP registered in the PRC.

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Guangxi Group, Guangxi Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2017.

C. ACCOUNTANTS' REPORT OF SIHUI COMPANY

Deloitte. 德勤

Introduction

We report on the historical financial information of China Power (Sihui) Cogeneration Company Limited (''Sihui Company'') set out on pages II-119 to II-147, which comprises the statements of financial position as at 31 December 2014, 2015, 2016 and 30 June 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the periods then ended (the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages II-119 to II-147 forms an integral part of this report, which has been prepared for inclusion in the circular issued by China Power International Development Limited (the ''Company'') dated 23 October 2017 (the ''Circular'') in connection with the proposed acquisitions of the entire equity interest in the Target Companies as defined in the Circular (the ''Acquisitions'').

Directors' responsibility for the Historical Financial Information

The directors of Sihui Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''), and for such internal control as the directors of Sihui Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the HKFRSs in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of Sihui Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Sihui Company's financial position as at 31 December 2014, 2015, 2016 and 30 June 2017 and of Sihui Company's financial performance and cash flows for the Relevant Periods in accordance with the HKFRSs.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Sihui Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 2016 and other explanatory information (the ''Stub Period Comparative Financial Information''). The directors of Sihui Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the HKFRSs. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the HKFRSs.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-119 have been made.

Dividends

We refer to Note 9 to the Historical Financial Information which states that no dividends have been paid by Sihui Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 October 2017

HISTORICAL FINANCIAL INFORMATION OF SIHUI COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Sihui Company for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the ''Underlying Financial Statements'').

The Historical Financial Information is presented in Renminbi (''RMB'') and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2017	2016
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Depreciation		(307)	(648)	(548)	(275)	(257)
Staff costs	*4*	(7,540)	(10,821)	(11,410)	(5,083)	(4,060)
Other operating expenses		(7,562)	(8,857)	(7,905)	(2,377)	(652)
Operating loss	*5*	(15,409)	(20,326)	(19,863)	(7,735)	(4,969)
Finance income	*6*	56	—	—	—	—
Finance costs	*6*	—	—	—	—	—
Loss before taxation		(15,353)	(20,326)	(19,863)	(7,735)	(4,969)
Income tax credit	*7*	3,838	5,082	4,966	1,934	1,242
Loss and total comprehensive expenses for the year/period		(11,515)	(15,244)	(14,897)	(5,801)	(3,727)

The notes on pages II-125 to II-147 are an integral part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2014	2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS					
Non-current assets					
Property, plant and equipment	*11*	41,495	485,613	1,189,751	1,868,202
Prepayments for construction of power plants	*12*	5,000	107,769	232,840	113,577
Prepaid lease payments	*13*	—	—	38,965	38,559
Deferred income tax assets	*14*	5,647	10,729	15,695	17,629
Other non-current assets	*15*	501	3,470	39,115	—
		52,643	607,581	1,516,366	2,037,967
Current assets					
Prepayments, deposits and other receivables		—	232	272	78,263
Prepaid lease payments	*13*	—	—	812	812
Amount due from a related party	*16*	—	—	10,174	23,029
Cash and cash equivalents	*17*	10,475	1,222	1,798	487
		10,475	1,454	13,056	102,591
Total assets		63,118	609,035	1,529,422	2,140,558
EQUITY					
Capital and reserves attributable to owners of Sihui Company					
Registered Capital	*18*	74,000	74,000	324,000	324,000
Reserves		(16,942)	(32,186)	(47,083)	(52,884)
Total equity		57,058	41,814	276,917	271,116

		As at 31 December			As at 30 June
		2014	2015	2016	2017
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES					
Non-current liabilities					
Bank borrowings	*19*	—	—	255,000	489,000
Borrowings from related parties	*20*	—	100,000	100,000	—
Other borrowings	*21*	—	259,859	593,630	889,000
		—	359,859	948,630	1,378,000
Current liabilities					
Construction costs payable		4,498	502	80,323	209,636
Other payables and accrued charges	*22*	1,562	2,060	3,463	3,401
Amounts due to related parties	*16*	—	1,113	1,089	4,405
Bank borrowings	*19*	—	103,687	45,000	—
Borrowings from related parties	*20*	—	100,000	100,000	200,000
Other borrowings	*21*	—	—	74,000	74,000
		6,060	207,362	303,875	491,442
Total liabilities		6,060	567,221	1,252,505	1,869,442
Total equity and liabilities		63,118	609,035	1,529,422	2,140,558
Net current assets/(liabilities)		4,415	(205,908)	(290,819)	(388,851)
Total assets less current liabilities		57,058	401,673	1,225,547	1,649,116

The notes on pages II-125 to II-147 are an integral part of the Historical Financial Information.

STATEMENTS OF CHANGES IN EQUITY

	Registered capital *(Note 18)* *RMB'000*	Accumulated losses *RMB'000*	Total equity *RMB'000*
At 1 January 2014	30,000	(5,427)	24,573
Loss for the year	—	(11,515)	(11,515)
Contributions from owner of Sihui Company	44,000	—	44,000
At 31 December 2014	74,000	(16,942)	57,058
Loss for the year	—	(15,244)	(15,244)
At 31 December 2015	74,000	(32,186)	41,814
Loss for the year	—	(14,897)	(14,897)
Contributions from owner of Sihui Company	250,000	—	250,000
At 31 December 2016	324,000	(47,083)	276,917
Loss for the period	—	(5,801)	(5,801)
As at 30 June 2017	324,000	(52,884)	271,116
For the six month ended 2016 (unaudited)			
At 1 January 2016	74,000	(32,186)	41,814
Loss for the period	—	(3,727)	(3,727)
Contributions from owner of Sihui Company	200,000	—	200,000
As at 30 June 2016 (unaudited)	274,000	(35,913)	238,087

The notes on pages II-125 to II-147 are an integral part of the Historical Financial Information.

STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2014 RMB'000	2015 RMB'000	2016 RMB'000	Six months ended 30 June 2017 RMB'000	2016 RMB'000 (unaudited)
Cash flows from operating activities						
Cash used in operations	23(a)	(13,185)	(19,378)	(29,256)	(24,176)	(8,163)
Interest paid		—	(5,638)	(42,503)	(32,247)	(14,821)
Cash used in operating activities		(13,185)	(25,016)	(71,759)	(56,423)	(22,984)
Cash flows from investing activities						
Payments for property, plant and equipment and prepayments for construction of power plants		(34,026)	(547,783)	(741,160)	(429,258)	(537,215)
Payments for prepaid lease payments		—	—	(40,589)	—	(40,589)
Cash used in investing activities		(34,026)	(547,783)	(781,749)	(429,258)	(577,804)
Cash flows from financing activities						
Drawdown of bank borrowings	23(b)	—	103,687	314,500	279,000	59,500
Drawdown of borrowings from related parties	23(b)	—	200,000	250,000	100,000	150,000
Drawdown of other borrowings	23(b)	—	259,859	407,771	332,370	407,771
Contributions from owner of Sihui Company		44,000	—	250,000	—	200,000
Repayment of bank borrowings	23(b)	—	—	(118,187)	(90,000)	—
Repayment of borrowings from related parties	23(b)	—	—	(250,000)	(100,000)	—
Repayment of other borrowings	23(b)	—	—	—	(37,000)	—
Net cash generated from financing activities		44,000	563,546	854,084	484,370	817,271
Net (decrease)/increase in cash and cash equivalents		(3,211)	(9,253)	576	(1,311)	216,483
Cash and cash equivalents at 1 January		13,686	10,475	1,222	1,798	1,222
Cash and cash equivalents at 31 December	17	10,475	1,222	1,798	487	217,705

The notes on pages II-125 to II-147 are an integral part of the Historical Financial Information.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Power (Sihui) Cogeneration Company Limited (''Sihui Company'') (中電(四會)熱電有限責任公司) was incorporated in The People's Republic of China (the ''PRC'') on 14 March 2013 as a limited liability company under the PRC Companies Law. The registered office and the principal place of Sihui Company is Guangdong Province.

Sihui Company is principally engaged in the development of thermal power project in the PRC.

Sihui Company is controlled by China Power International Holding Limited (''CPIH''). The directors of Sihui Company regarded State Power Investment Corporation (國家電力投資集團公司) (''SPIC''), a wholly state-owned enterprise established in the PRC which is the beneficial owner of CPIH, as the ultimate holding company.

The Historical Financial Information are presented in RMB, which is also the functional currency of Sihui Company.

2. APPLICATION OF NEW AND AMENDMENTS TO THE HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Sihui Company has consistently applied the HKFRSs, which are effective for the accounting period beginning on 1 January 2017 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued which are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle except for amendments to HKFRS 12[1]

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

HKFRS 16 ''Leases''

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, Sihui Company has non-cancellable operating lease commitments of RMB103,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence Sihui Company will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16 and may result in changes in measurement, presentation and disclosure as indicated above. The directors anticipate that the application of HKFRS 16 does not have any significant impact to Sihui Company.

Sihui Company is in the process of making an assessment of the impact of the other new standards and amendments to standards and it is not yet in a position to state whether any substantial financial impact will be resulted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Historical Financial Information have been prepared in accordance with HKFRSs. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Sihui Company's accounting policies.

3.2 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Sihui Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their costs less accumulated impairment losses over their estimated useful lives to their residual values, as follows:

Furniture and fixtures	5 years
Tools and other equipment	5–18 years
Transportation facilities	6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.5). Such impairment losses are recognized in profit or loss.

Gains or losses on disposals are determined by comparing the net sales proceeds with the carrying amount of the relevant assets and are recognized in profit or loss.

3.3 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery, direct labour costs and overheads and, for qualifying assets, borrowing costs capitalized in accordance with Sihui Company's accounting policy. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use.

3.4 Prepaid lease payments

Prepaid lease payments are stated at cost less accumulated amortization and accumulated impairment losses (if any). Cost mainly represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period of 50 years from the date the respective right was granted. Amortization of prepaid lease payments is calculated on a straight-line basis over the periods of the leases.

3.5 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGUs"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.6 Financial assets

Sihui Company's financial assets are loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of Sihui Company's financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Sihui Company's receivables include other receivables, deposits, and deposits at banks and CPI Financial Company Limited ("CPIF").

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of Sihui Company or the counterparty.

3.7 Impairment of financial assets

Sihui Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

3.8 Other receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment. If collection of other receivables is expected in 1 year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and with other financial institutions and other short-term highly liquid investments with original maturities of 3 months or less.

3.10 Financial liabilities and equity

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Other payables (including construction costs payable and amounts due to related parties) are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method.

3.11 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Sihui Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

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

3.12 Current and deferred income tax

The tax expense comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the places where Sihui Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable rights to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.13 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which Sihui Company pays fixed contributions into a separate entity. Sihui Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the Relevant Periods.

Sihui Company contributes on a monthly basis to various defined contribution plans organized by the relevant municipal and provincial governments in the PRC based on certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and Sihui Company has no further constructive obligation for any post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

All contributions to pension plans are fully and immediately vested and Sihui Company had no unvested benefits available to reduce its future contributions.

(b) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when Sihui Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

3.14 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases (net of any incentives received from the lessor) are charged or credited to profit or loss on a straight-line basis over the period of the lease.

3.15 Income recognition

Interest income is recognized on a time-proportion basis using the effective interest method.

3.16 Dividend distribution

Dividend distribution to Sihui Company's stakeholder is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by Sihui Company's stakeholder or directors as appropriate.

4. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Wages, salaries and bonuses	5,226	7,771	7,825	3,221	2,780
Staff welfare	1,583	2,176	2,578	1,236	804
Pension costs — defined contribution plans	731	874	1,007	626	476
	7,540	10,821	11,410	5,083	4,060

5. OPERATING LOSS

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Auditor's remuneration	28	28	28	29	—
Depreciation of property, plant and equipment *(Note 11)*	307	648	548	275	257
Amortization of prepaid lease payments	—	—	812	406	406
Less: capitalized amortization of prepaid lease payments	—	—	(812)	(406)	(406)
Operating lease rental expenses in respect of buildings	561	347	439	74	283

6. FINANCE INCOME AND FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Finance income					
Interest income from bank deposits	56	65	330	70	71
Less: amounts capitalized	—	(65)	(330)	(70)	(71)
	56	—	—	—	—
Finance costs					
Interest expense on					
— bank borrowings	—	48	7,038	8,051	3,335
— long-term borrowings from related parties	—	713	4,575	2,288	2,288
— short-term borrowings from related parties	—	3,513	8,738	2,237	3,345
— Other borrowings	—	2,443	23,258	22,531	6,959
	—	6,717	43,609	35,107	15,927
Less: amounts capitalized	—	(6,717)	(43,609)	(35,107)	(15,927)
	—	—	—	—	—

For the years ended 31 December 2015, 2016 and the six months ended 30 June 2017, the weighted average interest rates on capitalized borrowings are 4.86%, 4.36%, 4.42% per annum (six months ended 30 June 2016: 4.42%) respectively.

7. INCOME TAX CREDIT

No Hong Kong profits tax has been provided for as Sihui Company did not have any estimated assessable profits in Hong Kong for the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2017.

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% on the estimated assessable profits for the Relevant Periods.

The amount of income tax recognized in the statement of profit or loss and other comprehensive income represents:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Deferred income tax					
Credit for the year/period *(Note 14)*	(3,838)	(5,082)	(4,966)	(1,934)	(1,242)
	(3,838)	(5,082)	(4,966)	(1,934)	(1,242)

The income tax credit on Sihui Company's loss before taxation differs from the theoretical amount that would arise using the income tax rate of the PRC as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Loss before taxation	(15,353)	(20,326)	(19,863)	(7,735)	(4,969)
Calculated at the PRC statutory tax rate of 25% (2015: 25%)	(3,838)	(5,082)	(4,966)	(1,934)	(1,242)
Income tax credit	(3,838)	(5,082)	(4,966)	(1,934)	(1,242)

8. LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

9. DIVIDENDS

No dividend was paid or declared by Sihui Company since its incorporation, nor has any dividend been proposed since the end of the Relevant Periods.

10. EMOLUMENTS FOR DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The remuneration of the directors of the Sihui Company for the Relevant Periods is set out below:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Basic salaries, housing allowance, other allowances and benefits in kind, discretionary bonus, employer's contribution to pension scheme and other benefits					
— Mr. Huang Yuntao *(note)*	—	—	—	—	—
— Mr. Li Dong	770	774	669	537	477
— Mr. Qiu Shangbiao	—	—	75	194	—
	770	774	744	731	477

Note: Mr. Huang Yuntao's emolument as a director of the Sihui Company is borne by CPIH. The corresponding portion attributable to Sihui Company was considered insignificant and has not been charged back to Sihui Company.

The Directors' emoluments were for their services in connection with the management of the affairs of Sihui Company.

(b) Five highest paid individuals

The aggregate of the emoluments in respect of the five highest paid individuals who are not a director of Sihui Company during the Relevant Periods are as follow:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Basic salaries, housing allowance, other allowances and benefits in kind	859	922	1,029	628	507
Discretionary bonuses	1,066	1,181	1,005	578	386
Employer's contribution to pension plans	163	208	232	123	100
	2,088	2,311	2,266	1,329	993

Their emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016** (unaudited)
Zero to HK$1,000,000	5	5	5	5	5

During the Relevant Periods, no emoluments have been paid by Sihui Company to any of the five highest paid individuals as an inducement to join or upon joining Sihui Company or as compensation for loss of office.

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures, tools and other equipment	Transportation facilities	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At 1 January 2014	797	815	7,094	8,706
Additions and transfer from prepayment	368	309	32,537	33,214
At 31 December 2014	1,165	1,124	39,631	41,920
Additions and transfer from prepayment	267	1,025	443,474	444,766
At 31 December 2015	1,432	2,149	483,105	486,686
Additions and transfer from prepayment	20	227	704,439	704,686
At 31 December 2016	1,452	2,376	1,187,544	1,191,372
Additions and transfer from prepayment	—	—	678,726	678,726
At 30 June 2017	1,452	2,376	1,866,270	1,870,098
Accumulated depreciation				
At 1 January 2014	46	72	—	118
Depreciation charge for the year	172	135	—	307
At 31 December 2014	218	207	—	425
Depreciation charge for the year	191	457	—	648
At 31 December 2015	409	664	—	1,073
Depreciation charge for the year	192	356	—	548
At 31 December 2016	601	1,020	—	1,621
Depreciation charge for the period	98	177	—	275
At 30 June 2017	699	1,197	—	1,896
Net book value				
At 31 December 2014	947	917	39,631	41,495
At 31 December 2015	1,023	1,485	483,105	485,613
At 31 December 2016	851	1,356	1,187,544	1,189,751
At 30 June 2017	753	1,179	1,866,270	1,868,202

12. PREPAYMENTS FOR CONSTRUCTION OF POWER PLANTS

Prepayments for construction of power plants represent advance payments made to contractors in connection with the construction of Sihui Company's power plants including payments for equipment and machineries pending delivery to the relevant power plants for installation.

13. PREPAID LEASE PAYMENTS

The amount represents cost of the prepaid lease payments in respect of land located in the PRC where certain of Sihui Company's property, plant and equipment are built on.

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current asset	—	—	812	812
Non-current asset	—	—	38,965	38,559
	—	—	39,777	39,371

14. DEFERRED INCOME TAX ASSETS

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the end of reporting period.

The net movements on the deferred income tax asset are as follows:

	Tax losses
	RMB'000
At 1 January 2014	(1,809)
Credited for the year *(Note 7)*	(3,838)
At 31 December 2014	(5,647)
Credited for the year *(Note 7)*	(5,082)
At 31 December 2015	(10,729)
Credited for the year *(Note 7)*	(4,966)
At 31 December 2016	(15,695)
Credited for the period *(Note 7)*	(1,934)
At 30 June 2017	(17,629)
For the six months ended 30 June 2016 (unaudited)	
At 1 January 2016	(10,825)
Credited for the period *(Note 7)*	(1,242)
At 30 June 2016 (unaudited)	(12,067)

15. OTHER NON-CURRENT ASSETS

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deductible VAT	501	3,470	39,115	—

16. AMOUNTS DUE FROM/TO RELATED PARTIES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amount due from a related party				
Amount due from CPIH	—	—	10,174	23,029
Amounts due to related parties				
Amount due to CPIF	—	—	126	—
Amount due to CPIH	—	863	713	3,084
Amounts due to fellow subsidiaries	—	250	250	1,321
	—	1,113	1,089	4,405

Notes:

(a) The list of major related parties that had transactions with Sihui Company and their relationships with Sihui Company is disclosed in Note 26.

(b) Balances with related parties are unsecured, interest free and repayable on demand.

(c) The fair values of these balances approximate their carrying amounts as the impact of discounting is not significant.

17. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks and in hand	10,475	1,222	1,698	387
Deposits at CPIF	—	—	100	100
	10,475	1,222	1,798	487

During the Relevant Periods, Sihui Company's cash at banks and deposits at CPIF are RMB denominated, interest bearing at rates ranging from 0.30% to 1.38% per annum. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

18. REGISTERED CAPITAL

	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	30,000	74,000	74,000	324,000
Contribution from CPIH	44,000	—	250,000	—
At 31 December/30 June	74,000	74,000	324,000	324,000

19. BANK BORROWINGS

Bank borrowings are analyzed as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Long-term bank borrowings				
— unsecured *(note (d))*	—	—	255,000	489,000
	—	—	255,000	489,000
Less: Current portion of long-term bank borrowings	—	—	—	—
	—	—	255,000	489,000
Current				
Short-term bank borrowings				
— unsecured	—	103,687	45,000	—
	—	103,687	45,000	—
Total bank borrowings	—	103,687	300,000	489,000

Notes:

(a) All of Sihui Company's bank borrowings are denominated in RMB.

(b) The repayment terms of the long-term bank borrowings are analyzed as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Over five years	—	—	255,000	489,000
	—	—	255,000	489,000

(c) The effective interest rates of Sihui Company's bank borrowings are as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
Short-term bank borrowings	—	4.13%	4.13%	4.15%
Long-term bank borrowings	—	—	4.41%	4.49%

(d) As at 31 December 2015, 2016 and 30 June 2017, Sihui Company had available unutilized banking facilities amounting to RMB278,859,000, RMB327,142,000 and RMB460,692,000.

(e) The fair values of short-term bank borrowings approximate their carrying amounts as the impact of discounting is not significant.

The fair values of long-term bank borrowings at floating interest rates approximate their carrying amounts.

As at 31 December 2014, 2015, 2016 and 30 June 2017, there are no long-term bank borrowings at fixed interest rates.

20. BORROWINGS FROM RELATED PARTIES

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Long-term borrowings from CPIH *(note (a))*	—	100,000	100,000	100,000
	—	100,000	100,000	100,000
Less: Current portion of long-term borrowings from CPIH *(note (a))*	—	—	—	(100,000)
	—	100,000	100,000	—
Current				
Current portion of long-term borrowings from CPIH *(note (a))*	—	—	—	100,000
Short-term borrowings from CPIH *(note (b))*	—	100,000	—	100,000
Short-term borrowings from CPIF *(note (c))*	—	—	100,000	—
	—	100,000	100,000	200,000
	—	200,000	200,000	200,000

Notes:

(a) The long-term borrowing from CPIH is unsecured, interest bearing at fixed rate of 4.50% and are repayable as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	—	—	100,000
Between one and two years	—	—	100,000	—
Between two and five years	—	100,000	—	—
	—	100,000	100,000	100,000

(b) The short-term borrowings from CPIH as at 30 June 2017 are unsecured, interest bearing at fixed rate of 3.915% per annum. The short-term borrowings from CPIH as at 31 December 2015 were unsecured, interest bearing ranging from 4.815% to 5.04% per annum and were wholly repaid in 2016.

(c) The short-term borrowings from CPIF as at 31 December 2016 were unsecured, interest bearing at fixed rate 4.13% per annum and were wholly repaid in 2017.

(d) The fair values of short-term borrowings from related parties approximate their carrying amounts as the impact of discounting is not significant.

The carrying amount and fair value of the long-term borrowing from CPIH at fixed rate are as follows. The fair value are calculated using cash flows discounted at a rate based on the market borrowing rates and are within level 3 of the fair value hierarchy.

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amounts	—	100,000	100,000	100,000
Fair values	—	100,040	100,271	98,671

21. OTHER BORROWINGS

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Long-term other borrowing from a third party	—	259,859	667,630	963,000
	—	259,859	667,630	963,000
Less: Current portion of long-term other borrowing		—	(74,000)	(74,000)
	—	259,859	593,630	889,000
Current				
Current portion of long-term other borrowing from a third party	—	—	74,000	74,000
	—	259,859	667,630	963,000

(a) As at 31 December 2015, 2016 and 30 June 2017, the other borrowing from a third party are secured against on the construction in progress, interest bearing at floating rates ranging from 5.21% to 6.22% and is wholly repayable within 15 year.

The borrowing are repayable as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	—	—	74,000	74,000
Between one and two years	—	74,000	74,000	74,000
Between three and five years	—	185,859	222,000	222,000
Over five years	—	—	297,630	593,000
	—	259,859	667,630	963,000

(b) The fair value of the long-term other borrowing approximates its carrying amount.

22. OTHER PAYABLES AND ACCRUED CHARGES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries and staff welfare payable	854	752	865	976
Interest payable	—	216	1,346	1,961
Others	708	1,092	1,252	464
	1,562	2,060	3,463	3,401

23. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Loss before taxation	(15,353)	(20,326)	(19,863)	(7,735)	(4,969)
Depreciation of property, plant and equipment	307	648	548	275	257
Operating loss before working capital changes	(15,046)	(19,678)	(19,315)	(7,460)	(4,712)
Decrease/(increase) in prepayments, deposits and other receivables	428	(232)	(40)	(4,255)	(4,779)
Changes in balances with related parties	—	250	(10,174)	(11,784)	(1,089)
Increase/(decrease) in other payables and accrued charges	1,433	282	273	(677)	2,417
Cash used in operations	(13,185)	(19,378)	(29,256)	(24,176)	(8,163)

(b) Analysis of changes in financing during the year/period

	Bank borrowings	Borrowings from related parties	Other borrowings
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015	—	—	—
Drawdown of bank borrowings	103,687	—	—
Drawdown of borrowings from related parties	—	200,000	—
Drawdown of other borrowings	—	—	259,859
At 31 December 2015	103,687	200,000	259,859
Drawdown of bank borrowings	314,500	—	—
Repayment of bank borrowings	(118,187)	—	—
Drawdown of borrowings from related parties	—	250,000	—
Repayment of borrowings from related parties	—	(250,000)	—
Drawdown of other borrowings	—	—	407,771
At 31 December 2016	300,000	200,000	667,630
Drawdown of bank borrowings	279,000	—	—
Repayment of bank borrowings	(90,000)	—	—
Drawdown of borrowings from related parties	—	100,000	—
Repayment of borrowings from related parties	—	(100,000)	—
Drawdown of other borrowings	—	—	332,370
Repayment of other borrowings	—	—	(37,000)
At 30 June 2017	489,000	200,000	963,000

	Bank borrowings	Borrowings from related parties	Other borrowings
	RMB'000	*RMB'000*	*RMB'000*
Six months ended 30 June 2016 (unaudited)			
At 1 January 2016	103,687	200,000	259,859
Drawdown of bank borrowings	59,500	—	—
Drawdown of borrowings from related parties	—	150,000	—
Drawdown of other borrowings	—	—	407,771
At 30 June 2016 (unaudited)	163,187	350,000	667,630

24. COMMITMENTS

(a) Capital commitments

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for in respect of				
— property, plant and equipment	2,278,345	1,731,843	982,624	423,436
	2,278,345	1,731,843	982,624	423,436

(b) Commitments under operating leases

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment				
— Within one year	123	123	150	103
— Between one and five years	281	158	36	—
	404	281	186	103

25. FINANCIAL RISK MANAGEMENT

25.1 Financial risk factors

Sihui Company's activities expose it to a variety of financial risks: market risks (including interest rate risks), credit risk and liquidity risk. Sihui Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Sihui Company's financial performance.

(a) Interest rate risks

Sihui Company's income and operating cash flows are substantially independent of changes in market interest rates. Sihui Company's interest-bearing assets mainly include cash at banks and deposits at CPIF, details of which have been disclosed in Note 17. Sihui Company's exposure to changes in interest rates is mainly attributable to its bank borrowings, borrowings from related parties and other borrowings, details of which have been disclosed in Notes 19 to Note 21. Borrowings carried at floating rates expose Sihui Company to cash flow interest rate risk whereas borrowings carried at fixed rates expose the Sihui Company to fair value interest rate risk, details of which have been disclosed in Notes 20(d) .

Sihui Company's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China interest rate arising from Sihui Company's RMB denominated floating rate bank borrowings.

As at 31 December 2014, 2015, 2016 and 30 June 2017, if the interest rates on bank borrowings and borrowings from related parties and other borrowings had been 50 basis points higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the years (net of interest capitalized) would have been no impacted as the interest would have been capitalized.

(b) Credit risk

Sihui Company's credit risk primarily arises from cash at banks and deposits at CPIF (Note 17) and deposits and other receivables.

All of Sihui Company's cash and deposits are held in major financial institutions and at CPIF, which management believes are of high credit quality. The Directors do not expect any losses from non-performance by these counterparties.

Management makes periodic collective assessment as well as individual assessment on the recoverability of all receivables based on historical payment records, the length of the overdue period, and the financial strength of the debtors and whether there are any disputes with the relevant debtors. By reference to the historical information in collection of receivables, the directors of the Sihui Company are of the opinion that no provision need to be made.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of credit facilities.

Sihui Company's primary cash requirements have been for construction of power plants, additions of and upgrades on property, plant and equipment, payment on related debts and payment for operating expenses. Sihui Company finances its working capital requirements through a combination of resources, including bank borrowings, borrowings from related parties and other borrowings.

As at 31 December 2015, 2016 and 30 June 2017, the net current liabilities of Sihui Company amounted to RMB205,908,000, RMB290,819,000 and RMB388,851,000 (31 December 2014: Net current assets: RMB4,415,000) respectively. Management monitors regularly Sihui Company's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of facilities to meet its working capital requirements. As at 31 December 2015, 2016 and 30 June 2017, Sihui Company had available unutilized banking facilities amounting to RMB278,859,000, RMB327,142,000 and RMB460,692,000, respectively, as disclosed in Notes 19 (e) respectively.

The directors of Sihui Company believe that the Sihui Company's current operating cash flows, the above mentioned credit facilities and alternative sources of financing are sufficient for financing its capital commitments in the near future and for working capital purposes.

The table below analyses Sihui Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of the Relevant Periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

	Within 1 year	Between one and two years	Between two and five years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014				
Payables and accruals	6,060	—	—	—
At 31 December 2015				
Payables and accruals	2,562	—	—	—
Amounts due to related parties	1,113	—	—	—
Bank borrowings	107,891	—	—	—
Borrowings from related parties	105,323	4,500	103,810	—
Other borrowings	16,208	88,499	201,991	—
At 31 December 2016				
Payables and accruals	83,786	—	—	—
Amounts due to related parties	1,089	—	—	—
Bank borrowings	56,352	11,246	33,737	361,878
Borrowings from related parties	106,074	103,797	—	—
Other borrowings	112,973	109,259	300,237	337,470
At 30 June 2017				
Payables and accruals	213,636	—	—	—
Amounts due to related parties	4,405	—	—	—
Bank borrowings	21,565	21,565	64,695	683,261
Borrowings from related parties	209,278	—	—	—
Other borrowings	132,234	127,631	351,374	750,044

25.2 Capital risk management

Sihui Company's objectives when managing capital are to safeguard Sihui Company's ability to continue as a going concern in order to provide returns for stakeholder and to maintain an optimal capital structure to reduce the cost of capital.

Sihui Company manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, Sihui Company may and sell assets to reduce debt or to obtain bank and other borrowings.

Sihui Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as "Total equity", as shown in the statement of financial position, plus net debt.

The table below analyses Sihui Company's capital structure.

	As at 31 December 2014	2015	2016	As at 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings *(Note 19)*	—	103,687	300,000	489,000
Borrowings from related parties *(Note 20)*	—	200,000	200,000	200,000
Other borrowings *(Note 21)*	—	259,859	667,630	963,000
Less: Cash and cash equivalents *(Note 17)*	(10,475)	(1,222)	(1,798)	(487)
Net debt	(10,475)	562,324	1,165,832	1,651,513
Total equity	57,058	41,814	276,917	271,116
Total capital	46,583	604,138	1,442,749	1,922,629
Gearing ratio	(22%)	93%	81%	86%

26. RELATED PARTY TRANSACTIONS

Sihui Company is controlled by CPIH, an immediate holding company which owned 100% equity interest of the Sihui Company. The directors of Sihui Company regard SPIC, a wholly state-owned enterprise established in the PRC which is the beneficial owner of CPIH, as the ultimate holding company.

As at 31 December 2014, 2015, 2016 and 30 June 2017, CPIH owned 100% equity interest of Sihui Company.

SPIC is controlled by the PRC government which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of Sihui Company. On that basis, related parties include SPIC, its subsidiaries, joint ventures and associates (other than Sihui Company), other government-related entities and their subsidiaries, other entities and corporations in which Sihui Company is able to control or exercise significant influence and key management personnel of Sihui Company and SPIC as well as their close family members.

For the purpose of the related party transactions disclosures, the directors of the Sihui Company believe that it is also meaningful to disclose the related party transactions with SPIC companies for the interests of the Historical Financial Information users. The directors of the Sihui Company believe that the information of related party transactions has been adequately disclosed in the Historical Financial Information.

Major related parties that had transactions with Sihui Company were as follows:

Related parties	Relationship with Sihui Company
SPIC (國家電投)	Ultimate holding company
CPIH (中國電力國際有限公司)	Immediate holding company
CPIF (中電投財務)	A fellow subsidiary
China Power Complete Equipment Company Limited (中國電能成套設備有限公司) and its subsidiaries	Fellow subsidiaries
China Power Huang Chuang Electricity Technology Research Co,. Ltd (中電華創電力技術研究有限公司)	A fellow subsidiary
Beijing China Power Huizhi Technology Company Limited (北京中電匯智科技有限公司)	A fellow subsidiary

The following is a summary of significant related party transactions which, in the opinion of the directors of Sihui Company, are entered into in the ordinary course of the Sihui Company's business in addition to the related party information shown elsewhere in the Historical Financial Information. Management of Sihui Company is of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

(a) Expenses

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2017	2016
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Purchases of spare parts from fellow subsidiaries	*(i)*	—	3,886	—	3,376	—
Interest expenses (include amounts capitalized) to:	*(ii)*					
— CPIH		—	4,226	10,766	2,939	5,169
— CPIF		—	—	2,547	1,586	464

Notes:

(i) Purchases of spare parts were charged in accordance with the terms of the relevant agreements.

(ii) Interest expenses to CPIH and CPIF are disclosed in Note 20.

(b) Period-end/year-end balances with related parties

Year-end balances with related parties are disclosed in Notes 16, 17 and 20.

(c) For the years ended 31 December 2014, 2015, 2016 and for the six months ended 30 June 2017, Sihui Company's significant transactions and balances with entities that are controlled, jointly-controlled or significantly influenced by the PRC government mainly include:

(i) bank deposits in state-owned banks and the related interest income

(ii) bank borrowings from state-owned banks and the related interest expenses

The prices and terms of these transactions are set out in the relevant agreements governing these transactions or as mutually agreed.

(d) Key management personnel compensation

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2017**	**2016**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Fees, basic salaries, housing allowance, other allowances and benefits in kind, discretionary bonus, employer's contribution to pension scheme and other benefits	1,477	1,715	1,975	1,612	993

27. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Sihui Company have been prepared in respect of any period subsequent to 30 June 2017.

D. ACCOUNTANTS' REPORT OF ANHUI COMPANY

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

Deloitte. 德勤

Introduction

We report on the historical financial information of SPIC Anhui New Energy Development Co., Ltd. (''Anhui Company'') and its subsidiaries (together, ''Anhui Group'') set out on pages II-151 to II-182, which comprises the consolidated statements of financial position as at 31 December 2016 and 30 June 2017, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and the consolidated statements of cash flows for the period from 11 May 2016 (date of incorporation) to 31 December 2016, and the six months ended 30 June 2017 (the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages II-151 to II-182 forms an integral part of this report, which has been prepared for inclusion in the circular issued by China Power International Development Limited (the ''Company'') dated 23 October 2017 (the ''Circular'') in connection with the proposed acquisitions of the entire equity interest in the Target Companies as defined in the Circular (the ''Acquisitions'').

Director's responsibility for the Historical Financial Information

The director of Anhui Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''), and for such internal control as the director of Anhui Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk

assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the HKFRSs in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of Anhui Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Anhui Company's and Anhui Group's financial position as at 31 December 2016 and 30 June 2017 and of Anhui Group's financial performance and cash flows for the Relevant Periods in accordance with the HKFRSs.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Anhui Group which comprises 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 period from 11 May 2016 (date of incorporation) to 30 June 2016 and other explanatory information (the ''Stub Period Comparative Financial Information''). The director of Anhui Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the HKFRSs. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the HKFRSs.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-151 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by Anhui Company in respect of the Relevant Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 October 2017

HISTORICAL FINANCIAL INFORMATION OF ANHUI GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of Anhui Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with HKFRSs issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the ''Underlying Financial Statements'').

The Historical Financial Information is presented in Renminbi (''RMB'') and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Period from 11 May to 31 December 2016	Six months ended 30 June 2017	Period from 11 May to 30 June 2016
		RMB'000	*RMB'000*	*RMB'000* (unaudited)
Revenue	*5*	—	3,618	—
Depreciation		—	(1,013)	—
Staff costs	*6*	(180)	(529)	—
Other operating expenses		(572)	(3,709)	—
Operating loss	*7*	(752)	(1,633)	—
Finance income	*8*	10	15	—
Finance costs	*8*	—	(559)	—
Loss before taxation		(742)	(2,177)	—
Income tax expense	*9*	—	—	—
Loss and total comprehensive expenses for the period		(742)	(2,177)	—
Attributable to:				
Owner of Anhui Company		(742)	(2,177)	—
Non-controlling interests		—	—	—
		(742)	(2,177)	—

The notes on pages II-159 to II-182 are an integral part of the Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2016 RMB'000	As at 30 June 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	253,835	720,216
Prepayments for construction of power plants	14	—	253,646
Other non-current assets	15	8,637	21,966
		262,472	995,828
Current assets			
Accounts Receivable	16	—	15,653
Prepayments, deposits and other receivables		6,851	35,826
Cash and cash equivalents	17	22,645	145,210
		29,496	196,689
Total assets		291,968	1,192,517
EQUITY			
Capital and reserves attributable to owner of Anhui Company			
Registered capital	18	33,500	196,220
Reserves		(742)	(2,919)
		32,758	193,301
Non-controlling interests		—	980
Total equity		32,758	194,281

	Note	As at 31 December 2016 RMB'000	As at 30 June 2017 RMB'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	20	44,300	243,350
Borrowings from related parties	21	138,308	592,835
		182,608	836,185
Current liabilities			
Construction costs payable		75,673	157,677
Other payables and accrued charges		229	1,724
Bank borrowings	20	700	2,650
		76,602	162,051
Total liabilities		259,210	998,236
Total equity and liabilities		291,968	1,192,517
Net current (liabilities)/assets		(47,106)	34,638
Total assets less current liabilities		215,366	1,030,466

The notes on pages II-159 to II-182 are an integral part of the Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION

STATEMENTS OF FINANCIAL POSITION

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	15,554	58,355
Prepayment for construction of power plants	—	11,194
Investments in subsidiaries	31,600	172,100
	47,154	241,649
Current assets		
Account receivable	—	927
Prepayments, deposits and other receivables	177	6,494
Cash and cash equivalents	947	18,910
	1,124	26,331
Total assets	48,278	267,980
EQUITY		
Capital and reserves attributable to owner of Anhui Company		
Registered capital *(Note 18)*	33,500	196,220
Reserves *(Note 19)*	(423)	(1,116)
Total equity	33,077	195,104

	As at 31 December 2016	As at 30 June 2017
	RMB'000	*RMB'000*
LIABILITIES		
Non-current liabilities		
Borrowings from related parties	9,192	43,457
	9,192	43,457
Current liabilities		
Construction cost payable	5,949	28,267
Other payables and accrued charges	60	152
Borrowings from a subsidiary	—	1,000
	6,009	29,419
Total liabilities	15,201	72,876
Total equity and liabilities	48,278	267,980
Net current liabilities	4,885	3,088
Total assets less current liabilities	42,269	238,561

The notes on pages II-159 to II-182 are an integral part of the Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of Anhui Company				
	Registered capital *(Note 18)* *RMB'000*	Accumulated losses *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Date of incorporation	—	—	—	—	—
Loss and total comprehensive expenses for the period	—	(742)	(742)	—	(742)
Contributions from owner of Anhui Company	33,500	—	33,500	—	33,500
At 31 December 2016	33,500	(742)	32,758	—	32,758
Loss and total comprehensive expenses for the period	—	(2,177)	(2,177)	—	(2,177)
Contributions from owner of Anhui Company	162,720	—	162,720	—	162,720
Contributions from non-controlling shareholders of a subsidiary	—	—	—	980	980
As at 30 June 2017	196,220	(2,919)	193,301	980	194,281
Period from 11 May 2016 to 30 June 2016 (unaudited)					
Date of incorporation	—	—	—	—	—
Contributions from owner of Anhui Company	8,000	—	8,000	—	8,000
As at 30 June 2016 (unaudited)	8,000	—	8,000	—	8,000

The notes on pages II-159 to II-182 are an integral part of the Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Period from 11 May to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 11 May to 30 June 2016 *RMB'000* (unaudited)
Cash flows from operating activities				
Cash used in operations	*22(a)*	(6,593)	(11,038)	—
Interest paid		(411)	(7,444)	—
Cash used in operating activities		(7,004)	(18,482)	—
Cash flows from investing activities				
Payments for property, plant and equipment and prepayments for construction of power plants		(187,169)	(678,195)	(2,000)
Interest received		10	15	—
Net cash used in investing activities		(187,159)	(678,180)	(2,000)
Cash flows from financing activities				
Drawdown of bank borrowings	*22(b)*	45,000	201,000	—
Drawdown of borrowings from related parties	*22(b)*	138,308	454,527	—
Contributions from owner of Anhui Company		33,500	162,720	8,000
Contributions from non-controlling shareholders of a subsidiary	*22(b)*	—	980	—
Cash generated from financing activities		216,808	819,227	8,000
Net increase in cash and cash equivalents		22,645	122,565	6,000
Cash and cash equivalents at the beginning of year/period		—	22,645	—
Cash and cash equivalents at the end of year/period	*17*	22,645	145,210	6,000

The notes on pages II-159 to II-182 are an integral part of the Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SPIC Anhui New Energy Development Co., Ltd. ("Anhui Company") (國家電力投資集團安徽新能源有限公司) was incorporated in The People's Republic of China (the "PRC") on 11 May 2016 as a limited liability company under the PRC Companies Law. The registered office and the principal place of incorporation of Anhui Company is Hefei, Anhui Province.

Anhui Group is principally engaged in development, construction, operation and management of power generation projects (mainly photovoltaic power plants at present) and power distribution networks in the PRC.

Anhui Company is a wholly-owned subsidiary of State Power Investment Corporation (國家電力投資集團公司) ("SPIC"), which is a wholly state-owned enterprise established in the PRC.

The Historical Financial Information is presented in RMB, which is also the functional currency of Anhui Company.

2. APPLICATION OF NEW AND AMENDMENTS TO THE HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Anhui Group has consistently applied the HKFRSs, which are effective for the accounting period beginning on 1 January 2017 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle except for amendments to HKFRS 12[1]

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

HKFRS 15 "Revenue from Contracts with Customers"

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

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

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

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

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

Based on Anhui Group's current business practices and financial position as at 30 June 2017, the director of Anhui Company does not anticipate that the application of HKFRS 15 in the future will have a material impact on the results and financial position of Anhui Group but may result in more disclosures.

HKFRS 16 "Leases"

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, Anhui Group has non-cancellable operating lease commitments of RMB103,909,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence Anhui Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16 and may result in changes in measurement, presentation and disclosure as indicated above. The director of Anhui Company anticipates that the application of HKFRS 16 does not have any significant impact to Anhui Group.

Anhui Group is in the process of making an assessment of the impact of the other new standards and amendments to standards and it is not yet in a position to state whether any substantial financial impact will be resulted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Historical Financial Information have been prepared in accordance with HKFRSs. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Anhui Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

3.2 Consolidation

Subsidiaries and Business combinations

A subsidiary is an entity (including a structured entity) over which Anhui Group has control. Anhui Group controls an entity when Anhui Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to Anhui Group. They are deconsolidated from the date that control ceases.

Anhui Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by Anhui Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date.

Anhui Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition- date fair values, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between members of Anhui Group are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with Anhui Group's accounting policies.

3.3 Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less accumulated depreciation and impairment losses. Cost includes purchase price of the asset, costs transferred from construction in progress and any directly attributable costs of bringing the asset to the working condition and location for its intended use net of proceed obtained during the trial operation of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Anhui Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation of property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their costs less accumulated impairment losses over their estimated useful lives to their residual values, as follows:

Buildings	8–30 years
Power generators and equipment	18–20 years
Electricity supply equipment	7–30 years
Furniture and fixtures	5 years
Tools and other equipment	5–12 years
Transportation facilities	6–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.5). Such impairment losses are recognized in profit or loss.

Gains or losses on disposals are determined by comparing the net sales proceeds with the carrying amount of the relevant assets and are recognized in profit or loss.

3.4 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery, direct labour costs and overheads and, for qualifying assets, borrowing costs capitalized in accordance with Anhui Group's accounting policy. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated in Note 3.3 above.

3.5 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (''CGUs''). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.6 Financial assets

Anhui Group's financial assets are loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of Anhui Group's financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Anhui Group's receivables include accounts and other receivables, deposits, and deposits at banks and CPI Financial Company Limited (''CPIF'').

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of Anhui Company or the counterparty.

3.7 Impairment of financial assets

Anhui Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ''loss event'') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

3.8 Accounts and other receivables

Accounts and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment. If collection of accounts and other receivables is expected in 1 year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and with other financial institutions and other short-term highly liquid investments with original maturities of 3 months or less.

3.10 Financial liabilities and equity

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Other payables and construction costs payable are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method.

3.11 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Anhui Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

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

3.12 Current and deferred income tax

The tax expense comprises current and deferred income tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the places where Anhui Company and its subsidiaries, operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Anhui Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profits available against which the temporary difference can be utilized.

3.13 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which Anhui Group pays fixed contributions into a separate entity. Anhui Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the Relevant Periods.

Anhui Group contributes on a monthly basis to various defined contribution plans organized by the relevant municipal and provincial governments in the PRC based on certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and Anhui Group has no further constructive obligation for any post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

All contributions to pension plans are fully and immediately vested and Anhui Group had no unvested benefits available to reduce its future contributions.

(b) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when Anhui Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

3.14 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases (net of any incentives received from the lessor) are charged or credited to the income statement on a straight-line basis over the period of the lease.

3.15 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Anhui Group's activities. Revenue is shown net of value-added tax ("VAT") and discounts and after eliminating sales within Anhui Group.

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

(i) Sales of electricity are recognized when electricity is generated and transmitted.

(ii) Interest income is recognized on a time-proportion basis using the effective interest method.

3.16 Dividend distribution

Dividend distribution to Anhui Company's stakeholder is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by Anhui Company's stakeholder or director as appropriate.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements used in preparing the Historical Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Anhui Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year from the end of each reporting period discussed below.

Useful lives, residual values and depreciation charges of property, plant and equipment

Anhui Group's management determines the estimated useful lives, residual values and related depreciation charges for Anhui Group's property, plant and equipment, other than construction in progress. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technological advancement and innovations in the power industry. Management will adjust the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation charges in the future periods. As at 31 December 2016 and 30 June 2017, the carrying amount of property, plant and equipment, other than construction in progress is RMBNil and RMB314,864,000, respectively.

5. TURNOVER, REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivables from the electricity sale contracts by Anhui Group to external customers. Anhui Group's operations is solely derived from sale of electricity in the PRC during the Relevant Periods. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the executive director of Anhui Company) reviews the overall results and financial position of Anhui Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, Anhui Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

No geographical segment information is presented as Anhui Group's revenue are all derived from PRC based on the location of revenue delivered and all of Anhui Group's property, plant and equipment as at 31 December 2016 and 30 June 2017 respectively are located in the PRC by physical location of assets.

Revenue, representing turnover net of sales related taxes, recognized during the period is as follows:

	Period from 11 May to 31 December 2016	Six months ended 30 June 2017	Period from 11 May to 30 June 2016
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Sales of electricity to provincial power grid company *(note)*	—	3,618	—

Note: Pursuant to the power purchase agreement entered into between Anhui Group and State Grid Anhui Electric Power Company ("Anhui Grid"), Anhui Group's sales of electricity were made to Anhui Grid at the tariff rates agreed with Anhui Grid as approved by the relevant government authorities in the PRC.

6. STAFF COSTS (INCLUDING DIRECTOR'S EMOLUMENTS)

	Period from 11 May to 31 December 2016	Six months ended 30 June 2017	Period from 11 May to 30 June 2016
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Wages, salaries and bonuses	102	334	—
Staff welfare	62	131	—
Pension costs — defined contribution plans	16	64	—
	180	529	—

7. OPERATING LOSS

	Period from 11 May to 31 December 2016	Six months ended 30 June 2017	Period from 11 May to 30 June 2016
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Auditor's remuneration *(note)*	—	—	—
Depreciation of property, plant and equipment *(Note 13)*	—	1,013	—
Tax and levies on operation	64	550	—
Other operating expenses	508	3,159	—

Note: Anhui Group's auditor's remuneration during the Relevant Periods was borne by SPIC, Anhui Group's ultimate holding company. The corresponding portion attributable to Anhui Group was considered insignificant and has not been charged back to Anhui Group.

8. FINANCE INCOME AND FINANCE COSTS

	Period from 11 May to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 11 May to 30 June 2016 *RMB'000* (unaudited)
Finance income			
Interest income from bank deposits	1	1	—
Interest income from CPIF *(Note 25(a))*	9	14	—
	10	15	—
Finance costs			
Interest expense on			
— bank borrowings	5	2,133	—
— borrowings from related parties *(Note 25(b))*	406	6,466	—
	411	8,599	—
Less: amounts capitalized	(411)	(8,040)	—
	—	559	—

The weighted average interest rate on capitalized borrowings are:

	Period from 11 May to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 11 May to 30 June 2016 *RMB'000* (unaudited)
Weighted average interest rate on capitalized borrowings	4.41%	4.12%	—

9. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for as Anhui Group did not have any estimated assessable profits in Hong Kong during the Relevant Periods.

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% on the estimated assessable profits throughout the Relevant Periods except as disclosed below.

The amount of income tax recognized in the consolidated statement of profit or loss and other comprehensive income represents:

	Period from 11 May to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 11 May to 30 June 2016 *RMB'000* (unaudited)
Current income tax for the period	—	—	—

The income tax expense on Anhui Group's loss before taxation differs from the theoretical amount that would arise using the income tax rate of the PRC as follows:

	Period from 11 May to 31 December 2016	**Six months ended 30 June 2017**	**Period from 11 May to 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Loss before taxation	(742)	(2,177)	—
Calculated at the PRC statutory tax rate of 25%	(186)	(544)	—
Tax effect of tax losses not recognized	186	544	—
Income tax expense	—	—	—

Under the PRC enterprise income tax Law, certain photovoltaic projects of Anhui Group are entitled to a tax concession with a three-year tax exemption and a three year 50% deduction on the PRC enterprise income tax for taxable income commencing from the first year, when corresponding project start to generate revenue.

As at 31 December 2016 and 30 June 2017, Anhui Group had unrecognized tax losses to be carried forward against future taxable profits amounting to RMB742,000 and RMB2,177,000, which will expire in 5 years.

10. LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

11. DIVIDENDS

No dividend was paid or declared by Anhui Company since its incorporation, nor has any dividend been proposed since the end of the Relevant Periods.

12. EMOLUMENTS FOR DIRECTOR AND FIVE HIGHEST PAID INDIVIDUALS

The director of Anhui Company is Mr. Niu Guiyu. The director's emolument is for his services in connection with the management of the affairs of the Anhui Group. The director of Anhui Company's emolument is borne by SPIC. The corresponding portion attributable to Anhui Group was considered insignificant and has not been charged back to Anhui Group.

The aggregate of the emoluments in respect of the five highest paid individuals who are not directors of Anhui Group during the Relevant Periods are as follows:

	Period from 11 May to 31 December 2016	**Six months ended 30 June 2017**	**Period from 11 May to 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Basic salaries, housing allowance, other allowances and benefits in kind	102	385	—
Discretionary bonuses	62	66	—
Employer's contribution to pension plans	16	62	—
	180	513	—

Their emoluments fell within the following bands:

	Number of individuals		
	Period from 11 May to 31 December 2016	**Six months ended 30 June 2017**	**Period from 11 May to 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Zero to HK$1,000,000	5	5	—

During the Relevant Periods, no emoluments have been paid by Anhui Group to the director of Anhui Company or any of the five highest paid individuals as an inducement to join or upon joining Anhui Group or as compensation for loss of office.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Power generators and equipment	Electricity supply equipment	Furniture and fixtures, tools and other equipment	Transportation facilities	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
Date of incorporation	—	—	—	—	—	—	—
Additions and transfer from prepayment	—	—	—	—	—	253,835	253,835
At 31 December 2016	—	—	—	—	—	253,835	253,835
Additions and transfer from prepayment	—	—	29	—	638	466,727	467,394
Transfer between categories	72,316	204,477	34,542	3,744	131	(315,210)	—
At 30 June 2017	72,316	204,477	34,571	3,744	769	405,352	721,229
Accumulated depreciation							
Date of incorporation	—	—	—	—	—	—	—
Depreciation charge for the period	—	—	—	—	—	—	—
At 31 December 2016	—	—	—	—	—	—	—
Depreciation charge for the period	195	689	93	10	26	—	1,013
At 30 June 2017 *(note 7)*	195	689	93	10	26	—	1,013
Net book values							
At 31 December 2016	—	—	—	—	—	253,835	253,835
At 30 June 2017	72,121	203,788	34,478	3,734	743	405,352	720,216

Note: As at 31 December 2016 and 30 June 2017, certain property, plant and equipment of Anhui Group with net book values of RMB138,308,000 and RMB592,835,000, respectively, were pledged as security for Anhui Group's borrowings from related parties (Note 21(a)).

14. PREPAYMENTS FOR CONSTRUCTION OF POWER PLANTS

Prepayments for construction of power plants represent advance payments made to contractors in connection with the construction of Anhui Group's power plants including payments for equipment and machineries pending delivery to the relevant power plants for installation.

15. OTHER NON-CURRENT ASSETS

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Deductible VAT	—	15,943
Prepaid rent for leasehold land	8,637	6,023
	8,637	21,966

16. ACCOUNTS RECEIVABLE

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Accounts receivable from provincial power grid company *(note (a)(b))*	—	15,653

Notes:

(a) As at 30 June 2017, the balance includes accounts receivable of RMB11,420,000 from Anhui Grid which was generated from the trial operation of certain photovoltaic projects in Anhui Group. The revenue under trial operation amounting to RMB9,761,000 was credited in Property, plant and equipment.

(b) Anhui Group normally grants 30 to 90 days credit period to customer from the end of the month in which the sales are made. The ageing analysis of the accounts receivable presented based on invoice date is as follows:

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
1 to 3 months	—	15,653
	—	15,653

The credit quality of accounts receivable that are neither past due nor impaired considering the existing counterparty did not have default in the past.

(c) The fair values of accounts receivables approximate their carrying amounts as the impact of discounting is not significant. All accounts receivables are denominated in RMB.

17. CASH AND CASH EQUIVALENTS

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Cash at banks and in hand	900	1,700
Deposits at CPIF	21,745	143,510
	22,645	145,210
Denominated in:		
RMB	22,645	145,210

During the Relevant Periods, Anhui Group's cash at banks and deposits at CPIF are RMB denominated, interest bearing at rates ranging from 0.3% to 1.38% per annum. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

18. REGISTERED CAPITAL

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
At the beginning of year/period	—	33,500
Contribution from SPIC	33,500	162,720
At the end of year/period	33,500	196,220

19. RESERVE OF ANHUI COMPANY

	Accumulated losses and total *RMB'000*
Date of incorporation	—
Loss for the period	(423)
At 31 December 2016	(423)
Loss for the period	(693)
At 30 June 2017	(1,116)

20. BANK BORROWINGS

Bank borrowings are analyzed as follows:

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Non-current		
Long-term bank borrowings		
— unsecured	45,000	246,000
Less: Current portion of long-term bank borrowings	(700)	(2,650)
	44,300	243,350
Current		
Current portion of long-term bank borrowings	700	2,650
Total bank borrowings	45,000	246,000

Notes:

(a) All of Anhui Group's bank borrowings are denominated in RMB.

(b) The repayment terms of the long-term bank borrowings are analysed as follows:

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Within one year	700	2,650
Between one and two years	2,000	10,000
Between two and five years	6,800	37,000
Over five years	35,500	196,350
	45,000	246,000

(c) The effective interest rates of Anhui Group's bank borrowings are as follows:

	As at 31 December 2016	As at 30 June 2017
Long-term bank borrowings (including the current portion of long-term bank borrowings)	4.41%	4.41%

(d) As at 31 December 2016 and 30 June 2017, Anhui Group had available unutilized banking facilities RMB1,209,000,000 and RMB1,008,000,000, respectively.

(e) As at 31 December 2016 and 30 June 2017, All of Anhui Group's bank borrowings are at floating interest rates. The fair values of long-term bank borrowings at floating interest rates approximate their carrying amounts.

21. BORROWINGS FROM RELATED PARTIES

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Current		
Long-term borrowings from fellow subsidiaries	138,308	592,835

Notes:

(a) As at 31 December 2016 and 30 June 2017, all of the long-term borrowings from fellow subsidiaries of Anhui Group are secured against property, plant and equipment of certain subsidiaries of Anhui Group (Note 13).

(b) The repayment terms of the borrowings from related parties are analyzed as follows:

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Between two and five years	138,308	300,835
Over five years	—	292,000
	138,308	592,835

(c) The effective interest rates of Anhui Group's borrowings from related parties are as follows:

	As at 31 December 2016 %	As at 30 June 2017 %
Long-term borrowings from fellow subsidiaries	4.01	4.01–4.73

(d) The fair values of long-term borrowings from related parties at floating interest rates approximate their carrying amounts as the impact of discounting is not significant.

22. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before taxation to cash used in operations

	Period from 11 May to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 8 June to 30 June 2016 *RMB'000* (unaudited)
Loss before taxation	(742)	(2,177)	—
Finance costs	—	559	—
Finance income	(10)	(15)	—
Depreciation of property, plant and equipment	—	1,013	—
Operating loss before working capital changes	(752)	(620)	—
Increase in accounts receivable	—	(3,618)	—
Increase in prepayments, deposits and other receivables	(5,851)	(7,140)	—
Increase in other payables and accrued charges	10	340	—
Cash used in operations	(6,593)	(11,038)	—

(b) Analysis of changes in financing during the period

	Bank borrowings and other borrowings *RMB'000*	Borrowings from related parties *RMB'000*	Non-controlling interests *RMB'000*
Date of incorporation	—	—	—
Drawdown of bank borrowings	45,000	—	—
Drawdown of borrowings from related parties	—	138,308	—
At 31 December 2016	45,000	138,308	—
Drawdown of bank borrowings	201,000	—	—
Drawdown of borrowings from related parties	—	454,527	—
Contributions from non-controlling shareholders of a subsidiary	—	—	980
At 30 June 2017	246,000	592,835	980

23. COMMITMENTS

(a) Capital commitments

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Contracted but not provided for in respect of		
— property, plant and equipment	1,102,339	430,707

(b) Commitments under operating leases

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Land and buildings		
— Within one year	456	655
— Between one and five years	17,534	15,498
— Over five years	90,949	87,756
	108,939	103,909

24. FINANCIAL RISK MANAGEMENT

24.1 Financial risk factors

Anhui Group's activities expose it to a variety of financial risks: market risks (including interest rate risks), credit risk and liquidity risk. Anhui Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Anhui Group's financial performance.

(a) Interest rate risks

Anhui Group's income and operating cash flows are substantially independent of changes in market interest rates. Anhui Group's interest-bearing assets mainly include cash at banks and deposits at CPIF, details of which have been disclosed in Note 17. Anhui Group's exposure to cash flow interest rate risk is mainly attributable to its borrowings carried at floating rates, details of which have been disclosed in Note 20 and 21. Anhui Group has not used any specific interest rate swap contracts to hedge its exposure to interest rate risk.

Anhui Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China interest rate arising from Anhui Group's RMB denominated floating rate bank borrowings and borrowings from related parties.

As at 31 December 2016, if the interest rates on bank borrowings and borrowings from related parties had been 50 basis points higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the year would have been no impacted as the interest has been capitalized.

As at 30 June 2017, if the interest rates on bank borrowings and borrowings from related parties had been 50 basis points higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the period (net of interest capitalized) would have been RMB435,000 lower/higher mainly as a result of higher/lower interest expense on floating rate bank borrowings and borrowings from related parties.

(b) Credit risk

Anhui Group's credit risk primarily arises from cash at banks and deposits at CPIF (Note 17), account receivables (Note 16) and deposits and other receivables.

All of Anhui Group's cash and deposits are held in major financial institutions and at CPIF, which management believes are of high credit quality. The director of Anhui Company does not expect any losses from non-performance by these counterparties.

Anhui Group is exposed to significant concentration of credit risk in terms of electricity sales as Anhui Group's sales of electricity were all made to Anhui Grid. Anhui Group normally grants credit terms ranging from 30 to 90 days to Anhui Grid and Anhui Group normally does not require collaterals from Anhui Grid. Ageing analysis of Anhui Group's accounts receivable is disclosed in Note 16. Considering Anhui Grid did not have default in the past, the director of Anhui Company does not expect any losses from non-performance by Anhui Grid.

Management makes periodic collective assessment as well as individual assessment on the recoverability of all receivables based on historical payment records, the length of the overdue period, and the financial strength of the debtors and whether there are any disputes with the relevant debtors. By reference to the historical information in collection of receivables, the director of Anhui Company is of the opinion that no provision need to be made.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of credit facilities.

Anhui Group's primary cash requirements have been for construction of power plants, additions of property, plant and equipment, payment on related debts and payment for purchases and operating expenses. Anhui Group finances its working capital requirements through a combination of resources, including bank borrowings and borrowings from related parties.

As at 31 December 2016, the net current liabilities of Anhui Group amounted to RMB47,106,000 (30 June 2017: net current assets: RMB34,638,000). Management monitors regularly Anhui Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of facilities to meet its working capital requirements. As at 31 December 2016, Anhui Group had available unutilized banking facilities amounting to approximately RMB1,209,000,000.

The director of Anhui Company believes that Anhui Group's current operating cash flows, the above mentioned credit facilities and alternative sources of financing are sufficient for financing its capital commitments in the near future and for working capital purposes.

The table below analyses Anhui Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the Relevant Periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

	Within 1 year	Between one and two years	Between two and five years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016				
Payables and accruals	75,902	—	—	—
Bank borrowings	2,685	3,985	13,054	53,022
Borrowings from related parties	5,550	5,550	154,534	—
At 30 June 2017				
Payables and accruals	159,401	—	—	—
Bank borrowings	13,499	20,849	69,546	288,807
Borrowings from related parties	25,351	25,351	371,189	404,284

24.2 Capital risk management

Anhui Group's objectives when managing capital are to safeguard Anhui Group's ability to continue as a going concern in order to provide returns for stakeholder and to maintain an optimal capital structure to reduce the cost of capital.

Anhui Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, Anhui Group may sell assets to reduce debt or to obtain bank and other borrowings.

Anhui Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "Total equity", as shown in the consolidated statement of financial position, plus net debt.

The table below analyses Anhui Group's capital structure.

	As at 31 December 2016	As at 30 June 2017
	RMB'000	*RMB'000*
Bank borrowings *(Note 20)*	45,000	246,000
Borrowings from related parties *(Note 21)*	138,308	592,835
Less: Cash and cash equivalents *(Note 17)*	(22,645)	(145,210)
Net debt	160,663	693,625
Total equity	32,758	194,281
Total capital	193,421	887,906
Gearing ratio	83%	78%

25. RELATED PARTY TRANSACTIONS

Anhui Group is controlled by SPIC. As at 31 December 2016 and 30 June 2017, SPIC owned 100% equity interest of Anhui Company.

SPIC is controlled by the PRC government which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of Anhui Group. On that basis, related parties include SPIC, its subsidiaries, joint ventures and associates (other than Anhui Group), other government-related entities and their subsidiaries, other entities and corporations in which Anhui Company is able to control or exercise significant influence and key management personnel of Anhui Company and SPIC as well as their close family members.

For the purpose of the related party transactions disclosures, the director of Anhui Company believes that it is also meaningful to disclose the related party transactions with SPIC companies for the interests of Historical Financial Information users. The director of Anhui Company believes that the information of related party transactions has been adequately disclosed in these consolidated financial statements.

Major related parties that had transactions with Anhui Group were as follows:

Related parties	**Relationship with Anhui Company**
SPIC (國家電投)	Ultimate holding company
CPIF (中電投財務)	A fellow subsidiary
SPIC Investment & Finance Leasing Co., Ltd. (中電投融和融資租賃有限公司)	A fellow subsidiary
Kangfu International Leasing Co., Ltd. (中國康富國際租賃股份有限公司)	A fellow subsidiary
China Power Complete Equipment Co., Ltd. (中國電能成套設備有限公司)	A fellow subsidiary

The following is a summary of significant related party transactions which, in the opinion of the director of Anhui Company, are entered into in the ordinary course of Anhui Group's business in addition to the related party information shown elsewhere in these consolidated financial statements. Management of Anhui Group is of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

(a) Income

	Period from 11 May to 31 December 2016	**Six months ended 30 June 2017**	**Period from 11 May to 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Interest income from			
— CPIF	9	14	—

Note: During the Relevant Periods, interest income from CPIF was interest bearing at rate ranging from 0.3% to 1.38% per annum.

(b) Expenses

	Period from 11 May to 31 December 2016	**Six months ended 30 June 2017**	**Period from 11 May to 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Interest expense to (include amounts capitalized)			
— to fellow subsidiaries	406	6,466	—

Note: Interest expenses to fellow subsidiaries was interest bearing at rates ranging from 4.01% to 4.73% per annum.

(c) Period-end/year-end balances balances with related parties

Period-end/year-end balance with related parties are disclosed in Notes 17 and 21 respectively.

(d) During the Relevant Periods, Anhui Group's significant transactions and balances with entities that are controlled, jointly-controlled or significantly influenced by the PRC government mainly include:

(i) bank deposits in state-owned banks and the related interest income

(ii) service fees to state-owned enterprises

The prices and terms of these transactions are set out in the relevant agreements governing these transactions or as mutually agreed.

26. INTERESTS IN SUBSIDIARIES

During the Relevant Periods and as at the date of this report, Anhui Company has direct equity interests in the following subsidiaries:

Name of subsidiary	Place the date of incorporation/ establishment	Fully paid capital/ registered capital	Equity interest attributable to Anhui Company as at 31 December 2016	30 June 2017	the date of this report	Principal activities	*Notes*
Directly held:							
SPIC Huainan New Energy Co., Ltd.	The PRC, 25 May 2016	RMB154,600,000/ RMB300,000,000	100%	100%	100%	Development of power plant	*(a)*
SPIC Fengyang New Energy Co., Ltd.	The PRC, 1 June 2016	RMB17,500,000/ RMB60,000,000	100%	100%	100%	Generation and sale of electricity	*(a)*
Huaibei Guohuai New Energy Co., Ltd.	The PRC, 29 August 2016	RMB980,000/ RMB50,000,000	51%	51%	51%	Development of power plant	*(a)/(b)*
Suzhou Hechuang New Energy Co., Ltd.	The PRC, 22 August 2016	Nil/RMB200,000,000	100%	100%	100%	Development of power plant	*(c)*
SPIC Chaohu New Energy Co., Ltd.	The PRC, 20 December 2016	Nil/RMB10,000,000	100%	100%	100%	Development of power plant	*(c)*
SPIC Shucheng New Energy Co., Ltd.	The PRC, 22 December 2016	Nil/RMB10,000,000	100%	100%	100%	Development of power plant	*(c)*
Lujiang Hechuang New Energy Co., Ltd.	The PRC, 19 December 2016	Nil/RMB10,000,000	100%	100%	100%	Development of power plant	*(c)*
SPIC Hefei New Energy Co., Ltd.	The PRC, 15 December 2016	Nil/RMB30,000,000	70%	70%	70%	Development of power plant	*(c)*
SPIC(Anhui) Guoan Energy Management Co., Ltd.	The PRC, 11 January 2017	Nil/RMB50,000,000	n/a	51%	51%	Development of power plant	
Fengyang Xiaogang Village Clean Energy Co., Ltd.	The PRC, 25 April 2017	Nil/RMB10,000,000	n/a	65%	65%	Development of power plant	

All subsidiaries now comprising Anhui Group are limited liability companies and have adopted 31 December as their financial year end date.

None of these subsidiaries had issued any debt securities at the end of each of the reporting period during the Relevant Periods.

Note:

(a) The statutory financial statements of the subsidiaries for the period ended 31 December 2016 was prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by DAXIN Certified Public Accountants LLP registered in the PRC.

(b) The capital of the subsidiary was paid up in 2017.

(c) These subsidiaries which were registered in 2016 with no paid-up capital up to 30 June 2017.

27. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Anhui Group, Anhui Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2017.

E. ACCOUNTANTS' REPORT OF HUBEI COMPANY

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

Deloitte. 德勤

Introduction

We report on the historical financial information of SPIC Hubeilvdong New Energy Co., Ltd. (''Hubei Company'') and its subsidiaries (together, ''Hubei Group'') set out on pages II-186 to II-211, which comprises the consolidated statements of financial position as at 31 December 2016 and 30 June 2017, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period from 7 June 2016 (date of incorporation) to 31 December 2016, and for the six months ended 30 June 2017 (the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages II-186 to II-211 forms an integral part of this report, which has been prepared for inclusion in the circular issued by China Power International Development Limited (the ''Company'') dated 23 October 2017 (the ''Circular'') in connection with the proposed acquisitions of the entire equity interest in the Target Companies as defined in the Circular (the ''Acquisitions'').

Director's responsibility for the Historical Financial Information

The director of Hubei Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''), and for such internal control as the director of Hubei Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk

assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with HKFRSs in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of Hubei Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Hubei Company's and Hubei Group's financial position as at 31 December 2016 and 30 June 2017 and of the Hubei Group's financial performance and cash flows for the Relevant Periods in accordance with the HKFRSs.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Hubei Group which comprises 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 period from 7 June 2016 (date of incorporation) to 30 June 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The director of Hubei Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the HKFRSs. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the HKFRSs.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-186 have been made.

Dividends

We refer to Note 9 to the Historical Financial Information which states that no dividends have been paid by Hubei Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 October 2017

HISTORICAL FINANCIAL INFORMATION OF HUBEI GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of Hubei Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with HKFRSs issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	**Period from 7 June to 31 December 2016** *RMB'000*	**Six months ended 30 June 2017** *RMB'000*	**Period from 7 June to 30 June 2016** *RMB'000* (unaudited)
Depreciation		(2)	(31)	—
Staff cost	*4*	—	(368)	—
Other operating expenses		(159)	(2,574)	—
Operating loss	*5*	(161)	(2,973)	—
Finance income	*6*	27	80	—
Finance costs	*6*	—	(1,093)	—
Loss before taxation		(134)	(3,986)	—
Income tax expense	*7*	—	—	—
Loss and total comprehensive expenses for the period		(134)	(3,986)	—
Attributable to:				
Owner of Hubei Company		(134)	(3,986)	—
		(134)	(3,986)	—

The notes on pages II-193 to II-211 are an integral part of the Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	**As at 31 December 2016** *RMB'000*	**As at 30 June 2017** *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	3,327	250,601
Prepayments for construction of power plants	*12*	178	5,208
Other non-current assets	*13*	3,172	6,100
		6,677	261,909
Current assets			
Prepayments, deposits and other receivables		1,075	5,801
Amounts due from related parties	*14*	—	2,040
Cash and cash equivalents	*15*	12,760	136,838
		13,835	144,679
Total assets		20,512	406,588
EQUITY			
Capital and reserves attributable to owner of Hubei Company			
Registered capital	*16*	20,000	52,030
Reserves		(134)	(4,120)
Total equity		19,866	47,910

	Note	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
LIABILITIES			
Non-current liabilities			
Borrowings from related parties	*18*	—	158,313
		—	158,313
Current liabilities			
Construction costs payable		554	48,493
Other payables and accrued charges		92	1,562
Amounts due to related parties	*14*	—	310
Borrowings from related parties	*18*	—	150,000
		646	200,365
Total liabilities		646	358,678
Total equity and liabilities		20,512	406,588
Net current assets/(liabilities)		13,189	(55,686)
Total assets less current liabilities		19,866	206,223

The notes on pages II-193 to II-211 are an integral part of the Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION

STATEMENTS OF FINANCIAL POSITION

	Note	**As at 31 December 2016** *RMB'000*	**As at 30 June 2017** *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		2,663	4,101
Prepayments for construction of power plants		178	178
Investments in subsidiaries		7,000	30,000
		9,841	34,279
Current assets			
Prepayments, deposits and other receivables		127	1,893
Amounts due from related parties		—	2,000
Amounts due from subsidiaries		—	89,706
Cash and cash equivalents		10,583	23,572
		10,710	117,171
Total assets		20,551	151,450
EQUITY			
Capital and reserves attributable to owner of Hubei Company			
Registered capital	*16*	20,000	52,030
Reserves	*17*	(95)	(666)
Total equity		19,905	51,364
LIABILITIES			
Current liabilities			
Construction costs payable		554	9
Other payables and accrued charges		92	56
Amounts due to related parties		—	21
Borrowings from related parties		—	100,000
Total liabilities		646	100,086
Total equity and liabilities		20,551	151,450
Net current assets		10,064	17,085
Total assets less current liabilities		19,905	51,364

The notes on pages II-193 to II-211 are an integral part of the Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of Hubei Company		
	Registered capital	**Accumulated losses**	**Total equity**
	(Note 16)		
	RMB'000	*RMB'000*	*RMB'000*
Date of incorporation	—	—	—
Loss and total comprehensive income for the period	—	(134)	(134)
Contributions from owner of Hubei Company	20,000	—	20,000
As at 31 December 2016	20,000	(134)	19,866
Loss and total comprehensive income for the period	—	(3,986)	(3,986)
Contributions from owner of Hubei Company	32,030	—	32,030
As at 30 June 2017	52,030	(4,120)	47,910
Period from 7 June 2016 to 30 June 2016 (unaudited)			
Date of incorporation	—	—	—
Contributions from owner of Hubei Company	—	—	—
As at 30 June 2016 (unaudited)	—	—	—

The notes on pages II-193 to II-211 **are an integral part of the Historical Financial Information.**

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Period from 7 June to 31 December 2016	Six months ended 30 June 2017	Period from 7 June to 30 June 2016
		RMB'000	*RMB'000*	*RMB'000* (unaudited)
Cash flows from operating activities				
Cash used in operations	*19(a)*	(139)	(5,553)	—
Interest paid		—	(1,823)	—
Net cash used in operating activities		(139)	(7,376)	—
Cash flows from investing activities				
Payments for property, plant and equipment and prepayments for construction of power plants		(7,128)	(208,969)	—
Interest received		27	80	—
Net cash used in investing activities		(7,101)	(208,889)	—
Cash flows from financing activities				
Contributions from owner of Hubei Company		20,000	32,030	—
Drawdown of borrowings from related parties	*19(b)*	—	308,313	—
Net cash generated from financing activities		20,000	340,343	—
Net increase in cash and cash equivalents		12,760	124,078	—
Cash and cash equivalents at the beginning of the period		—	12,760	—
Cash and cash equivalents at the end of the period	*15*	12,760	136,838	—

The notes on pages II-193 to II-211 are an integral part of the Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SPIC Hubeilvdong New Energy Co., Ltd. ("Hubei Company") (國家電投集團湖北綠動新能源有限公司) was incorporated in The People's Republic of China (the "PRC") on 7 June 2016 as a limited liability company under the PRC Companies Law. The registered office and the principal place of incorporation of Hubei Company is Wuhan, Hubei Province.

Hubei Group is principally engaged in development, investment, construction, operation and management of power generation projects (mainly photovoltaic power and natural gas power plants at present), new energy projects and distribution networks in the PRC.

Hubei Company is a wholly-owned subsidiary of State Power Investment Corporation (國家電力投資集團公司) ("SPIC"), which is a wholly state-owned enterprise established in the PRC.

The Historical Financial Information is presented in RMB, which is also the functional currency of Hubei Company.

2. APPLICATION OF NEW AND AMENDMENTS TO THE HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Hubei Group has consistently applied the HKFRSs, which are effective for the accounting period beginning on 1 January 2017 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle except for amendments to HKFRS 12[1]

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

HKFRS 16 "Leases"

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, Hubei Group has non-cancellable operating lease commitments of RMB31,033,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence Hubei Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16 and may result in changes in measurement, presentation and disclosure as indicated above. The director of the Hubei Company anticipates that the application of HKFRS 16 does not have any significant impact to Hubei Group.

Hubei Group is in the process of making an assessment of the impact of the other new standards and amendments to standards and it is not yet in a position to state whether any substantial financial impact will be resulted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Historical Financial Information have been prepared in accordance with HKFRSs. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Hubei Group's accounting policies.

3.2 Consolidation

Subsidiaries and Business combinations

A subsidiary is an entity (including a structured entity) over which Hubei Group has control. Hubei Group controls an entity when Hubei Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to Hubei Group. They are deconsolidated from the date that control ceases.

Hubei Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by Hubei Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date.

Hubei Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between members of Hubei Group are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with Hubei Group's accounting policies.

3.3 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Hubei Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their costs less accumulated impairment losses over their estimated useful lives to their residual values, as follows:

Furniture and fixtures	5 years
Tools and other equipment	5–12 years
Transportation facilities	6–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.5). Such impairment losses are recognized in profit or loss.

Gains or losses on disposals are determined by comparing the net sales proceeds with the carrying amount of the relevant assets and are recognized in profit or loss.

3.4 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery, direct labour costs and overheads and, for qualifying assets, borrowing costs capitalized in accordance with Hubei Group's accounting policy. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use.

3.5 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGUs"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.6 Financial assets

Hubei Group's financial assets are loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of Hubei Group's financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Hubei Group's receivables include other receivables, deposits, amounts due from related parties and deposits at banks and CPI Financial Company Limited ("CPIF").

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of Hubei Company or the counterparty.

3.7 Impairment of financial assets

Hubei Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ''loss event'') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

3.8 Other receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment. If collection of other receivables is expected in 1 year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and with other financial institutions and other short-term highly liquid investments with original maturities of 3 months or less.

3.10 Financial liabilities and equity

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Other (including construction costs payable and amounts due to related parties) are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method.

3.11 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Hubei Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

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

3.12 Current and deferred income tax

The tax expense comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the places where Hubei Company and its subsidiaries, operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Hubei Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profits available against which the temporary difference can be utilized.

3.13 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which Hubei Group pays fixed contributions into a separate entity. Hubei Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the Relevant Periods.

Hubei Group contributes on a monthly basis to various defined contribution plans organized by the relevant municipal and provincial governments in the PRC based on certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and Hubei Group has no further constructive obligation for any post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

All contributions to pension plans are fully and immediately vested and Hubei Group had no unvested benefits available to reduce its future contributions.

(b) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when Hubei Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

3.14 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases (net of any incentives received from the lessor) are charged or credited to profit or loss on a straight-line basis over the period of the lease.

3.15 Income recognition

Interest income is recognized on a time-proportion basis using the effective interest method.

3.16 Dividend distribution

Dividend distribution to Hubei Company's stakeholder is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by Hubei Company's stakeholder or director of the Hubei Company as appropriate.

4. STAFF COSTS (INCLUDING DIRECTOR'S EMOLUMENTS)

	Period from 7 June to 31 December 2016	**Six months ended 30 June 2017**	**Period from 7 June to 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Wages, salaries and bonuses	—	263	—
Staff welfare	—	80	—
Pension costs — defined contribution plans	—	25	—
	—	368	—

5. OPERATING LOSS

Operating loss is stated after charging the followings:

	Period from 7 June to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 7 June to 30 June 2016 *RMB'000* (unaudited)
Depreciation of property, plant and equipment *(Note 11)*	2	31	—
Operating lease rental expenses in respect of:			
— buildings	22	109	—
— transportation facilities	—	140	—
Other operating expenses	137	2,325	—

6. FINANCE INCOME AND FINANCE COSTS

	Period from 7 June to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 7 June to 30 June 2016 *RMB'000* (unaudited)
Finance income			
Interest income from bank deposits	4	—	—
Interest income from CPIF *(Note 22(a))*	23	80	—
	27	80	—
Finance costs			
Interest expense on			
— short-term borrowings from related parties *(Note 22(b))*	—	1,093	—
— long-term borrowings from related parties *(Note 22(b))*	—	851	—
	—	1,944	—
Less: amounts capitalized	—	(851)	—
	—	1,093	—

During the six months ended 30 June 2017, the weighted average interest rate on capitalized borrowings is 4.40% per annum.

7. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for as Hubei Group did not have any estimated assessable profits in Hong Kong for the Relevant Periods.

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% on the estimated assessable profits for the Relevant Periods except as disclosed below.

The amount of income tax recognized in the consolidated statement of profit or loss and other comprehensive income represents:

	Period from 7 June to 31 December 2016	**Six months ended 30 June 2017**	**Period from 7 June to 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Current income tax for the period	—	—	—

The income tax expense on Hubei Group's loss before taxation differs from the theoretical amount that would arise using the income tax rate of the PRC as follows:

	Period from 7 June to 31 December 2016	**Six months ended 30 June 2017**	**Period from 7 June to 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Loss before taxation	(134)	(3,986)	—
Calculated at the PRC statutory tax rate of 25%	(34)	(997)	—
Tax effect of tax losses not recognized	34	997	—
Income tax expense	—	—	—

Under the PRC enterprise income tax Law, certain photovoltaic projects of Hubei Group are entitled to a tax concession with a three-year tax exemption and a three year 50% deduction on the PRC enterprise income tax for taxable income commencing from the first year, when corresponding project start to generate revenue.

As at 31 December 2016 and 30 June 2017, Hubei Group had unrecognized tax losses to be carried forward against future taxable profits amounted to RMB134,000 and RMB3,986,000, which will expire in 5 years.

8. LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

9. DIVIDENDS

No dividend was paid or declared by Hubei Company since its incorporation, nor has any dividend been proposed since the end of the Relevant Periods.

10. EMOLUMENTS FOR DIRECTOR AND FIVE HIGHEST PAID INDIVIDUALS

The director of the Hubei Company is Mr. Gong Weidong. The Director's emolument is for his services in connection with the management of the affairs of the Hubei Group. The emoluments for the director of Hubei Company and management of Hubei Company are borne by SPIC, Hubei Group's ultimate holding company. The corresponding portion attributable to Hubei Group was considered insignificant and has not been charged back to Hubei Group.

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures, tools and other equipment	Transportation facilities	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
Date of incorporation	—	—	—	—
Additions and transfer from prepayment	11	137	3,181	3,329
At 31 December 2016 and 1 January 2017	11	137	3,181	3,329
Additions and transfer from prepayment	50	698	246,557	247,305
At 30 June 2017	61	835	249,738	250,634
Accumulated depreciation				
Date of incorporation	—	—	—	—
Depreciation charge for the period	—	2	—	2
At 31 December 2016 and 1 January 2017	—	2	—	2
Depreciation charge for the period	7	24	—	31
At 30 June 2017	7	26	—	33
Net book value				
At 31 December 2016	11	135	3,181	3,327
At 30 June 2017	54	809	249,738	250,601

Note: As at 30 June 2017, certain construction in progress of Hubei Group with cost of RMB158,313,000 were pledged as security for Hubei Group's borrowings from related parties (Note 18(a)).

12. PREPAYMENTS FOR CONSTRUCTION OF POWER PLANTS

Prepayments for construction of power plants represent advance payments made to contractors in connection with the construction of Hubei Group's power plants including payments for equipment and machineries pending delivery to the relevant power plants for installation.

13. OTHER NON-CURRENT ASSETS

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Prepaid rent on leasehold land and buildings	3,172	6,100

14. AMOUNTS DUE FROM/TO RELATED PARTIES

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Amounts due from related parties		
Amount due from a fellow subsidiary	—	40
Amount due from SPIC	—	2,000
	—	2,040
Amounts due to related parties		
Amount due to SPIC	—	189
Amount due to CPIF	—	6
Amount due to fellow subsidiaries	—	115
	—	310

Notes:

(a) The list of major related parties that had transactions with Hubei Group and their relationships with Hubei Company is disclosed in Note 22.

(b) The amounts due from related parties are within 180 days based on the invoice date.

(c) Balances with related parties are unsecured, interest free and repayable on demand.

(d) The fair values of these balances approximate their carrying amounts as the impact of discounting is not significant.

15. CASH AND CASH EQUIVALENTS

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Cash at banks and in hand	400	807
Deposits at CPIF	12,360	136,031
	12,760	136,838
Denominated in RMB	12,760	136,838

During the Relevant Periods, Hubei Group's cash at banks and deposits at CPIF are RMB denominated, interest bearing at rates ranging from 0.30% to 1.38% per annum. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

16. REGISTERED CAPITAL

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
At the beginning of year/period	—	20,000
Contribution from SPIC	20,000	32,030
At the end of year/period	20,000	52,030

17. RESERVES OF HUBEI COMPANY

	Accumulated losses and total *RMB'000*
Date of incorporation	—
Loss for the period	(95)
At 31 December 2016 and 1 January 2017	(95)
Loss for the period	(571)
At 30 June 2017	(666)

18. BORROWINGS FROM RELATED PARTIES

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Non-Current		
Long-term borrowings from a fellow subsidiary *(note (a))*	—	158,313
Current		
Short-term borrowings from fellow subsidiaries *(note (b))*	—	100,000
Short-term borrowings from CPIF *(note (c))*	—	50,000
	—	150,000
	—	308,313

Notes:

(a) As at 30 June 2017, the long-term borrowings from a fellow subsidiary are secured against construction in progress of Hubei Group (Note 11), and are interest bearing at floating rate 4.40% per annum and wholly repayable in the year of 2027.

(b) As at 30 June 2017, the short-term borrowings from fellow subsidiaries are unsecured, interest bearing at fixed rate of 4.35% per annum and repayable within one year.

(c) As at 30 June 2017, the short-term borrowings from CPIF are unsecured, interest bearing at fixed rate of 4.35% per annum and repayable within one year.

(d) The fair values of short-term borrowings approximate their carrying amounts as the impact of discounting is not significant.

All of the long-term borrowings from a fellow subsidiary are at floating interest rates. The fair values of long-term borrowings at floating interest rates approximate their carrying amounts.

19. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before taxation to cash used in operations

	Period from 7 June to 31 December 2016 *RMB'000*	**Six months ended 30 June 2017** *RMB'000*	**Period from 7 June to 30 June 2016** *RMB'000* (unaudited)
Loss before taxation	(134)	(3,986)	—
Finance income	(27)	(80)	—
Finance costs	—	1,093	—
Depreciation of property, plant and equipment	2	31	—
Operating loss before working capital changes	(159)	(2,942)	—
Increase in prepayments, deposits and other receivables	(72)	(2,230)	—
Changes in balances with related parties	—	(1,851)	—
Increase in other payables and accrued charges	92	1,470	—
Cash used in operations	(139)	(5,553)	—

(b) Analysis of changes in financing during the period

	Borrowings from related parties *RMB'000*
Date of incorporation	—
Change in financing during the period	—
At 31 December 2016	—
Drawdown of borrowings from related parties	308,313
At 30 June 2017	308,313

20. COMMITMENTS

(a) Capital commitments

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Contracted but not provided for:		
— property, plant and equipment	—	511,283
— capital injection to associates	26,850	26,850
	26,850	538,133

(b) Commitments under operating leases

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Land and buildings		
— Within one year	147	147
— Between one and five years	1,017	1,902
— Over five years	29,933	28,984
	31,097	31,033

21. FINANCIAL RISK MANAGEMENT

21.1 Financial risk factors

Hubei Group's activities expose it to a variety of financial risks: market risks (including interest rate risks), credit risk and liquidity risk. Hubei Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Hubei Group's financial performance.

(a) Interest rate risks

Hubei Group's income and operating cash flows are substantially independent of changes in market interest rates. Hubei Group's interest-bearing assets mainly include cash at banks and deposits at CPIF, details of which have been disclosed in Note 15. Hubei Group's exposure to changes in interest rates is mainly attributable to its borrowings from fellow subsidiaries, details of which have been disclosed in Note 18. Borrowings carried at floating rates expose Hubei Group to cash flow interest rate risk whereas borrowings carried at fixed rates expose the Hubei Group to fair value interest rate risk, details of which have been disclosed in Notes 18. Hubei Group has not used any specific interest rate swap contracts to hedge its exposure to interest rate risk.

Hubei Group's cash flow interest rate risk is mainly concentrated on the fluctuation of People's Bank of China interest rate arising from Hubei Group's RMB denominated floating rate borrowings from related parties.

As at 30 June 2017, if the interest rates on long-term borrowings from fellow subsidiaries had been 50 basis points higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the period (net of interest capitalized) would have been no impact as the interest has been capitalized.

(b) Credit risk

Hubei Group's credit risk primarily arises from cash at banks and deposits at CPIF (Note 15), amounts due from related parties (Note 14), and deposits and other receivables.

All of Hubei Group's cash and deposits are held in major financial institutions and at CPIF, which management believes are of high credit quality. The director of the Hubei Company does not expect any losses from non-performance by these counterparties.

Management makes periodic collective assessment as well as individual assessment on the recoverability of all receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. By reference to the historical information in collection of receivables, the director of the Hubei Company is of the opinion that no provision need to be made.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of credit facilities.

Hubei Group's primary cash requirements have been for construction of power plants, additions of property, plant and equipment, payment on related debts and payment for operating expenses. Hubei Group finances its working capital requirements through a combination of internal resources, including borrowings from related parties.

As at 30 June 2017, the net current liabilities of Hubei Group amounted to RMB55,686,000 (31 December 2016: net current assets: RMB13,189,000). Management monitors regularly Hubei Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of facilities to meet its working capital requirements. By July 2017, before the Historical Financial Information are authorised for issue, Hubei Group has obtained unutilized banking facilities amounting to RMB170,000,000.

The director of Hubei Company believes that the Hubei Group's current operating cash flows, the above mentioned credit facilities and alternative sources of financing are sufficient for financing its capital commitments in the near future and for working capital purposes.

The table below analyses Hubei Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the Relevant Periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

	Within 1 year RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Over 5 years RMB'000
At 31 December 2016				
Payables and accruals	646	—	—	—
At 30 June 2017				
Payables and accruals	50,055	—	—	—
Borrowings from related parties	162,234	6,966	20,897	190,985

21.2 Capital risk management

Hubei Group's objectives when managing capital are to safeguard Hubei Group's ability to continue as a going concern in order to provide returns for stakeholder and to maintain an optimal capital structure to reduce the cost of capital.

Hubei Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, Hubei Group may sell assets to reduce debt or to obtain bank and other borrowings.

Hubei Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as ''Total equity'', as shown in the consolidated statement of financial position, plus net debt.

The table below analyses Hubei Group's capital structure.

	As at 31 December 2016 RMB'000	As at 30 June 2017 RMB'000
Borrowings from related parties *(Note 18)*	—	308,313
Less: Cash and cash equivalents *(Note 15)*	(12,760)	(136,838)
Net debt	(12,760)	171,475
Total equity	19,866	47,910
Total capital	7,106	219,385
Gearing ratio	(180%)	78%

22. RELATED PARTY TRANSACTIONS

Hubei Group is controlled by SPIC. As at 31 December 2016 and 30 June 2017, SPIC owned 100% equity interest of Hubei Company.

SPIC is controlled by the PRC government which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of Hubei Group. On that basis, related parties include SPIC, its subsidiaries, joint ventures and associates (other than Hubei Group), other government-related entities and their subsidiaries, other entities and corporations in which Hubei Company is able to control or exercise significant influence and key management personnel of Hubei Company and SPIC as well as their close family members.

For the purpose of the related party transactions disclosures, the director of the Hubei Company believes that it is also meaningful to disclose the related party transactions with SPIC companies for the interests of Historical Financial Information users. The director of the Hubei Company believes that the information of related party transactions has been adequately disclosed in these consolidated financial statements.

Major related parties that had transactions with Hubei Group were as follows:

Related parties	**Relationship with Hubei Company**
SPIC (國家電投)	Ultimate holding company
CPIF (中電投財務)	A fellow subsidiary
CPI Power Engineering Co., Ltd. (中電投電力工程有限公司)	A fellow subsidiary
SPIC Investment & Finance Leasing Co., Ltd. (中電投融和融資租賃有限公司)	A fellow subsidiary
China Power Complete Equipment Co., Ltd. (中國電能成套設備有限公司)	A fellow subsidiary

The following is a summary of significant related party transactions which, in the opinion of the director of the Hubei Company, are entered into in the ordinary course of Hubei Group's business in addition to the related party information shown elsewhere in these consolidated financial statements. Management of Hubei Group is of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

(a) Income

	Period from 7 June to 31 December 2016 *RMB'000*	**Six months ended 30 June 2017** *RMB'000*	**Period from 7 June to 30 June 2016** *RMB'000* (unaudited)
Interest income from CPIF	23	80	—

Note: During the Relevant Periods, interest income from CPIF was interest bearing at rate ranging from 0.30% to 1.38% per annum.

(b) Expenses

	Period from 7 June to 31 December 2016 *RMB'000*	**Six months ended 30 June 2017** *RMB'000*	**Period from 7 June to 30 June 2016** *RMB'000* (unaudited)
Interest expenses (including amounts capitalized) to:			
— CPIF	—	6	—
— Fellow subsidiaries	—	1,938	—

Note: During the Relevant Periods, interest expenses to CPIF and fellow subsidiaries were charged at interest rates ranging from 4.35% to 4.40% per annum.

(c) Period-end/year-end balances with related parties

Period-end/year-end balance with related parties are disclosed in Notes 14, 15 and 18.

(d) During the Relevant Periods, Hubei Group's significant transactions and balances with entities that are controlled, jointly-controlled or significantly influenced by the PRC government mainly include:

(i) bank deposits in state-owned banks and the related interest income

(ii) service fees to state-owned enterprises

The prices and terms of these transactions are set out in the relevant agreements governing these transactions or as mutually agreed.

23. INTERESTS IN SUBSIDIARIES

During the Relevant Periods and as at the date of this report, Hubei Company has direct equity interests in the following subsidiaries:

Name of subsidiary	Place and the date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Equity interest attributable to Hubei Company as at 31 December 2016	30 June 2017	the date of this report	Principal activities	*Notes*
Guangshui Lvdong Photovoltaic Power Generation Co., Ltd.	The PRC, 27 October 2016	RMB12,000,000/ RMB30,000,000	100%	100%	100%	Development of power plant	(a)
Shayang Lvdong Photovoltaic Power Generation Co., Ltd.	The PRC, 23 June 2016	RMB15,000,000/ RMB70,000,000	100%	100%	100%	Development of power plant	(b)
Suizhou Lvdong Photovoltaic Power Generation Co., Ltd.	The PRC, 13 September 2016	RMB3,000,000/ RMB5,000,000	100%	100%	100%	Development of power plant	(b)
Wuhan Zhuankou Lvdong Energy Co., Ltd.	The PRC, 28 December 2016	Nil/ RMB200,000,000	80%	80%	80%	Development of power plant	(c)
Tianmen Lvdong Energy Co., Ltd.	The PRC, 2 December 2016	Nil/RMB60,000,000	100%	100%	100%	Development of power plant	(c)
Yicheng Lvdong Photovoltaic Co., Ltd.	The PRC, 16 December 2016	Nil/RMB30,000,000	100%	100%	100%	Development of power plant	(c)
Dawu Lvdong Photovoltaic Power Generation Co., Ltd.	The PRC, 21 June 2016	Nil/RMB12,000,000	70%	70%	70%	Development of power plant	(c)
SPIC Jingmen Lvdong Energy Co.,Ltd.	The PRC, 16 February 2017	Nil/ RMB200,000,000	n/a	90%	90%	Development of power plant	
SPIC Hubei Power Sales Co., Ltd.	The PRC, 12 April 2017	Nil/RMB50,000,000	n/a	100%	100%	Development of power plant	

All subsidiaries now comprising Hubei Group are limited liability companies and have adopted 31 December as their financial year end date.

None of these subsidiaries had issued any debt securities at the end of each of the reporting period during the Relevant Periods.

Note:

(a) The statutory financial statements of the subsidiary for the period ended 31 December 2016 was prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by DAXIN Certified Public Accountants LLP registered in the PRC.

(b) The capital of these subsidiaries was paid-up in 2017.

(c) These subsidiaries which were registered in 2016 with no paid-up capital up to 30 June 2017.

24. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Hubei Group, Hubei Company or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Relevant Periods.

F. ACCOUNTANTS' REPORT OF SHANDONG COMPANY

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

Deloitte. 德勤

Introduction

We report on the historical financial information of SPIC Shandong Energy Development Co., Ltd. (''Shandong Company'') and its subsidiaries (together, ''Shandong Group'') set out on pages II-215 to II-242 which comprises the consolidated statements of financial position as at 31 December 2016 and 30 June 2017, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and the consolidated statements of cash flows for the period from 8 June 2016 (date of incorporation) to 31 December 2016, and the six months ended 30 June 2017 (the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages II-215 to II-242 forms an integral part of this report, which has been prepared for inclusion in the circular issued by China Power International Development Limited (the ''Company'') dated 23 October 2017 (the ''Circular'') in connection with the proposed acquisitions of the entire equity interest in the Target Companies as defined in the Circular (the ''Acquisition'').

Director's responsibility for the Historical Financial Information

The director of Shandong Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the Hong Kong Financial Reporting Standards (''HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''), and for such internal control as the director of Shandong Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk

assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the HKFRSs in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of Shandong Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Shandong Company's and Shandong Group's financial position as at 31 December 2016 and 30 June 2017 and of Shandong Group's financial performance and cash flows for the Relevant Periods in accordance with the HKFRSs.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Shandong Group which comprises 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 period from 8 June 2016 (date of incorporation) to 30 June 2016 and other explanatory information (the ''Stub Period Comparative Financial Information''). The director of Shandong Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the HKFRSs. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'' issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the HKFRSs.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-215 have been made.

Dividends

We refer to Note 9 to the Historical Financial Information which states that no dividends have been paid by Shandong Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 October 2017

HISTORICAL FINANCIAL INFORMATION OF SHANDONG GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of Shandong Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with HKFRSs issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the ''Underlying Financial Statements'').

The Historical Financial Information is presented in Renminbi (''RMB'') and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

HISTORICAL FINANCIAL INFORMATION OF SHANDONG GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Period from 8 June to 31 December 2016 RMB'000	Six months ended 30 June 2017 RMB'000	Period from 8 June to 30 June 2016 RMB'000 (unaudited)
Depreciation		(33)	(87)	—
Staff costs	4	(69)	(753)	—
Other operating expenses		(2,430)	(1,108)	—
Operating loss	5	(2,532)	(1,948)	—
Finance income	6	24	81	—
Finance costs	6	—	(368)	—
Loss before taxation		(2,508)	(2,235)	—
Income tax expense	7	—	—	—
Loss and total comprehensive expenses for the period		(2,508)	(2,235)	—
Attributable to:				
Owner of Shandong Company		(2,268)	(2,023)	—
Non-controlling interests		(240)	(212)	—
		(2,508)	(2,235)	—

The notes on pages II-221 to II-242 are an integral part of the Historical Financial Information.

HISTORICAL FINANCIAL INFORMATION OF SHANDONG GROUP

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	19,440	51,699
Prepayments for construction of power plants	*12*	5,000	31,000
Other non-current assets	*13*	1,316	2,961
		25,756	85,660
Current assets			
Prepayments, deposits and other receivables		21	688
Amount due from a related party	*14*	—	60
Cash and cash equivalents	*15*	2,067	46,809
		2,088	47,557
Total assets		27,844	133,217
EQUITY			
Capital and reserves attributable to owner of Shandong Company			
Registered capital	*16*	20,000	56,090
Reserves		(2,268)	(4,291)
		17,732	51,799
Non-controlling interests		9,742	30,883
Total equity		27,474	82,682
LIABILITIES			
Current liabilities			
Construction costs payable		185	317
Other payables and accrued charges		35	185
Amounts due to related parties	*14*	150	33
Borrowings from related parties	*18*	—	50,000
		370	50,535
Total liabilities		370	50,535
Total equity and liabilities		27,844	133,217
Net current assets/(liabilities)		1,718	(2,978)
Total assets less current liabilities		27,474	82,682

The notes on pages II-221 to II-242 are an integral part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2016 RMB'000	As at 30 June 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		582	532
Investments in subsidiaries		16,544	59,023
Other non-current assets		197	228
		17,323	59,783
Current assets			
Prepayments, deposits and other receivables		21	28
Cash and cash equivalents		894	22,875
		915	22,903
Total assets		18,238	82,686
EQUITY			
Capital and reserves attributable to owner of Shandong Company			
Registered capital	*16*	20,000	56,090
Reserves	*17*	(1,765)	(3,516)
Total equity		18,235	52,574
LIABILITIES			
Current liabilities			
Other payables and accrued charges		3	112
Borrowings from related parties		—	30,000
		3	30,112
Total liabilities		3	30,112
Total equity and liabilities		18,238	82,686
Net current assets/(liabilities)		912	(7,209)
Total assets less current liabilities		18,235	52,574

The notes on pages II-221 to II-242 are an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owner of Shandong Company				
	Registered capital *(Note 16)* *RMB'000*	Accumulated losses *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Date of incorporation	—	—	—	—	—
Loss and total comprehensive expenses for the period	—	(2,268)	(2,268)	(240)	(2,508)
Contributions from owner of Shandong Company	20,000	—	20,000	—	20,000
Contributions from a non-controlling shareholder of subsidiaries	—	—	—	9,982	9,982
At 31 December 2016	20,000	(2,268)	17,732	9,742	27,474
Loss and total comprehensive expenses for the period	—	(2,023)	(2,023)	(212)	(2,235)
Contributions from owner of Shandong Company	36,090	—	36,090	—	36,090
Acquisition of assets through acquisition of a subsidiary *(Note 20)*	—	—	—	17,640	17,640
Contributions from a non-controlling shareholder of subsidiaries	—	—	—	3,713	3,713
At 30 June 2017	56,090	(4,291)	51,799	30,883	82,682
Period from 8 June to 30 June 2016 (unaudited):					
Date of incorporation	—	—	—	—	—
Profit and total comprehensive income for the period	—	—	—	—	—
As at 30 June 2016 (unaudited)	—	—	—	—	—

The notes on pages II-221 to II-242 are an integral part of the Historical Financial Information.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Period from 8 June to 31 December 2016 RMB'000	Six months ended 30 June 2017 RMB'000	Period from 8 June to 30 June 2016 RMB'000 (unaudited)
Cash flows from operating activities				
Cash used in operations	19(a)	(2,335)	(8,691)	—
Interest paid		—	(335)	—
Cash used in operating activities		(2,335)	(9,026)	—
Cash flows from investing activities				
Payments for property, plant and equipment and prepayments for construction of power plants		(25,604)	(53,004)	—
Net of cash acquired from acquisition of a subsidiary *(Note 20)*		—	16,888	—
Interest received		24	81	—
Net cash used in investing activities		(25,580)	(36,035)	—
Cash flows from financing activities				
Drawdown of borrowings from related parties	19(b)	—	50,000	—
Contributions from owner of Shandong Company		20,000	36,090	—
Contributions from a non-controlling shareholder of subsidiaries	19(b)	9,982	3,713	—
Cash generated from financing activities		29,982	89,803	—
Net increase in cash and cash equivalents		2,067	44,742	—
Cash and cash equivalents at the beginning of year/period		—	2,067	—
Cash and cash equivalents at the end of year/period	15	2,067	46,809	—

The notes on pages II-221 to II-242 are an integral part of the Historical Financial Information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SPIC Shandong Energy Development Co., Ltd. ("Shandong Company") (國家電投集團山東能源發展有限公司) was incorporated in The People's Republic of China (the "PRC") on 8 June 2016 as a limited liability company under the PRC Companies Law. The registered office and the principal place of incorporation of Shandong Company is Jinan, Shandong Province.

Shandong Group is principally engaged in development, construction, operation and management of power generation projects (mainly wind power plants at present) in the PRC.

Shandong Company is a wholly-owned subsidiary of State Power Investment Corporation (國家電力投資集團公司) ("SPIC"), which is a wholly state-owned enterprise established in the PRC.

The Historical Financial Information is presented in RMB, which is also the functional currency of Shandong Company.

2. APPLICATION OF NEW AND AMENDMENTS TO THE HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Shandong Group has consistently applied the HKFRSs, which are effective for the accounting period beginning on 1 January 2017 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle except for amendments to HKFRS 12[1]

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

HKFRS 16 "Leases"

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, Shandong Group has non-cancellable operating lease commitments of RMB267,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence Shandong Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16 and may result in changes in measurement, presentation and disclosure as indicated above. The director of Shandong Company anticipates that the application of HKFRS 16 does not have any significant impact to Shandong Group.

Shandong Group is in the process of making an assessment of the impact of the other new standards and amendments to standards and it is not yet in a position to state whether any substantial financial impact will be resulted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Historical Financial Information have been prepared in accordance with HKFRSs. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Shandong Group's accounting policies.

3.2 Consolidation

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which Shandong Group has control. Shandong Group controls an entity when Shandong Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to Shandong Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

Shandong Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by Shandong Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date.

Shandong Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition- date fair values, unless another measurement basis is required by HKFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Intra-group transactions, balances and unrealized gains on transactions between members of Shandong Group are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with Shandong Group's accounting policies.

(ii) Acquisition of a subsidiary not constituting a business

When Shandong Group acquires a group of assets and liabilities that do not constitute a business, Shandong Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at their respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3.3 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Shandong Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their costs less accumulated impairment losses over their estimated useful lives to their residual values, as follows:

Furniture and fixtures	5 years
Tools and other equipment	5–12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.5). Such impairment losses are recognized in profit or loss.

Gains or losses on disposals are determined by comparing the net sales proceeds with the carrying amount of the relevant assets and are recognized in profit or loss.

3.4 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery, direct labour costs and overheads and, for qualifying assets, borrowing costs capitalized in accordance with Shandong Group's accounting policy. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use.

3.5 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGUs"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.6 Financial assets

Shandong Group's financial assets are loans and receivables. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of Shandong Group's financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Shandong Group's receivables include other receivables, deposits, amounts due from related parties and deposits at banks and CPI Financial Company Limited ("CPIF").

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of Shandong Company or the counterparty.

3.7 Impairment of financial assets

Shandong Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

3.8 Other receivables

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less impairment. If collection of accounts and other receivables is expected in 1 year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

3.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and with other financial institutions and other short-term highly liquid investments with original maturities of 3 months or less.

3.10 Financial liabilities and equity

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Other payables (including construction costs payable and amounts due to related parties) are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method.

3.11 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless Shandong Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

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

3.12 Current and deferred income tax

The tax expense comprises current and deferred income tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the places where Shandong Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Shandong Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profits available against which the temporary difference can be utilized.

3.13 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which Shandong Group pays fixed contributions into a separate entity. Shandong Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the Relevant Periods.

Shandong Group contributes on a monthly basis to various defined contribution plans organized by the relevant municipal and provincial governments in the PRC based on certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and Shandong Group has no further constructive obligation for any post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

All contributions to pension plans are fully and immediately vested and Shandong Group had no unvested benefits available to reduce its future contributions.

(b) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when Shandong Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

3.14 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases (net of any incentives received from the lessor) are charged or credited to profit or loss on a straight-line basis over the period of the lease.

3.15 Income recognition

Interest income is recognized on a time-proportion basis using the effective interest method.

3.16 Dividend distribution

Dividend distribution to Shandong Company's stakeholder is recognized as a liability in the Historical Financial Information in the period in which the dividends are approved by Shandong Company's stakeholder or director as appropriate.

4. STAFF COSTS (INCLUDING DIRECTOR'S EMOLUMENTS)

	Period from 8 June to 31 December 2016	Six months ended 30 June 2017	Period from 8 June to 30 June 2016
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Wages, salaries and bonuses	37	445	—
Staff welfare	20	179	—
Pension costs			
— defined contribution plans	12	129	—
	69	753	—

5. OPERATING LOSS

	Period from 8 June to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 8 June to 30 June 2016 *RMB'000* (unaudited)
Depreciation of property, plant and equipment *(Note 11)*	33	87	—
Operating lease rental expenses in respect of buildings	86	100	—
Tax and levies on operation	604	381	—
Other operating expenses	1,740	627	—

6. FINANCE INCOME AND FINANCE COSTS

	Period from 8 June to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 8 June to 30 June 2016 *RMB'000* (unaudited)
Finance income			
Interest income from bank deposits	1	9	—
Interest income from CPIF *(Note 23(a))*	23	72	—
	24	81	—
Finance costs			
Interest expense on short-term borrowings from related parties *(Note 23(b))*	—	368	—
Less: amounts capitalized	—	—	—
	—	368	—

7. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for as Shandong Group did not have any estimated assessable profits in Hong Kong during the Relevant Periods.

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% on the estimated assessable profits throughout the Relevant Periods except as disclosed below.

The amount of income tax recognized in the consolidated statement of profit or loss and other comprehensive income represents:

	Period from 8 June to 31 December 2016	Six months ended 30 June 2017	Period from 8 June to 30 June 2016
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Current income tax for the period	—	—	—

The income tax expense on Shandong Group's loss before taxation differs from the theoretical amount that would arise using the income tax rate of the PRC as follows:

	Period from 8 June to 31 December 2016	Six months ended 30 June 2017	Period from 8 June to 30 June 2016
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Loss before taxation	(2,508)	(2,235)	—
Calculated at the PRC statutory tax rate of 25%	(627)	(559)	—
Tax effect of tax losses not recognized	627	559	—
Income tax expense	—	—	—

Under the PRC enterprise income tax Law, the Shandong Company's wind farms are expected to be entitled to a tax concession with a three-year tax exemption and a three year 50% deduction on the PRC enterprise income tax for taxable income commencing from the first year, when corresponding projects start to generate revenue.

As at 31 December 2016 and 30 June 2017, Shandong Group had unrecognized tax losses to be carried forward against future taxable profits amounted to RMB2,508,000 and RMB2,235,000, which will expire in 5 years.

8. LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

9. DIVIDENDS

No dividend was paid or declared by Shandong Company since its incorporation, nor has any dividend been proposed since the end of the Relevant Periods.

10. EMOLUMENTS FOR DIRECTOR AND FIVE HIGHEST PAID INDIVIDUALS

The director of the Shandong Company is Mr. Wang Dongwei. The director's emolument is for his services in connection with the management of the affairs of the Shandong Group. The emoluments of the director of the Shandong Company are borne by SPIC, Shandong Group's ultimate holding company. The corresponding portion attributable to Shandong Group was considered insignificant and has not been charged back to Shandong Group.

The aggregate of the emoluments in respect of the five highest paid individuals who are not a directors of Shandong Group during the Relevant Periods are as follows:

	Period from 8 June to 31 December 2016	Six months ended 30 June 2017	Period from 8 June to 30 June 2016
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Basic salaries, housing allowance, other allowances and benefits in kind	38	313	—
Discretionary bonuses	13	—	—
Employer's contribution to pension plans	10	72	—
	61	385	—

Their emoluments fell within the following bands:

	Number of individuals		
	Period from 8 June to 31 December 2016	Six months ended 30 June 2017	Period from 8 June to 30 June 2016 (unaudited)
Zero to HK$1,000,000	5	5	—

During the Relevant Periods, no emoluments have been paid by Shandong Group to the director of the Shandong Company or any of the five highest paid individuals as an inducement to join or upon joining the Shandong Group or as compensation for loss of office.

11. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures, tools and other equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost			
Date of incorporation	—	—	—
Additions	615	18,858	19,473
At 31 December 2016	615	18,858	19,473
Additions	76	25,258	25,334
Acquisition of assets through acquisition of a subsidiary *(Note 20)*	488	6,524	7,012
At 30 June 2017	1,179	50,640	51,819
Accumulated depreciation			
Date of incorporation	—	—	—
Depreciation charge for the period	33	—	33
At 31 December 2016	33	—	33
Depreciation charge for the period	87	—	87
At 30 June 2017	120	—	120
Net book value			
At 31 December 2016	582	18,858	19,440
At 30 June 2017	1,059	50,640	51,699

12. PREPAYMENTS FOR CONSTRUCTION OF POWER PLANTS

Prepayments for construction of power plants represent advance payments made to contractors in connection with the construction of Shandong Group's power plants including payments for equipment and machineries pending delivery to the relevant power plants for installation.

As at 31 December 2016 and 30 June 2017, the balance included prepayments for construction of power plants of RMB5,000,000 to Shandong Guorui New Energy Co., Ltd., a non-controlling shareholder of subsidiaries (Note 23).

13. OTHER NON-CURRENT ASSETS

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Deductible VAT	1,316	2,961

14. AMOUNT DUE FROM/TO RELATED PARTIES

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Amount due from a related party		
Amount due from a fellow subsidiary	—	60
Amounts due to related parties		
Amount due to a fellow subsidiary	—	33
Amount due to a non-controlling shareholder	150	—
	150	33

Notes:

(a) The list of major related parties that had transactions with Shandong Group and their relationships with Shandong Company is disclosed in Note 23.

(b) The amount due from a related party is within 180 days based on the invoice date.

(c) Balances with related parties are unsecured, interest free and repayable on demand.

(d) The fair values of these balances approximate their carrying amounts as the impact of discounting is not significant.

15. CASH AND CASH EQUIVALENTS

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Cash at banks and in hand	872	1,898
Deposits at CPIF	1,195	44,911
	2,067	46,809
Denominated in:		
RMB	2,067	46,809

During the Relevant Periods, Shandong Group's cash at banks and deposits at CPIF are RMB denominated, interest bearing at rates ranging from 0.3% to 1.38% per annum. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

16. REGISTERED CAPITAL

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
At the beginning of year/period	—	20,000
Contribution from SPIC	20,000	36,090
At the end of year/period	20,000	56,090

17. RESERVES OF SHANDONG COMPANY

	Accumulated losses and total *RMB'000*
Date of incorporation	—
Loss for the period	(1,765)
At 31 December 2016	(1,765)
Loss for the period	(1,751)
At 30 June 2017	(3,516)

18. BORROWINGS FROM RELATED PARTIES

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Current		
Short-term borrowings from CPIF *(note (a))*	—	20,000
Short-term borrowings from a fellow subsidiary *(note (b))*	—	30,000
	—	50,000

Notes:

(a) The short-term borrowings from CPIF as at 30 June 2017 are unsecured, interest bearing at fixed rate of 4.35% per annum and repayable within one year.

(b) The short-term borrowings from a fellow subsidiary as at 30 June 2017 are unsecured, interest bearing at fixed rate of 3.92% per annum and repayable within one year.

(c) The fair values of short-term borrowings from related parties approximate their carrying amounts as the impact of discounting is not significant.

19. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of loss before taxation to cash used in operations

	Period from 8 June to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 8 June to 30 June 2016 *RMB'000* (unaudited)
Loss before taxation	(2,508)	(2,235)	—
Finance income	(24)	(81)	—
Finance costs	—	368	—
Depreciation of property, plant and equipment	33	87	—
Operating loss before working capital changes	(2,499)	(1,861)	—
Increase in prepayments, deposits and other receivables	(21)	(667)	—
Changes in balances with related parties	150	(6,294)	—
Increase in other payables and accrued charges	35	131	—
Cash used in operations	(2,335)	(8,691)	—

(b) Analysis of changes in financing during the period

	Borrowings from related parties *RMB'000*	Non-controlling interests *RMB'000*
Date of incorporation	—	—
Contributions from a non-controlling shareholder of subsidiaries	—	9,982
Loss attributable to non-controlling interests	—	(240)
At 31 December 2016	—	9,742
Drawdown of borrowings from related parties	50,000	—
Contributions from a non-controlling shareholder of subsidiaries	—	3,713
Acquisition of assets through acquisition of a subsidiary *(Note 20)*	—	17,640
Loss attributable to non-controlling interests	—	(212)
At 30 June 2017	50,000	30,883

20. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 28 February 2017, Shandong Group acquired certain assets and liabilities through acquisition of 51% equity interest in Anqiu Hengtai New Energy Technology Co., Ltd. ("Anqiu Company") from an independent third party at a cash consideration of RMB18,360,000.

At the acquisition date, Anqiu Company was still under preliminary development stage. Therefore, the director of the Shandong Company is of the opinion that Anqiu Company does not constitute a business as defined in HKFRS 3 "Business Combination", and the acquisition was accounted for as acquisition of assets rather than business combination. Accordingly, the difference between the acquisition consideration and the carrying amounts of net assets acquired is allocated into individual identifiable assets and liabilities based on their respective fair values at the acquisition date.

The fair values of net assets acquired at acquisition date were as follows:

	RMB'000
Property, plant and equipment	7,012
Other non-current assets	161
Amounts due from related parties	60
Cash and bank balances	35,248
Construction costs payable	(318)
Other payables and accrued charges	(19)
Amounts due to related parties	(6,144)
Net assets acquired	36,000
Less: Non-controlling interests	(17,640)
Total consideration satisfied by cash	18,360
Net cash acquired arising from acquisition	
Cash consideration paid	18,360
Less: Cash and cash equivalents acquired	(35,248)
	(16,888)

21. COMMITMENTS

(a) Capital commitments

	As at 31 December 2016 *RMB'000*	**As at 30 June 2017** *RMB'000*
Contracted but not provided for in respect of		
— property, plant and equipment	1,881,160	1,824,974

(b) Commitments under operating leases

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December 2016 *RMB'000*	**As at 30 June 2017** *RMB'000*
Buildings		
— Within one year	200	200
— Between one and five years	167	67
	367	267

22. FINANCIAL RISK MANAGEMENT

22.1 Financial risk factors

Shandong Group's activities expose it to a variety of financial risks: market risks (including interest rate risks), credit risk and liquidity risk. Shandong Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Shandong Group's financial performance.

(a) Interest rate risks

Shandong Group's income and operating cash flows are substantially independent of changes in market interest rates. Shandong Group's interest-bearing assets mainly include cash at banks and deposits at CPIF, details of which have been disclosed in Note 15. Shandong Group's exposure to changes in interest rates is mainly attributable to its borrowings from related parties, details of which have been disclosed in Notes 18. Borrowings carried at fixed rates expose Shandong Group to fair value interest rate risk, details of which have been disclosed in Notes 18. The Group has not used any specific interest rate swap contracts to hedge its exposure to interest rate risk. Shandong Group has not used any specific interest rate swap contracts to hedge its exposure to interest rate risk.

(b) Credit risk

Shandong Group's credit risk primarily arises from cash at banks and deposits at CPIF (Note 15), amounts due from related parties (Note 14), and deposits and other receivables.

All of Shandong Group's cash and deposits are held in major financial institutions and at CPIF, which management believes are of high credit quality. The director of the Shandong Company does not expect any losses from non-performance by these counterparties.

Management makes periodic collective assessment as well as individual assessment on the recoverability of all receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. By reference to the historical information in collection of receivables, the director of the Shandong Company is of the opinion that no provision need to be made.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of credit facilities.

Shandong Group's primary cash requirements have been for construction of power plants, additions of property, plant and equipment, payment on related debts and payment for operating expenses. Shandong Group finances its working capital requirements through a combination of resources, including borrowings from related parties.

As at 30 June 2017, the net current liabilities of Shandong Group amounted to RMB2,978,000 (31 December 2016: net current assets: RMB1,718,000). Management monitors regularly Shandong Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of facilities to meet its working capital requirements. On August 2017, before the Historical Financial Information are authorised for issue, Shandong Group has obtained unutilized banking facilities amounting to RMB664,000,000.

The director of Shandong Company believes that the Shandong Group's current operating cash flows, the above mentioned credit facilities and borrowings from parent or related parties as needed are sufficient for financing its capital commitments in the near future and for working capital purposes.

The table below analyses Shandong Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the Relevant Periods to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows.

	Within 1 year	Between one and two years	Between two and five years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016				
Payables and accruals	220	—	—	—
Amounts due to related parties	150	—	—	—
At 30 June 2017				
Payables and accruals	502	—	—	—
Amounts due to related parties	33	—	—	—
Borrowings from related parties	51,679	—	—	—

22.2 Capital risk management

Shandong Group's objectives when managing capital are to safeguard Shandong Group's ability to continue as a going concern in order to provide returns for stakeholder and to maintain an optimal capital structure to reduce the cost of capital.

Shandong Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, Shandong Group may sell assets to reduce debt or to obtain bank and other borrowings.

Shandong Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as ''Total equity'', as shown in the consolidated statement of financial position, plus net debt.

The table below analyses Shandong Group's capital structure.

	31 December 2016	30 June 2017
	RMB'000	*RMB'000*
Borrowings from related parties *(Note 18)*	—	50,000
Less: Cash and cash equivalents *(Note 15)*	(2,067)	(46,809)
Net debt	(2,067)	3,191
Total equity	27,474	82,682
Total capital	25,407	85,873
Gearing ratio	(8%)	4%

23. RELATED PARTY TRANSACTIONS

Shandong Group is controlled by SPIC. As at 31 December 2016 and 30 June 2017, SPIC owned 100% equity interest of Shandong Company.

SPIC is controlled by the PRC government which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of Shandong Group. On that basis, related parties include SPIC, its subsidiaries, joint ventures and associates (other than Shandong Group), other government-related entities and their subsidiaries, other entities and corporations in which Shandong Company is able to control or exercise significant influence and key management personnel of Shandong Company and SPIC as well as their close family members.

For the purpose of the related party transactions disclosures, the director of the Shandong Company believes that it is also meaningful to disclose the related party transactions with SPIC companies for the interests of financial statements users. The director of the Shandong Company believes that the information of related party transactions has been adequately disclosed in these consolidated financial statements.

Major related parties that had transactions with Shandong Group were as follows:

Related parties	**Relationship with Shandong Company**
SPIC (國家電投)	Ultimate holding company
CPIF (中電投財務)	A fellow subsidiary
Shandong Ludian International Trading Co., Ltd. (山東魯電國際貿易有限公司)	A fellow subsidiary
Shandong Electric Power Engineering Consulting Institute Corp., Ltd. (山東電力工程諮詢院有限公司)	A fellow subsidiary
State Nuclear Information Technology Co., Ltd. (國核信息科技有限公司)	A fellow subsidiary
State Nuclear Electric Power Planning Design & Research Institute Co., Ltd. (國核電力規劃設計研究院有限公司)	A fellow subsidiary
Shandong Guorui New Energy Co., Ltd. (山東國瑞新能源有限公司)	A non-controlling shareholder of subsidiaries

The following is a summary of significant related party transactions which, in the opinion of the director of the Shandong Company , are entered into in the ordinary course of Shandong Group's business in addition to the related party information shown elsewhere in these consolidated financial statements. Management of Shandong Group is of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

(a) Income

	Period from 8 June to 31 December 2016	**Six months ended 30 June 2017**	**Period from 8 June to 30 June 2016**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Interest income from CPIF	23	72	—

Note: During the Relevant Periods, interest income from CPIF was interest bearing at rate ranging from 0.30% to 1.38% per annum.

(b) Expenses

	Period from 8 June to 31 December 2016	Six months ended 30 June 2017	Period from 8 June to 30 June 2016
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Interest expenses to:			
— CPIF	—	208	—
— a fellow subsidiary	—	160	—

Note: Interest expenses to CPIF and a fellow subsidiary were charged at interest rates of 3.92% to 4.35% per annum respectively.

(c) Purchases of property, plant and equipment

	Period from 8 June to 31 December 2016	Six months ended 30 June 2017	Period from 8 June to 30 June 2016
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Purchases of property, plant and equipment from:			
— fellow subsidiaries	—	12,249	—
— a non-controlling shareholder of subsidiaries	18,675	11,698	—
	18,675	23,947	—

Note: Purchases of property, plant and equipment were charged in accordance with the terms of the relevant agreements.

(d) Period-end/year-end balances with related parties

Period-end/year-end balance with related parties are disclosed in Notes 12, 14, 15 and 18.

(e) During the Relevant Periods, Shandong Group's significant transactions and balances with entities that are controlled, jointly-controlled or significantly influenced by the PRC government mainly include:

(i) bank deposits in state-owned banks and the related interest income

(ii) service fees to state-owned enterprises

The prices and terms of these transactions are set out in the relevant agreements governing these transactions or as mutually agreed.

24. INTERESTS IN SUBSIDIARIES

During the Relevant Periods and as at the date of this report, Shandong Company has direct equity interests in the following subsidiaries:

Name of subsidiary	Place the date of incorporation/ establishment	Fully paid capital/ registered capital	Equity interest attributable to the Shandong Company as at 31 December 2016	30 June 2017	the date of this report	Principal activities	Notes
Qingdao Guorui Energy Co., Ltd.	The PRC, 21 December 2015	RMB6,664,000/ RMB160,000,000	66%	66%	66%	— Development of power plant	(a)/(b)
Shandong Tianrui New Energy Co., Ltd.	The PRC, 30 October 2015	RMB23,170,000/ RMB169,100,000	70%	70%	70%	— Development of power plant	(a)/(b)
Dezhou Tianrui Wind Power Co., Ltd.	The PRC, 30 November 2015	RMB13,760,000/ RMB86,000,000	66%	66%	66%	— Development of power plant	(a)/(b)
Ningjin Guorui Power Investment New Energy Co., Ltd.	The PRC, 29 August 2016	RMB2,633,000/ RMB10,000,000	66%	66%	66%	— Development of power plant	(a)
Guorui Power Investment Pingyuan New Energy Co. Ltd.	The PRC, 23 August 2016	RMB2,484,000/ RMB10,000,000	66%	66%	66%	— Development of power plant	(a)
Shanghe Guorui Wind Power Co., Ltd.	The PRC, 19 August 2016	RMB3,231,000/ RMB10,000,000	66%	66%	66%	— Development of power plant	(a)
Qingyun Guorui Power Investment New Energy Co. Ltd.	The PRC, 01 September 2016	RMB2,256,000/ RMB10,000,000	66%	66%	66%	— Development of power plant	(a)
Anqiu Company	The PRC, 21 September 2015	RMB36,000,000/ RMB240,000,000	n/a	51%	51%	— Development of power plant	(c)
SPIC Shouguang New Energy Co., Ltd.	The PRC, 15 November 2016	Nil/RMB21,000,000	100%	100%	100%	— Development of power plant	(d)
SPIC Weifang New Energy Co., Ltd.	The PRC, 18 November 2016	Nil/RMB21,000,000	100%	100%	100%	— Development of power plant	(d)

All subsidiaries now comprising Shandong Group are limited liability companies and have adopted 31 December as their financial year end date.

None of these subsidiaries had issued any debt securities at the end of each of the reporting period during the Relevant Periods.

Notes:

(a) The statutory financial statements of the subsidiaries for year ended 31 December 2016 was prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by ShineWing Certified Public Accountants LLP.

(b) The capital of these subsidiaries registered in 2015, was paid up in 2016 after Shandong Company was incorporated.

(c) Anqiu Company was acquired by Shandong Group on 28 February 2017 (Note 20).

(d) These subsidiaries were registered in 2016 with no paid-up capital up to 30 June 2017.

(e) Material non-controlling interests

The total non-controlling interests as at 30 June 2017 were RMB30,883,000 of which RMB17,463,000 was for the non-controlling shareholders of Anqiu Company. The total comprehensive expense attributable to non-controlling interests for the six months ended 30 June 2017 is RMB212,000, of which RMB177,000 is for the non-controlling shareholders of Anqiu Company.

The non-controlling interests in respect of the rest of entities with non-controlling interests were individually not material. Set out below are the summarised financial information for Anqiu Company.

Summarised statement of financial position

	Anqiu Company 30 June 2017 *RMB'000*
Non-current assets	32,975
Current assets	2,991
Current liabilities	(328)
Net assets	35,638
Non-controlling interests of Anqiu Company (at 49%)	17,463

Summarised statement of profit or loss and other comprehensive income

	Anqiu Company Period from 28 February to 30 June 2017 *RMB'000*
Loss and total comprehensive expenses for the period	(362)
Loss and total comprehensive expenses allocated to the non-controlling shareholders of Anqiu Company	(177)

Summarised statement of cash flows

	Anqiu Company Period from 28 February to 30 June 2017 *RMB'000*
Net cash used in operating activities	(7,070)
Net cash used in investing activities	(26,000)
Net decrease in cash and cash equivalents	(33,070)
Cash and cash equivalents at 28 February 2017 *(Note 20)*	35,248
Cash and cash equivalents at 30 June	2,178

25. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Shandong Group, Shandong Company or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Relevant Periods.

G. ACCOUNTANTS' REPORT OF SHOUXIAN COMPANY

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION

Deloitte. 德勤

Introduction

We report on the historical financial information of SPIC Shouxian New Energy Development Co., Ltd. (''Shouxian Company'') set out on pages II-246 to II-258, which comprises the statements of financial position as at 31 December 2016 and 30 June 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the period from 25 May 2016 (date of incorporation) to 31 December 2016, and for the six months ended 30 June 2017 (the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages II-246 to II-258 forms an integral part of this report, which has been prepared for inclusion in the circular issued by China Power International Development Limited (the ''Company'') dated 23 October 2017 (the ''Circular'') in connection with the proposed acquisitions of the entire equity interest in the Target Companies as defined in the Circular (the ''Acquisitions'').

Director's responsibility for the Historical Financial Information

The director of Shouxian Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the Hong Kong Financial ,Reporting Standards (''HKFRSs'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA''), and for such internal control as the director of Shouxian Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the HKICPA. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the HKFRSs in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director of Shouxian Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Shouxian Company's financial position as at 31 December 2016 and 30 June 2017 and of Shouxian Company's financial performance and cash flows for the Relevant Periods in accordance with the HKFRSs.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Shouxian Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the period from 25 May 2016 (date of incorporation) to 30 June 2016 and other explanatory information (the "Stub Period Comparative Financial Information"). The director of Shouxian Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the HKFRSs. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the HKFRSs.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page II-246 have been made.

Dividends

We refer to Note 7 to the Historical Financial Information which states that no dividends have been paid by Shouxian Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 October 2017

HISTORICAL FINANCIAL INFORMATION OF SHOUXIAN COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Shouxian Company for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Period from 25 May to 31 December 2016 RMB'000	Six months ended 30 June 2017 RMB'000	Period from 25 May to 30 June 2016 RMB'000 (unaudited)
Revenue		—	—	—
Other operating expenses		(1,548)	(1,073)	—
Operating loss	4	(1,548)	(1,073)	—
Finance income		1	1	—
Loss before taxation		(1,547)	(1,072)	—
Income tax expense	5	—	—	—
Loss and total comprehensive expenses for the period		(1,547)	(1,072)	—

The notes on pages II-251 to II-258 are an integral part of the Historical Financial Information.

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2016 RMB'000	As at 30 June 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,587	1,587
		1,587	1,587
Current assets			
Prepayments		1,686	631
Cash and cash equivalents	10	480	463
		2,166	1,094
Total assets		3,753	2,681
LIABILITIES			
Total liabilities		—	—
EQUITY			
Capital and reserves attributable to owner of Shouxian Company			
Registered capital	11	5,300	5,300
Reserves	12	(1,547)	(2,619)
Total equity		3,753	2,681
Total equity and liabilities		3,753	2,681
Net current assets		2,166	1,094
Total assets less current liabilities		3,753	2,681

The notes on pages II-251 to II-258 are an integral part of the Historical Financial Information.

STATEMENT OF CHANGES IN EQUITY

	Registered capital	Accumulated losses	Total equity
	RMB'000	*RMB'000*	*RMB'000*
	(Note 11)	*(Note 12)*	
Date of incorporation	—	—	—
Loss and total comprehensive expenses for the period	—	(1,547)	(1,547)
Contributions from owner of Shouxian Company	5,300	—	5,300
At 31 December 2016	5,300	(1,547)	3,753
Loss and total comprehensive expenses for the period	—	(1,072)	(1,072)
As at 30 June 2017	5,300	(2,619)	2,681
Period from 25 May to 30 June 2016 (unaudited)			
Date of incorporation	—	—	—
Loss and total comprehensive expenses for the period	—	—	—
As at 30 June 2016 (unaudited)	—	—	—

The notes on pages II-251 to II-258 are an integral part of the Historical Financial Information.

STATEMENT OF CASH FLOWS

	Note	Period from 25 May to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 25 May to 30 June 2016 *RMB'000* (unaudited)
Cash flows from operating activities				
Cash used in operations	*13*	(3,234)	(18)	—
Cash flows from investing activities				
Payments for property, plant and equipment		(1,587)	—	—
Interest received		1	1	—
Net cash (used in)/generated from investing activities		(1,586)	1	—
Cash flows from financing activities				
Contributions from owner of Shouxian Company and net cash generated from financing activities		5,300	—	—
Net increase/(decrease) in cash and cash equivalents		480	(17)	—
Cash and cash equivalents at the beginning of year/period		—	480	—
Cash and cash equivalents at the end of year/period	*10*	480	463	—

The notes on pages II-251 to II-258 are an integral part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

SPIC Shouxian New Energy Development Co., Ltd. ("Shouxian Company") (國家電力投資集團壽縣新能源有限公司) was incorporated in The People's Republic of China (the "PRC") on 25 May 2016 as a limited liability company under the PRC Companies Law. The registered office and the principal place of incorporation of Shouxian Company is the town of Shouxian, Anhui Province.

Shouxian Company is principally engaged in development of photovoltaic power plant in the PRC.

Shouxian Company is a wholly-owned subsidiary of State Power Investment Corporation (國家電力投資集團公司) ("SPIC"), which is a wholly state-owned enterprise established in the PRC.

The Historical Financial Information is presented in RMB, which is also the functional currency of Shouxian Company.

2. APPLICATION OF NEW AND AMENDMENTS TO THE HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, Shouxian Company has consistently applied the HKFRSs, which are effective for the accounting period beginning on 1 January 2017 throughout the Relevant Periods.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the following new and amendments to HKFRSs have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle except for amendments to HKFRS 12[1]

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

HKFRS 16 "Leases"

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, Shouxian Company currently presents operating leases payments as operating cash flows. Under the HKFRS 16, leases payments in relation to lease liability will be allocated to a principal and an interest portion which will be presented as financing cash flows.

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 June 2017, Shouxian Company has non-cancellable operating lease commitments of RMB52,506,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence Shouxian Company will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16 and may result in changes in measurement, presentation and disclosure as indicated above. The director of the Shouxian Company anticipates that the application of HKFRS 16 does not have any significant impact to Shouxian Company.

Shouxian Company is in the process of making an assessment of the impact of the other new standards and amendments to standards and it is not yet in a position to state whether any substantial financial impact will be resulted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Historical Financial Information have been prepared in accordance with HKFRSs. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying Shouxian Company's accounting policies.

3.2 Construction in progress

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery, direct labour costs and overheads and, for qualifying assets, borrowing costs capitalized in accordance with Shouxian Company's accounting policy. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use.

3.3 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("CGUs"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and with other financial institutions and other short-term highly liquid investments with original maturities of 3 months or less.

3.5 Current and deferred income tax

The tax expense comprises current and deferred income tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the places where Shouxian Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

3.6 Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made or received under operating leases (net of any incentives received from the lessor) are charged or credited to profit or loss on a straight-line basis over the period of the lease.

3.7 Income recognition

Interest income is recognized on a time-proportion basis using the effective interest method.

4. OPERATING LOSS

	Period from 25 May to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 25 May to 30 June 2016 *RMB'000* (unaudited)
Auditor's remuneration *(note)*	—	—	—
Operating lease rental expenses in respect of:			
— leasehold land	1,410	1,016	—
— transportation facilities	4	40	—
Other operating expenses	134	17	—

Note: The auditor's remuneration of Shouxian Company during the Relevant Periods was borne by SPIC, Shouxian Company's ultimate holding company. The corresponding portion attributable to Shouxian Company was considered insignificant and has not been charged back to Shouxian Company.

5. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for as Shouxian Company did not have any estimated assessable profits in Hong Kong during the Relevant Periods.

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% on the estimated assessable profits throughout the Relevant Periods except as disclosed below.

The amount of income tax recognized in the statement of profit or loss and other comprehensive income represents:

	Period from 25 May to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 25 May to 30 June 2016 *RMB'000* (unaudited)
Current income tax for the period	—	—	—

The income tax expense on Shouxian Company's loss before taxation differs from the theoretical amount that would arise using the income tax rate of the PRC as follows:

	Period from 25 May to 31 December 2016 *RMB'000*	Six months ended 30 June 2017 *RMB'000*	Period from 25 May to 30 June 2016 *RMB'000* (unaudited)
Loss before taxation	(1,547)	(1,072)	—
Calculated at the PRC statutory tax rate of 25%	(387)	(268)	—
Tax effect of tax losses not recognized	387	268	—
Income tax expense	—	—	—

Under the PRC enterprise income tax Law, the Shouxian Company's photovoltaic project is expected to be entitled to a tax concession with a three-year tax exemption and a three year 50% deduction on the PRC enterprise income tax for taxable income commencing from the first year, when corresponding project start to generate revenue.

As at 31 December 2016 and 30 June 2017, Shouxian Company had unrecognized tax losses to be carried forward against future taxable profits amounting to RMB1,547,000 and RMB1,072,000, which will expire within 5 years.

6. LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

7. DIVIDENDS

No dividend was paid or declared by Shouxian Company since its incorporation, nor has any dividend been proposed since the end of the Relevant Periods.

8. DIRECTOR'S AND EMPLOYEES' EMOLUMENTS

The director of the Shouxian Company is Mr. Yan Weiping. The director's emolument is for his services in connection with the management of the affairs of the Shouxian Company. The emoluments of the director of Shouxian Company and other staff cost of Shouxian Company are all borne by SPIC. The corresponding portion attributable to Shouxian Company was considered insignificant and has not been charged back to Shouxian Company.

9. PROPERTY, PLANT AND EQUIPMENT

	As at 31 December 2016 *RMB'000*	**As at 30 June 2017** *RMB'000*
Construction in progress *(note)*	1,587	1,587

Note: As at 31 December 2016 and 30 June 2017, Shouxian Company's photovoltaic project was still under preliminary development stage.

10. CASH AND CASH EQUIVALENTS

	As at 31 December 2016 *RMB'000*	**As at 30 June 2017** *RMB'000*
Cash at banks and in hand	200	200
Deposits at CPI Financial Company Limited ("CPIF")	280	263
	480	463
Denominated in:		
RMB	480	463

During the Relevant Periods, Shouxian Company's cash at banks and deposits at CPIF are RMB denominated, interest bearing at rates ranging from 0.30% to 1.38% per annum. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

11. REGISTERED CAPITAL

	As at 31 December 2016 *RMB'000*	**As at 30 June 2017** *RMB'000*
At the beginning of period	—	5,300
Contribution from SPIC	5,300	—
At the end of period	5,300	5,300

12. RESERVES

	Accumulated losses and total *RMB'000*
Date of incorporation	—
Loss for the period	(1,547)
At 31 December 2016	(1,547)
Loss for the period	(1,072)
At 30 June 2017	(2,619)

13. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of loss before taxation to cash used in operations

	Period from 25 May to 31 December 2016 *RMB'000*	**Six months ended 30 June 2017** *RMB'000*	**Period from 25 May to 30 June 2016** *RMB'000* (unaudited)
Loss before taxation	(1,547)	(1,072)	—
Finance income	(1)	(1)	—
Operating loss before working capital changes	(1,548)	(1,073)	—
(Increase)/decrease in prepayments	(1,686)	1,055	—
Cash used in operations	(3,234)	(18)	—

14. COMMITMENTS

Commitments under operating leases

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December 2016 *RMB'000*	As at 30 June 2017 *RMB'000*
Land and buildings		
— Within one year	2,033	2,033
— Between one and five years	8,133	8,133
— Over five years	43,356	42,340
	53,522	52,506

15. FINANCIAL RISK MANAGEMENT

Financial risk factors

Shouxian Company's activities expose it to interest rate risks as well as credit risk. Shouxian Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Shouxian Company's financial performance.

(a) Interest rate risks

Shouxian Company's income and operating cash flows are substantially independent of changes in market interest rates. Shouxian Company's interest-bearing assets mainly include cash at banks and deposits at CPIF, details of which have been disclosed in Note 10. Shouxian Company has not used any specific interest rate swap contracts to hedge its exposure to interest rate risk.

(b) Credit risk

Shouxian Company's credit risk primarily arises from cash at banks and deposits at CPIF (Note 10).

All of Shouxian Company's cash and deposits are held in major financial institutions and at CPIF, which management believes are of high credit quality. The director of the Shouxian Company does not expect any losses from non-performance by these counterparties.

16. RELATED PARTY TRANSACTIONS

Shouxian Company is controlled by SPIC. As at 31 December 2016 and 30 June 2017, SPIC owned 100% equity interest of Shouxian Company.

SPIC is controlled by the PRC government which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of Shouxian Company. On that basis, related parties include SPIC, its subsidiaries, joint ventures and associates (other than Shouxian Company), other government-related entities and their subsidiaries, other entities and corporations in which Shouxian Company is able to control or exercise significant influence and key management personnel of Shouxian Company and SPIC as well as their close family members.

For the purpose of the related party transactions disclosures, the director of the Shouxian Company believes that it is also meaningful to disclose the related party transactions with SPIC companies for the interests of financial statements users. The director of the Shouxian Company believes that the information of related party transactions has been adequately disclosed in these financial statements.

Major related parties that had transactions with Shouxian Company were as follows:

Related parties	**Relationship with Shouxian Company**
SPIC (國家電投)	Ultimate holding company
CPIF (中電投財務)	A fellow subsidiary

The following is a summary of related party transactions which, in the opinion of the director of Shouxian Company, are entered into in the ordinary course of Shouxian Company's business. Management of Shouxian Company is of the opinion that meaningful information relating to related party transactions has been adequately disclosed.

(a) Income

	Period from 25 May to 31 December 2016 *RMB'000*	**Six months ended 30 June 2017** *RMB'000*	**Period from 25 May to 30 June 2016** *RMB'000* (unaudited)
Interest income from:			
— CPIF	1	1	—

Note: During the Relevant Periods, interest income from CPIF was interest bearing at rate ranging from 0.3% to 1.38% per annum.

(b) Period-end/year-end balances with related parties

Period-end/year-end balances are cash and cash equivalents deposited with CPIF, which was disclosed in Note 10.

(c) During the Relevant Periods, Shouxian Company's significant transactions and balances with entities that are controlled, jointly-controlled or significantly influenced by the PRC government mainly include:

(i) Bank deposits in state-owned banks and the related interest income

The prices and terms of these transactions are set out in the relevant agreements governing these transactions or as mutually agreed.

17. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Shouxian Company have been prepared in respect of any period subsequent to 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE FINANCIAL POSITION OF THE TARGET GROUPS

1. MANAGEMENT DISCUSSION AND ANALYSIS OF GUANGDONG COMPANY

Set out below is the management discussion and analysis on Guangdong Company for the three financial years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017. The discussion and analysis relate to the consolidated results and financial position of Guangdong Company.

The following discussion and analysis should be read in conjunction with the accountants' report set out in Appendix II-A to this circular. Qian Zhan is not one of the Target Companies. It will be disposed of from Guangdong Company to CPI Holding prior to the Completion of Acquisition I. The net loss of Qian Zhan accounted for a substantial part of the financial results in the current period (please see the sub-section headed "Qian Zhan Disposal" set out in the section headed "Letter from the Board — II. THE ACQUISITIONS — C. Information about the Target Companies — 2. Qian Zhan Disposal" in this circular).

Business review

Guangdong Company was incorporated in the PRC on 26 April 2012 and is wholly owned by SPIC. On 9 October 2017, SPIC entered into the Pre-agreement with CPI Holding, pursuant to which SPIC has conditionally agreed to sell and CPI Holding has conditionally agreed to acquire the entire equity interest in Guangdong Company and Guangxi Company at the consideration of RMB4,520,038,700 (equivalent to approximately HK$5,317,692,600), which is subject to adjustment on Completion. Guangdong Company is principally engaged in development, investment, construction, operation and management of power generation projects (mainly natural gas power, wind power and photovoltaic power plants at present). As at 30 June 2017, Guangdong Company had an attributable installed capacity of approximately 830MW in operation (among which, 780MW for natural gas power and 50MW for wind power), and an attributable installed capacity of approximately 152MW under construction (among which, 52MW is expected to commence operation by the end of 2017).

Overview of the performance of Guangdong Company in the first half year of 2017

The net loss of Qian Zhan accounted for a substantial part of the financial results of Guangdong Company in the first half of 2017. It will be disposed of prior to the Completion of Acquisition I.

Guangdong Company's principal subsidiary, Hengqin Thermal Power (橫琴熱電), suffered from the rapid increase of fuel cost and decrease of tariff revenue caused by the market's irrational short-term overreaction to the reform of the power pricing mechanism in Guangdong Province and results in a substantial decrease in profit in the first half of 2017. However, the situation has been improved since the positive developments of the market showing from the first to the third quarters of 2017. The positive changes include: (1) power suppliers have been more rational on offering tariff discount to power consumers in Guangdong Province after the unsustainable short-term overreaction. According to the data from Guangdong Provincial Electricity Trading Center, the average tariff discount shown by the spot market price as determined by the supply and demand was narrowed by 16.5% from the first quarter to the first three quarters of 2017; (2) negotiation of source price of the fuel is taking place between Hengqin Thermal Power and the major fuel supplier to further control fuel costs in the second half of 2017; and (3) Hengqin Thermal Power is regarded as an integrated intelligent energy supplier in Guangdong Province has secured entitlement to preferential income tax and value-added tax.

Revenue

For the three years ended 31 December 2014, 2015 and 2016, the revenue of Guangdong Company was RMB348,552,000, RMB2,000,241,000 and RMB2,061,306,000, respectively. For the six months ended 30 June 2016 and 2017, the revenue of Guangdong Company was RMB761,000,000 and RMB951,789,000, respectively.

The revenue of Guangdong Company was solely derived from the sales of electricity in the PRC. The increase in revenue for the year ended 31 December 2016 against 2015 was principally due to an increase in electricity sales of the Hengqin thermal power projects (橫琴熱電項目). The increase in revenue for the year ended 31 December 2015 against 2014 was principally due to the Hengqin thermal power projects and the Xunwen wind power projects (徐聞風電項目) both commenced operation in 2014. The increase in revenue for the six months ended 30 June 2017 against the six months ended 30 June 2016 was principally due to an increase in generation and electricity sales of the Hengqin thermal power projects.

Segment information

For the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017, Guangdong Company had only one single operating segment, being the sale of electricity in the PRC.

Operating costs

For the three years ended 31 December 2014, 2015 and 2016, the operating costs of Guangdong Company were RMB540,385,000, RMB1,941,705,000 and RMB1,792,677,000, respectively. For the six months ended 30 June 2016 and 30 June 2017, the operating costs of Guangdong Company were RMB660,014,000 and RMB909,680,000, respectively.

The operating costs of Guangdong Company mainly consist of fuel costs, repairs and maintenance, depreciation, staff costs, consumables, other gains and losses and other operating expenses. The decrease in operating costs for the year ended 31 December 2016 against 2015 was principally due to a decrease in fuel costs for the Hengqin thermal power projects. The increase in operating costs for the year ended 31 December 2015 against 2014 was principally due to the Hengqin thermal power projects commencing operation in November 2014. The increase in operating costs for the six months ended 30 June 2017 against the six months ended 30 June 2016 was principally due to the increase in electricity generation and higher fuel prices which resulted in an increase in fuel cost.

Operating profit/loss

For the year ended 31 December 2014 the operating loss of Guangdong Company was RMB191,407,000 and for the two years ended 31 December 2015 and 2016, the operating profit of Guangdong Company was RMB59,765,000 and RMB272,390,000, respectively. For the six months ended 30 June 2016 and 30 June 2017, the operating profit of Guangdong Company was RMB101,384,000 and RMB42,428,000, respectively.

The increase in operating profit for the year ended 31 December 2016 against 2015 was principally due to a decrease in operating costs. The increase in operating profit for the year ended 31 December 2015 against 2014 was principally due to an impairment loss on property, plant and equipment amounted to RMB141,047,000 that was provided in 2014. The decrease in operating profit for the six months ended 30 June 2017 against the six months ended 30 June 2016 was principally due to lower short-term average spot market tariff for natural gas power as a result of regional power suppliers' overreaction to the revolution of electricity pricing mechanism in Guangdong province, and cyclically higher fuel prices in first half of 2017.

Finance costs

For the three years ended 31 December 2014, 2015 and 2016, the finance costs of Guangdong Company were RMB41,121,000, RMB143,467,000 and RMB106,544,000, respectively. For the six months ended 30 June 2016 and 30 June 2017, the finance costs of Guangdong Company were RMB49,863,000 and RMB46,794,000, respectively.

The decrease in finance costs for the year ended 31 December 2016 against 2015 was principally due to a lower interest rate on borrowings. The increase in finance costs for the year ended 31 December 2015 against 2014 was principally due to the company changing from capitalization to expense recognization for interest expenses in connection with the Hengqin thermal power projects commencing operation. The decrease in finance costs for the six months ended 30 June 2017 against the six months ended 30 June 2016 was principally due to repayment of part of the loan principal.

Income tax expense

For the years ended 31 December 2014 and 2015, Guangdong Company had an income tax credit of RMB1,060,000 and RMB2,416,000, respectively. For the year ended 31 December 2016 and the six months ended 30 June 2016 and 2017, Guangdong Company had an income tax expense of RMB48,735,000, RMB11,287,000 and RMB7,736,000, respectively.

Dividend

During the year ended 31 December 2015 and the six months ended 30 June 2017, Guangdong Company declared and paid dividends of RMB7,000,000 and RMB87,000,000, respectively.

During the years ended 31 December 2014 and 2016, no dividend was paid or declared, nor has any dividend been proposed by Guangdong Company.

Material acquisitions and disposals

Except for the Group Reorganization as mentioned in Note 1 of the Historical Financial Information in the Accountant Report of Guangdong Company set out in Appendix II-A to this circular, Guangdong Company did not have other material acquisitions or disposals of subsidiaries and associated companies in the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

Liquidity and financial resources

As at 31 December 2014, cash and cash equivalents of Guangdong Company were RMB227,862,000. Current assets amounted to RMB931,687,000, current liabilities amounted to RMB2,687,554,000 and current ratio was 0.35. The financial resources of Guangdong Company were mainly derived from the company's capital, borrowings and finance leases.

As at 31 December 2015, cash and cash equivalents of Guangdong Company were RMB282,239,000. Current assets amounted to RMB833,145,000, current liabilities amounted to RMB2,670,871,000 and current ratio was 0.31. The financial resources of Guangdong Company were mainly derived from the company's capital, borrowings and finance leases.

As at 31 December 2016, cash and cash equivalents of Guangdong Company were RMB125,808,000. Current assets amounted to RMB479,216,000, current liabilities amounted to RMB1,671,259,000 and current ratio was 0.29. The financial resources of Guangdong Company were mainly derived from the company's capital, borrowings and finance leases.

As at 30 June 2017, cash and cash equivalents of Guangdong Company were RMB193,464,000. Current assets amounted to RMB594,537,000, current liabilities amounted to RMB1,924,169,000 and current ratio was 0.31. The financial resources of Guangdong Company were mainly derived from the company's capital borrowings and finance leases.

Guangdong Company has no particular seasonal pattern of borrowing. Details of the maturity profile of borrowings and available borrowing facilities are set out in Notes 29 to 31 and 38.1(d) in the accountants' report in Appendix II-A to this circular.

Debts and gearing ratio

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the total debts of Guangdong Company were RMB7,606,673,000, RMB7,622,868,000, RMB2,303,908,000 and RMB2,686,225,000, respectively. All debts and cash and cash equivalents of Guangdong Company are denominated in Renminbi.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the proportion of debts that are at fixed rate were 10%, 8%, 47% and 50%, respectively.

Guangdong Company's gearing ratio, calculated as net debt (being total debts less cash and cash equivalents) divided by total capital (being total equity plus net debt), as at 31 December 2014, 2015 and 2016 and 30 June 2017 was 74%, 72%, 69% and 74%, respectively.

Material financial investments

There were no material financial investments held by Guangdong Company during the three years ended 31 December 2014, 2015 and 2016 or the six months ended 30 June 2017.

Capital expenditure, charge on assets and contingent liabilities

For the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, Guangdong Company had total capital expenditures of RMB942,403,000, RMB273,525,000, RMB301,777,000 and RMB345,049,000, respectively. The capital expenditures consisted mainly of property plant and equipment (including projects under construction) and prepaid lease payments.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, certain bank borrowings and long-term borrowings from related parties were secured by the rights on accounts receivable of certain subsidiaries of Guangdong Company, amounted to RMB5,939,700,000, RMB6,051,700,000, RMB805,200,000 and RMB810,613,000, respectively.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, Guangdong Company did not have any material contingent liabilities.

Foreign exchange rate risks

Guangdong Company is principally operating in the Mainland China, with all transactions denominated in Renminbi. Guangdong Company is not exposed to any significant foreign exchange exposure and carried out no foreign exchange hedging activities.

Employees and remuneration policies

Guangdong Company had 266, 289, 302 and 299 employees as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively. The remuneration policy of Guangdong Company reflected prevailing market practice.

The total staff costs of Guangdong Company for the three years ended 31 December 2014, 2015 and 2016 were RMB29,791,000, RMB62,357,000 and RMB62,302,000 respectively and for the six months ended 30 June 2016 and 30 June 2017 were RMB29,407,000 and RMB32,138,000, respectively.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF GUANGXI COMPANY

Set out below is the management discussion and analysis on Guangxi Company for the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017. The discussion and analysis relate to the consolidated results and financial position of Guangxi Company.

The following discussion and analysis should be read in conjunction with the accountants' report set out in Appendix II-B to this circular.

Business review

Guangxi Company was incorporated in the PRC on 31 May 2016 and is wholly owned by SPIC. Guangxi Company is principally engaged in generation projects (mainly hydropower, wind power and photovoltaic power plants at present). As at 30 June 2017, Guangxi Company had an attributable installed capacity of approximately 1,042MW in operation (among which, 630MW for hydropower, 392MW for wind power and 20MW for photovoltaic in operation power) and an attributable installed capacity of approximately 666MW under construction.

Revenue

For the three years ended 31 December 2014, 2015 and 2016, the revenue of Guangxi Company was RMB1,031,254,000, RMB1,211,027,000 and RMB1,211,245,000, respectively. For the six months ended 30 June 2016 and 2017, the revenue of Guangxi Company was RMB610,018,000 and RMB606,653,000, respectively.

The revenue of Guangxi Company was solely derived from the sales of electricity in the PRC. The slight increase in revenue for the year ended 31 December 2016 against 2015 was principally due to the Xing'an wind power projects (興安風電項目), which had commenced operation in April 2015, being in operation for a full year in 2016. The increase in revenue for the year ended 31 December 2015 against 2014 was principally due to the Xing'an wind power projects commencing operation in April 2015 and relative higher electricity generation in 2015. The decrease in revenue for the six months ended 30 June 2017 against the six months ended 30 June 2016 was principally due to unusual decrease of incoming water to the Changzhou hydropower project (長洲水電項目) which led to a decrease in hydropower generation.

Segment information

For the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017, Guangxi Company had only one single operating segment, being the sale of electricity in the PRC.

Operating costs

For the three years ended 31 December 2014, 2015 and 2016, the operating costs of Guangxi Company were RMB571,023,000, RMB631,239,000 and RMB677,319,000, respectively. For the six months ended 30 June 2016 and 30 June 2017, the operating costs of Guangxi Company were RMB322,449,000 and RMB345,853,000, respectively.

The operating costs of Guangxi Company mainly consist of repairs and maintenance, depreciation, staff costs, consumables and other operating expenses. The increase in operating costs for the year ended 31 December 2016 against 2015 was principally due to the Xing'an wind power projects, which had commenced operation in April 2015, being operational for the entire financial year and increase in repairs and maintenance fees at the Changzhou hydropower project. The increase in operating costs for the year ended 31 December 2015 against 2014 was principally due to the Xing'an wind power projects commenced operation in

April 2015. The increase in operating costs for the six months ended 30 June 2017 against the six months ended 30 June 2016 was principally due to an increase in staff costs and maintenance fees.

Operating profit

For the three years ended 31 December 2014, 2015 and 2016, the operating profit of Guangxi Company was RMB461,564,000, RMB581,620,000 and RMB535,227,000, respectively. For the six months ended 30 June 2016 and 30 June 2017, the operating profit of Guangxi Company was RMB288,236,000 and RMB261,489,000, respectively.

The decrease in operating profit for the year ended 31 December 2016 against 2015 was principally due to an increase in operating costs, especially in staff costs and depreciation after the Xing'an wind power projects were in a full year operation in 2016. The increase in operating profit for the year ended 31 December 2015 against 2014 was principally due to an increase in revenue. The decrease in operating profit for the six months ended 30 June 2017 against the six months ended 30 June 2016 was principally due to the combined effect of an increase in operating costs and a decrease in revenue.

Finance costs

For the three years ended 31 December 2014, 2015 and 2016, the finance costs of Guangxi Company were RMB271,498,000, RMB257,771,000 and RMB196,337,000, respectively. For the six months ended 30 June 2016 and 30 June 2017, the finance costs of Guangxi Company were RMB106,967,000 and RMB91,752,000, respectively.

The decrease in finance costs for the year ended 31 December 2016 against 2015 was principally due to lower interest rates on borrowings. The decrease in finance costs for the year ended 31 December 2015 against 2014 was principally due to lower interest rates on borrowings. The decrease in finance costs for the six months ended 30 June 2017 against the six months ended 30 June 2016 was principally due to lower interest rates on borrowings and repayment of part of the loan principal.

Income tax expense

For the years ended 31 December 2014, 2015 and 2016, Guangxi Company had an income tax expense of RMB34,067,000, RMB47,393,000 and RMB45,360,000, respectively. For the six months ended 30 June 2016 and 2017, Guangxi Company had an income tax expense of RMB25,899,000 and RMB29,353,000, respectively.

Dividend

During the years ended 31 December 2014, 2015 and 2016, Guangxi Company declared and paid dividends of RMB513,420,000, RMB141,212,000 and RMB249,346,000. During the six months ended 30 June 2017, Guangxi Company did not pay any dividends.

Material acquisitions and disposals

Guangxi Company did not have any material acquisitions or disposals of subsidiaries and associated companies in the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

Liquidity and financial resources

As at 31 December 2014, cash and cash equivalents of Guangxi Company were RMB41,956,000. Current assets amounted to RMB794,007,000, current liabilities amounted to RMB1,313,523,000 and current ratio was 0.60. The financial resources of Guangxi Company were mainly derived from cash inflow from operating activities, bank borrowings and finance leases.

As at 31 December 2015, cash and cash equivalents of Guangxi Company were RMB114,743,000. Current assets amounted to RMB1,019,000,000, current liabilities amounted to RMB1,349,957,000 and current ratio was 0.75. The financial resources of Guangxi Company were mainly derived from cash inflow from operating activities, bank borrowings and finance leases.

As at 31 December 2016, cash and cash equivalents of Guangxi Company were RMB274,517,000. Current assets amounted to RMB932,625,000, current liabilities amounted to RMB851,357,000 and current ratio was 1.10. The financial resources of Guangxi Company were mainly derived from cash inflow from operating activities, bank borrowings and finance leases.

As at 30 June 2017, cash and cash equivalents of Guangxi Company were RMB42,539,000. Current assets amounted to RMB1,015,422,000, current liabilities amounted to RMB2,199,772,000 and current ratio was 0.46. The financial resources of Guangxi Company were mainly derived from cash inflow from operating activities, bank borrowings and finance leases.

Guangxi Company has no particular seasonal pattern of borrowing. Details of the maturity profile of borrowings and available borrowing facilities are set out in Notes 27 to 29 and 35.1(c) in the accountants' report in Appendix II-B to this circular.

Debts and gearing ratio

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the total debts of Guangxi Company was RMB4,952,198,000, RMB5,311,393,000, RMB5,342,929,000 and RMB5,468,272,000, respectively. All debts and cash and cash equivalents of Guangxi Company are denominated in Renminbi.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the proportion of debts that are at fixed rate were 5%, 5%, 10% and 9%, respectively.

Guangxi Company's gearing ratio, calculated as net debt (being total debts less cash and cash equivalents) divided by total capital (being total equity plus net debt), as at 31 December 2014, 2015 and 2016 and 30 June 2017 was 69%, 68%, 67% and 68%, respectively.

The provisions for inundation compensation was caused by the construction of a hydropower plant of Changzhou hydropower project to compensate local residents for their farmland inundated. The measurement of provision was based on, among other things, the latest rules and regulations as set out by the relevant local government authorities in the PRC and the expected useful live of the hydropower plant, using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the compensation, which has been assessed and confirmed by the management of Guangxi Company. As at 31 December 2014, 2015 and 2016 and 30 June 2017, the carrying amount of provision for Inundation Compensation is RMB309,128,000, RMB308,355,000, RMB307,337,000 and RMB316,195,000, respectively. For further details of provisions for the above inundation compensation please refer to Notes 4 and 31 in the accountants' report in Appendix II-B to this circular.

Material financial investments

There were no material financial investments held by Guangxi Company during the three years ended 31 December 2014, 2015 and 2016 or the six months ended 30 June 2017.

Capital expenditure, charge on assets and contingent liabilities

For the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, Guangxi Company had total capital expenditures of RMB506,671,000, RMB796,192,000, RMB505,377,000 and RMB994,029,000, respectively. The capital expenditures consisted mainly of property, plant and equipment (including projects under construction) and prepaid lease payments.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, bank borrowings of the Guangxi Group amounted to RMB4,089,500,000, RMB4,516,500,000, RMB4,349,500,000 and RMB4,170,000,000, respectively were secured by the rights on accounts receivable of certain subsidiaries of Guangxi Company.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, Guangxi Company did not have any material contingent liabilities.

Foreign exchange rate risks

Guangxi Company is principally operating in the Mainland China, with all transactions denominated in Renminbi. Guangxi Company is not exposed to any significant foreign exchange exposure and carried out no foreign exchange hedging activities.

Employees and remuneration policies

Guangxi Company had 282, 283, 350 and 368 employees as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively. The remuneration policy of Guangxi Company reflected prevailing market practice.

The total staff costs of Guangxi Company for the three years ended 31 December 2014, 2015 and 2016 were RMB32,624,000, RMB32,609,000 and RMB46,640,000 respectively and for the six months ended 30 June 2016 and 30 June 2017 were RMB14,446,000 and RMB27,687,000 respectively.

3. MANAGEMENT DISCUSSION AND ANALYSIS OF SIHUI COMPANY

Set out below is the management discussion and analysis on Sihui Company for the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2016 and 2017. The discussion and analysis relate to the results and financial position of Sihui Company.

The following discussion and analysis should be read in conjunction with the accountants' report set out in Appendix II-C to this circular.

Business review

Sihui Company was incorporated in the PRC on 14 March 2013 and is wholly owned by CPI Holding. Sihui Company is principally engaged in construction and operation of two sets of 400MW (F level) combined cooling, heat and power units using both a gas and a steam turbine at the same time, production and sales of power and heat related products, supporting construction of heating pipeline projects. As at 30 June 2017, Sihui Company had an attributable installed capacity of approximately 800MW under construction (all of which is expected to commence operation by the end of 2017).

Revenue

As the power project is still under development, for the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017, Sihui Company has not recorded any revenue.

Segment information

For the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017, Sihui Company had only one single operating segment, being the sale of electricity and heat in the PRC.

Operating costs

For the three years ended 31 December 2014, 2015 and 2016, the operating costs of Sihui Company were RMB15,409,000, RMB20,326,000 and RMB19,863,000, respectively. For the six months ended 30 June 2016 and 30 June 2017, the operating costs of Sihui Company were RMB4,969,000 and RMB7,735,000, respectively.

The operating costs of Sihui Company mainly consist of depreciation, staff costs and other operating expenses. The decrease in operating costs for the year ended 31 December 2016 against 2015 was principally due to a decrease in other operating expenses such as maintenance fees and stamp duty paid. The increase in operating costs for the year ended 31 December 2015 against 2014 was principally due to an increase in staff costs. The increase in operating costs for the six months ended 30 June 2017 against the six months ended 30 June 2016 was principally due to an increase in other operating expenses such as maintenance fees and consultancy fees.

Operating loss

For the three years ended 31 December 2014, 2015 and 2016, the operating loss of Sihui Company was RMB15,409,000, RMB20,326,000 and RMB19,863,000, respectively. For the six months ended 30 June 2016 and 30 June 2017, the operating loss of Sihui Company was RMB4,969,000 and RMB7,735,000, respectively.

The decrease in operating loss for the year ended 31 December 2016 against 2015 was due to a decrease in operating costs. The increase in operating loss for the year ended 31 December 2015 against 2014 was due to an increase in operating costs. The increase in operating loss for the six months ended 30 June 2017 against the six months ended 30 June 2016 was due to an increase in operating costs.

Finance costs

For the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, all finance costs of Sihui Company were capitalized in property, plant and equipment.

Income tax expense

For the three years ended 31 December 2014, 2015 and 2016, the income tax credit of Sihui Company was RMB3,838,000, RMB5,082,000 and RMB4,966,000, respectively. For the six months ended 30 June 2016 and 2017, the income tax credit of Sihui Company was RMB1,242,000 and RMB1,934,000, respectively.

Dividend

No dividend was paid or declared by Sihui Company since its incorporation, nor has any dividend been proposed up to 30 June 2017.

Material acquisitions and disposals

Sihui Company did not have any material acquisitions or disposals of subsidiaries and associated companies in the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017.

Liquidity and financial resources

As at 31 December 2014, cash and cash equivalents of Sihui Company were RMB10,475,000. Current assets amounted to RMB10,475,000, current liabilities amounted to RMB6,060,000 and current ratio was 1.73. The financial resources of Sihui Company were mainly derived from the company's capital.

As at 31 December 2015, cash and cash equivalents of Sihui Company were RMB1,222,000. Current assets amounted to RMB1,454,000, current liabilities amounted to RMB207,362,000 and current ratio was 0.01. The financial resources of Sihui Company were mainly derived from the company's capital and borrowings.

As at 31 December 2016, cash and cash equivalents of Sihui Company were RMB1,798,000. Current assets amounted to RMB13,056,000, current liabilities amounted to RMB303,875,000 and current ratio was 0.04. The financial resources of Sihui Company were mainly derived from the company's capital and borrowings.

As at 30 June 2017, cash and cash equivalents of Sihui Company were RMB487,000. Current assets amounted to RMB102,591,000, current liabilities amounted to RMB491,442,000 and current ratio was 0.21. The financial resources of Sihui Company were mainly derived from the company's capital and borrowings.

Sihui Company has no particular seasonal pattern of borrowing. Details of the maturity profile of borrowings and available borrowing facilities are set out in Notes 19 to 21 and 25.1(c) in the accountants' report in Appendix II-C to this circular.

Debts and gearing ratio

As at 31 December 2014, Sihui Company had no debt. As at 31 December 2015 and 2016 and 30 June 2017, the total debts of Sihui Company was RMB563,546,000, RMB1,167,630 and RMB1,652,000,000, respectively. All debts and cash and cash equivalents of Sihui Company are denominated in Renminbi.

As at 31 December 2015 and 2016 and 30 June 2017, the proportion of debts that are at fixed rate were 35%, 17% and 12%, respectively.

Sihui Company's gearing ratio, calculated as net debt (being total debts less cash and cash equivalents) divided by total capital (being total equity plus net debt), as at 31 December 2014, 2015 and 2016 and 30 June 2017 was -22%, 93%, 81% and 86%, respectively.

Material financial investments

There were no material financial investments held by Sihui Company during the three years ended 31 December 2014, 2015 and 2016 or the six months ended 30 June 2017.

Capital expenditure, charge on assets and contingent liabilities

For the three years ended 31 December 2014, 2015 and 2016 and for the six months ended 30 June 2017, Sihui Company had total capital expenditures of RMB38,214,000, RMB547,535,000, RMB869,534,000 and RMB559,057,000, respectively. The capital expenditures consisted mainly of property, plant and equipment (including projects under construction).

As at 31 December 2014, 2015 and 2016 and 30 June 2017, Sihui Company's bank borrowings and borrowings from related parties were unsecured. Sihui Company's bank borrowings and finance leases were provided with a pledge of the right of charge.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, Sihui Company did not have any material contingent liabilities.

Foreign exchange rate risks

Sihui Company is principally operating in the Mainland China, with all transactions denominated in Renminbi. Sihui Company is not exposed to any significant foreign exchange exposure and carried out no foreign exchange hedging activities.

Employees and remuneration policies

Sihui Company had 53, 83, 92 and 91 employees as at 31 December 2014, 2015 and 2016 and 30 June 2017 respectively. The remuneration policy of Sihui Company reflected prevailing market practice.

The total staff costs of Sihui Company for the three years ended 31 December 2014, 2015 and 2016 were RMB7,540,000, RMB10,821,000 and RMB11,410,000, respectively and for the six months ended 30 June 2016 and 30 June 2017 were RMB4,060,000 and RMB5,083,000, respectively.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF ANHUI COMPANY

Set out below is the management discussion and analysis on Anhui Company for the period from 11 May to 31 December 2016 and for the six months ended 30 June 2017. The discussion and analysis relate to the consolidated results and financial position of Anhui Company.

The following discussion and analysis should be read in conjunction with the accountants' report set out in Appendix II-D to this circular.

Business review

Anhui Company was incorporated in the PRC on 11 May 2016 and is wholly owned by SPIC. Anhui Company is principally engaged in development, construction, operation and management of power generation projects (mainly photovoltaic power plants at present) and power distribution networks. As at 30 June 2017, Anhui Company had an attributable installed capacity of approximately 122MW in operation (all of which is photovoltaic power) and an attributable installed capacity of approximately 76MW under construction (all of which is expected to commence operation by the end of 2017).

Revenue

For the period from 11 May to 31 December 2016 and the six months ended 30 June 2017, the revenue of Anhui Company was RMB nil and RMB3,618,000, respectively.

The revenue of Anhui Company was solely derived from the sales of electricity in the PRC. The increase in revenue for the six months ended 30 June 2017 against the year ended 31 December 2016 was principally due to the Fengyang new energy project (鳳陽新能源項目) commenced operation.

Segment information

For the period from 11 May to 31 December 2016 and for the six months ended 30 June 2017, Anhui Company had only one single operating segment, being the sale and distribution of electricity in the PRC.

Operating costs

For the period from 11 May to 31 December 2016 and for the six months ended 30 June 2017, the operating costs of Anhui Company were RMB752,000 and RMB5,251,000, respectively.

The operating costs of Anhui Company mainly consist of depreciation, staff costs and other operating expenses. The increase in operating costs for the six months ended 30 June 2017 against the period from 11 May to 31 December 2016 was principally due to costs arising from power generation as the Fengyang new energy project commenced operation in 2017.

Operating loss

For the year ended 31 December 2016 and for the six months ended 30 June 2017, the operating loss of Anhui Company was RMB752,000 and RMB1,633,000, respectively.

The increase in operating loss for the six months ended 30 June 2017 against the period from 11 May to 31 December 2016 was principally due to the increase in operating costs.

Finance costs

For the period from 11 May to 31 December 2016 and for the six months ended 30 June 2017, the finance costs of Anhui Company were RMB nil and RMB559,000, respectively.

The increase in finance costs for the six months ended 30 June 2017 against the period from 11 May to 31 December 2016 was principally due to projects commencing operation, and the interest expenses ceased to be capitalized and recognized in profit and loss.

Income tax expense

Anhui Company had no income tax expense for the period from 11 May to 31 December 2016 and for the six months ended 30 June 2017.

Total assets

As at 31 December 2016 and 30 June 2017, the total assets of Anhui Company was RMB291,968,000 and RMB1,192,517,000, respectively.

The increase in total assets from 31 December 2016 to 30 June 2017 was principally due to capital injections from SPIC into Anhui Company with an aggregate amount of RMB162,720,000, subject to capital injections registration with relevant authorities (to the extent applicable). In particular, from 1 April 2017 to 30 June 2017, SPIC injected an aggregate amount of RMB155,520,000 into Anhui Company, which is subject to consideration adjustment on Completion.

Dividend

No dividend was paid or declared by Anhui Company since its incorporation, nor has any dividend been proposed up to 30 June 2017.

Material acquisitions and disposals

Anhui Company did not have any material acquisitions or disposals of subsidiaries and associated companies in the period from 11 May to 31 December 2016 and the six months ended 30 June 2017.

Liquidity and financial resources

As at 31 December 2016, cash and cash equivalents of Anhui Company were RMB22,645,000. Current assets amounted to RMB29,496,000, current liabilities amounted to RMB76,602,000 and current ratio was 0.39. The financial resources of Anhui Company were mainly derived from the company's capital and borrowings.

As at 30 June 2017, cash and cash equivalents of Anhui Company were RMB145,210,000. Current assets amounted to RMB196,689,000, current liabilities amounted to RMB162,051,000 and current ratio was 1.21. The financial resources of Anhui Company were mainly derived from the company's capital and borrowings.

Anhui Company has no particular seasonal pattern of borrowing. Details of the maturity profile of borrowings and available borrowing facilities are set out in Notes 20, 21 and 24.1(c) in the accountants' report in Appendix II-D to this circular.

Debts and gearing ratio

As at 31 December 2016 and 30 June 2017, the total debts of Anhui Company was RMB183,308,000 and RMB838,835,000, respectively. All debts and cash and cash equivalents of Anhui Company are denominated in Renminbi.

All debts were at floating rate.

Anhui Company's gearing ratio, calculated as net debt (being total debts less cash and cash equivalents) divided by total capital (being total equity plus net debt), as at 31 December 2016 and 30 June 2017 was 83% and 78%, respectively.

Material financial investments

There were no material financial investments held by Anhui Company during the period from 11 May to 31 December 2016 or the six months ended 30 June 2017.

Capital expenditure, charges on assets and contingent liabilities

For the period from 11 May to 31 December 2016 and for the six months ended 30 June 2017, Anhui Company had total capital expenditures of RMB253,835,000 and RMB721,040,000 respectively. The capital expenditures mainly consisted of property, plant and equipment (including projects under construction).

As at 31 December 2016 and 30 June 2017, certain property, plant and equipment of Anhui Company with net book values of RMB138,308,000 and RMB592,835,000, respectively were pledged as security for the Anhui Company's borrowings from related parties.

As at 31 December 2016 and 30 June 2017, Anhui Company did not have any material contingent liabilities.

Foreign exchange rate risks

Anhui Company is principally operating in the Mainland China, with all transactions denominated in Renminbi. Anhui Company is not exposed to any significant foreign exchange exposure and carried out no foreign exchange hedging activities.

Employees and remuneration policies

Anhui Company had 33 and 33 employees as at 31 December 2016 and 30 June 2017 respectively. The remuneration policy of Anhui Company reflected prevailing market practice.

The total staff costs of Anhui Company for the year ended 31 December 2016 and for the six months ended 30 June 2017 were RMB180,000 and RMB529,000, respectively.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF HUBEI COMPANY

Set out below is the management discussion and analysis on Hubei Company for the period from 7 June to 31 December 2016 and for the six months ended 30 June 2017. The discussion and analysis relate to the consolidated results and financial position of Hubei Company.

The following discussion and analysis should be read in conjunction with the accountants' report set out in Appendix II-E to this circular.

Business review

Hubei Company was incorporated in the PRC on 7 June 2016 and is wholly owned by SPIC. Hubei Company is principally engaged in development, investment, construction, operation and management of power projects (mainly photovoltaic power and natural gas power plants at present), new energy projects and distribution networks. As at 30 June 2017, Hubei Company had an attributable installed capacity of approximately 130MW under construction (among which, 105MW is expected to commence operation by the end of 2017).

Revenue

As the power project is still under development, for the period from 7 June to 31 December 2016 and the six months ended 30 June 2017, Hubei Company has not recorded any revenue.

Segment information

For the period from 7 June to 31 December 2016 and for the six months ended 30 June 2017, Hubei Company had only one single operating segment, being the sale and distribution of electricity in the PRC.

Operating costs

For the period from 7 June to 31 December 2016 and for the six months ended 30 June 2017, the operating costs of Hubei Company were RMB161,000 and RMB2,973,000, respectively.

The operating costs of Hubei Company mainly consist of depreciation, staff costs and other operating expenses. The increase in operating costs for the six months ended 30 June 2017 against the period from 7 June to 31 December 2016 was principally due to increases in other operating expenses and staff costs.

Operating loss

For the period from 7 June to 31 December 2016 and for the six months ended 30 June 2017, the operating loss of Hubei Company was RMB161,000 and RMB2,973,000, respectively.

The increase in operating loss for the six months ended 30 June 2017 against the period from 7 June to 31 December 2016 was due to an increase in operating costs.

Finance costs

For the period from 7 June to 31 December 2016 and for the six months ended 30 June 2017, the finance costs of Hubei Company were RMB nil and RMB1,093,000, respectively.

The increase in finance costs for the six months ended 30 June 2017 against the period from 7 June to 31 December 2016 was principally due to the entering of new borrowings by Hubei Company.

Income tax expense

Hubei Company had no income tax expense for the period from 7 June to 31 December 2016 and for the six months ended 30 June 2017.

Total assets

As at 31 December 2016 and 30 June 2017, the total assets of Hubei Company was RMB20,512,000 and RMB406,588,000, respectively.

The increase in total assets from 31 December 2016 to 30 June 2017 was principally due to capital injections from SPIC into Hubei Company with an aggregate amount of RMB32,030,000, subject to the capital injections registration with respective authorities (to the extent applicable) and subject to consideration adjustment on Completion, all of which took place from 1 April 2017 to 30 June 2017.

Dividend

No dividend was paid or declared by Hubei Company since its incorporation, nor has any dividend been proposed up to 30 June 2017.

Material acquisitions and disposals

Hubei Company did not have any material acquisitions or disposals of subsidiaries and associated companies in the period from 7 June to 31 December 2016 and the six months ended 30 June 2017.

Liquidity and financial resources

As at 31 December 2016, cash and cash equivalents of Hubei Company were RMB12,760,000. Current assets amounted to RMB13,835,000, current liabilities amounted to RMB646,000 and current ratio was 21.42. The financial resources of Hubei Company were mainly derived from the company's capital.

As at 30 June 2017, cash and cash equivalents of Hubei Company were RMB136,838,000. Current assets amounted to RMB144,679,000, current liabilities amounted to RMB200,365,000 and current ratio was 0.72. The financial resources of Hubei Company were mainly derived from the company's capital and borrowings.

Hubei Company has no particular seasonal pattern of borrowing. Details of the maturity profile of borrowings and available borrowing facilities are set out in Notes 18 and 21.1(c) in the accountants' report in Appendix II-E to this circular.

Debts and gearing ratio

As at 31 December 2016, Hubei Company had no debts and as at 30 June 2017, the total debts of Hubei Company was RMB308,313,000. All debts and cash and cash equivalents of Hubei Company are denominated in Renminbi.

As at 30 June 2017, the proportion of debts that are at fixed rate was 49%.

Hubei Company's gearing ratio, calculated as net debt (being total debts less cash and cash equivalents) divided by total capital (being total equity plus net debt), as at 31 December 2016 and 30 June 2017 was -180% and 78% respectively.

Material financial investments

There were no material financial investments held by Hubei Company during the period from 7 June to 31 December 2016 or the six months ended 30 June 2017.

Capital expenditure, charge on assets and contingent liabilities

For the period from 7 June to 31 December 2016 and for the six months ended 30 June 2017, Hubei Company had total capital expenditures of RMB3,507,000 and RMB252,335,000, respectively. The capital expenditures consisted mainly of property, plant and equipment (including projects under construction).

As at 31 December 2016, Hubei Company had no borrowings from related parties. As at 30 June 2017, the long-term borrowings from a fellow subsidiary amounting to RMB158,313,000 are secured against construction in progress of Hubei Group. Such borrowings are interest bearing at rate of 4.40% per annum and wholly repayable in the year of 2027.

As at 31 December 2016 and 30 June 2017, Hubei Company did not have any material contingent liabilities.

Foreign exchange rate risks

Hubei Company is principally operating in the Mainland China, with all transactions denominated in Renminbi. Hubei Company is not exposed to any significant foreign exchange exposure and carried out no foreign exchange hedging activities.

Employees and remuneration policies

Hubei Company had 35 and 79 employees as at 31 December 2016 and 30 June 2017 respectively. The remuneration policy of Hubei Company reflected prevailing market practice.

The total staff costs of Hubei Company for the period from 7 June to 31 December 2016 and for the six months ended 30 June 2017 were RMB nil and RMB368,000, respectively.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF SHANDONG COMPANY

Set out below is the management discussion and analysis on Shandong Company for the period from 8 June to 31 December 2016 and for the six months ended 30 June 2017. The discussion and analysis relate to the consolidated results and financial position of Shandong Company.

The following discussion and analysis should be read in conjunction with the accountants' report set out in Appendix II-F to this circular.

Business review

Shandong Company was incorporated in the PRC on 8 June 2016 and is wholly owned by SPIC. Shandong Company is principally engaged in investment, power development, construction, operation and management of power generation projects (mainly wind power plants at present). As at 30 June 2017, Shandong Company had an attributable installed capacity of approximately 51MW under construction (all of which is expected to commence operation by the end of 2017).

Revenue

As the power project is still under development, for the period from 8 June to 31 December 2016 and the six months ended 30 June 2017, Shandong Company has not recorded any revenue.

Segment information

For the period from 8 June to ended 31 December 2016 and for the six months ended 30 June 2017, Shandong Company had only one single operating segment, being the sale of electricity in the PRC.

Operating costs

For the period from 8 June to 31 December 2016 and for the six months ended 30 June 2017, the operating costs of Shandong Company were RMB2,532,000 and RMB1,948,000, respectively.

The operating costs of Shandong Company mainly consist of depreciation, staff costs and other operating expenses. The decrease in operating costs for the six months ended 30 June 2017 against the period from 8 June to 31 December 2016 was due to a decrease in one-off professional service fees, despite particularly offset by an increase in staff costs.

Operating profit/loss

For the period from 8 June to 31 December 2016 and for the six months ended 30 June 2017, the operating loss of Shandong Company was RMB2,532,000 and RMB1,948,000, respectively.

The decrease in operating loss for the six months ended 30 June 2017 against the period from 8 June to 31 December 2016 was due to a decrease in operating costs.

Finance costs

For the period from 8 June to 31 December 2016 and for the six months ended 30 June 2017, the finance costs of Shandong Company were RMB nil and RMB368,000, respectively.

The increase in finance costs for the six months ended 30 June 2017 against the period from 8 June to 31 December 2016 was principally due to the entering of new borrowings by Shandong Company.

Income tax expense

Shandong Company had no income tax expense for the period from 8 June to 31 December 2016 and for the six months ended 30 June 2017.

Total assets

As at 31 December 2016 and 30 June 2017, the total assets of Shandong Company were RMB27,844,000 and RMB133,217,000, respectively.

The increase in total assets from 31 December 2016 to 30 June 2017 was principally due to capital injections from SPIC into Shandong Company with an aggregate amount of RMB36,090,000, subject to the capital injections registration with respective authorities (to the extent applicable). In particular, from 1 April 2017 to 30 June 2017, SPIC injected an aggregate amount of RMB16,090,000 into Shandong Company, which is subject to consideration adjustment on Completion.

Dividend

No dividend was paid or declared by Shandong Company since its incorporation, nor has any dividend been proposed up to 30 June 2017.

Material acquisitions and disposals

Shandong Company did not have any material acquisitions or disposals of subsidiaries and associated companies in the period from 8 June to 31 December 2016.

On 28 February 2017, Shandong Company acquired a 51% equity interest in Anqiu Hengtai New Energy Technology Co., Ltd. ("Anqiu Company") from an independent third party for a cash consideration of RMB18,360,000.

Liquidity and financial resources

As at 31 December 2016, cash and cash equivalents of Shandong Company were RMB2,067,000. Current assets amounted to RMB2,088,000, current liabilities amounted to RMB370,000 and current ratio was 5.64. The financial resource of Shandong Company was mainly derived from the company's capital.

As at 30 June 2017, cash and cash equivalents of Shandong Company were RMB46,809,000. Current assets amounted to RMB47,557,000, current liabilities amounted to RMB50,535,000 and current ratio was 0.94. The financial resources of Shandong Company were mainly derived from the company's capital and borrowings.

Shandong Company has no particular seasonal pattern of borrowing. Details of the maturity profile of borrowings and available borrowing facilities are set out in Notes 18 and 22.1(c) in the accountants' report in Appendix II-F to this circular.

Debts and gearing ratio

As at 31 December 2016, Shandong Company had no debts and as at 30 June 2017, the total debts of Shandong Company were RMB50,000,000. All debts and cash and cash equivalents of Shandong Company are denominated in Renminbi.

All debts were at fixed rate.

Shandong Company's gearing ratio, calculated as net debt (being total debts less cash and cash equivalents) divided by total capital (being total equity plus net debt), as at 31 December 2016 and 30 June 2017 was -8% and 4%, respectively.

Material financial investments

There were no material financial investments held by Shandong Company during the period from 8 June to 31 December 2016 or the six months ended 30 June 2017.

Capital expenditure, charge on assets and contingent liabilities

For the year ended 31 December 2016 and for the six months ended 30 June 2017, Shandong Company had total capital expenditures of RMB24,473,000 and RMB51,334,000, respectively. The capital expenditures consisted mainly of property, plant and equipment (including projects under construction).

As at 31 December 2016 and 30 June 2017, Shandong Company's borrowings from related parties were unsecured.

As at 31 December 2016 and 30 June 2017, Shandong Company did not have any material contingent liabilities.

Foreign exchange rate risks

Shandong Company is principally operating in the Mainland China, with all transactions denominated in Renminbi. Shandong Company is not exposed to any significant foreign exchange exposure and carried out no foreign exchange hedging activities.

Employees and remuneration policies

Shandong Company had 29 and 37 employees as at 31 December 2016 and 30 June 2017 respectively. The remuneration policy of Shandong Company reflected prevailing market practice.

The total staff costs of Shandong Company for the period from 8 June to 31 December 2016 and for the six months ended 30 June 2017 were RMB69,000 and RMB753,000, respectively.

7. MANAGEMENT DISCUSSION AND ANALYSIS OF SHOUXIAN COMPANY

Set out below is the management discussion and analysis on Shouxian Company for the period from 25 May to 31 December 2016 and for the six months ended 30 June 2017. The discussion and analysis relate to the results and financial position of Shouxian Company.

The following discussion and analysis should be read in conjunction with the accountants' report set out in Appendix II-G to this circular.

Business review

Shouxian Company was incorporated in the PRC on 25 May 2016 and is wholly owned by SPIC. Shouxian Company is principally engaged in development, construction, operation and management of power generation projects and its distribution networks (mainly photovoltaic power plants at present). As at 30 June 2017, Shouxian Company was still under early preparation stage and only had shovel ready projects.

Revenue

As the power project is still under development, for the period from 25 May to 31 December 2016 and the six months ended 30 June 2017, Shouxian Company has not recorded any revenue.

Segment information

For the period from 25 May to 31 December 2016 and for the six months ended 30 June 2017, Shouxian Company had only one single operating segment, being the sale and distribution of electricity in the PRC.

Operating costs

For the period from 25 May to 31 December 2016 and for the six months ended 30 June 2017, the operating costs of Shouxian Company were RMB1,548,000 and RMB1,073,000, respectively.

The operating costs of Shouxian Company represent other operating expenses. The decrease in operating costs for the six months ended 30 June 2017 against the period from 25 May to 31 December 2016 was principally due to a decrease in rental expenses for leasehold lands.

Operating profit/loss

For the period from 25 May to 31 December 2016 and for the six months ended 30 June 2017, the operating loss of Shouxian Company was RMB1,548,000 and RMB1,073,000, respectively.

The decrease in operating loss for the six months ended 30 June 2017 against the period from 25 May to 31 December 2016 was principally due to a decrease in operating costs.

Finance costs

Shouxian Company had no finance costs for the period from 25 May to 31 December 2016 and for the six months ended 30 June 2017.

Income tax expense

Shouxian Company had no income tax expense for the period from 25 May to 31 December 2016 and for the six months ended 30 June 2017.

Dividend

No dividend was paid or declared by Shouxian Company since its incorporation, nor has any dividend been proposed up to 30 June 2017.

Material acquisitions and disposals

Shouxian Company did not have any material acquisitions or disposals of subsidiaries and associated companies in the period from 25 May to 31 December 2016 and the six months ended 30 June 2017.

Liquidity and financial resources

As at 31 December 2016, cash and cash equivalents of Shouxian Company were RMB480,000. Current assets amounted to RMB2,166,000. Shouxian Company did not have any current liabilities. The financial resource of Shouxian Company was mainly derived from the company's capital.

As at 30 June 2017, cash and cash equivalents of Shouxian Company were RMB463,000. Current assets amounted to RMB1,094,000. Shouxian Company did not have any current liabilities. The financial resource of Shouxian Company was mainly derived from the company's capital.

Debts and gearing ratio

As at 31 December 2016 and 30 June 2017, Shouxian Company had no debts.

All cash and cash equivalents of Shouxian Company are denominated in Renminbi.

Material financial investments

There were no material financial investments held by Shouxian Company during the period from 25 May to 31 December 2016 or the six months ended 30 June 2017.

Capital expenditure, charge on assets and contingent liabilities

For the period from 25 May to 31 December 2016, Shouxian Company had total capital expenditures of RMB1,587,000. The capital expenditures consisted mainly of project under construction. For the six months ended 30 June 2017, Shouxian Company had no capital expenditures.

As at 31 December 2016 and 30 June 2017, Shouxian Company did not have any borrowings.

As at 31 December 2016 and 30 June 2017, Shouxian Company did not have any material contingent liabilities.

Foreign exchange rate risks

Shouxian Company is principally operating in the Mainland China, with all transactions denominated in Renminbi. Shouxian Company is not exposed to any significant foreign exchange exposure and carried out no foreign exchange hedging activities.

Employees and remuneration policies

Shouxian Company had no registered employees as at 31 December 2016 and 30 June 2017 respectively, as all the staff costs of Shouxian Company were all borne by SPIC, Shouxian Company's immediate holding company. The corresponding portion attributable to Shouxian Company was considered insignificant and has not been charged back to Shouxian Company.

8. FUNDING AND TREASURY POLICY OF THE TARGET COMPANIES

The Target Companies have adopted the same funding and treasury policy as SPIC to manage their financial risks with an objective to maintain a healthy liquidity level. In general, the Target Companies strive to minimise cost of funds and achieve better risk control by funds centralization and reviewing of new investments and financing activities. To manage liquidity risks, the Target Companies closely monitor their liquidity position to ensure that the capital structure can meet their funding requirements.

9. FUTURE PLANS OF THE TARGET COMPANIES FOR MATERIAL INVESTMENTS

Set forth below (i) the anticipated total capital expenditure of each of the Target Companies from second half of 2017 to the end of 2019 to complete their existing projects under construction, and (ii) of which the estimated amount to be financed by equity investment.

Target Companies	(i) The anticipated total capital expenditure of each of the Target Companies from second half of 2017 to the end of 2019 to complete their existing projects under construction#	(ii) The anticipated amount of total capital expenditure stated in column (i) that is expected to be financed by equity investment#
	RMB'000	*RMB'000*
Guangdong Company	599,190	130,710
Guangxi Company	2,741,220	548,240
Sihui Company	1,006,610	338,000
Anhui Company	728,920	124,010
Hubei Company	1,097,940	263,620
Shandong Company	797,120	133,250
Shouxian Company**	707,630	141,530
Total	7,678,630	1,679,360

\# *The basis of anticipated total capital expenditure and the portion to be financed by equity investment is total installed capacity of the projects instead of the attributable installed capacity*

** *As of 30 June 2017, Shouxian Company had a 100MW shovel ready photovoltaic power project. It is expected to begin construction in 2018 and will incur corresponding capital expenditure by then.*

10. FUTURE PROSPECTS OF THE TARGET COMPANIES

With the PRC government strongly promotes the development of clean energy, the Target Companies will focus on clean energy, especially renewable energy. According to the pipeline, the Target Companies will expand the scale of wind power and photovoltaic power rapidly and will maintain 100% proportion of clean energy.

Renewable energy projects have stable feed-in tariff structure and higher priority for power generation given by local governments in general, which would create visibility of Target Companies' earnings in the coming future.

The Acquisitions are the largest assets injection from SPIC since the sale of Wu Ling Power to the Company in 2009. Wu Ling Power, principally engaged in the development and supply of hydropower in Hunan and Guizhou, marked the beginning of the Company's involvement in clean energy sector and balancing the business risk of relying solely on coal-fired power generation. Since its incorporation into the Group, Wu Ling Power has been making significant contributions to the Group in all the past years.

The Acquisitions will further shift the Company's power generation portfolio towards a higher proportion of clean energy assets. In the future, The Company will continue to accelerate transformation and development, devote significant efforts to develop clean energy, further proceed with the development of integrated energy projects, control and slow down coal-fired investments and provide reasonable planning for capital expenditure.

The Company will seek to leverage the advantages of the Target Companies high proportion of clean energy assets. We expect that the Acquisitions will also create value for the Company and will bring good returns to the Shareholders as a whole.

Regarding the development potentials of the Target Companies, please refer to the section headed "Letter from the Board — II. THE ACQUISITIONS — B. Reasons for and Benefits of the Acquisitions" in this circular.

BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The accompanying illustrative unaudited pro forma financial information of the Enlarged Group (''Unaudited Pro Forma Financial Information'') has been prepared to illustrate the effect of the proposed acquisition of the China Power International Development Limited (the ''Company'') to acquire the entire equity interests in SPIC Guangdong Power Company Limited (''Guangdong Company'', excluding CPI Qian Zhan Gang Dian Company Limited (''Qian Zhan''), regarding which please see (I) note 3), SPIC Guangxi Power Company Limited (''Guangxi Company'') and China Power (Sihui) Cogeneration Company Limited (''Sihui Company'') (collectively as ''Target Companies I'' and the proposed acquisition referred as the ''Acquisition I'' hereinafter), and the proposed acquisition of the Company to acquire the entire equity interests in SPIC Anhui New Energy Development Co., Ltd. (''Anhui Company''), SPIC Hubeilvdong New Energy Co., Ltd. (''Hubei Company''), SPIC Shandong Energy Development Co., Ltd. (''Shandong Company'') and SPIC Shouxian New Energy Development Co., Ltd. (''Shouxian Company'') (collectively as ''Target Companies II'' and the proposed acquisition referred as the ''Acquisition II'' hereinafter) on the financial position of the Company and its subsidiaries (collectively referred as the ''Group'') as at 30 June 2017.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the directors of the Company (the ''Directors'') based upon (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 which has been extracted from the published interim report of the Company for the six months ended 30 June 2017; (ii) information about the consolidated assets and liabilities of Guangdong Company, Guangxi Company, Sihui Company, Anhui Company, Hubei Company, Shandong Company and Shouxian Company (''Target Companies'') and their respective subsidiaries (the ''Target Group'') as at 30 June 2017, which have been extracted from the accountants' reports set out in Appendices II-A to II-G to this circular respectively.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, to provide information of the Group as if the Acquisition I and Acquisition II had been completed as at 30 June 2017. As it is prepared for illustration purpose only, because of its hypothetical nature, it does not purport to give a true picture of the financial position of the Enlarged Group had the Acquisition I and Acquisition II been completed as at 30 June 2017 or at any future dates.

(I) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities As At 30 June 2017

		Pro forma adjustments													
	The Group	Guangdong Company and its subsidiaries (the "Guangdong Group"	Guangxi Company and its subsidiaries (the "Guangxi Group")	Sihui Company	Auhui Company and its subsidiaries (the "Anhui Group")	Hubei Company and its subsidiaries (the "Hubei Group")	Shandong Company and its subsidiaries (the "Shandong Group")	Shouxian Company	The Target Group						Pro forma amounts of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 2)*	*(Note 3a)*	*(Note 3b)*	*(Note 4)*	*(Note 5)*	*(Note 6)*	
ASSET															
Non-current assets															
Property, plant and equipment	72,078,477	3,583,907	7,714,205	1,868,202	720,216	250,601	51,699	1,587	14,190,417	(605,438)	–	–	–	–	85,663,456
Prepayments for construction of power plants	3,746,901	21,639	461,218	113,577	253,646	5,208	31,000	–	886,288	–	–	–	–	–	4,633,189
Prepaid lease payments	869,999	477,946	30,345	38,559	–	–	–	–	546,850	(99,437)	–	–	–	–	1,317,412
Goodwill	835,165	–	–	–	–	–	–	–	–	–	–	1,071,901	–	–	1,907,066
Interests in associates	2,653,478	–	–	–	–	–	–	–	–	–	–	–	–	–	2,653,478
Interests in joint ventures	566,699	–	14,958	–	–	–	–	–	14,958	–	–	–	–	–	581,657
Available-for-sale financial assets	4,567,645	–	–	–	–	–	–	–	–	–	–	–	–	–	4,567,645
Deferred income tax assets	312,224	17,323	20,001	17,629	–	–	–	–	54,953	–	–	–	–	–	367,177
Restricted deposits	7,205	–	–	–	–	–	–	–	–	–	–	–	–	–	7,205
Other non-current assets	515,592	44,838	152,908	–	21,966	6,100	2,961	–	228,773	(2,451)	–	–	–	–	741,914
	86,153,385	4,145,653	8,393,635	2,037,967	995,828	261,909	85,660	1,587	15,922,239	(707,326)	–	1,071,901	–	–	102,440,199
Current assets															
Inventories	499,998	94,753	16,434	–	–	–	–	–	111,187	–	–	–	–	–	611,185
Prepaid lease payments	22,686	7,967	669	812	–	–	–	–	9,448	(2,375)	–	–	–	–	29,759
Accounts receivable	2,763,264	226,173	111,677	–	15,653	–	–	–	353,503	–	–	–	–	–	3,116,767
Prepayments, deposits and other receivables	1,301,094	68,751	98,610	78,263	35,826	5,801	688	631	288,570	(3,820)	–	–	–	–	1,585,844
Amounts due from related parties	785,181	3,229	745,493	23,029	–	2,040	60	–	773,851	132,820	533,059	–	(445,347)	–	1,779,564
Tax recoverable	89,605	–	–	–	–	–	–	–	–	–	–	–	–	–	89,605
Restricted deposits	338,437	200	–	–	–	–	–	–	200	–	–	–	–	–	338,637
Cash and cash equivalents	2,547,614	193,464	42,539	487	145,210	136,838	46,809	463	565,810	(298)	–	(1,098,185)	–	–	2,014,941
	8,347,879	594,537	1,015,422	102,591	196,689	144,679	47,557	1,094	2,102,569	126,327	533,059	(1,098,185)	(445,347)	–	9,566,302
Total assets	94,501,264	4,740,190	9,409,057	2,140,558	1,192,517	406,588	133,217	2,681	18,024,808	(580,999)	533,059	(26,284)	(445,347)	–	112,006,501

		Pro forma adjustments													
	The Group RMB'000 (Unaudited) (Note 1)	Guangdong Company and its subsidiaries (the "Guangdong Group" RMB'000 (Audited) (Note 2)	Guangxi Company and its subsidiaries (the "Guangxi Group") RMB'000 (Audited) (Note 2)	Sihui Company RMB'000 (Audited) (Note 2)	Auhui Company and its subsidiaries (the "Anhui Group") RMB'000 (Audited) (Note 2)	Hubei Company and its subsidiaries (the "Hubei Group") RMB'000 (Audited) (Note 2)	Shandong Company and its subsidiaries (the "Shandong Group") RMB'000 (Audited) (Note 2)	Shouxian Company RMB'000 (Audited) (Note 2)	The Target Group RMB'000 (Audited) (Note 2)	RMB'000 (Unaudited) (Note 3a)	RMB'000 (Unaudited) (Note 3b)	RMB'000 (Unaudited) (Note 4)	RMB'000 (Unaudited) (Note 5)	RMB'000 (Unaudited) (Note 6)	Pro forma amounts of the Enlarged Group RMB'000 (Unaudited)
LIABILITIES															
Non-current liabilities															
Deferred income	98,775	147,929	–	–	–	–	–	–	147,929	–	–	–	–	–	246,704
Bank borrowings	25,552,328	1,130,480	4,333,000	489,000	243,350	–	–	–	6,195,830	(100,000)	–	–	–	–	31,648,158
Borrowings from related parties	4,662,311	62,093	–	–	592,835	158,313	–	–	813,241	–	–	–	–	–	5,475,552
Other borrowings	998,974	–	–	889,000	–	–	–	–	889,000	–	–	–	–	–	1,887,974
Obligations under finance leases	587,191	581,975		–	–	–	–	–	581,975	–	–	–	–	–	1,169,166
Deferred income tax liabilities	1,743,392	–	–	–	–	–	–	–	–	–	–	–	–	–	1,743,392
Provisions for other long-term liabilities	1,057,402	–	298,485	–	–	–	–	–	298,485	–	–	–	–	–	1,355,887
	34,700,373	1,922,477	4,631,485	1,378,000	836,185	158,313	–	–	8,926,460	(100,000)	–	–	–	–	43,526,833
Current liabilities															
Accounts and bills payables	776,087	51,808	–	–	–	–	–	–	51,808	–	–	–	–	–	827,895
Construction costs payable	3,048,279	249,275	892,370	209,636	157,677	48,493	317	–	1,557,768	(9,128)	–	–	–	–	4,596,919
Other payables and accrued charges	1,510,577	93,631	111,609	3,401	1,724	1,562	185	–	212,112	(179)	–	–	–	22,000	1,744,510
Amounts due to related parties	1,122,508	608,216	53,779	4,405	–	310	33	–	666,743	(3,557)	–	4,049,746	(445,347)	–	5,390,093
Bank borrowings	12,993,569	843,520	645,000	–	2,650	–	–	–	1,491,170	(15,000)	–	–	–	–	14,469,739
Borrowings from related parties	2,278,200	36,480	400,000	200,000	–	150,000	50,000	–	836,480	–	–	–	–	–	3,114,680
Other borrowings	3,537,789	–	90,272	74,000	–	–	–	–	164,272	–	–	–	–	–	3,702,061
Current portion of obligations under finance leases	388,272	31,677	–	–	–	–	–	–	31,677	–	–	–	–	–	419,949
Tax payable	185,406	9,562	6,742	–	–	–	–	–	16,304	–	–	–	–	–	201,710
	25,840,687	1,924,169	2,199,772	491,442	162,051	200,365	50,535	–	5,028,334	(27,864)	–	4,049,746	(445,347)	22,000	34,467,556
Total liabilities	60,541,060	3,846,646	6,831,257	1,869,442	998,236	358,678	50,535	–	13,954,794	(127,864)	–	4,049,746	(445,347)	22,000	77,994,389
NET ASSETS	33,960,204	893,544	2,577,800	271,116	194,281	47,910	82,682	2,681	4,070,014	(453,135)	533,059	(4,076,030)	–	(22,000)	34,012,112
Less: Non-controlling interests	(7,458,522)	(20,276)	(21,769)	–	(980)	–	(30,883)	–	(73,908)	–	–	–	–	–	(7,532,430)
	26,501,682	873,268	2,556,031	271,116	193,301	47,910	51,799	2,681	3,996,106	(453,135)	533,059	(4,076,030)	–	(22,000)	26,479,682

(II) Notes to Unaudited Pro Forma Financial Information

1. The assets and liabilities of the Group are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017 as set out in the published interim report of the Company for the six months ended 30 June 2017.

2. The assets and liabilities of Guangdong Group, Guangxi Group, Sihui Company, Anhui Group, Hubei Group, Shangdong Group and Shouxian Company are extracted from the accountants' reports as set out in Appendices II-A to II-G to this circular, respectively. The assets and liabilities of the Target Group are the summation of the assets and liabilities of Guangdong Group, Guangxi Group, Sihui Company, Anhui Group, Hubei Group, Shangdong Group and Shouxian Company.

3(a). On 9 October 2017, State Power Investment Corporation ("SPIC"), the ultimate controlling company of the Company, entered into the Pre-agreement (as defined in this circular) with China Power International Holding Limited ("CPI Holding", a wholly-owned subsidiary of SPIC and the intermediate holding company of the Company), pursuant to which SPIC has conditionally agreed to sell and CPI Holding has conditionally agreed to acquire the entire equity interest in Guangdong Company.

On the same day, Guangdong Company entered into the Qian Zhan Agreement with CPI Holding, pursuant to which Guangdong Company has conditionally agreed to sell and CPI Holding has conditionally agreed to acquire the entire equity interest in Qian Zhan, a wholly-owned subsidiary of Guangdong Company.

Pursuant to the Qian Zhan Agreement, Guangdong Company shall dispose of its entire equity interest in Qian Zhan at a cash consideration of approximately RMB533 million.

The adjustment represents the assets and liabilities of Qian Zhan as at 30 June 2017 which extracted from the management account as if the disposal had been completed on 30 June 2017 and the consideration of approximately RMB533 million was presented as amounts due from related parties as the consideration will be paid by CPI Holding within three calendar months after the disposal completed according to the Qian Zhan Agreement, for the purpose of the Unaudited Pro Forma Financial Information.

As Qian Zhan will become a subsidiary of CPI Holding, and therefore will be accounted for as a fellow subsidiary of the Group, the amounts due from Qian Zhan to Guangdong Company of approximately RMB133 million with interest of 4.35% and an amount due from a subsidiary of Guangdong Company to Qian Zhan of approximately RMB2 million as at 30 June 2017, are reclassified as amounts due from related parties and amounts due to related parties, respectively, for the purpose of the Unaudited Pro Forma Financial Information.

3(b). The adjustment represents the consideration receivable due from CPI Holding of approximately RMB533 million as mentioned above in 3(a).

4. The pro forma adjustment represents the effect of considerations on Acquisition I and Acquisition II.

Pursuant to Agreement I and Agreement II (as defined in this circular), the aggregate cash consideration for Acquisition I and Acquisition II is approximately RMB4,969 million (the consideration of Acquisition I and Acquisition II being approximately RMB4,852 million and RMB117 million, which is being determined by reference to the net assets value of the Target Companies I and their respective subsidiaries (collectively as "Target Group I") and Target Companies II and their respective subsidiaries (collectively as "Target Group II") as at 31 March 2017, respectively), which is subject to be adjusted to the change in net asset value of each of the Target Group I and Target Group II by reference to the completion audited reports to be produced with 30 business days of the acquisition completion of each of the Target Companies.

For the purpose of the Unaudited Pro Forma Financial Information, the consideration of the Acquisition II is adjusted from RMB117 million to RMB296 million by reference to the net assets value of Target Group II as at 30 June 2017 to reflect the change of net asset values between 1 April 2017 to 30 June 2017, principally due to the capital injection from SPIC to those Target Companies II with the management assumed that the net asset value of Target Group I and Target Group II as at the date of acquisition completion and 30 June 2017 would not be significantly deviated. Accordingly, the aggregate consideration is adjusted and assumed to be approximately RMB5,148 million and is to be satisfied by the way of cash payment. On this basis, cash outflow of approximately RMB1,098 million, being the ending balance of cash and cash equivalent of the Company as at 30 June 2017, and consideration payable of approximately RMB4,050 million, are recognized in the unaudited pro forma consolidated statements of assets and liabilities. The Directors consider to fund the consideration payable by way of right issues to existing shareholders of the company and other internal resources.

For the purpose of the Unaudited Pro Forma Financial Information, it is assumed the pro forma fair value of the Target Group's identifiable assets and liabilities approximate their respective carrying amounts as at 30 June 2017. Upon the Completion of Acquisition I and Acquisition II, the fair values of the identifiable assets and liabilities of the Target Groups will have to be reassessed. The fair values of the identifiable assets and liabilities of the Target Groups at the date of Completion (as defined in this circular) of Acquisition I and Acquisition II may be different from the pro forma fair value of the identifiable assets and liabilities used in the preparation of the Unaudited Pro Forma Financial Information. Accordingly, the final amount of the identifiable assets and liabilities, as well as goodwill arising from the Acquisitions at the date of Completion may be different from the amounts stated herein.

The pro forma provisional goodwill is calculated being the difference between the consideration of approximately RMB5,148 million and the carrying amounts of identifiable net assets less non-controlling interests of Target Group (excluding Qian Zhan) of approximately RMB4,076 million.

For the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Group's management has performed an impairment assessment on the provisional goodwill arising from the Acquisitions in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") and concluded that there would have been no impairment of the goodwill if the Acquisitions had been completed on 30 June 2017 for the purpose of unaudited pro forma consolidated statement of assets and liabilities.

The recoverable amount under impairment assessment was derived based on the value-in-use calculations. That calculations used cash flows projections based on financial budgets as approved by management of the Target Groups covering five-year period, assuming that (i) there are no material adverse changes in the fair values of the assets and liabilities of the Target Groups; and (ii) the identifiable assets and liabilities can be realized at their carrying amounts. For cash flows beyond the five-year period by extrapolating the projection to that of the fifth year at zero growth rate based on the then production capacity, taking into account of the expected remaining useful lives of the relevant assets of the Target Groups. However, should there be any adverse changes to the business of the Target Groups, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognized against provisional goodwill in accordance with HKAS 36 and the Group's accounting policies.

The Directors confirmed that they will adopt consistent approach to assess impairment of goodwill in subsequent reporting periods in accordance with the requirements of HKAS 36 and will disclose in the Group's annual report the basis and assumptions adopted by the Directors in the impairment assessment in accordance with the disclosure requirements in HKAS 36.

5. This adjustment represents elimination of inter-company balance between Guangdong Group and Guangxi Group as at 30 June 2017.

6. This adjustment represents the effect of estimated transaction costs of approximately RMB22 million (equivalent to approximately HK$26 million) be incurred for the Acquisition I and Acquisition II, including but not limited to legal and professional fees, directly attributable to the Acquisition I and Acquisition II estimated by the Directors of the Company.

7. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2017.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose of incorporation in this circular.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Power International Development Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Power International Development Limited (the ''Company'') and its subsidiaries (hereinafter collectively referred to as the ''Group'') by the directors of the Company (the ''Directors'') for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2017 and related notes as set out on pages IV-1 to IV-6 of the circular issued by the Company dated 23 October 2017 (the ''Circular''). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page IV-1 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed acquisitions of 100% equity interest of the Target Companies (excluding Qian Zhan) by the Company on the Group's financial position as at 30 June 2017 as if the transaction had taken place at 30 June 2017. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017, on which a review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'') and with reference to Accounting Guideline 7 ''Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars'' (''AG 7'') issued by the Hong Kong Institute of Certified Public Accountants (the ''HKICPA'').

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 23 October 2017

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Directors' Interests in securities

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO which will have 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 they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name	Capacity	Name of company in which interests are held	Date of grant	Number of underlying shares interested under physically settled equity derivatives[1]	Percentage of issued share capital of the Company *(%)*	Long/Short position
GUAN Qihong	Beneficial owner	the Company	2 July 2008	400,000	0.0054	Long

Notes:

(1) The interests of the above Director in the underlying shares of the Company represent the share options granted to them under the Share Option Scheme by the Company.

(2) Except for interests held under equity derivatives disclosed above, none of the above Director has interests in any securities of the Company.

(ii) Substantial shareholders' interests in securities

As at the Latest Practicable Date, save as disclosed below, no person, not being a Director nor chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company which should fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of interests kept under Section 336 of the SFO.

Name	Capacity	Number of shares in which interested other than under equity derivatives[3]	Percentage of issued share capital of the Company *(%)*	Long/Short position
CPDL	Beneficial owner	1,996,500,000	27.14	Long
CPI Holding[1]	Interest of a controlled corporation	1,996,500,000	27.14	Long
	Beneficial owner	2,093,638,546	28.47	Long
SPIC[2]	Interest of a controlled corporation	4,090,138,546	55.61	Long

Notes:

(1) CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in the shares of the Company owned by CPDL for the purposes of the SFO.

(2) SPIC is the beneficial owner of CPI Holding and therefore SPIC is deemed to be interested in the shares of the Company owned by CPI Holding for the purposes of the SFO.

(3) SPIC, CPI Holding and CPDL do not have any interest in the equity derivatives of the Company.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Enlarged Group which was not determinable by the employing company within one year without payment of compensation other than statutory compensation.

4. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, save as disclosed below, none of the Directors and their associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

Name of the Director	Position(s) within the Company	Other Interests
YU Bing	Chairman and Executive Director	Chairman and director of CPI Holding and director of CPDL
TIAN Jun	Executive Director and President	Director and general manager of CPI Holding
GUAN Qihong	Non-executive Director	Chief capital market officer of the Strategic Planning Department of SPIC and director of CPI Holding
WANG Xianchun	Non-executive Director	Special duty director and supervisor of SPIC and director of CPI Holding

Save as disclosed above, none of the Directors or proposed Directors holding any position as a director or employee of CPDL, CPI Holding or SPIC.

5. DIRECTOR'S INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group since 31 December 2016, being the date to which the latest published audited financial statements of the Group were made up or subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Enlarged Group.

6. EXPERTS AND CONSENTS

The following are the qualifications of the professional adviser who has given opinions or advice contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
Gram Capital Limited	a licensed corporation to carry on type 6 (advising on corporate finance) regulated activities under the SFO

Deloitte Touche Tohmatsu and Gram Capital Limited had given and had not withdrawn their written consents to the issue of this circular with the inclusions of their statements, letters, reports and opinion (as the case may be) as set out in this circular and references to their name in the form and context in which it is included.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu and Gram Capital Limited were not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, none of the experts set out above had any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Company were made up.

The letter from Gram Capital Limited dated 23 October 2017 is given on pages 34 to 64 for incorporation herein.

The accountants' report on the Target Companies dated 23 October 2017 are set out in Appendix II hereto.

The accountants' report on the unaudited pro forma financial information of the Enlarged Group dated 23 October 2017 is set out in Appendix IV hereto.

7. KEY ASSUMPTIONS OF ASSET APPRAISAL REPORT I AND ASSETS APPRAISAL REPORTS II

Key assumptions of Asset Appraisal Reports I

The general assumptions of the Asset Appraisal Reports I include, among others:

(i) relevant fundamental and financial materials provided by the subject entities and their related parties are accurate, valid and complete;

(ii) there will be no foreseeable material change in the political, economic and social environment of the countries and regions where the subject entities are located after the base date of the asset appraisal;

(iii) there will be no material change in the macro-economic policies, industrial policies and regional development policies after the base date of asset appraisal;

(iv) the subject entities will fully comply with all applicable laws and regulations;

(v) there will be no foreseeable factors that may cease the subject entities from operating on a going concern basis;

(vi) there will be no change in use of assets in the subject entities and such assets will be used in situ;

(vii) the accounting policies adopted by the subject entities and the accounting policies used to prepare this appraisal report are consistent in material aspects after the base date of asset appraisal;

(viii) there will be no material change in the interest rates, exchange rates, tax benchmarks and tax rates and regulatory fees and levies relevant to the subject entities after the asset appraisal base date;

(ix) the management of the subject entities are responsible, stable and capable of fulfilling their duties after the asset appraisal base date;

(x) the business scope and operation model of the subject entities adopted on the basis of existing management approach are consistent;

(xi) the cash inflow and cash outflow of the subject entities are on an average basis after the base date of asset appraisal; and

(xii) there will be no force majeure event that may have material adverse impact on the subject entities after the base date of asset appraisal.

The special assumptions for the respective Asset Appraisal Reports I include, among others:

For Guangdong Company and Guangxi Company:

I. all the factors that might have adverse impact on the asset replacement cost when performing asset appraisal by using asset-based approach will remain the same and would not have material changes in coming years:

(i) electricity sales price (including technology types of gas, wind, solar and hydro-power) based on the approved tariff document;

(ii) renewable energy tariff subsidy;

(iii) natural gas price and its transportation cost;

(iv) sales price of cooling supply and related products;

(v) sales price of heating supply and related products;

(vi) income tax incentives and VAT refund policies;

II. there will be no material change of business profile and operating model of Guangdong Company and Guangxi Company; and

III. all the power plants under construction or being shovel ready will be brought into operation as scheduled, and could achieve the same operating efficiency as concluded in their feasibility studies.

For Sihui Company:

(i) there will be no material change in Sihui Company's accounting arrangements;

(ii) the competitive landscape of products and services provided by the entities will not change materially;

(iii) base tariff is RMB0.745/kWh (tax inclusive), which is based on the pricing guidance document issued by Guangdong Provincial Development and Reform Commission;

(iv) bilateral negotiated terms including electricity sales price and power generation in the power purchase agreement would not change in the coming years;

(v) natural gas price is RMB2.18 (tax inclusive) per square meter, which is based on the regulatory document [2015] 696 issued by the Guangdong Provincial Development and Reform Commission, and would not change in the coming years;

(vi) natural gas transportation cost is RMB0.25 per square meter, which is based on the signed contracts, and would not change in the coming years; and

(vii) the power plant under construction can be brought into operation as scheduled.

Key Assumptions of Asset Appraisal Reports II

The general assumptions of the Asset Appraisal Reports II include, among others:

(i) relevant fundamental and financial materials provided by the subject entities and their related parties are accurate, valid and complete;

(ii) there will be no foreseeable material change in the political, economic and social environment of the countries and regions where the subject entities are located after the base date of asset appraisal;

(iii) there will be no material change in the macro-economic policies, industrial policies and regional development policies after the base date of asset appraisal;

(iv) the subject entities will fully comply with all applicable laws and regulations;

(v) there will be no foreseeable factors that may cease the subject entities from operating on a going concern basis;

(vi) there will be no change in use of assets in the subject entities and such assets will be used in situ;

(vii) it is not taken into account of any mortgage or collateral agreements of the subject entities and related assets in the appraisal, unless otherwise specified; and

(viii) it is not taken into account of any material change in national macroeconomic policies and effect from force majeure in the appraisal, unless otherwise specified.

The special assumptions of the Asset Appraisal Reports II include, among others:

For Auhui Company:

(i) all photovoltaic power generation projects under Anhui Company will be connected to the grid for power generation as expected by the relevant subject entities.

For Shouxian Company:

(i) the photovoltaic power generation project with capacity of 100MW in Taodian Township will be connected to the grid for power generation as scheduled in July 2018.

8. INTERESTS IN ASSETS

As at the Latest Practicable Date, (i) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group; and (ii) none of the Directors or expert named in paragraph 6 of this Appendix had any direct or indirect interest in any assets which had been, since 31 December 2016 (being the date of which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, the date to which the latest published audited financial statements of the Group were made up.

10. LITIGATION

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

11. MISCELLANEOUS

(a) The company secretary of the Company is Ms. CHEUNG Siu Lan, who is a fellow member of The Hong Kong Institute of Chartered Secretaries, The Institute of Chartered Secretaries and Administrators in the United Kingdom, Hong Kong Institute of Certified Public Accountants and CPA Australia.

(b) The registered office of the Company is 6301, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

(c) Computershare Hong Kong Investor Services Limited, the share registrar of the Company, is located at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) This circular has been prepared in both English and Chinese. In the case of inconsistency, the English text of this circular will prevail over the Chinese text.

12. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are, or may be, material:

(a) Agreement I;

(b) Agreement II;

(c) the cooperative framework agreement dated 2 March 2016 entered into between Three Gorges Capital Holdings Co., Ltd.* (三峽資本控股有限責任公司) and the Company as joint purchasers and Sichuan Hydropower Investment & Management Group Co., Ltd.* (四川省水電投資經營集團有限公司) ("Sichuan Hydropower"), pursuant to which each of the joint purchasers intended to subscribe for share capital of Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司) ("Sichuan Energy Investment"), a subsidiary of Sichuan Hydropower, at a consideration not exceeding RMB200,000,000 respectively, representing 12.71% equity interest of Sichuan Energy Investment; and

(d) the share transfer agreement dated 28 December 2015 entered into between the Company as transferee and Henan Shen Huo Coal Industry and Electricity Power Co., Ltd.* (河南神火煤電股份有限公司) as transferor in relation to the purchase of the entire equity interest in China Power (Shang Qiu) Cogeneration Company, Limited* (商丘民生熱電有限公司 (now renamed to 中電(商丘)熱電有限公司)) for a total consideration of RMB114,629,496.51.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong during normal business hours (Saturdays and public holidays excepted) from the date of this circular until 8 November 2017 (both dates inclusive):

(a) the articles of association of the Company;

(b) the written consents of Deloitte Touche Tohmatsu and Gram Capital Limited;

(c) the letter dated 23 October 2017 from Gram Capital Limited, the text of which is set out in this circular;

(d) the letter dated 23 October 2017 from the Independent Board Committee, the text of which is set out in this circular;

(e) all material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;

(f) the accountants' reports on the Target Companies, the text of which is set out in Appendix II;

(g) the accountants' report on the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV;

(h) the Asset Appraisal Reports I prepared by China Alliance in respect of Anhui Company, Hubei Company, Shandong Company and Shouxian Company;

(i) the Asset Appraisal Reports II prepared by China Enterprise in respect of Guangdong Company, Guangxi Company and Sihui Company;

(j) the annual reports of the Company for each of the years ended 31 December 2014, 2015 and 2016;

(k) the interim report of the Company for the six months ended 30 June 2017;

(l) all circulars issued by the Company pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules, which have been issued since 31 December 2016; and

(m) this circular.

China Power International Development Limited
中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 2380)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Power International Development Limited (the "**Company**") will be held at Ballroom, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong on Wednesday, 8 November 2017 at 11:00 a.m. (the "**Extraordinary General Meeting**"), for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

a. the conditional share sale and purchase agreement ("**Agreement I**") dated 9 October 2017 between China Power International Holding Limited ("**CPI Holding**"), a wholly-owned subsidiary of State Power Investment Corporation* (國家電力投資集團公司) (the ultimate controlling shareholder of the Company and a wholly state-owned enterprise formerly known as China Power Investment Corporation* (中國電力投資集團公司)) ("**SPIC**"), and the Company, pursuant to which the Company has conditionally agreed to acquire and CPI Holding has conditionally agreed to sell SPIC Guangdong Power Company Limited* (國家電投集團廣東電力有限公司) (excluding CPI Qian Zhan Gang Dian Company Limited* (中電投前詹港電有限公司)), SPIC Guangxi Power Company Limited* (國家電投集團廣西電力有限公司), and China Power (Sihui) Cogeneration Company Limited* (中電(四會)熱電有限責任公司) at an aggregate consideration of RMB4,852,240,000 (equivalent to approximately HK$5,708,517,600), which is subject to adjustment on completion, a copy of which has been produced to the meeting marked "A" and has been initialled by the chairman of this meeting for the purpose of identification, and all the transactions contemplated thereunder, be and are hereby generally and unconditionally approved, confirmed and ratified;

b. the conditional share sale and purchase agreement ("**Agreement II**") dated 9 October 2017 between SPIC and the Company and any amendments thereto, pursuant to which the Company has conditionally agreed to acquire and SPIC has conditionally agreed to sell SPIC Anhui New Energy Development Co., Ltd.* (國家電力投資集團安徽新能源有限公司), SPIC Hubeilvdong New Energy Co., Ltd.* (國家電投集團湖北綠動新能源有限公司), SPIC Shandong Energy Development Co., Ltd.* (國家電投集團山東能源發展有限公司), and SPIC Shouxian New Energy Development Co., Ltd* (國家電力投資集團壽縣新能源有限公司) at an aggregate consideration of RMB117,081,000 (equivalent to approximately HK$137,742,400), which is subject to adjustment on completion, a copy of which has been produced to the meeting marked "B" and has been initialled by the chairman of this meeting for the purpose of identification, and all the transactions contemplated thereunder, be and are hereby generally and unconditionally approved, confirmed and ratified; and

c. any director(s) of the Company be and is/are hereby authorized to enter into any agreement, deed or instrument and/or to execute and deliver all such documents and/or do all such acts on behalf of the Company as he/she may consider necessary, desirable or expedient for the purpose of, or in connection with (i) the implementation and completion of Agreement I and Agreement II and transactions contemplated thereunder and (ii) any amendment, variation or modification of Agreement I and Agreement II and the transactions contemplated thereunder."

* *English or Chinese translation, as the case may be, is for identification only*

By Order of the Board
China Power International Development Limited
Yu Bing
Chairman

Hong Kong, 23 October 2017

Registered Office:
Suite 6301, 63/F.
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. To be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority must be deposited at the share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjourned meeting thereof (as the case may be).

3. The register of members of the Company will be closed from Friday, 3 November 2017 to Wednesday, 8 November 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to **qualify to attend and vote at the Extraordinary General Meeting**, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 2 November 2017.

4. In the event that a gale warning (tropical cyclone no. 8 or above) or black rainstorm warning is in effect at any time between 9:00 a.m. and 11:00 a.m. on the day of the above meeting, the above meeting will be automatically postponed to a later date. In this event, the Company will, as soon as practicable, post an announcement on its website and on the website of the Stock Exchange to notify the shareholders of the Company that the above meeting has been postponed (however, a failure to post such a notice shall not affect the automatic postponement of such meeting). The shareholders of the Company may also telephone the Company's hotline on (852) 2862 8688 to enquire whether the meeting has been cancelled. When the date,

time and location of the rescheduled meeting has been fixed, the Company will post a further announcement on its website and on the website of the Stock Exchange to notify the shareholders of the Company of the date, time and location of the rescheduled meeting. At least seven clear days' notice shall be given of the rescheduled meeting. The shareholders of the Company should in any event exercise due care and caution when deciding to attend the above meeting in adverse weather conditions.

5. As required by the Listing Rules, the vote will be taken by poll. The chairman of the above meeting will demand a poll on the resolution set out in the notice of the above meeting in accordance with the articles of association of the Company.

6. As at the date of this notice, the directors of the Company are: executive directors Mr. Yu Bing and Mr. Tian Jun, non-executive directors Mr. Guan Qihong and Mr. Wang Xianchun, and independent non-executive directors Mr. Kwong Che Keung, Gordon, Mr. Li Fang and Mr. Yau Ka Chi.

Please note that refreshments will not be served at the Extraordinary General Meeting.