北控清潔能源集團有限公司
Beijing Enterprises Clean Energy Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 01250

Annual Report
2016

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Xiaoyong *(Chairman)*
Mr. Shi Xiaobei
Mr. Huang Weihua *(Chief Executive Officer)*
(appointed on 23 January 2017)
Mr. Wang Ye
Mr. Wen Hui (appointed on 23 January 2017)

Independent Non-executive Directors

Mr. Li Fujun (appointed on 29 July 2016)
Mr. Xu Honghua
Mr. Chiu Kung Chik (appointed on 29 July 2016)

AUDIT COMMITTEE

Mr. Li Fujun *(Chairman)* (appointed on 29 July 2016)
Mr. Xu Honghua
Mr. Chiu Kung Chik (appointed on 29 July 2016)

NOMINATION COMMITTEE

Mr. Hu Xiaoyong *(Chairman)*
Mr. Li Fujun (appointed on 29 July 2016)
Mr. Xu Honghua

REMUNERATION COMMITTEE

Mr. Chiu Kung Chik *(Chairman)* (appointed on 29 July 2016)
Mr. Shi Xiaobei
Mr. Xu Honghua

COMPANY SECRETARY

Mr. Liu Kin Wai (appointed on 20 September 2016)

STOCK CODE

1250

WEBSITE

www.bece.com.hk

INVESTOR RELATIONS CONTACT

Email Address: ir@bece.com.hk

REGISTERED OFFICE

PO Box 1350
Clifton House, 75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 6706-07
67th Floor, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT OFFICE

Estera Trust (Cayman) Limited
PO Box 1350
Clifton House, 75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

In Hong Kong:
CIMB Bank Berhad
DBS Bank Ltd., Hong Kong Branch
Wing Lung Bank, Limited

In Mainland China:
Bank of China
China Citic Bank
China Construction Bank
The Industrial and Commercial Bank of China

Group Structure

31 December 2016

Beijing Enterprises Water Group Limited #
(Stock code: 0371)

31.06%

Beijing Enterprises Clean Energy Group Limited #
(Stock code: 1250)

Anhui Province
- Jinzhai ("金寨") (100%)
- Chaohu ("巢湖") (100%)
- Hefei Lujiang ("合肥盧江") (100%)
- Hefei Changfeng ("合肥長豐") (60%)
- Fuyang ("阜陽") (100%)
- Suzhou ("宿州") (100%)

Hebei Province
- Yuxian ("蔚縣") (100%)
- Quyang ("曲陽") (100%)
- Wanquan ("萬全") (100%)
- Tangshan ("唐山") (100%)
- Weichang ("圍場") (100%)
- Chengde ("承德") (100%)
- Xingtai ("邢台") (100%)
- Baoding ("保定") (100%)

Shaanxi Province
- Jingbian ("靖邊") (100%)
- Yuyang ("榆陽") (100%)

Other Provinces and Autonomous Regions
- Hubei Yunxi ("湖北鄖西") (100%)
- Shanxi Qinyuan ("山西沁源") (100%)
- Jiangxi Shangrao ("江西上饒") (100%)
- Jiangxi Ruichang ("江西瑞昌") (100%)
- Yunnan Dali ("雲南大理") (100%)
- Tibet Lhasa ("西藏拉薩") (80%)
- Wuhai ("烏海") (90%)
- Erenhot ("二連浩特") (70%)
- Baotou ("包頭") (70%)

Shandong Province
- Shanghe ("商河") (100%)
- Jinan ("濟南") (100%)
- Binzhou Lusa ("濱州魯薩") (100%)
- Gaoqing ("高青") (100%)
- Xintai ("新泰") (100%)
- Weishan ("微山") (90%)

Henan Province
- Anyang ("安陽") (100%)
- Qixian Miaokou ("淇縣廟口") (100%)
- Qixian Beiyang ("淇縣北陽") (100%)

Listed on the Main Board of The Stock Exchange of Hong Kong Limited

Note: The above group structure only lists out major subsidiaries

Chairman's Statement

Dear Shareholders,

2016 is the year for Beijing Enterprises Clean Energy Group Limited (the "Company", together with its subsidiaries, the "Group" or "BECE") achieving a robust growth. Following the promotion of renewable energy by the Chinese government and the progressive implementation of various national policy on photovoltaic sector, the Group, by utilising the advantageous resources of its three major shareholders (i.e. Beijing Enterprises Water Group Limited ("BEWG"), a company listed on the Main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 0371), the private equity funds managed by CITIC Private Equity Funds Management Co., Ltd. ("CITIC PE") and 啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*, "Tus-Holdings")) as well as the Group's experienced management team, rapidly expands its scale of high quality clean energy assets base, and proactively explores various clean energy areas, including but not limited to energy storage, micro-grid network, electricity sales, geothermal power generation and regional energy systems on the foundation of our existing businesses of ground-mounted and grid-connected photovoltaic power plants, distributed photovoltaic power plants and wind power business. In 2016, the Group adheres to its strategic layout of "photovoltaic and diversification", "domestic and abroad" and "ground-mounted and distributed photovoltaic power plants" and coheres as a team with concerted efforts, and achieved favourable results on the Group's revenue, net profit, industry influence and other aspects, and recognised as a dark horse in the industry.

Net proceeds of approximately HK$3.362 billion were received from BEWG, CITIC PE and certain investors in respect of the issuance of the Company's shares since May 2015. In August 2016, the Company further introduced Tuspark Technology Innovation Ltd. ("Tuspark Technology", a wholly-owned subsidiary of Tus-Holdings) as a strategic investor, and net proceeds of approximately HK$688 million were received in relation to the issuance of the Company's ordinary shares to Tuspark Technology. The Company has raised approximately HK$4.05 billion up to 31 December 2016 and BEWG, CITIC PE and certain investors have committed to contribute additional capital of approximately HK$375 million in May 2017 through subscription of the Company's shares. The increase in capital significantly improves the Group's financial strength and business development scale.

PERFORMANCE REVIEW

The Group recorded revenue of approximately HK$2,890.2 million for the year ended 31 December 2016, representing an increase of 900% as compared to the corresponding period of last year. The Group's profit attributable to the equity holders of the Company was approximately HK$505.1 million, representing an increase of approximately 1,212% as compared to the corresponding period of last year. Basic earnings per share for the year was HK1.4 cents.

The Group's photovoltaic power business achieved a rapid development and by ways of self-development, joint development and acquisitions, the aggregate capacity of grid-connected photovoltaic power plants and photovoltaic power plants under construction achieved over 2,000 megawatt ("MW") with over 40 projects as at 31 December 2016. At 31 December 2016, the aggregate on-grid capacity of centralised ground-mounted photovoltaic power plants held by the Group was close to 1,000MW, locating mainly in Hebei Province, Anhui Province, Henan Province, Shandong Province and Shaanxi Province. Besides, through active participation in the tender of projects under the top runner program, the Group had been awarded with four photovoltaic power plant projects under the top runner program with an aggregate capacity of 300MW and ranked as top three among the industry during the year.

In respect of the distributed photovoltaic power business, through technology innovation and in reliance on the adoption of "photovoltaic fish-bellied truss", a pioneering technology in the PRC, in the sewage treatment plant, the Group resolved issues including heavy construction costs and high technical difficulties in relation to the installation of distributed photovoltaic power system in sewage treatment plants, and completed the development of a pilot distributed photovoltaic power station project in a water treatment plant in Shenzhou City, Hebei Province, and won two national awards. The achievement laid a constructive foundation for the Group's development of its distributed photovoltaic business, and facilitates the Group's development of its distributed photovoltaic business in the sewage treatment plants and building rooftops owned by major shareholders and independent third parties in the future.

Apart from the photovoltaic businesses, the Group successfully acquired its first wind power project which is located at Binzhou City, Shandong Province, with an aggregate installed capacity of 48MW. The entire 24 wind turbine generators are running in good condition. Besides, with the aim to be an integrated service provider on clean energy industry with photovoltaic power business as its core business, the Group actively and carefully plans, cultivates and works on its development layout in various other areas including energy storage, micro-grid network, electricity sales, multi-energy complementary and regional energy systems. In particular, the Group is arranging to develop a peak load shaving energy storage demonstrative project in Nanjing City, Jiangsu Province, and a "Photovoltaic/Storage" micro-grid network demonstrative project in Jiaozhou City, Shandong Province. In addition, the Group has entered into a joint venture cooperation framework agreement with 中海油能源發展股份有限公司 (CNOOC Energy Technology & Services Limited*) to jointly develop the cold energy utilisation business.

The abovementioned performance demonstrates our comprehensive strength including market development, business syndication, project planning, technology supports and cost control.

CORPORATE MANAGEMENT AND CONTROL

During the year, the Group strived to enhance its management, control and execution capabilities by ways of streamlining its functional organisation and optimising its internal systems, procedures and mechanism. On the other hand, the Group adhered to the core strategic management and control principles of "sufficient authorisation, goal-oriented, positive incentives, and control and review in place", aiming at the facilitation of its overall rapid business development while reducing the operating risks for the establishment of regional business divisions as the core strategic management and control structure in the medium and long runs. The regional business divisions are strategically fully managed by the Group and by doing so, a strategic management and control matrix relationship is formed with regions as the "blocks" and as the core, and professional lines as the "lines" and as the supplement of the management structure, and by equipping with scientific and efficient protection mechanism with sufficient delegation, the energy and potential of the organisation are released. As of December 2016, the Group has set up four regional business divisions and regional joint ventures in Henan Province, the Tibet Autonomous Region, Guangdong Province and Guangxi Province, and Hainan Province.

Chairman's Statement

SUSTAINABLE DEVELOPMENT

BECE views the close relationship with the staff, customers and cooperation partners as the cornerstone for its sustainable development, and will hold up on a strong corporate culture where staff could develop a strong sense of cohesion; keep close eyes on the changes of needs of customers so as to offer them with high quality, comprehensive and diversified solutions in a timely manner; and cooperate with parties among and outside the clean energy industry in the areas including equity cooperation, technology and market developments, with a view achieving positive results among the parties.

The Group fully recognises the importance as an enterprise to commit and take responsibilities on different aspects of the environment, the society and the governance, and will actively and extensively make these in practice in the course of business operations. The Group will focus on the long-term and systematic construction of corporate brands, and incorporate the social responsibility measures to the corporate culture and corporate values, as well as striving for the unification of corporate efficiency and effectiveness and the social responsibility, to maximise the comprehensive values in terms of the economy, the society and the environment so as to enable a harmonious and sustainable developments between the enterprise and society.

FUTURE OUTLOOK

Since the Paris Agreement went into force and the formulation of the "13th Five-year Plan", China shall target the use of its non-fossil energy to be accounted for 15% of its total primary energy consumption by 2020. The Chinese government shall continue to provide huge support on the development of the clean energy industry, facilitate the low-carbon and recyclable development model, drive the energy revolution and accelerate the energy technological innovations, to build up a modern energy structure which is clean and low-carbon, and safe and effective. The Group's development direction is highly in line with China's strategic planning, and it will continue to seize such strategic opportunities and grasp the development direction under the new series of the structural reform of China's power industry in order to write a new chapter on the clean energy development.

"Broaden the vision and mindset for a bigger picture and sustainable future". 2017 is expected to be a year with robust development, challenges and changes in the clean energy sector. Facing the ever-changing market environment, the Group will hold on to the principles of "being responsible, having values and being sharing" and its development strategy on "focusing on the photovoltaic power business as the core business, supporting by other clean energy businesses to create synergy effects on the clean energy businesses", and leverage our comprehensive capabilities to further develop our asset base with high quality centralised photovoltaic power plant projects and other clean-energy assets including wind power projects. In the meantime, we will facilitate the development of distributed photovoltaic power business, and proactively plan on and facilitate other clean energy businesses including energy storage, micro-grid technologies, electricity sales, geothermal power generation, cold energy utilisation and regional energy systems, in order to continue contributing our effort to build up a beautiful China and providing steady and growing returns to our shareholders.

In closing, on behalf of the Group, I would like to express our sincere thanks to the shareholders who render us care, support and assistance. Let's make joint efforts to achieve our vision of building a world with clear sky and beautiful landscape and making greater contributions to the sustainable development.

Hu Xiaoyong
Chairman

Hong Kong, 29 March 2017

* *For identification purpose only*

BUSINESS REVIEW

During the year ended 31 December 2016, the Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power plants, photovoltaic power-related businesses (the "Photovoltaic Power Business") and wind power-related businesses (the "Wind Power Business") and the design, printing and sale of cigarette packages (the "Cigarette Packaging Business") in the PRC.

The Group's revenue, net profit and profit attributable to the equity holders of the Company during the year ended 31 December 2016 were approximately HK$2,890.2 million, HK$529.2 million and HK$505.1 million respectively, representing increases of approximately 900%, 1,275% and 1,212% respectively as compared to the year ended 31 December 2015, which were mainly driven by the performance of the Photovoltaic Power Business as illustrated in the section headed "Photovoltaic Power Business" below.

1. Photovoltaic Power Business

The Photovoltaic Power Business during the year mainly involved (i) investment, development, construction, operation and management of centralised photovoltaic power plants; (ii) development and construction of distributed photovoltaic power stations; (iii) provision of engineering, procurement and construction services for photovoltaic power-related projects and technical consultancy services in relation to photovoltaic power-related businesses; and (iv) trading agency income.

1.1 Centralised Photovoltaic Power Business

During the year ended 31 December 2016, the Group's Photovoltaic Power Business expanded significantly through acquisition of businesses from independent third parties and development and construction of photovoltaic power plants. The Group recorded revenue of approximately HK$214.7 million from the sale of electricity from the Group's photovoltaic power plants, representing 7.4% of the Group's total revenue during the year ended 31 December 2016.

As at 31 December 2016, the total capacity for photovoltaic power plant projects held and under joint development by the Group achieved over 2,000MW, with 43 projects in aggregate covering 10 provinces and 2 autonomous regions in the PRC. These projects were situated in photovoltaic resource areas 2 and 3 as promulgated by the National Development and Reform Commission of the PRC, locations considered by the management to be favourable for the development of the Group's Photovoltaic Power Business.

BUSINESS REVIEW (CONTINUED)

1. Photovoltaic Power Business (Continued)

1.1 Centralised Photovoltaic Power Business (Continued)

As at 31 December 2016, 26 centralised photovoltaic power plants held by the Group were in operation, and the aggregate on-grid capacity of these photovoltaic power plants reached 945.88 MW, which is analysed below:

Location	Number of plants	Approximate total on-grid capacity (MW)	Approximate electricity sales volume (Note) (MWh)#
Hebei Province	9	252.19	67,046
Anhui Province	5	175.32	23,848
Henan Province	2	154.00	68,128
Shandong Province	2	59.14	25,054
Shaanxi Province	2	159.48	6,012
Jiangxi Province	2	46.71	5,654
Hubei Province	1	26.66	13,240
Shanxi Province	1	20.14	8,524
The Tibet Autonomous Region	1	30.00	4,470
Yunnan Province	1	22.24	–
Total	26	945.88	221,976

Megawatt-hour

Note: *It represented the approximate electricity sales volume (i) between the respective dates of acquisitions and the end of the reporting period for projects acquired by the Group; and (ii) between the respective dates of commencement of operations and the end of the reporting period for projects developed by the Group. As the Group's centralised photovoltaic power plants were mainly put into operation or acquired from independent third parties in the second half of 2016, the above electricity sales volume does not reflect a full year performance of these operations.*

In relation to the photovoltaic top runner program* (領跑者計劃, the "Top Runner Program"), during the year ended 31 December 2016, the Group had awarded by several local governments for the constructions of four photovoltaic power plants under the Top Runner Program with an aggregate capacity of 300MW. The Top Runner Program was approved by the National Energy Administration of the PRC and set out advanced technology benchmarks for photovoltaic industry in the PRC. Securing the photovoltaic power plant projects under the Top Runner Program demonstrates the comprehensive technical strengths of the Group and signifies industry recognition and market leadership in the photovoltaic industry in the PRC.

In addition to the sale of electricity from the Group's photovoltaic power plants, the Group provided entrusted management services for photovoltaic power plant projects for independent third parties and revenue of approximately HK$114.3 million was recognised during the year, representing 4.0% of the Group's total revenue during the year.

BUSINESS REVIEW (CONTINUED)

1. Photovoltaic Power Business (Continued)

1.2 Distributed Photovoltaic Power Business

During the year ended 31 December 2016, the Group had actively sought for business opportunities in relation to the distributed photovoltaic power business, aiming at developing the distributed photovoltaic power business based on long-term customers with stable businesses. In particular, in May 2016, three framework agreements were entered into between the Group and BEWG, Beijing Properties (Holdings) Limited ("BPHL") and 中國南山開發（集團）股份有限公司 (China Nanshan Development (Group) Incorporation*, "China Nanshan"), respectively.

Pursuant to each of these agreements:

(a) BEWG agreed to provide suitable plant pools, rooftops, greenbelts and other unused space in its water treatment plants for the investment, construction and operation of distributed photovoltaic power stations by the Group. At 30 June 2016, BEWG had 391 water treatment plants in the PRC and overseas, with coverage extended to 19 provinces, 2 autonomous regions and 4 municipalities across the PRC;

(b) BPHL agreed to provide suitable location resources of approximately 410,000 square meters for the construction, operation and maintenance of distributed photovoltaic power stations by the Group. In the coming three years, BPHL intends to purchase and develop land of approximately 1,000,000 square meters and provide such land to the Group for the purposes of cooperation between BPHL and the Group if technology allows; and

(c) China Nanshan agreed to provide suitable building rooftops, greenbelts and other unused space owned by China Nanshan and its affiliates to the Company for the investment, construction and operation of distributed photovoltaic power stations by the Company and at reasonable rental costs payable by the Company. In the coming three years, China Nanshan intends to develop and provide land of approximately 3,000,000 square meters to the Company for the purposes of cooperation between the Company and China Nanshan if technology allows.

Save as the above, the Group will also liaise with Beijing Enterprises Group Company Limited, CITIC Private Equity Funds Management Co. Ltd. and Tus-Holdings, shareholders of the Company, and other long-term customers with stable businesses, to expand its distributed photovoltaic power business on their location resources. As at the date of this annual report, the Group's distributed photovoltaic power business is fully under way.

1.3 Engineering, Procurement and Construction Services, and Technical Consultancy Services

The Group is engaged in the provision of engineering, procurement and construction services for photovoltaic power-related business for independent third parties and has couples of qualification and extensive experience in the design, engineering and construction of photovoltaic and other power-related projects. During the year ended 31 December 2016, 18 photovoltaic power-related projects with an aggregate capacity of over 650MW on engineering, procurement and construction services locating in the PRC were undergoing, and revenue of approximately HK$2,234.0 million in aggregate was recognised during the year ended 31 December 2016, representing 77.3% of the Group's total revenue during the year.

In respect of the technical consultancy services, the Group successfully marketed the aforementioned qualification and experience to other industry participants. Revenue of approximately HK$109.6 million (2015: approximately HK$26.4 million) was recognised during the year ended 31 December 2016, representing 3.8% of the Group's total revenue during the year.

BUSINESS REVIEW (CONTINUED)

1. Photovoltaic Power Business (Continued)

1.4 Trading Agency Income

As a result of the expansion of the Photovoltaic Power Business, trading agency income increased by 22.5% to approximately HK$28.0 million (2015: approximately HK$22.8 million) as compared to the corresponding period of last year.

2. Wind Power Business

Apart from the Photovoltaic Power Business, the Group also actively explores business opportunities on other clean energy businesses. During the year ended 31 December 2016, the Group acquired 100% equity interest in a 48MW wind power plant business in Shandong Province, the PRC, from independent third parties, further details of which are set out in the Company's announcement dated 16 August 2016. The wind power plant was in full operation prior to the acquisition and revenue of approximately HK$21.0 million from the sale of wind power electricity was recognised by the Group during the year ended 31 December 2016. Respective gross profit ratio was 53.9% during the year.

3. Cigarette Packaging Business

Products of the Group in the Cigarette Packaging Business mainly comprises paper cigarette packages for three cigarette brands, which are primarily sold to provincial tobacco industrial companies ("省級中煙工業公司") which are state-owned cigarette manufacturers in the PRC. During the year, revenue and gross profit of the Cigarette Packaging Business decreased by 29.7% and 38.7%, respectively, as compared to the corresponding period of last year, which was mainly attributable to keen competitive environment and increasing labour costs and cost of production materials of the Cigarette Packaging Business.

4. Other Clean Energy Businesses

The Group has been exploring other emerging clean energy power generation businesses such as energy storage, micro-grid technologies, geothermal power generation, cold energy utilisation and regional energy systems, proactively plans on and facilitates business areas such as electricity sales, and exploring international opportunities for strategic development and diversification.

FINANCIAL ANALYSIS

Revenue and gross profit margin

During the year ended 31 December 2016, the Group recorded revenue of approximately HK$2,890.2 million (2015: approximately HK$288.9 million). The increase was attributable to the development of the Photovoltaic Power Business. In particular, (i) revenue from the sale of electricity and entrusted management services reached approximately HK$329.0 million in aggregate; and (ii) construction revenue from the construction services provided to independent third parties achieved approximately HK$2,234.0 million.

The gross profit ratio by each business nature is set out below:

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	Revenue ***(HK$ million)***	**Gross profit ratio** ***(%)***	Revenue *(HK$ million)*	Gross profit ratio *(%)*
Photovoltaic Power Business:				
Sale of electricity	**214.7**	**57.5**	–	–
Construction services	**2,234.0**	**17.6**	–	–
Technical consultancy services	**109.6**	**93.0**	26.4	87.8
Entrusted operations	**114.3**	**94.0**	–	–
Trading agency income	**28.0**	**N/A**	22.8	N/A
Wind Power Business:				
Sale of electricity	**21.0**	**53.9**	–	–
Cigarette Packaging Business:				
Sales of cigarette packages	**168.6**	**30.2**	239.7	34.7
Total	**2,890.2**	**28.3**	288.9	44.7

Analysis of the above businesses are set out in the section headed "Business Review" in "Management Discussion and Analysis".

Gross profit ratio reduced from 44.7% during the year ended 31 December 2015 to 28.3% during the year ended 31 December 2016, which was mainly attributable to the change in the mix of revenue during the year. In particular, revenue from construction services for the Photovoltaic Power Business contributed 77.3% to the total revenue during the year. As the gross profit ratio of such construction services was 17.6% which was comparatively lower than that of other business sectors, overall gross profit ratio of the Group reduced.

Gains on bargain purchase of subsidiaries

It was attributable to the acquisition of certain subsidiaries during the year. The fair value of the photovoltaic and wind power plant projects acquired by the Group during the year was assessed by independent professionally qualified valuers. When the considerations for the acquisitions of subsidiaries were lower than the fair values of the net assets acquired, the differences were recognised in the statement of profit or loss as gains on bargain purchase of subsidiaries.

FINANCIAL ANALYSIS (CONTINUED)

Other income and gains, net

The Group's other income and gains, net achieved approximately HK$98.7 million (2015: approximately HK$21.5 million) during the year. The increase was mainly attributable to an investment incentive of approximately HK$77.6 million provided during the year by a local government in the Inner Mongolia Autonomous Region, the PRC, in relation to an investment by the Group in the region.

Selling and distribution expenses

Selling and distribution expenses of the Group were derived from the Cigarette Packaging Business and mainly comprised delivery expenses, staff costs and travelling expenses. The ratio of the Group's selling and distribution expenses to revenue of the Cigarette Packaging Business for the years ended 31 December 2016 and 2015 remained comparable.

Administrative expenses

Administrative expenses mainly consisted of staff costs and head office expenses such as legal and professional fees. The increase in administrative expenses to approximately HK$219.7 million (2015: approximately HK$76.7 million) was mainly attributable to the increases in staff costs by approximately HK$57.5 million and other expenses during the year as a result of the expansion of the Photovoltaic Power Business.

Finance costs

The increase in finance costs of the Group by approximately HK$101.4 million to approximately HK$103.9 million (2015: approximately HK$2.5 million) was attributable to increase in the average balances of bank and other borrowings and finance lease payables of the Group during the year.

Income tax expense

The Group conducted its principal activities in the PRC and the relevant standard corporate income tax rate was 25%. The Group's effective tax rate was lower than the standard corporate income tax rate in the PRC as certain of the Group's operating subsidiaries enjoyed tax concession benefits.

Property, plant and equipment

Property, plant and equipment mainly represented the carrying amounts of photovoltaic power plant projects in operation and under construction, and the increase during the year was mainly attributable to the acquisition and development of photovoltaic power plant projects. Details of the significant investments made by the Group during the year are set out in the section headed "Significant Investments, Material Acquisition and Disposal of Subsidiaries and Associated Companies" in "Management Discussion and Analysis".

Prepaid land lease payments

The increase was mainly attributable to the acquisition and development of photovoltaic power plant projects. Details of the significant investments made by the Group during the year are set out in the section headed "Significant Investments, Material Acquisition and Disposal of Subsidiaries and Associated Companies" in "Management Discussion and Analysis".

Goodwill

Goodwill of the Group was attributable to the acquisition of subsidiaries during the year. Details of the material acquisitions are set out in the section headed "Significant Investments, Material Acquisition and Disposal of Subsidiaries and Associated Companies" in "Management Discussion and Analysis".

FINANCIAL ANALYSIS (CONTINUED)

Operating rights

Operating rights represented the rights to operate photovoltaic and wind power plant projects. The increase was in line with the expansion of the Photovoltaic Power Business and the Wind Power Business.

Available-for-sale investment

During the year, 深圳市鵬鼎創盈金融信息服務股份有限公司 (Shenzhen Peng Ding Chuang Ying Financial Information Services Stock Company Limited*), a then unlisted equity investment of the Group, was disposed of by the Group to an independent third party for a consideration of RMB20.4 million (equivalent to approximately HK$23.8 million). As a result of the disposal, a gain of HK$499,000 was recognised in the Group's consolidated financial statements.

Other non-current assets

Other non-current assets as at 31 December 2016 amounted to approximately HK$270.8 million (2015: approximately HK$250.4 million). The increase of approximately HK$20.4 million as compared to that of last year was mainly attributable to the increase in materials and equipment sold and delivered to independent third parties for the development of photovoltaic power plant projects.

Amounts due from contract customers

Amounts due from contract customers as at 31 December 2016 of approximately HK$550.8 million (2015: Nil) was mainly attributable to the construction services for photovoltaic power plant projects provided by the Group to independent third parties, and the increase was attributable to the increase in the extent of construction services provided by the Group during the year.

Trade and bills receivables

Trade and bills receivables of approximately HK$1,295.1 million (2015: approximately HK$405.0 million) as at 31 December 2016 were mainly derived from (i) the sale of electricity; and (ii) the construction services of the Photovoltaic Power Business. The increase was attributable to the business expansion during the year.

Trade receivables for the sale of electricity of the Photovoltaic Power Business of approximately HK$494.5 million comprised (i) receivables from the sale of electricity to the State Grid Corporation of China (the "State Grid"), a state-owned enterprise principally engaged in the development and operation of nationwide power network; and (ii) central government renewable energy subsidies for centralised photovoltaic plant projects receivable on behalf by the State Grid and payable to the Group by the State Grid. On the other hand, trade receivables for the construction services of the Photovoltaic Power Business amounted to approximately HK$507.6 million as at 31 December 2016.

Prepayments, deposits and other receivables, and other tax recoverables

The increase in prepayments, deposits and other receivables and other tax recoverables by approximately HK$2,765.5 million in aggregate to approximately HK$3,302.8 million (2015: approximately HK$537.3 million) in aggregate (non-current portion and current portion increased by approximately HK$1,383.8 million in aggregate and approximately HK$1,381.7 million in aggregate respectively) was mainly attributable to the increase in prepayments to suppliers for the development of the Photovoltaic Power Business, investment deposits made for the acquisitions of certain photovoltaic power plant projects, sales proceeds receivables in relation to several finance lease arrangements, and input value-added-tax recoverables arising from the acquisition and development of photovoltaic power plants.

FINANCIAL ANALYSIS (CONTINUED)

Cash and cash equivalents

The increase in cash and cash equivalents by approximately HK$535.2 million to approximately HK$1,633.2 million (2015: approximately HK$1,098.0 million) was mainly attributable to net effect of (i) the net increase in bank and other borrowings and finance lease payables; (ii) net proceeds received from the issuances of ordinary shares and convertible preference shares of the Company as detailed in the paragraphs headed "Share Subscriptions" under the section "Capital Structure" in "Management Discussion and Analysis" of this annual report; (iii) cash outflow on developing and acquiring photovoltaic and wind power plant projects as detailed in the section headed "Significant Investments, Material Acquisition and Disposal of Subsidiaries and Associated Companies" in "Management Discussion and Analysis"; and (iv) receipts of trade receivables during the year.

Trade and bill payables

Trade and bills payables of approximately HK$1,144.3 million (2015: approximately HK$185.8 million) increased by approximately HK$958.5 million as compared to that of last year was mainly attributable to the increase in trade and bills payables in relation to the construction services provided to independent third parties during the year.

Other payables and accruals

Other payables and accruals of approximately HK$3,828.8 million (2015: approximately HK$122.7 million) increased by approximately HK$3,706.1 million as compared to that of last year was mainly due to the increase in payables to contractors and suppliers arising from (i) the assumption of certain construction liabilities at acquisition of subsidiaries, and (ii) the development of photovoltaic power plant projects.

Interest-bearing bank and other borrowings and finance lease payables

Interest-bearing bank and other borrowings and finance lease payables of approximately HK$7,634.3 million (2015: approximately HK$328.7 million) in aggregate increased by approximately HK$7,305.6 million in aggregate (non-current portion and current portion increased by approximately HK$5,760.3 million in aggregate and approximately HK$1,545.3 million in aggregate respectively) as compared to that of last year was mainly attributable to the drawdown of bank and other borrowings and finance lease payables for the development of the Photovoltaic Power Business and the Wind Power Business.

Capital expenditures

During the year, the Group's total capital expenditures amounted to approximately HK$9,970.1 million (2015: approximately HK$353.4 million), comprising (i) construction and acquisition of photovoltaic power plant projects and other property, plant and equipment of approximately HK$1,654.2 million (2015: approximately HK$353.3 million) in aggregate; (ii) addition to prepaid land lease payments of approximately HK$17.2 million (2015: Nil); (iii) acquisition of other intangible asset of approximately HK$2.6 million (2015: approximately HK$0.1 million); and (iv) acquisition of equity interests in subsidiaries of approximately HK$8,296.1 million (2015: Nil).

FINANCIAL ANALYSIS (CONTINUED)

Liquidity and financial resources

The Group adopts conservative treasury policies and controls tightly over its cash and risk management. The Group's cash and cash equivalents are mainly denominated in Hong Kong dollars ("HK$"), United States dollars ("US$") and Renminbi ("RMB"). Surplus cash is generally placed in short term deposits denominated in HK$, US$ and RMB.

As at 31 December 2016, the Group's cash and cash equivalents amounted to approximately HK$1,633.2 million (2015: approximately HK$1,098.0 million). Details of the currencies in which cash and cash equivalents are made are set out in note 25 to the financial statements.

Developments of the Photovoltaic Power Business and the Wind Power Business require material investments and the Group funds such developments by means of (i) internal resources of the Group (mainly from the net proceeds received from the issuance of the ordinary shares of the Company (the "Ordinary Share(s)") and convertible preference shares of the Company (the "Convertible Preference Share(s)") as detailed in the paragraphs headed "Share Subscriptions" under the section "Capital Structure" in "Management Discussion and Analysis" of this annual report); and (ii) long-term bank and other borrowings and finance lease payables as illustrated below.

As at 31 December 2016, the Group's total borrowings amounted to approximately HK$7,634.3 million (2015: approximately HK$328.7 million) comprising (i) bank and other borrowings of approximately HK$4,828.1 million (2015: approximately HK$328.7 million); and (ii) finance lease payables of approximately HK$2,806.2 million (2015: Nil). Save as a one-year term loan of RMB15.0 million (equivalent to approximately HK$16.8 million) (2015: Nil) bears interest at a fixed rate, the Group's bank and other borrowings and finance lease payables bear interest at floating rates with terms ranging from 1 to 15 years. Approximately 77% of the Group's borrowings are long-term borrowings. Details of the currencies in which borrowings are made and other details are set out in notes 28 and 29 to the financial statements.

As at 31 December 2016, the Group had banking facilities of approximately HK$238.5 million with terms ranging from 1 to 12 years, had not been utilised.

As at 31 December 2016, the Group's total equity amounted to approximately HK$4,484.9 million (2015: approximately HK$2,118.5 million). The increase was mainly attributable to (i) the issuance of 18,999,735,120 Convertible Preference Shares in aggregate during the year and aggregate net proceeds of approximately HK$1,501.0 million were received during the year; and (ii) the issuance of 4,045,000,000 Ordinary Shares to Tuspark Technology during the year and net proceeds of approximately HK$687.7 million were received during the year. Further details of the above subscriptions are set out in the paragraphs headed "Share Subscriptions" under the section "Capital Structure" in "Management Discussion and Analysis" of this annual report.

The Group's gearing ratio (defined as bank and other borrowings and finance lease payables, net of cash and cash equivalents, divided by the total equity) was approximately 134% as at 31 December 2016. No gearing ratio was presented as at 31 December 2015 as the Group's cash and cash equivalents as at 31 December 2015 could fully cover its bank borrowings. The increase in gearing ratio was mainly due to the increase in bank and other borrowings and finance lease payables for the purpose of funding the development of the Photovoltaic Power Business and the Wind Power Business.

CAPITAL STRUCTURE

Share Subscriptions

Ordinary Shares and Convertible Preference Shares

The Company and Fast Top Investment Limited, CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P., 北京中信投資中心（有限合夥）(CITIC Private Equity Fund III (RMB)*) and More Surplus Investments Limited (collectively, the "Subscribers") entered into the principal subscription agreement on 9 December 2014, as supplemented by the first supplemental agreement on 29 December 2014, the second supplemental agreement on 31 January 2015 and the third supplemental agreement on 30 April 2015 (collectively, the "Subscription Agreements") to raise funds for investment, development, construction and management of photovoltaic power plants and photovoltaic power-related businesses.

The Subscribers had conditionally agreed to subscribe for, or procure subscribers to subscribe for, and the Company has conditionally agreed to allot and issue:

(i) 14,136,452,910 Ordinary Shares (with an aggregate nominal value of HK$14,136,453) and an aggregate of 113,348,440 Convertible Preference Shares (with an aggregate nominal value of HK$113,348) at the completion date of 6 May 2015 (the "Completion Date");

(ii) an aggregate of 9,499,867,560 Convertible Preference Shares (with an aggregate nominal value of HK$9,499,868) on 5 November 2015 (being the 183rd day after the Completion Date);

(iii) an aggregate of 9,499,867,560 Convertible Preference Shares (with an aggregate nominal value of HK$9,499,868) on 6 May 2016 (being the first anniversary of the Completion Date);

(iv) an aggregate of 9,499,867,560 Convertible Preference Shares (with an aggregate nominal value of HK$9,499,868) on 7 November 2016 (being the first business day after the 183rd day after the first anniversary of the Completion Date); and

(v) an aggregate of 4,749,933,780 Convertible Preference Shares (with an aggregate nominal value of HK$4,749,934) on 8 May 2017 (being the first business day after the second anniversary of the Completion Date).

The par value of each of the Ordinary Share and the Convertible Preference Share is HK$0.001 and the issue price of each of the Ordinary Share and the Convertible Preference Share is HK$0.079 (as adjusted by the share subdivision of the Company's share capital into ten shares of HK$0.001 each with effect from 5 March 2015). The subscription price of HK$0.079 represents a discount of approximately 43.57% to the last trading price of HK$0.14 (as adjusted by the aforementioned share subdivision of the Company), as quoted on the Stock Exchange on 26 November 2014, before the signing of the Subscription Agreements. Pursuant to the Subscription Agreements, the consideration for the Convertible Preference Shares would be payable on the date of issue of the relevant Convertible Preference Shares.

As disclosed in the announcement of the Company dated 2 February 2015 and the circular of the Company dated 10 April 2015, the board of directors of the Company (the "Board") believed that the subscription represents a valuable opportunity for the Group to raise a substantial amount of funds for the expansion into the photovoltaic power generation business and bring in the Subscribers as solid shareholders of the Company. The Board also considered that the subscription provides the Company with the financial strength and flexibility in this pursuit.

CAPITAL STRUCTURE (CONTINUED)

Share Subscriptions (Continued)

Ordinary Shares and Convertible Preference Shares (Continued)

The net proceeds from the share subscriptions upon the issue of all the Ordinary Shares and the Convertible Preference Shares above, after deduction of all related expenses, would be approximately HK$3,737.6 million which translated to net price of approximately HK$0.0787 per Ordinary Share and per Convertible Preference Share. The subscription of 14,136,452,910 Ordinary Shares and an aggregate of 28,612,951,120 Convertible Preference Shares was completed up to 31 December 2016 and the net proceeds of approximately HK$3,362.4 million were received:

(i) The subscription of 14,136,452,910 Ordinary Shares and 113,348,440 Convertible Preference Shares was completed on 6 May 2015 and the net proceeds of approximately HK$1,110.9 million were received;

(ii) The subscription of 9,499,867,560 Convertible Preference Shares was completed on 5 November 2015 and the net proceeds of approximately HK$750.5 million were received;

(iii) The subscription of 9,499,867,560 Convertible Preference Shares was completed on 6 May 2016 and the net proceeds of approximately HK$750.5 million were received; and

(iv) The subscription of 9,499,867,560 Convertible Preference Shares was completed on 7 November 2016 and the net proceeds of approximately HK$750.5 million were received.

The Subscribers shall conditionally further subscribe for the Convertible Preference Shares on the first business day after the second anniversary of the Completion Date and the net proceeds from such share subscription shall be approximately HK$375.2 million. Further details of the subscriptions are set out in the Company's circular dated 10 April 2015.

The net proceeds received from the share subscriptions have been utilised for the investment, development, construction, operation and management of photovoltaic power plants and photovoltaic power-related businesses, and is consistent with the intended use of proceeds as disclosed in the Company's circular dated 10 April 2015.

Ordinary Shares

In addition, on 20 July 2016, the Company entered into the subscription agreement (the "Tuspark Subscription Agreement") with Tuspark Technology pursuant to which Tuspark Technology conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 4,045,000,000 new Ordinary Shares of HK$0.001 each in the capital of the Company (with an aggregate nominal value of HK$4,045,000) at the subscription price of HK$0.17 per subscription share. The closing price of the Ordinary Share as quoted on the Stock Exchange on 20 July 2016, being the date of the Tuspark Subscription Agreement, was HK$0.202.

CAPITAL STRUCTURE (CONTINUED)

Share Subscriptions (Continued)

Ordinary Shares (Continued)

As disclosed in the announcement of the Company dated 20 July 2016, the Board considered that the subscription represents a valuable opportunity for the Company to raise additional funds to facilitate its business development especially in its photovoltaic power-related businesses, as well as to introduce Tuspark Technology as a strategic shareholder of the Company and to strengthen the capital base and the financial position of the Company.

The net proceeds of the subscription were approximately HK$687.7 million which translated to net price of approximately HK$0.17 per Ordinary Share. The subscription was completed on 22 August 2016 and further details are set out in the Company's announcements dated 20 July 2016 and 22 August 2016.

The net proceeds received from the subscription have been utilised for the development of photovoltaic power-related businesses and for general working capital purposes, and is consistent with the intended use of proceeds as disclosed in the Company's announcement dated 20 July 2016.

Conversion of Convertible Preference Shares

As at 31 December 2016, an aggregate of 21,130,654,404 Convertible Preference Shares had been converted into Ordinary Shares by holders of the Convertible Preference Shares, including 20,759,396,144 (2015: 371,258,260) Convertible Preference Shares which had been converted into 20,759,396,144 (2015: 371,258,260) Ordinary Shares during the year ended 31 December 2016.

LOCK-UP UNDERTAKINGS OF SHARES BY DIRECTORS OF THE COMPANY

On 6 May 2016, Zhihua Investments Limited ("Zhihua"), a company controlled by Mr. Hu Xiaoyong, the chairman of the Company and an executive Director, entered into a lock-up arrangement with the Company, pursuant to which certain shares held by Zhihua are subject to lock-up undertakings for the period from 6 May 2016 to the date falling on the same calendar date of the thirtieth month (both dates inclusive) thereof.

On 6 May 2016, 北京倍思泰科新能源科技開發有限公司 (Beijing Bestech New Energy Technology Development Co., Ltd.*) ("Bestech"), a company controlled by Mr. Wang Ye, an executive Director, has also entered into a lock-up arrangement with the Company, pursuant to which certain shares held by Bestech are subject to lock-up undertakings for the period from 6 May 2016 to the date falling on the same calendar date of the thirtieth month (both dates inclusive) thereof.

Further details of the above lock-up undertakings are set out in the Company's announcement dated 6 May 2016.

CHARGE ON THE GROUP'S ASSETS

The secured bank and other borrowings, bills payables and finance lease payables of the Group as at 31 December 2016 are secured by:

(i) pledges over certain of the Group's property, plant and equipment;

(ii) pledges over certain of the Group's trade receivables;

(iii) pledges over the Group's equity interests in certain subsidiaries;

(iv) guarantees given by the Company and/or its subsidiaries; and/or

(v) pledges over certain of the Group's bank balances.

Save as disclosed above, at 31 December 2016, the Group did not have any charges on the Group's assets.

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidation accounts. If RMB appreciates/depreciates against Hong Kong dollar, the Group would record a(n) increase/decrease in the Group's net asset value. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Fluctuation in currency exchange rates

The Group primarily operates its businesses in the PRC and most of its transactions are mainly denominated in RMB. The value of RMB against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's economic conditions and policies. The conversion of RMB into foreign currencies, including the Hong Kong dollar, has been based on rates as promulgated by the People's Bank of China. The Group monitors foreign exchange exposures and takes appropriate measures to mitigate and manage the risk on a timely and effective manner by, including but not limited to, raising debt financing denominated in RMB to match the currency of operating cash flows.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Liquidity risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding. During the year under review, the Group expands into the Photovoltaic Power Business and the Wind Power Business which require material funding in investment and development stages. In managing the relevant liquidity risk, the Group obtains long-term borrowings and monitors and maintains an adequate level of cash and credit facilities, to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Development of Photovoltaic Power Business

The Photovoltaic Power Business bears risks and uncertainties that are unique to such business. The Photovoltaic Power Business is dependent on the relevant governmental support measures for rapid development and is capital intensive. The risks and uncertainties in the Photovoltaic Power Business include, among others, (i) the Group's ability to continue to acquire suitable project for development, technical team or cooperative partners; (ii) the Group's ability to develop relationship with local governments which are willing to cooperate in the photovoltaic power projects; and (iii) governmental support measures are changed to the detriment of the business. If any of these risks and uncertainties materialise, overall growth and profitability would be affected. In mitigating the risks, the Group places significant emphasis on, including but not limited to, (i) implementing effective investment due diligence, approval and review processes; (ii) monitoring and controlling the quality and performance of its assets and businesses; (iii) the human capital; and (iv) relationships with customers and suppliers, in order to facilitate the positive development of the Photovoltaic Power Business.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2016, the Group employed 831 employees (2015: 425 employees) with total staff cost of approximately HK$119.1 million incurred for the year ended 31 December 2016 (2015: HK$54.8 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits.

The Company has also adopted a share option scheme as incentives to directors of the Company (the "Director(s)") and eligible employees, details of the scheme are set out in the paragraphs headed "Share Option Scheme" in "Report of the Directors" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to sustainable development of the environment, minimising the environmental impact of its operations by reinforcing environmental awareness and implementing measures for the responsible use of resources, energy saving and waste management. The Group is dedicated to environmental sustainability by strategically expanding into the Photovoltaic Power Business and the Wind Power Business, which offer clean energy and contribute to the widespread use of renewable energy.

Regarding the Cigarette Packaging Business, the Group has taken the initiatives to comply with regulations and policies of the PRC on operation aspects. The production process does not generate hazards that will cause any significant adverse impact on the environment. Wastes generated by the Group's production process primarily consist of paper and ink. The Group takes proactive steps to ensure that industrial wastes and by-products produced as a result of the operations are properly disposed of in order to minimise adverse effects on the environment.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, as far as the Group is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that the employees, customers and suppliers are the key to corporate sustainability and are keen on developing long-term relationships with these stakeholders.

The Company places significant emphasis on human capital and strives to foster an environment in which the employees can develop to their fullest potential and can assist their personal and professional growth. The Company provides a fair and safe workplace, promotes diversity to our staff, and provides competitive remuneration and benefits and career development opportunities based on their merits and performance.

The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfilment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the products so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to develop good relationship with suppliers and contractors as long-term business partners to ensure stable supply of materials and timely delivery of power plants under construction. We reinforce business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner so as to ensure quality and timely delivery.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

(a) On 16 February 2016, 北清清潔能源投資有限公司 (Beiqing Clean Energy Investment Company Limited*, "BECI", an indirect wholly-owned subsidiary of the Company), 江蘇迪盛四聯新能源投資有限公司 (Jiangsu Disheng Silian New Energy Investment Company Limited*, "JDSNE"), 武小華 (Wu Xiaohua*), 張鑫 (Zhang Xin*) (collectively the "Owners"), 唐縣東昊新能源開發有限公司 (Tangxian Donghao New Energy Development Company Limited*, "TDNE") and 江蘇溧陽建設集團有限公司 (Jiangsu Liyang Construction Group Company Limited*, "JLCG") entered into a cooperation framework agreement pursuant to which the parties agreed to collaborate in relation to the construction of a 30MW photovoltaic power plant in the Hebei Province, the PRC. BECI and the Owners, subject to, among other things, full completion of the construction of the power plant with successful grid-connected power generation, shall enter into a sale and purchase agreement for the transfer of entire equity interest in TDNE from the Owners to BECI, and BECI will make the first prepayment of RMB68,250,000 to JDSNE and JLCG after signing of the cooperation framework agreement, and will make the second prepayment of RMB40,950,000 to JDSNE and JLCG upon successful grid-connected power generation of the power plant up to 15MW.

On 28 April 2016, BECI, the Owners, TDNE, JLCG and 中國能源建設集團西北電力建設甘肅工程有限公司 (China Energy Engineering Group Northwest Power Construction Gansu Engineering Corporation*, ''CEEG") entered into a deed of novation pursuant to which all of the rights, benefits and obligations of JLCG under the cooperation framework agreement would be assumed by CEEG in substitution for JLCG. On 8 June 2016, BECI, the Owners, TDNE and CEEG entered into a supplemental agreement to amend certain terms of the cooperation framework agreement. Further details are set out in the Company's announcements dated 16 February 2016, 28 April 2016 and 8 June 2016.

(b) On 16 February 2016, BECI, 天津中興能源綠谷科技有限公司 (Tianjin Zhongxing Energy Lvgu Technologies Company Limited*, "TZEL"), 曲陽綠谷能源科技有限公司 (Quyang Lvgu Energy Technologies Company Limited*, "Quyang Lvgu") and 重慶四聯新能源有限公司 (Chongqing Silian New Energy Company Limited*, "CSNE") entered into a cooperation framework agreement pursuant to which the parties agreed to collaborate in relation to the construction of a 30MW photovoltaic power plant in Hebei Province, the PRC, and, subject to, among other things, full completion of the construction of the power plant with successful grid-connected power generation, BECI and TZEL shall enter into a sale and purchase agreement for the transfer of entire equity interest in the Quyang Lvgu from TZEL to BECI. BECI will make the first prepayment of RMB40,725,000 to CSNE after signing of the cooperation framework agreement, and will make the second prepayment of RMB108,600,000 to CSNE upon successful grid-connected power generation of the power plant.

On 23 June 2016, BECI, TZEL, Quyang Lvgu and CSNE entered into a supplemental agreement pursuant to which the parties agreed to amend and supplement certain terms of the cooperation framework agreement. On 23 June 2016, TZEL and 天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*, "Tianjin Clean Energy", an indirect wholly-owned subsidiary of the Company), the nominee of BECI, entered into an equity transfer agreement pursuant to which TZEL agreed to dispose of, and Tianjin Clean Energy agreed to acquire, the entire equity interest in Quyang Lvgu at a consideration of RMB3,000,000. Quyang Lvgu holds a 32.2MW photovoltaic power plant in the Hebei Province, the PRC. The equity transfer was completed in June 2016 and Quyang Lvgu became an indirect wholly-owned subsidiary of the Company. Further details are set out in the Company's announcements dated 16 February 2016 and 23 June 2016.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

(c) On 12 May 2016, Tianjin Clean Energy, 河南旭光商貿有限公司 (Henan Xuguang Commerce Co., Ltd.*, "Henan Xuguang"), and 趙紅英 (Zhao Hongying*) and 杜愛麗 (Du Aili*) (collectively the "Owners of Henan Xuguang") entered into a cooperation framework agreement in relation to the arrangement regarding the transfer of the entire equity interest in Henan Xuguang and the arrangement regarding the developments of two 100MW photovoltaic power plant projects in Henan Province, the PRC, which are held by Henan Xuguang.

On 12 May 2016, Tianjin Clean Energy and the Owners of Henan Xuguang entered into an equity transfer agreement pursuant to which Tianjin Clean Energy agreed to purchase, and the Owners of Henan Xuguang agreed to sell, the entire equity interest in Henan Xuguang at nil consideration. The equity transfer was completed in May 2016 and Henan Xuguang became an indirect wholly-owned subsidiary of the Company. Further details are set out in the Company's announcements dated 15 October 2015, 16 October 2015 and 12 May 2016.

(d) On 27 May 2016, 蔚縣北控新能源開發有限公司 (Yuxian Beijing Enterprises New Energy Development Company Limited*, an indirect wholly-owned subsidiary of the Company) and 蔚縣人民政府 (Yuxian People's Government*) entered into a cooperation agreement in relation to the construction of a 25MW centralised poverty alleviation photovoltaic power plant in 蔚縣 (Yuxian*), Hebei Province, the PRC at a total investment of RMB215,000,000. Further details are set out in the Company's announcement dated 27 May 2016.

(e) On 30 May 2016, 高青創贏農牧科技有限公司 (Gaoqing Chuangying Farming Technology Company Limited*, an indirect wholly-owned subsidiary of the Company) and 高青縣人民政府 (Gaoqing County People's Government*) entered into a cooperation agreement in relation to the construction of a 30MW centralised poverty alleviation photovoltaic power plant in 高青縣 (Gaoqing County*), Shandong Province, the PRC at a total investment of RMB324,000,000. Further details are set out in the Company's announcement dated 30 May 2016.

(f) On 21 June 2016, the Company and 金寨縣人民政府 (Jinzhai County People's Government*) entered into a cooperation agreement in relation to the construction of a 200MW large-scale ground centralised photovoltaic power plant in 金寨縣 (Jinzhai County*), Anhui Province, the PRC at a total investment of approximately RMB1,600,000,000. On 20 January 2017, 金寨金葉光伏科技有限公司 (Jinzhai Jinye Photovoltaic Technology Co., Ltd.*, an indirect wholly-owned subsidiary of the Company and the nominee of the Company) and Jinzhai County People's Government entered into an agreement, pursuant to which the Group's total investment in the project was revised to approximately RMB1,400,000,000. Further details are set out in the Company's announcements dated 21 June 2016, 27 June 2016 and 20 January 2017, and the Company's circular dated 15 August 2016.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

(g) On 16 November 2015, 北京北控光伏科技發展有限公司 (Beijing Enterprises Photovoltaic Development Company Limited*, "BENE", an indirect wholly-owned subsidiary of the Company), 山東國之晟能源有限公司 (Shandong Guozhicheng Energy Company Limited*, "SGEC"), 濟南中晟新能源開發有限公司 (Jinan Zhongcheng New Energy Development Company Limited*, "JZNE") and 中機國能電力工程有限公司 (Zhongji Guoneng Electricity Project Company Limited*, "Zhongji Guoneng") entered into a cooperation agreement pursuant to which it was conditionally agreed, among other things, that SGEC and BENE (or its nominee) shall enter into a sale and purchase agreement for the transfer of the entire equity interest in JZNE from SGEC to BENE.

On 22 June 2016, BENE, Tianjin Clean Energy, SGEC, JZNE and Zhongji Guoneng entered into a supplemental agreement to amend and supplement certain terms of the cooperation agreement and the relevant engineering, procurement and construction contract dated 16 November 2015. In addition, on 22 June 2016, SGEC, BENE and Tianjin Clean Energy, the nominee of BENE, entered into an equity transfer agreement pursuant to which SGEC agreed to dispose of, and Tianjin Clean Energy agreed to acquire, the entire equity interest in JZNE at a consideration of approximately RMB840,000. JZNE holds a 40MW photovoltaic power plant in Shandong Province, the PRC. The equity transfer was completed in June 2016 and JZNE became an indirect wholly-owned subsidiary of the Company. Further details are set out in the Company's announcements dated 16 November 2015 and 22 June 2016.

(h) On 1 February 2016, BECI, 廣東猛獅新能源科技股份有限公司 (Guangdong Dynavolt Renewable Energy Technology Co., Ltd.*, "Guangdong Dynavolt") and 潤峰電力（鄖西）有限公司 (Runfeng Power (Yunxi) Company Limited*, "Runfeng Power") entered into an investment framework agreement, which was further amended and supplemented by a supplemental agreement dated 29 June 2016 entered into between Tianjin Clean Energy, BECI, Guangdong Dynavolt and Runfeng Power. Pursuant to the terms of the investment framework agreement, as amended and supplemented by the supplemental agreement, Tianjin Clean Energy, shall, subject to the entering into of the definitive sale and purchase agreement, acquire the entire equity interest in Runfeng Power from Guangdong Dynavolt.

On 29 June 2016, Tianjin Clean Energy and Guangdong Dynavolt entered into an equity transfer agreement which was further amended and supplemented by the above-mentioned supplemental agreement, pursuant to which Tianjin Clean Energy agreed to acquire, and Guangdong Dynavolt agreed to dispose of, the entire equity interest in Runfeng Power at an aggregate consideration (including the settlement of outstanding payment obligation on behalf of Runfeng Power) of RMB207,909,000. Runfeng Power holds a 26.655MW photovoltaic power plant in 上津鎮 (Shangjinzhen*), Hubei Province, the PRC. The equity transfer was completed in June 2016 and Runfeng Power became an indirect wholly-owned subsidiary of the Company. Further details are set out in the Company's announcement dated 29 June 2016.

(i) On 16 August 2016, Tianjin Clean Energy, 南京創能電力科技開發有限公司 (Nanjing Chuangneng Electrical Technology Development Limited*, "Nanjing Chuangneng"), 湖南博發新能源投資開發有限公司 (Hunan Bofa New Energy Investment Development Limited*, "Hunan Bofa") and 山東魯薩風電有限公司 (Shandong Lusa Wind Power Limited*, "Shandong Lusa") entered into an equity transfer agreement (as amended by a supplemental agreement dated 16 August 2016), pursuant to which Tianjin Clean Energy shall, subject to the fulfilment of certain conditions precedent, acquire 60% and 40% equity interests in Shandong Lusa from Nanjing Chuangneng and Hunan Bofa respectively, at a maximum aggregate consideration (including the settlement of outstanding payment obligation on behalf of Shandong Lusa) of RMB471,800,000. Shandong Lusa holds a 48MW wind power plant in Shandong Province, the PRC. The equity transfer was completed in September 2016 and Shandong Lusa became an indirect wholly-owned subsidiary of the Company. Further details are set out in the Company's announcement dated 16 August 2016.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

(j) In December 2015, BENE, 東方日升（寧波）電力開發有限公司 (Dongfang Risheng (Ningbo) Power Development Co., Ltd.*, "Dongfang Risheng") and 河南日升光伏電力發展有限公司 (Henan Risheng Photovoltaic Power Development Co., Ltd.*, "Henan Risheng") entered into a cooperation agreement, which was further amended and supplemented by a supplemental agreement dated 14 September 2016 entered into by the same parties. Pursuant to the terms of the cooperation agreement, as amended and supplemented by the supplemental agreement, BENE shall, subject to the entering into of a definitive sale and purchase agreement, acquire the entire equity interest in Henan Risheng from Dongfang Risheng.

On 14 September 2016, BENE and Dongfang Risheng entered into an equity transfer agreement pursuant to which BENE agreed to acquire and Dongfang Risheng agreed to dispose of the entire equity interest in Henan Risheng at an aggregate consideration (including the settlement of outstanding payment obligation on behalf of Henan Risheng) of RMB468,720,000 according to the terms set out in the cooperation agreement, as amended and supplemented by the supplemental agreement. Henan Risheng holds a 50MW (ground) and a 4MW (distributed) photovoltaic power plant in 淇縣 (Qi County*), Henan Province, the PRC. The equity transfer was completed in September 2016 and Henan Risheng became an indirect wholly-owned subsidiary of the Company. Further details are set out in the Company's announcement dated 14 September 2016.

(k) On 26 September 2016, Tianjin Clean Energy, 合肥聚能新能源科技有限公司 (Hefei Jntech New Energy Co., Ltd.*, "HJNE"), 潁上聚安光伏發電有限公司 (Yingshang Ju An PV Power Generation Co., Ltd.*, "Yingshang Juan") and 潁上聚銘光伏發電有限公司 (Yingshang Juming PV Power Generation Company Limited*) entered into a cooperation agreement pursuant to which, among other things, the parties agreed to collaborate in relation to phase one of a photovoltaic power plant in 阜陽市 (Fuyang City*), Anhui Province, the PRC, which is constructed in two phases of 60MW and 90MW respectively, according to the terms set out therein. The parties also agreed that, subject to the fulfilment of certain conditions set out therein, HJNE and Tianjin Clean Energy shall enter into a sale and purchase agreement for the equity transfer of Yingshang Juan.

On 26 September 2016, HJNE and Tianjin Clean Energy entered into an equity transfer agreement pursuant to which HJNE agreed to dispose of, and Tianjin Clean Energy agreed to acquire, the entire equity interest in Yingshang Juan at an aggregate consideration (including the settlement of outstanding payment obligation on behalf of Yingshang Juan) of RMB477,600,000. Yingshang Juan holds a 60MW photovoltaic power plant in Fuyang City, Anhui Province, the PRC. The equity transfer was completed in September 2016 and Yingshang Juan became an indirect wholly-owned subsidiary of the Company. Further details are set out in the Company's announcement dated 26 September 2016.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

(l) On 30 September 2016, 安徽同策新能源投資發展合夥企業（有限合夥）(Anhui Tongce New Energy Investment Development Partnership (Limited Partnership)*) and 方今 (Fang Jin*) (collectively the "Lujiang Dongsheng Owners"), Tianjin Clean Energy and 廬江光福農業開發有限公司 (Lujiang Guangfu Agricultural Development Co., Ltd.*, "Lujiang Guangfu") entered into an equity transfer agreement. On 30 September 2016, the Lujiang Dongsheng Owners, Tianjin Clean Energy, 廬江東升太陽能開發有限公司 (Lujiang Dongsheng Solar Energy Development Co., Ltd.*, "Lujiang Dongsheng"), Lujiang Guangfu, 中國水利水電第四工程局有限公司 (Sinohydro Engineering Bureau 4 Co., Ltd*) and 中機國能電力工程有限公司 (China Sinogy Electric Engineering Co., Ltd*) entered into a debt settlement agreement. Pursuant to the equity transfer agreement and the debt settlement agreement, the Lujiang Dongsheng Owners agreed to dispose of, and Tianjin Clean Energy agreed to acquire, the entire equity interest in Lujiang Dongsheng at an aggregate maximum consideration (including the settlement of outstanding payment obligation on behalf of Lujiang Dongsheng) of approximately RMB336,996,000. Lujiang Dongsheng holds two 20MW photovoltaic power plants in 廬江縣 (Lujiang County*), Anhui Province, the PRC. The equity transfer was completed in September 2016 and Lujiang Dongsheng became an indirect wholly-owned subsidiary of the Company. Further details are set out in the Company's announcement dated 30 September 2016.

(m) On 9 November 2016, 東投能源投資有限公司 (Dongtou Energy Investment Corporation Limited*), 北京恒陽新源科技有限公司 (Beijing Hengyangxinyuan Technology Corporation Limited*) and 北京東投恒綠能源投資有限公司 (Beijing Dongtouhenglv Energy Investment Corporation Limited*) (collectively the "Jingbian Dongtou Owners"), Tianjin Clean Energy, 靖邊縣東投能源有限公司 (Jingbian Dongtou Energy Corporation Limited*, "Jingbian Dongtou") and 深圳天寶天投新能源投資控股有限公司 (Shenzhen Tianbaotiantou New Energy Investment Holdings Corporation*, "Shenzhen Tianbao") entered into an equity transfer agreement. On the same date, the Jingbian Dongtou Owners, Tianjin Clean Energy, Jingbian Dongtou, Shenzhen Tianbao and 深圳市永聯科技股份有限公司 (Shenzhen Winline Technology Company Limited*) entered into a debt settlement agreement. Pursuant to the equity transfer agreement and the debt settlement agreement, the Jingbian Dongtou Owners agreed to dispose of, and Tianjin Clean Energy agreed to acquire, the entire equity interest in Jingbian Dongtou at an aggregate consideration (including the settlement of outstanding payment obligation on behalf of Jingbian Dongtou) of RMB425,000,000. Jingbian Dongtou holds a 50MW photovoltaic power plant in 靖邊縣 (Jingbian County*), Shaanxi Province, the PRC. The equity transfer was completed in November 2016 and Jingbian Dongtou became an indirect wholly-owned subsidiary of the Company. Further details are set out in the Company's announcement dated 9 November 2016.

(n) On 30 November 2016, Tianjin Clean Energy, 協合風電投資有限公司 (Century Concord Wind Power Investment Co., Ltd.*, the "YCCS Owner") and 榆林協合太陽能發電有限公司 (Yulin Century Concord Solar Power Co., Ltd.*, "YCCS") entered into an equity transfer agreement pursuant to which Tianjin Clean Energy agreed to acquire, and the YCCS Owner agreed to dispose of, the entire equity interest in YCCS at a maximum consideration of RMB358,976,000. YCCS holds a 100MW photovoltaic power plant in 陝西省榆林市小壕兔鄉 (Xiaohao Tu Xiang, Yulin City, Shaanxi Province*), the PRC. The equity transfer was completed in December 2016 and YCCS became an indirect wholly-owned subsidiary of the Company. Further details are set out in the Company's announcement dated 30 November 2016.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

(o) On 22 December 2016, 莊格 (Zhuang Ge*) and 郭玉蘭 (Guo Yulan*) (collectively the "Xingtai Wangyang Owners"), Tianjin Clean Energy and 邢台萬陽新能源開發有限公司 (Xingtai Wanyang New Energy Development Limited*, "Xingtai Wangyang") entered into an equity transfer agreement. On 22 December 2016, the Xingtai Wangyang Owners, Tianjin Clean Energy, Xingtai Wangyang and 湖南長高高壓開關集團股份公司 (Hunan Changgao Highvoltage Switchgear Group Co., Ltd.*) entered into a debt settlement agreement. Pursuant to the equity transfer agreement and the debt settlement agreement, the Xingtai Wangyang Owners agreed to dispose of, and Tianjin Clean Energy agreed to acquire, the entire equity interest in Xingtai Wangyang at a maximum aggregate consideration (including the settlement of outstanding payment obligation on behalf of Xingtai Wangyang) of RMB482,633,000. Xingtai Wangyang holds a 50MW photovoltaic power plant in 邢台市 (Xingtai City*), Hebei Province, the PRC. The equity transfer was completed in December 2016 and Xingtai Wangyang became an indirect wholly-owned subsidiary of the Company. Further details are set out in the Company's announcement dated 22 December 2016.

Save as disclosed above, there were no significant investments, material acquisition and disposal of subsidiaries and associated companies by the Group for the year ended 31 December 2016.

* *For identification purpose only*

Corporate Governance Report

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2016. The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more values for its shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimise return for shareholders.

In the opinion of the Board, the Company had complied with all code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of the Stock Exchange during the year ended 31 December 2016 and up to the date of publication of this annual report.

BOARD OF DIRECTORS

Composition and Role

The Board currently consists of eight Directors: comprising five executive Directors, namely, Mr. Hu Xiaoyong (Chairman), Mr. Shi Xiaobei, Mr. Huang Weihua (chief executive officer), Mr. Wang Ye and Mr. Wen Hui; and three independent non-executive Directors (the "INED(s)"), namely, Mr. Li Fujun, Mr. Xu Honghua and Mr. Chiu Kung Chik. One of the INEDs namely, Mr. Li Fujun, has the professional and accounting qualifications required by the Listing Rules. The biographical details of the Directors are set out in the section headed "Directors and Senior Management" in this annual report.

The function of the Board is to formulate and give direction of the Group's corporate strategy and business development. The Board has met regularly during the year to approve acquisition, material contracts, discloseable and/or connected transactions, director's appointment or reappointment, significant policy and to monitor the financial performance of the Group in pursuit of its strategic goals. Day-to-day operation of the Company is delegated to the chief executive officer and the management of the Company. There is no relationship among members of the Board in respect of financial, business, family or other material/relevant relationship.

Newly appointed Directors would receive a comprehensive induction package covering the statutory and regulatory obligations of a director of a listed company. The Company continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials. Guidance notes and memorandum are issued to Directors where appropriate, to ensure awareness of best corporate governance practices.

BOARD OF DIRECTORS (CONTINUED)

Composition and Role (Continued)

According to the records maintained by the Company, the Directors received the following training in respect of the roles, functions and duties of a director of a listed company in compliance with the requirements of the CG Code on continuous professional development during the year ended 31 December 2016.

Directors	Corporate Governance/ Updates on Laws, Rules & Regulations Read Materials	Corporate Governance/ Updates on Laws, Rules & Regulations Attended Seminars/ Briefings
Executive Directors		
Mr. Hu Xiaoyong	✔	✔
Mr. Shi Xiaobei	✔	✔
Mr. Huang Weihua (appointed on 23 January 2017)	N/A	N/A
Mr. Wang Ye	✔	✔
Mr. Wen Hui (appointed on 23 January 2017)	N/A	N/A
Mr. Liang Yongfeng (resigned on 23 January 2017)	✔	✔
INEDs		
Mr. Li Fujun (appointed on 29 July 2016)	✔	✔
Mr. Xu Honghua	✔	✔
Mr. Chiu Kung Chik (appointed on 29 July 2016)	✔	✔
Professor Lam Sing Kwong Simon (resigned on 29 July 2016)	✔	✔
Mr. Tam Tak Kei Raymond (resigned on 29 July 2016)	✔	✔

BOARD OF DIRECTORS (CONTINUED)

Board Meeting and General Meeting

The Company held four Board meetings and a general meeting during the year ended 31 December 2016. Directors present in those Board meetings were either in person or through electronic means of communication. Attendance records of the relevant Board meetings and general meeting for the year ended 31 December 2016 are set out below:

Directors	Attendance/Number of Board meetings held	Attendance/Number of general meeting held
Executive Directors		
Mr. Hu Xiaoyong	4/4	1/1
Mr. Shi Xiaobei	4/4	1/1
Mr. Huang Weihua (appointed on 23 January 2017)	N/A	N/A
Mr. Wang Ye	4/4	1/1
Mr. Wen Hui (appointed on 23 January 2017)	N/A	N/A
Mr. Liang Yongfeng (resigned on 23 January 2017)	4/4	1/1
INEDs		
Mr. Li Fujun (appointed on 29 July 2016)	3/3	N/A
Mr. Xu Honghua	4/4	1/1
Mr. Chiu Kung Chik (appointed on 29 July 2016)	3/3	N/A
Professor Lam Sing Kwong Simon (resigned on 29 July 2016)	1/1	1/1
Mr. Tam Tak Kei Raymond (resigned on 29 July 2016)	1/1	1/1

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy formulated by the Company in accordance with the requirements of the Listing Rules. It aims to set out the approach to achieve diversity on the Board. The Board endeavours to ensure that it has a balance of skills, experience and diversity of perspectives to the requirements of the Group's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. There are currently eight Directors with extensive experience and/or professional backgrounds to formulate and give direction of the Group's corporate strategy and business development. The composition, experience and balance of skills on the Board are regularly reviewed by a core of members with longstanding and deep knowledge of the Group alongside new Directors who bring fresh perspectives and diverse experiences to the Board. The process for the nomination of Directors is led by the nomination committee of the Company. The name of the current Directors and their biographies (including their roles, function, terms of office, skills and experience) are set out in this annual report under the section headed "Directors and Senior Management".

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate directors' and officers' liability insurance for its directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its directors and officers to comply with the requirements of the CG Code. During the year, no claim was made against the directors and officers of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the chairman and the chief executive officer of the Company were held separately in order to ensure independence and accountability of their respective functions and balanced distribution of power and authority between them. During the year ended 31 December 2016, the chairman of the Company is Mr. Hu Xiaoyong and the chief executive officer of the Company is Mr. Liang Yongfeng (who resigned as chief executive officer on 23 January 2017). Mr. Huang Weihua was appointed as the new chief executive officer of the Company with effect from 23 January 2017.

The segregation of duties of the chairman and the chief executive officer ensures a clear distinction in the chairman's responsibility to provide leadership for the Board and the chief executive officer's responsibility to manage the Company's business. Their roles are clearly defined to ensure their respective independence.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in notes 8 and 9 to the consolidated financial statements in this annual report, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board considers that the INEDs can provide independent advices on the Company's business strategies, results and management so as to safeguard the interests of the Company and its shareholders.

All INEDs had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles").

The Company has received, a written annual confirmation from each of the INEDs confirming his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as the code of conduct in respect of securities transactions of the Directors. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year under review.

BOARD COMMITTEES

The Board has established three board committees to strengthen its functions and corporate governance practices, namely, audit committee (the "Audit Committee"), nomination committee (the "Nomination Committee") and remuneration committee (the "Remuneration Committee"). The Audit Committee, Nomination Committee and Remuneration Committee perform their specific roles in accordance with their respective written terms of reference.

Audit Committee

The Audit Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time.

The Audit Committee is mainly responsible for considering all relationships between the Company and the external auditors (including the provision of non-audit services), monitoring the integrity of the Company's financial statements and issues arising from the audit, and the review of the Group's risk management and internal control systems whereby the Board had delegated such responsibility to the Audit Committee.

Summary of work done during the year under review: reviewed the financial statements for the period from 1 January 2016 to 30 June 2016 and for the year ended 31 December 2016, considered and approved the audit work of the auditors and monitor their independence, and reviewed the business and financial performance of the Company, and the effectiveness of the Company's internal audit function, risk management and internal control systems.

The Audit Committee held three meetings during the year ended 31 December 2016. The composition of the Audit Committee during the year ended 31 December 2016 and the meeting attendance are as follows:

Name of the Audit Committee Member	Attendance/ Number of Audit Committee meetings held
INEDs	
Mr. Li Fujun *(Chairman of the Audit Committee)* (appointed on 29 July 2016)	1/1
Mr. Xu Honghua	2/3
Mr. Chiu Kung Chik (appointed on 29 July 2016)	1/1
Professor Lam Sing Kwong Simon (resigned on 29 July 2016)	2/2
Mr. Tam Tak Kei Raymond (resigned on 29 July 2016)	2/2

BOARD COMMITTEES (CONTINUED)

Nomination Committee

The Nomination Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Nomination Committee is mainly responsible for formulating policy and making recommendations to the Board on nominations, appointment and re-appointment of Directors and board succession.

Summary of work done during the year under review: based on the policy of the Company on board diversity to review the size, structure and composition of the Board to complement the Group's corporate strategy, assessed the independence of INEDs and made recommendations to the Board on the appointment and re-appointment of Directors.

The Nomination Committee held two meetings during the year ended 31 December 2016. Details of attendance of each Nomination Committee member are as follows:

Name of the Nomination Committee Member	Attendance/ Number of Nomination Committee meetings held
Executive Director	
Mr. Hu Xiaoyong *(Chairman of the Nomination Committee)*	2/2
INEDs	
Mr. Li Fujun (appointed on 29 July 2016)	N/A
Mr. Xu Honghua	2/2
Mr. Tam Tak Kei Raymond (resigned on 29 July 2016)	2/2

Remuneration Committee

The Remuneration Committee members performed their duties within written terms of reference formulated by the Company in accordance with the requirements of the Listing Rules from time to time. The Remuneration Committee adopted the operation model where it performs an advisory role to the Board and to make recommendations to the Board on the remuneration packages of Directors and senior management with the Board retaining the final authority to approve Directors' and senior management's remuneration. It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals and no director is involved in decision of his own remuneration.

Summary of work done during the year under review: reviewed the remuneration policy, recommended the remuneration of executive Directors, assessed performance of executive Directors and approved the terms of executive Directors' service contracts.

BOARD COMMITTEES (CONTINUED)

Remuneration Committee (Continued)

The Remuneration Committee held two meetings during the year ended 31 December 2016. Details of attendance of each Remuneration Committee member are as follows:

Name of the Remuneration Committee Member	Attendance/ Number of Remuneration Committee meetings held
Executive Director	
Mr. Shi Xiaobei	2/2
INEDs	
Mr. Chiu Kung Chik *(Chairman of the Remuneration Committee)* (appointed on 29 July 2016)	N/A
Mr. Xu Honghua	2/2
Professor Lam Sing Kwong Simon (resigned on 29 July 2016)	2/2

AUDITORS' REMUNERATION

The Audit Committee of the Company is responsible for considering the appointment of the external auditors and reviewing the non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, external auditors' remuneration for audit services was approximately HK$5.5 million and for non-audit service assignments was approximately HK$1.2 million, which represented agreed-upon procedures engagements such as for the Group's interim report and taxation and compliance services. The Audit Committee had satisfied that the non-audit services in 2016 did not affect the independence of the external auditors.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for overseeing the risk management and internal control systems on an ongoing basis, and reviewing the effectiveness of the Group's risk management and internal control systems at least annually covering material controls, including financial, operational and compliance controls, to ensure that the systems in place are adequate and effective, so as to safeguard the interests of the shareholders of the Company and the assets of the Group.

The Board understands that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems. The Board understands that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

The Group adopts risk management and internal control systems which manage the risks associated with its business and operations. The systems comprise the following phases:

- Risk Identification: Identify risks that may potentially affect the Group's business and operations;
- Risk Evaluation: Consider the impact on the business and the likelihood of their occurrence; and
- Risk Management: Perform ongoing and periodic monitoring of the risk and ensure that appropriate internal control processes are in place.

The audit and supervision department (the "Audit and Supervision Department") of the Company which performs the internal audit function and assists the Board to set up effective policies and guidelines for risk management and internal controls, and is responsible for the regular review on the execution of these policies and guidelines. The Audit and Supervision Department has conducted an assessment in respect of the risk management and internal controls of the Group for the year ended 31 December 2016 and reported the review results to the Audit Committee.

The Board, through the Audit Committee, has conducted a review on the effectiveness of the Group's risk management and internal control systems during the year ended 31 December 2016 which covered financial, operational, compliance procedural and risk management functions and the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function, and considered the risk management and internal control systems of the Group of the reporting year are effective and adequate.

INSIDE INFORMATION

The Company has taken appropriate measures to identify inside information and preserve its confidentiality until proper dissemination via the electronic publication system operated by the Stock Exchange. Every senior management of the Company must take all reasonable measures to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Company from time to time. They must promptly bring any possible leakage or divulgence of inside information to the attention of the Board accordingly for taking the appropriate action promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding recurrence.

DIRECTORS' AND AUDITORS' RESPONSIBILITY STATEMENTS

The Directors are responsible for the preparation of accounts for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the accounts for the year ended 31 December 2016, the Directors have selected suitable accounting policies and applied them consistently; adopted appropriate Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards; made adjustments and estimates that are prudent and reasonable; and have prepared the accounts on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The responsibility of Ernst & Young, the Company's external auditors, is set out on pages 54 to 59 of the "Independent Auditor's Report" in this annual report.

COMPANY SECRETARY

Mr. Sit Hon Cheong ("Mr. Sit") resigned as the company secretary (the "Company Secretary") of the Company on 20 September 2016 and Mr. Liu Kin Wai ("Mr. Liu") was appointed as the Company Secretary on the same date. Mr. Liu is a full time employee of the Company and during the year, Mr. Sit and Mr. Liu have taken no less than 15 hours of relevant professional training as required by Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting ("EGM") by shareholders

Pursuant to Article 64 of the Articles, the Board may whenever it thinks fit call an EGM. EGM shall also be convened on the requisition of one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company Secretary for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for directing shareholders' enquiries to the Board

Shareholders of the Company may at any time send their enquiries to the Board for the attention of the Company Secretary via email (ir@bece.com.hk) or directed to the Company's head office and principal place of business in Hong Kong at Rooms 6706–6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. Shareholders of the Company may also make enquiries with the Board at general meetings of the Company.

Procedures for putting forward proposals at shareholders' meetings

If a shareholder of the Company wishes to put forward proposals at annual general meeting (the "AGM")/EGM which is to be held, such shareholder, who is duly qualified to attend and vote at such general meeting, shall follow the procedures as set out below which are required in accordance with the Articles and the Listing Rules:

1. A shareholder of the Company shall validly serve on the Company Secretary his/her written and signed notice of intention to propose a resolution at the AGM/EGM.

2. The foregoing documents shall be lodged at the Company's head office and principal place of business in Hong Kong at Rooms 6706–6707, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

3. The period for lodgement of the foregoing notices required under the Articles shall commence on the day after the despatch of the notice of the AGM/EGM and end no later than 7 days prior to the date of the AGM/EGM and such period shall be at least 7 days.

4. The notice will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to consider to include the proposed resolutions in AGM/EGM.

Shareholders of the Company may take reference to the procedures made available under the "Corporate Governance" section ("Procedures for Shareholders to Propose a Person for Election as a Director") of the Company's website.

INVESTOR RELATIONS

Communication with shareholders

The Board believes that effective and proper investor relations play an important role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence.

During the year ended 31 December 2016, the Company has proactively taken the following measures to ensure effective shareholders' communication and enhance our transparency:

1. maintained frequent contacts with institutional shareholders and potential investors through various channels such as meetings, telephone and emails; and

2. updated regularly the Company's news and developments through the Company's website.

The above measures will provide them with the latest development of the Group as well as the relevant industry.

Constitutional documents

There is no change on the constitutional documents of the Company since the amendments to the Articles made on 4 May 2015. A consolidated version of the Memorandum of Association of the Company and Articles is available on both the websites of the Company and the Stock Exchange.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Hu Xiaoyong ("Mr. Hu"), aged 52, was appointed as the chairman of the Company and an executive Director in May 2015. Mr. Hu is also the chairman of the Nomination Committee. Mr. Hu graduated from the Tsinghua University（清華大學）with an executive master degree of business administration. He has approximately over 20 years' experience in business management. From 2001 to 2013, Mr. Hu worked with 中科成環保集團有限公司 (Zhong Ke Cheng Environment Protection Group Company Limited*) as chairman. Since 2007, he has been the vice chairman of the China Environment Service Industry Association（全國工商聯環境服務業商會）. He has been an executive director and the chief executive officer of BEWG, a company listed on the main board of the Stock Exchange, from 1 August 2008 to 30 March 2016. He has been appointed as the honorary chairman of BEWG since 30 March 2016. He is also an executive director of Beijing Enterprises Medical and Health Industry Group Limited (stock code: 2389), a company listed on the main board of the Stock Exchange.

Mr. Shi Xiaobei ("Mr. Shi"), aged 41, was appointed as an executive Director in May 2015. Mr. Shi is also a member of the Remuneration Committee. Mr. Shi graduated from the University of International Business and Economics（對外經濟貿易大學）with a bachelor's degree of Economics in 1998 and obtained a degree of Master of Science in business administration from The University of British Columbia in 2003. He has approximately 13 years' experience in the field of banking and investment services in Hong Kong and Mainland China. From 2003 to 2004, Mr. Shi joined Macquarie Group, which is a sizable worldwide personal bank, as a manager of Macquarie Service (Hong Kong) Ltd., one of the companies within the Macquarie Group. From 2004 to 2012, he was promoted to the president and the managing director of infrastructure, resources and general industrial business of Macquarie Investment Advisory (Beijing) Co., Ltd., a company within the Macquarie Group situated in the PRC. Since 2012, Mr. Shi has worked with CITIC Private Equity Funds Management Co., Ltd. as the department head of the international investment department.

Mr. Huang Weihua ("Mr. Huang"), aged 54, was appointed as the chief executive officer of the Company and an executive Director on 23 January 2017. Mr. Huang holds a master degree from the Tsinghua University School of Economics and Management and is a senior engineer. He has over 30 years of operational and management experiences in energy-related, clean energy-related and environmental protection-related industries, and previously served as the chief engineer of 北京國投節能公司 (Beijing State Investment Energy Conservation Company*), a vice general manager of 中節能風力發電投資有限公司(China Energy Conservation Wind Power Generation Investment Company Limited*), the chairman of 浙江運達風力發電工程有限公司 (Zhejiang Windey Engineering Co., Ltd.*) and a general manager of 中環保水務投資有限公司 (General Water of China Co. Ltd.*). Prior to joining the Company, Mr. Huang was the chairman of 北京可汗之風科技有限公司 (Beijing Khanwind Technology Company Limited*). He is currently a director of 北京啟迪清風科技有限公司 (Beijing Tus-Wind Technology Company Limited*).

DIRECTORS (CONTINUED)

Executive Directors (Continued)

Mr. Wang Ye ("Mr. Wang"), aged 63, was appointed as the president of the Company in May 2015 and was appointed as the executive Director in October 2015. Mr. Wang is responsible for the implementation of the development strategy for the Company's photovoltaic power business. Mr. Wang is a senior engineer and has received rigorous professional training on nuclear power plants in France and became one of the first generation of nuclear power experts in the PRC. Mr. Wang has extensive working experience in the photovoltaic power industry. Mr. Wang was the technology director of 中廣核太陽能開發有限公司 (CGN Solar Energy Development Co., Ltd.*) from October 2009 to March 2014, of which, Mr. Wang was responsible for the construction of nearly 30 photovoltaic power plants in the PRC with the aggregate installed capacity amounting to 600 megawatt. Mr. Wang has also been involved in research projects in relation to the photovoltaic power generation technology, and has participated in the preparation and review of several national standards in the photovoltaic power generation field in PRC; he also led the writing of the technical codes of photovoltaic power generation equipment, which have been widely adopted in the photovoltaic power generation industry. In 2011, Mr. Wang was appointed by 青海省能源開發建設協調領導小組 (Cooperative Lead Group of Energy Development and Construction of the Qinghai Province*) as a committee expert and he is the prestigious technical expert in the photovoltaic power generation field in the PRC.

Mr. Wen Hui ("Mr. Wen"), aged 45, was appointed as an executive Director on 23 January 2017. Mr. Wen holds a bachelor's degree in automation control and a master of business administration degree from the Tsinghua University. He has extensive operational and management experiences in clean energy-related and environmental protection-related industries. He previously served as a vice general manager of 北京亞都科技股份有限公司 (Beijing Yadu Technology Company Limited*) and the president of 北京亞都室內環保科技股份有限公司 (Beijing Yadu Interior Environmental Technology Company Limited*), and currently serves as a vice chairman of 蘇州亞都環保科技有限公司 (Suzhou Yadu Environmental Technology Company Limited*), a director of 北京啟迪清風科技有限公司 (Beijing Tus-Wind Technology Company Limited*), the chairman of 北京啟迪清芸能源科技有限公司 (Beijing Tus-Tsingyun Energy Technology Company Limited*) and the chairman and president of 北京啟迪清潔能源科技有限公司 (Beijing Tus Clean Energy Technology Company Limited*).

DIRECTORS (CONTINUED)

Independent non-executive Directors

Mr. Li Fujun ("Mr. Li"), aged 53, was appointed as an independent non-executive Director on 29 July 2016. Mr. Li is also the chairman of the Audit Committee and a member of the Nomination Committee. He holds a bachelor's degree in engineering from the Tsinghua University and a master degree in economics from the University of International Business and Economics. Mr. Li is a CFA charterholder and has over 25 years of experience in project evaluation and strategic planning, investment analysis and engineering work, as well as project management and investment. Mr. Li was an executive director of Towngas China Company Limited (Stock code: 1083), a company listed on the Stock Exchange from January 2001 to March 2007. He was the chief financial officer of Sinolink Worldwide Holdings Limited (Stock code: 1168), another company listed on the Stock Exchange, from October 2007 to September 2014. Prior to joining the Company, Mr. Li was the managing director of Noble Bridge Capital Limited (君橋資本有限公司), an executive director of CDBW Partners Limited (辰德資本有限公司), a director of Shenzhen Goldlink Benefit Fund Management Limited (深圳金聯惠澤基金管理有限公司) and a director of ZhongAn Online P&C Insurance Co., Ltd. (眾安在線財產保險股份有限公司).

Mr. Xu Honghua ("Mr. Xu"), aged 50, was appointed as an independent non-executive Director in May 2015. Mr. Xu is also a member of each of the Audit Committee, Nomination Committee and Remuneration Committee. He has approximately 29 years' experience in the fields of the power generation. Mr. Xu graduated from the Tianjin University with a master's degree of engineering in power system and automation in 1988. He had been appointed by the Institute of Electrical Engineering (電工研究所), Chinese Academy of Sciences ("CAS") as a research fellow in 1999. He was the former deputy director of the Institute of Electrical Engineering (電工研究所), CAS. Currently, Mr. Xu is the president of 北京科諾偉業科技股份有限公司 (Beijing Corona Sciences & Technology Co. Ltd.*) and the president of 保定科諾偉業控制設備有限公司 (Baoding Corona Control Equipment Co., Ltd.*). Mr. Xu is the researcher of the Institute of Electrical Engineering, the director of Renewable Energy Power Generation Research Center (可再生能源發電系統研究部) and the person-in-charge of CAS Research and Demonstration Center for the Technology of Solar Power Generation (中國科學院太陽能發電研究示範中心), the vice chairman of Chinese Renewable Energy Society (中國可再生能源學會). In addition, Mr. Xu was a member of the Advisory Committee of Energy Experts for National Energy Administration (國家能源專家諮詢委員會), the member of expert team for solar and wind power generation in the 10th Five-year Plan, 11th Five-year Plan and 12th Five-year Plan, the leader of the expert team for the 863 key project and the vice president of the National Technical Committee for Standardisation of Wind Machinery (全國風力機械標準化技術委員會). In 2007, Mr. Xu was selected as a national candidate for the New-Century BaiQian-Wan Talent Project (新世紀百千萬人才工程國家級人選). Mr. Xu also received multiple awards including the Best New Talent Award (最佳新人獎) by World Wide Fund for Nature Beijing office in 2009, the Special Contribution Award by Photovoltaic Professional Committee of China Renewable Energy Society and the honorary title of "National Advanced Individual for Science Popularisation" (全國科普工作先進工作者) in 2010, the First Class Prize for Scientific and Technological Progress of Hebei Province issued by The People's Government of Hebei Province in 2012, the Third Class Prize for National Energy Technology Progress in 2013 and the Scientific Figure Award of the Third Capital Technology Celebration (第三屆首都科技盛典人物獎) in 2014.

Since 1988, Mr. Xu has been involved in the research and/or projects of wind power, photovoltaic and hybrid power generation systems, including grid-connected and off-grid solar photovoltaic plants and the technologies on wind/photovoltaic-integrated power plant systems, electrical control over wind turbines and remote monitoring, control over photovoltaic power generation systems and tracking. Mr. Xu has also engaged in the research and/or projects of the economic and policies on renewable energy technology. He has been in charge of and completed a number of national technology projects, with numerous reports and publications on renewable energy.

DIRECTORS (CONTINUED)

Independent non-executive Directors (Continued)

Mr. Chiu Kung Chik ("Mr. Chiu"), aged 32, was appointed as an independent non-executive Director on 29 July 2016. Mr. Chiu is also the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Chiu graduated from the University of Chicago with a bachelor's degree in economics. Mr. Chiu has extensive experience and knowledge in investment banking, including capital financing, corporate restructuring for public and private companies, merger and acquisition, complex transaction structuring etc. From 2008 to 2015, Mr. Chiu worked with UBS AG in the investment banking department in its Hong Kong office, primarily focusing on advising large scale corporate clients on their capital market activities. During the aforesaid time, he had completed a number of high-profile transactions with over US$20 billion in total transaction value.

* *For identification purpose only*

Report of the Directors

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is an investment company and the holding company of the Group. The Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power plants, photovoltaic power-related businesses and wind power-related businesses and the design, printing and sale of cigarette packages in the PRC. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year, an indication of likely future development in the Group's business and an analysis of the Group's performance during the year using financial key performance indicators are provided in "Chairman's Statement" on pages 4 to 6 and sections headed "Business Review" and "Financial Analysis" under "Management Discussion and Analysis" on pages 7 to 15 of this annual report. The financial risk management objectives and policies of the Group can be found in note 40 to the financial statements. Description of principal risks and uncertainties that the Group may be facing, environmental policies and performance of the Group, compliance with relevant laws and regulations which have a significant impact on the Group and relationship with stakeholders are set out in "Management Discussion and Analysis" on pages 19 to 21 of this annual report. The discussion forms part of this Report of the Directors.

RESULTS AND DISTRIBUTIONS

The Group's profit for the year ended 31 December 2016 and the Group's financial position at that date are set out in the financial statements on pages 60 to 135 of this annual report. The Board did not recommend the payment of dividend for the year ended 31 December 2016 (2015: Nil).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

To determine who shall be eligible to attend and vote at the forthcoming AGM to be held on Wednesday, 31 May 2017, the register of members of the Company will be closed from Thursday, 25 May 2017 to Wednesday, 31 May 2017 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 May 2016.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, and assets, liabilities and equity of the Group for the last five financial years, as extracted from the published audited financial statements and the prospectus of the Company and adjusted for the change of presentation currency, is set out on page 136 of this annual report. This summary does not form part of the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group together accounted for 62% of the Group's revenue and aggregate purchases attributable to the Group's five largest suppliers accounted for 66% of the Group's total purchases for the year. Sales to the largest customer accounted for 25% of the Group's revenue and purchases from the largest supplier accounted for 43% of the Group's purchases.

During the year, none of the Directors, a close associate of the Director or a shareholder of the Company which (to the best knowledge of the Directors) owns more than 5% of the Company's share capital, had a beneficial interest in any of the Group's five largest customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year, together with the reasons therefor, are set out in note 31 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 42 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

Pursuant to the relevant rules of Cayman Islands, the Company's reserves available for distribution to shareholders as at 31 December 2016 amounted to approximately HK$3,837.8 million.

DIRECTORS

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

Executive Directors

Mr. Hu Xiaoyong
Mr. Shi Xiaobei
Mr. Huang Weihua (appointed on 23 January 2017)
Mr. Wang Ye
Mr. Wen Hui (appointed on 23 January 2017)
Mr. Liang Yongfeng (resigned on 23 January 2017)

Independent Non-executive Directors

Mr. Li Fujun (appointed on 29 July 2016)
Mr. Xu Honghua
Mr. Chiu Kung Chik (appointed on 29 July 2016)
Professor Lam Sing Kwong Simon (resigned on 29 July 2016)
Mr. Tam Tak Kei Raymond (resigned on 29 July 2016)

In accordance with Article 108 of the Company, Mr. Hu Xiaoyong, Mr. Shi Xiaobei and Mr. Xu Honghua shall retire by rotation from office as Directors at the forthcoming AGM and being eligible, offer themselves for re-election.

In accordance with Article 112 of the Company, Mr. Huang Weihua, Mr. Wen Hui, Mr. Li Fujun and Mr. Chiu Kung Chik shall hold office only until the first general meeting of the Company after their appointments (i.e. the forthcoming AGM to be held on Wednesday, 31 May 2017) and shall be subject to re-election at that meeting.

The Company has received annual confirmations of independence from each of the INEDs, and as at the date of this report still considers them to be independent.

BOARD CHANGES AND CHANGES IN DIRECTORS' INFORMATION

Since the date of the interim report of the Company for the six months ended 30 June 2016 and up to the date of this report, there have been changes to the Board as follows:

Professor Lam Sing Kwong Simon resigned as an independent non-executive Director with effect from 29 July 2016.

Mr. Tam Tak Kei Raymond resigned as an independent non-executive Director with effect from 29 July 2016.

Mr. Li Fujun was appointed as an independent non-executive Director with effect from 29 July 2016.

Mr. Chiu Kung Chik was appointed as an independent non-executive Director with effect from 29 July 2016.

Mr. Liang Yongfeng resigned as an executive Director and the chief executive officer of the Company with effect from 23 January 2017.

Mr. Huang Weihua was appointed as an executive Director and the chief executive officer of the Company with effect from 23 January 2017.

Mr. Wen Hui was appointed as an executive Director of the Company with effect from 23 January 2017.

Subsequent to the date of the interim report of the Company for the six months ended 30 June 2016, there have been no changes in directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and the senior management of the Company are set out on pages 38 to 41 of this annual report.

DIRECTORS' SERVICE CONTRACTS

All executive Directors had entered into service agreements and all INEDs had entered into letters of appointment with the Company for a term of three years but are subject to retirement by rotation and re-election in accordance with the Articles.

Apart from the foregoing, no director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee of the Company. During the year ended 31 December 2016, none of the Directors waived his/her emoluments nor has agreed to waive his/her emoluments for the year. Further details of the Company's directors' remuneration are set out on pages 99 to 101 of this annual report.

Further details of the Company's remuneration committee are set out in the corporate governance report on pages 33 to 34 of this annual report.

DISCLOSURE OF INTERESTS

Directors' Interests in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations

As at 31 December 2016, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code, were as follows:

Long positions in the shares and/or underlying shares of the Company

Name of Directors	Capacity in which shares are held	Number of Ordinary Shares held	Number of underlying shares held *(Note 4)*	Approximate percentage of the Company's issued share capital *(Note 1)*
Mr. Hu Xiaoyong *(Note 2)*	Interest of controlled corporation	995,227,370	1,004,772,630	4.00%
Mr. Wang Ye *(Note 3)*	Interest of controlled corporation	398,955,700	398,955,700	1.60%

Notes:

(1) The percentage represents the aggregate number of Ordinary shares held and underlying shares held over the total issued shares of the Company of 49,994,404,030 shares (including Ordinary Shares and Convertible Preference Shares) as at 31 December 2016.

(2) As at 31 December 2016, Zhihua, a company wholly and beneficially owned by Mr. Hu Xiaoyong, an executive Director, holds 995,227,370 Ordinary Shares and 804,772,630 Convertible Preference Shares and has agreed to further subscribe to 200,000,000 Convertible Preference Shares.

(3) As at 31 December 2016, Bestech, a company incorporated in the PRC of which Mr. Wang Ye, an executive Director, is its controlling shareholder (as defined under the Listing Rules), holds 398,955,700 Ordinary Shares and 319,164,560 Convertible Preference Shares and has agreed to further subscribe to 79,791,140 Convertible Preference Shares.

(4) The number of underlying shares held includes Convertible Preference Shares held and Convertible Preference Shares to be subscribed under the Subscription Agreements as disclosed in the paragraphs headed "Share Subscriptions" under the section "Capital Structure" in "Management Discussion and Analysis" of this annual report.

Save as disclosed above, as at 31 December 2016, there were no interest or short position of the directors or chief executives of the Company in the shares, the underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), that are required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 11 June 2013 for the primary purpose of attracting and retaining the best available personnel, providing additional incentive to employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners, service providers or substantial shareholders ("Eligible Participants") of the Group and promoting the success of the business of the Group and will remain in force for a period of ten years commencing on the adoption date and shall expire on 10 June 2023 subject to early termination provisions contained in the Share Option Scheme. The Board may grant options to Eligible Participants to subscribe for shares in the Company subject to the terms of the Share Option Scheme.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Further, the total maximum number of the shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 7 days inclusive of the day on which offer was made, upon payment of HK$1 by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options shall be a price solely determined by the Board and notified to an Eligible Participant and shall be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of the options; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share of the Company on the date of grant.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 2,501,418,332 shares, which represents approximately 5.78% of the Ordinary Shares in issue and approximately 5.00% of the total issued share capital of the Company (assuming full conversion of the Convertible Preference Shares in issue) as at the date of this report. From the adoption date of the Share Option Scheme on 11 June 2013 to 31 December 2016, no share option was granted, exercised, cancelled or lapsed, and there was no outstanding option under the Share Option Scheme as at 31 December 2016.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' Interests in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations", at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debenture of the Company granted to any director or their respective spouse or children under the age of 18, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the Directors had interest in any business constituting competing business to the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, so far as was known to the Directors or chief executives of the Company, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long position in the shares and/or underlying shares of the Company

Name of shareholders	Capacity in which shares are held	Number of Ordinary Shares held	Number of underlying shares held *(Note 7)*	Approximate percentage of the Company's issued share capital *(Note 1)*
Beijing Enterprises Group Company Limited ("BE Group") *(Note 2)*	Interest of controlled corporation	13,204,757,103	4,516,761,897	35.45%
Beijing Enterprises Holdings Limited ("BEHL") *(Note 2)*	Interest of controlled corporation	13,204,757,103	4,516,761,897	35.45%
Beijing Enterprises Water Group Limited ("BEWG") *(Note 2)*	Interest of controlled corporation	13,204,757,103	4,516,761,897	35.45%
Fast Top Investment Limited ("Fast Top") *(Note 2)*	Beneficial interest	13,204,757,103	4,516,761,897	35.45%
CITIC Securities Company Limited *(Notes 3 and 4)*	Interest of controlled corporation	11,811,972,831	3,377,900,579	30.38%
CITIC Securities International Co. Ltd. *(Note 3)*	Interest of controlled corporation	5,905,986,421	1,688,950,289	15.19%
CITIC Securities International Asset Management Limited# *(Note 3)*	Interest of controlled corporation	5,905,986,421	1,688,950,289	15.19%
CITIC PE Holdings Limited *(Note 3)*	Interest of controlled corporation	5,905,986,421	1,688,950,289	15.19%
CITIC PE Funds II Limited *(Note 3)*	Interest of controlled corporation	5,905,986,421	1,688,950,289	15.19%
CITIC PE Associates II, L.P. *(Note 3)*	Interest of controlled corporation	5,905,986,421	1,688,950,289	15.19%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long position in the shares and/or underlying shares of the Company (Continued)

Name of shareholders	Capacity in which shares are held	Number of Ordinary Shares held	Number of underlying shares held *(Note 7)*	Approximate percentage of the Company's issued share capital *(Note 1)*
CPEChina Fund II, L.P. *(Note 3)*	Interest held jointly with another person	5,905,986,421	1,688,950,289	15.19%
CPEChina Fund IIA, L.P. *(Note 3)*	Interest held jointly with another person	5,905,986,421	1,688,950,289	15.19%
CTSL Green Power Investment Limited ("Green Power") *(Note 3)*	Beneficial interest	5,905,986,421	1,688,950,289	15.19%
中信產業投資基金管理有限公司 (CITIC Private Equity Funds Management Co., Ltd.*) *(Note 4)*	Interest of controlled corporation	5,905,986,410	1,688,950,290	15.19%
上海磐諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*) *(Note 4)*	Interest of controlled corporation	5,905,986,410	1,688,950,290	15.19%
北京宥德投資管理中心(有限合夥) (Beijing Youde Investment Management Center (Limited Partnership)*) *(Note 4)*	Interest of controlled corporation	5,905,986,410	1,688,950,290	15.19%
北京中信投資中心(有限合夥) (CITIC Private Equity Fund III (RMB)*) ("CITIC PEF III") *(Note 4)*	Interest of controlled corporation	5,905,986,410	1,688,950,290	15.19%
CTSL New Energy Investment Limited ("New Energy") *(Note 4)*	Beneficial interest	5,905,986,410	1,688,950,290	15.19%
清華大學 (Tsinghua University) *(Note 5)*	Interest of controlled corporation	4,045,000,000	–	8.09%
清華控股有限公司 (Tsinghua Holdings Co., Ltd.*) *(Note 5)*	Interest of controlled corporation	4,045,000,000	–	8.09%
啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*) *(Note 5)*	Interest of controlled corporation	4,045,000,000	–	8.09%
Tuspark Technology Innovation Ltd. (啟迪科創有限公司) *(Note 5)*	Beneficial interest	4,045,000,000	–	8.09%
Ms. Huang Li *(Note 6)*	Interest of controlled corporation	2,279,580,000	–	4.56%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long position in the shares and/or underlying shares of the Company (Continued)

Notes:

(1) The percentage represents the aggregate number of Ordinary Shares held and underlying shares held over the total issued shares of the Company of 49,994,404,030 shares (including Ordinary Shares and Convertible Preference Shares) as at 31 December 2016.

(2) As at 31 December 2016, BE Group is deemed to be interested in 17,721,519,000 shares as a result of its indirect holding of such shares through the following entities including its wholly-owned subsidiaries:

Name	Number of Ordinary Shares held	Number of underlying shares held *(Note 7)*
Fast Top	13,204,757,103	4,516,761,897
BEWG	13,204,757,103	4,516,761,897
Beijing Enterprises Environmental Construction Limited ("BE Environmental")	13,204,757,103	4,516,761,897
BEHL	13,204,757,103	4,516,761,897
Beijing Enterprises Group (BVI) Company Limited	13,204,757,103	4,516,761,897
BE Group	13,204,757,103	4,516,761,897

As at 31 December 2016, Fast Top, a wholly-owned subsidiary of BEWG, beneficially holds 13,204,757,103 Ordinary Shares and 2,744,609,997 Convertible Preference Shares and has agreed to further subscribe to 1,772,151,900 Convertible Preference Shares. As at 31 December 2016, BEWG is directly held as to approximately 43.77% (representing 3,824,367,831 shares of BEWG) by BE Environmental. BE Environmental is a wholly-owned subsidiary of BEHL, which is in turn directly held as to approximately 61.96% by Beijing Enterprises Group (BVI) Company Limited (by itself and through its subsidiaries) as at 31 December 2016, and which is in turn wholly-owned by BE Group. Beijing Enterprises Group (BVI) Company Limited also directly holds 3,010,000 shares in the share capital of BEWG. As a result, BEWG is indirectly held as to approximately 43.80% (representing 3,827,377,831 shares of BEWG) by BE Group as at 31 December 2016.

(3) As at 31 December 2016, Green Power, a company jointly-controlled by CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P., beneficially holds 5,905,986,421 Ordinary shares and 929,456,619 Convertible Preference Shares and has agreed to further subscribe 759,493,670 Convertible Preference Shares. CPEChina Fund II L.P. and CPEChina Fund IIA, L.P. are two exempted limited partnerships registered under the laws of the Cayman Islands. The general partner of the CPEChina Fund II L.P. and CPEChina Fund IIA, L.P. is CITIC PE Associates II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of CITIC PE Associates II, L.P. is CITIC PE Funds II Limited. CITIC PE Funds II Limited is wholly-owned by CITICPE Holdings Limited, which is owned as to 35% by CITIC Securities International Asset Management Limited#. CITIC Securities International Asset Management Limited# is wholly-owned by CITIC Securities International Co. Ltd., which is in turn wholly-owned by CITIC Securities Company Limited, a company listed on the Stock Exchange and the Shanghai Stock Exchange.

(4) As at 31 December 2016, New Energy, a wholly-owned subsidiary of CITIC PEF III, beneficially holds 5,905,986,410 Ordinary shares and 929,456,620 Convertible Preference Shares and has agreed to further subscribe 759,493,670 Convertible Preference Shares. CITIC PEF III is a limited partnership registered under the laws of the PRC. The general partner of CITIC PEF III is 北京宥德投資管理中心(有限合夥) (Beijing Youde Investment Management Center (Limited Partnership)*), a limited partnership registered under the laws of the PRC whose general partner is 上海磐諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*), a limited liability company incorporated in the PRC. 上海磐諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*) is wholly-owned by 中信產業投資基金管理有限公司 (CITIC Private Equity Funds Management Co., Ltd*), which is in turn owned as to 35% by CITIC Securities Company Limited, a company listed on the Stock Exchange and the Shanghai Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Long position in the shares and/or underlying shares of the Company (Continued)

Notes: (Continued)

(5) As at 31 December 2016, Tuspark Technology Innovation Ltd.（啟迪科創有限公司）, a wholly-owned subsidiary of 啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*), beneficially holds 4,045,000,000 Ordinary Shares. 啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*) is directly held as to 44.92% by 清華控股有限公司 (Tsinghua Holdings Co., Ltd.*). 清華控股有限公司 (Tsinghua Holdings Co., Ltd.*) is wholly-owned by 清華大學 (Tsinghua University).

(6) As at 31 December 2016, 2,279,580,000 Ordinary Shares are held by Ocean Ahead International Limited, the entire issued share capital of which is wholly and beneficially owned by Ms. Huang Li, a director of certain subsidiaries of the Company.

(7) The number of underlying shares held includes Convertible Preference Shares held by shareholders of the Company and Convertible Preference Shares to be subscribed by certain shareholders of the Company under the Subscription Agreements as disclosed in the paragraphs headed "Share Subscriptions" under the section "Capital Structure" in "Management Discussion and Analysis" of this annual report.

Save as disclosed above, as at 31 December 2016, the Company had not been notified by any persons (other than the directors or the chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

now known as CLSA Global Investment Management Limited

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, the Directors of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty.

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

DONATIONS

During the year ended 31 December 2016, the Group made charitable and other donations amounting to approximately HK$667,000.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2016.

EMOLUMENT POLICY

The emolument of each of directors and the employees of the Group is on the basis of their merit, qualification, competence and experience in the industry, the profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued capital was held by the public as at the date of this report.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

RELATED PARTY TRANSACTION

The Group entered into certain activities with parties regarded as "Related Parties" under applicable accounting principles. These mainly relate to the activities in the ordinary course of the Group's business and were negotiated on normal commercial terms and an arm's length basis. Details of the related party transactions are set out in the note 37 to the financial statements. The transactions do not constitute connected transactions (as defined under the Listing Rules).

CONNECTED TRANSACTION

There were no connected transactions and continuing connected transactions between the Group and its connected persons (as defined under the Listing Rules) which are subject to the reporting, announcement and the independent shareholders' approval requirement under the Listing Rules for the year ended 31 December 2016.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

As at the date of this report, details of the agreements (the "Agreement(s)") with covenants relating to specific performance of the controlling shareholder which constitute disclosure obligation pursuant to Rules 13.18 and 13.21 of the Listing Rules are as follows:

Date of the Agreement(s)	Nature of the Agreement(s)	Aggregate amount (million)	Final Maturity	Specific performance obligations
2 November 2015	Term loan facility with a bank	HK$2,000	November 2017	*Note 1*
12 January 2016	Term loan facility with a bank	HK$1,000	May 2017	*Note 2*
1 November 2016	Term loan facility with a bank	HK$1,000	November 2019	*Note 3*
23 December 2016	Finance lease facility with a financial institution	RMB295	December 2026	*Note 4*
23 December 2016	Finance lease facility with a financial institution	RMB241.87	December 2031	*Note 4*
23 December 2016	Finance lease facility with a financial institution	RMB83.5	December 2019	*Note 4*
23 December 2016	Finance lease facility with a financial institution	RMB103.8	December 2026	*Note 4*
23 December 2016	Finance lease facility with a financial institution	RMB220	December 2026	*Note 4*

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER (CONTINUED)

Notes:

1. (i) BEWG shall or shall not cease to own, directly or indirectly, at least 27% of the beneficial shareholding carrying at least 27% of the voting rights in the Company, free from mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect (each, a "Security"); (ii) BEWG shall or shall not cease to be the, direct or indirect, single largest shareholder of the Company; (iii) BEWG shall or shall not cease to supervise the Company and/or have management control over the Company; (iv) BEHL shall or shall not cease to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BEWG, free from any Security; (v) BEHL shall or shall not cease to be the, direct or indirect, single largest shareholder of BEWG; (vi) BEHL shall or shall not cease to supervise BEWG and/or have management control over BEWG; (vii) BE Group shall or shall not cease to own, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any Security; (viii) BE Group shall or shall not cease to be the, direct or indirect, single largest shareholder of BEHL and/or shall or shall not cease to supervise BEHL; and (ix) BE Group shall or shall not cease to be wholly-owned, supervised and controlled by 北京市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality*).

2. (i) BEHL shall beneficially own, directly or indirectly, at least 35% of the issued share capital of BEWG; (ii) BEWG shall beneficially own, directly or indirectly, at least the minimum proportion of shares amounting to (a) an aggregate of 32.88% of the issued share capital of the Company from the date of the Agreement to and including 6 May 2016; (b) an aggregate of 30.63% of the issued share capital of the Company from 7 May 2016 to and including 7 November 2016; and (c) an aggregate of 31.90% of the issued share capital of the Company from 8 November 2016 onwards, each determined on an as-converted basis (assuming conversion in full of all preference shares of the Company in issue from time to time); (iii) BEWG shall, directly or indirectly, be the single largest shareholder of the Company; and (iv) Fast Top shall undertake to subscribe for, or procure the subscription of, the preference shares of the Company in the amounts and at the times stipulated in the Subscription Agreements.

3. (i) BEWG does not or ceases to own, directly or indirectly, at least 25% of the beneficial shareholding carrying at least 25% of the voting rights in the Company, free from any Security; (ii) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and does not or ceases to supervise the Company; (iii) BEHL does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BEWG, free from any Security; (iv) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG, and does not or ceases to (a) supervise BEWG; and/or (b) have management control over BEWG; (v) BE Group does not or ceases to own, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any Security; (vi) BE Group is not or ceases to be the, direct or indirect, single largest shareholder of BEHL and does not or ceases to supervise BEHL; and (vii) BE Group is not or ceases to be effectively wholly-owned, supervised and controlled by 北京市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality*).

4. BEWG does not hold less than 27% of the ordinary shares of the Company directly or indirectly, or cease to be the, direct or indirect, single largest shareholder of the Company.

According to the respective terms and conditions of the Agreements, the banks or the financial institutions may declare any commitment under the Agreements to be cancelled and/or declare all outstanding amounts together with interest accrued thereon and all others sums to be immediately due and payable or payable on demand for any breach of the above specific performance obligations.

EQUITY-LINKED AGREEMENTS

Other than the Subscription Agreements as disclosed in the paragraphs headed "Share Subscriptions" under the section "Capital Structure" in "Management Discussion and Analysis" of this annual report, no equity-linked agreements that will or may result in the Company issuing share capital of the Company, or that require the Company to enter into any agreements that will or may result in the Company issuing share capital of the Company, were entered into by the Company during the year or subsisted at the end of the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining the quality of corporate governance so as to ensure better transparency of the Company, protection of shareholders' and stakeholders' rights and enhance shareholder value. In the opinion of the Board, the Company had complied with all code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules during the year ended 31 December 2016 and up to the date of publication of this annual report.

The Corporate Governance Report is set out in pages 28 to 37 of this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company has confirmed that all Directors have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year under review.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 41 to the financial statements.

AUDITORS

Messers. Deloitte Touche Tohmatsu resigned as auditors of the Company on 24 August 2015 and Ernst & Young were appointed by the Directors on 9 October 2015 to fill the casual vacancy so arising. There have been no others changes of auditors in the past three years. A resolution for the reappointment of Ernst & Young as auditors of the Company will be proposed at the forthcoming AGM.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Group for the year ended 31 December 2016 were approved by the board of directors on 29 March 2017.

On behalf of the Board

Hu Xiaoyong
CHAIRMAN

Hong Kong
29 March 2017

* *For identification purpose only*

Independent Auditor's Report

EY 安永

To the shareholders of Beijing Enterprises Clean Energy Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Enterprises Clean Energy Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 135, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Purchase price allocations of photovoltaic power-related businesses	
As further detailed in note 34 to the financial statements, the Group acquired a number of entities engaging in photovoltaic power-related businesses during the year ended 31 December 2016. The Group engaged an independent external valuer to perform the valuation of the identifiable assets acquired and liabilities assumed of significant subsidiaries acquired. The accounting for business combinations, which were accounted for using the acquisition method, relied on a significant amount of management estimation and judgements in respect of fair value measurement and allocation of the purchase price. Related disclosures of goodwill and business combinations are included notes 2.5, 3 and 34 to the financial statements.	We have assessed the independence and competency of the independent external valuer engaged by the Group. We tested the identification of assets and liabilities and assumptions used in the valuation based on our understanding of the businesses of the investees and discussion with the management; involved our internal valuation experts to support us in our audit work and evaluated management's valuation methodologies and assumptions used in the purchase price allocation by (i) testing the assumptions and parameters with reference to other comparable companies in the industry; (ii) reviewing the appropriateness of the valuation methodologies adopted for the purpose of determining the fair values of the identifiable assets acquired and liabilities assumed; and (iii) obtaining corroborative evidence to support the forecasts prepared by management. Furthermore, we assessed the sensitivity of management's estimates by evaluating the impact to the purchase price allocation within a certain range of the estimates.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Accounting for equipment delivered to third party project companies with possibility of subsequent acquisition	
The Group delivered equipment to third party project companies under certain equipment sales arrangements for photovoltaic power plant development and there are possibilities that the equity interests of those third party project companies would be acquired by the Group subsequently. Significant judgements were required to be made by management in determining whether, at the time of transfer of the significant risks and rewards associated with the ownership of the equipment to the project companies, the related transactions shall be accounted for as (i) sales transactions with the third party companies; or (ii) equipment used by the Group for the development of the photovoltaic power plants. The Group initially recognised the costs and contractual selling prices related to these transfers of equipment in "other non-current assets" and "other non-current liabilities" and the amounts would be included in the consideration transferred in subsequent acquisition transactions. At 31 December 2016, the aggregate cost of equipment delivered to these photovoltaic power plants amounted to HK$270,784,000 and the aggregate selling prices amounted to HK$271,459,000. Related disclosures are included in notes 3 and 19 to the financial statements.	We evaluated management's intention and representation and the likelihood of the acquisition of the project companies by obtaining evidences including, but not limited to, equipment sales contracts, acquisition plans, board meeting minutes, due diligence reports and correspondences with the potential investees. We examined the sales and purchase agreements for the actual occurrence of subsequent acquisitions of project companies during the current year relating to certain equipment delivered in the prior year.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables in respect of photovoltaic and wind power-related businesses	
At 31 December 2016, the Group has different types of trade receivables in respect of photovoltaic and wind power-related businesses, including (i) construction services; (ii) technical consultancy services; (iii) sales of electricity; (iv) entrusted operations; and (v) trading agency income. The carrying amount of the related trade receivables as at 31 December 2016 amounted to HK$1,002,450,000. Significant management judgements and estimates were involved in determining the recoverability of these trade receivables with reference to ageing and recoverability. Relevant disclosures are included in notes 3 and 22 to the financial statements.	For significant trade receivable balances, we evaluated if adequate provision for impairment has been made by management. Our procedures included obtaining direct confirmations and checking the settlement status subsequent to the reporting period. We also considered the ageing of the balances, debtors' repayment histories, management's action to recover the outstanding amounts and the financial ability of these debtors where available.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Tsang Chiu Hang.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

29 March 2017

Consolidated Statement of Profit or Loss

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	5	**2,890,176**	288,930
Cost of sales		**(2,073,176)**	(159,837)
Gross profit		**817,000**	129,093
Other income and gains, net	5	**98,662**	21,494
Gains on bargain purchase of subsidiaries	34	**78,669**	–
Selling and distribution expenses		**(3,565)**	(5,299)
Administrative expenses		**(219,664)**	(76,726)
Other operating expenses, net		**(760)**	(85)
Finance costs	7	**(103,857)**	(2,514)
PROFIT BEFORE TAX	6	**666,485**	65,963
Income tax expense	10	**(137,238)**	(27,471)
PROFIT FOR THE YEAR		**529,247**	38,492
ATTRIBUTABLE TO:			
Equity holders of the Company		**505,101**	38,492
Non-controlling interests		**24,146**	–
		529,247	38,492
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	12		
Basic		**HK1.40 cents**	HK0.27 cents
Diluted		**HK1.04 cents**	HK0.12 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
PROFIT FOR THE YEAR	**529,247**	38,492
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Change in fair value	**7**	492
Reclassification adjustment for gain included in the consolidated statement of profit or loss – gain on disposal	**(499)**	–
	(492)	492
Exchange differences on translation of foreign operations	**(364,421)**	(39,188)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(364,913)**	(38,696)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**164,334**	(204)
ATTRIBUTABLE TO:		
Equity holders of the Company	**141,785**	(204)
Non-controlling interests	**22,549**	–
	164,334	(204)

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**9,412,975**	397,666
Prepaid land lease payments	14	**130,059**	20,616
Goodwill	15	**167,568**	–
Operating rights	16	**369,955**	–
Other intangible asset	17	**2,434**	77
Available-for-sale investment	18	**–**	24,482
Prepayments, deposits and other receivables	23	**757,139**	235,874
Other tax recoverables	24	**862,575**	–
Other non-current assets	19	**270,784**	250,359
Deferred tax assets	30	**18,844**	–
Total non-current assets		**11,992,333**	929,074
CURRENT ASSETS			
Inventories	20	**33,073**	29,601
Amounts due from contract customers	21	**550,784**	–
Trade and bills receivables	22	**1,295,107**	404,963
Prepaid land lease payments	14	**4,732**	494
Prepayments, deposits and other receivables	23	**1,386,711**	167,123
Other tax recoverables	24	**296,410**	134,267
Restricted cash and pledged bank deposits	25	**386,251**	15,857
Cash and cash equivalents	25	**1,633,214**	1,098,040
Total current assets		**5,586,282**	1,850,345
CURRENT LIABILITIES			
Trade and bills payables	26	**1,144,347**	185,820
Other payables and accruals	27	**3,828,795**	122,739
Interest-bearing bank and other borrowings	28	**1,583,540**	181,212
Finance lease payables	29	**142,974**	–
Income tax payables		**114,441**	18,456
Total current liabilities		**6,814,097**	508,227
NET CURRENT ASSETS/(LIABILITIES)		**(1,227,815)**	1,342,118
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,764,518**	2,271,192

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	28	**3,244,597**	147,444
Finance lease payables	29	**2,663,202**	–
Other non-current liabilities	19	**271,459**	–
Deferred tax liabilities	30	**100,384**	5,241
Total non-current liabilities		**6,279,642**	152,685
Net assets		**4,484,876**	2,118,507
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	31	**49,995**	26,950
Reserves	33	**4,399,603**	2,091,557
		4,449,598	2,118,507
Non-controlling interests		**35,278**	–
Total equity		**4,484,876**	2,118,507

Hu Xiaoyong
Director

Shi Xiaobei
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

		Attributable to equity holders of the Company										
	Notes	Ordinary shares HK$'000	Convertible preference shares HK$'000	Share premium account HK$'000	Special reserves HK$'000 (note 33)	Available-for-sale investment revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (note 33)	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015		3,200	–	57,146	82,400	–	29,036	21,432	64,111	257,325	–	257,325
Profit for the year		–	–	–	–	–	–	–	38,492	38,492	–	38,492
Other comprehensive income for the year:												
Available-for-sale investment:												
Change in fair value, net of tax	18	–	–	–	–	492	–	–	–	492	–	492
Exchange differences related to foreign operations		–	–	–	–	–	–	(39,188)	–	(39,188)	–	(39,188)
Total comprehensive income/(loss) for the year		–	–	–	–	492	–	(39,188)	38,492	(204)	–	(204)
Issue of new ordinary shares	31(c)	14,137	–	1,102,643	–	–	–	–	–	1,116,780	–	1,116,780
Issue of new convertible preference shares	31(c)	–	9,613	749,831	–	–	–	–	–	759,444	–	759,444
Share issue expenses		–	–	(14,838)	–	–	–	–	–	(14,838)	–	(14,838)
Conversion of convertible preference shares	31(c)	371	(371)	–	–	–	–	–	–	–	–	–
Transfer from retained profits		–	–	–	–	–	7,480	–	(7,480)	–	–	–
At 31 December 2015		17,708#	9,242#	1,894,782*	82,400*	492*	36,516*	(17,756)*	95,123*	2,118,507	–	2,118,507

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Notes	Attributable to equity holders of the Company										
		Ordinary shares HK$'000	Convertible preference shares HK$'000	Share premium account HK$'000	Special reserves HK$'000 (note 33)	Available-for-sale investment revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (note 33)	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016		17,708#	9,242#	1,894,782*	82,400*	492*	36,516*	(17,756)*	95,123*	2,118,507	–	2,118,507
Profit for the year		–	–	–	–	–	–	–	505,101	505,101	24,146	529,247
Other comprehensive income/(loss) for the year:												
Available-for-sale investment:												
Change in fair value, net of tax		–	–	–	–	7	–	–	–	7	–	7
Reclassification adjustment for gain included in profit or loss – gain on disposal	18	–	–	–	–	(499)	–	–	–	(499)	–	(499)
Exchange differences related to foreign operations		–	–	–	–	–	–	(362,824)	–	(362,824)	(1,597)	(364,421)
Total comprehensive income/(loss) for the year		–	–	–	–	(492)	–	(362,824)	505,101	141,785	22,549	164,334
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	–	13,183	13,183
Acquisition of a non-controlling interest		–	–	–	677	–	–	–	–	677	(1,624)	(947)
Capital contributions from a non-controlling equity holder		–	–	–	–	–	–	–	–	–	1,170	1,170
Issue of new ordinary shares	31(d)	4,045	–	683,605	–	–	–	–	–	687,650	–	687,650
Issue of new convertible preference shares	31(c)	–	19,000	1,481,979	–	–	–	–	–	1,500,979	–	1,500,979
Conversion of convertible preference shares	31(c)	20,759	(20,759)	–	–	–	–	–	–	–	–	–
Transfer from retained profits		–	–	–	–		47,528	–	(47,528)	–	–	–
At 31 December 2016		42,512#	7,483#	4,060,366*	83,077*	–*	84,044*	(380,580)*	552,696*	4,449,598	35,278	4,484,876

These accounts comprise the consolidated share capital of HK$49,995,000 (2015: HK$26,950,000) in the consolidated statement of financial position.

* These reserve accounts comprise the consolidated reserves of HK$4,399,603,000 (2015: HK$2,091,557,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**666,485**	65,963
Adjustments for:			
Gains on bargain purchase of subsidiaries		**(78,669)**	–
Interest income	5	**(4,967)**	(1,592)
Fair value gain on disposal of available-for-sale investment (transfer from equity on disposal)	5	**(499)**	–
Depreciation	6	**112,615**	9,087
Amortisation of prepaid land lease payments	6	**1,216**	514
Amortisation of operating rights	6	**4,869**	–
Amortisation of other intangible asset	6	**127**	6
Loss on disposal of items of property, plant and equipment		**–**	84
Reversal of write-down of inventories to net realisable value		**–**	(72)
Finance costs	7	**103,857**	2,514
		805,034	76,504
Decrease/(increase) in inventories		**(2,219)**	3,722
Increase in amounts due from contract customers		**(575,691)**	–
Increase in trade and bills receivables		**(535,505)**	(325,492)
Decrease/(increase) in prepayments, deposits and other receivables		**229,822**	(168,612)
Increase in other tax recoverables		**(160,450)**	(134,267)
Increase in trade and bills payables		**856,469**	95,304
Increase/(decrease) in other payables and accruals		**(300,894)**	117,214
Cash generated from/(used in) operations		**316,566**	(335,627)
The People's Republic of China tax paid		**(36,485)**	(15,084)
Net cash from/(used in) operating activities		**280,081**	(350,711)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**4,967**	1,592
Purchases of items of property, plant and equipment	13	**(1,658,091)**	(353,322)
Proceeds from disposal of items of property, plant and equipment		**–**	855
Addition of prepaid land lease payments	14	**(17,220)**	–
Addition of other intangible asset	17	**(2,596)**	(87)
Acquisition of subsidiaries	34	**(489,665)**	–
Increase in prepayments and deposits for acquisition of property, plant and equipment		**(398,585)**	(134,639)
Deposits for potential acquisition of photovoltaic power plants		**(347,446)**	(100,840)
Decrease in payables in relation to photovoltaic and wind power plant projects		**(5,124,919)**	–
Increase in other non-current assets/liabilities and receivables from potential acquisition companies, net		**(292,857)**	(250,359)
Decrease/(increase) in pledged bank deposits		**(330,587)**	14,695
Acquisition of a non-controlling interest		**(947)**	–
Net cash used in investing activities		**(8,657,946)**	(822,105)

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new ordinary shares	31(c),(d)	**687,650**	1,116,780
Proceeds from issue of new convertible preference shares	31(c)	**1,500,979**	759,444
Share issue expenses	31(c)	**–**	(14,838)
Capital contributions by a non-controlling equity holder		**1,170**	–
New bank and other borrowings		**6,320,963**	337,500
Repayment of bank and other borrowings		**(1,705,218)**	(35,000)
Proceeds received under finance lease arrangements		**2,285,253**	–
Capital element of finance lease rental payments		**(13,299)**	–
Interest on bank and other borrowings paid		**(96,374)**	(2,514)
Interest element of finance lease rental payments		**(7,483)**	–
Net cash from financing activities		**8,973,641**	2,161,372
NET INCREASE IN CASH AND CASH EQUIVALENTS		**595,776**	988,556
Cash and cash equivalents at beginning of year		**1,098,040**	128,501
Effect of foreign exchange rate changes, net		**(60,602)**	(19,017)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,633,214**	1,098,040
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**1,633,214**	290,108
Non-pledged time deposits with original maturity of less than three months when acquired	25	**–**	807,932
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		**1,633,214**	1,098,040

1. CORPORATE AND GROUP INFORMATION

Beijing Enterprises Clean Energy Group Limited (the "Company") is a limited liability incorporated in the Cayman Islands. The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

– 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 People's Republic of China (the "PRC")

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2016 are as follows:

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
深圳大洋洲印務有限公司π (Shenzhen Oceania Printing Company Limited*)	PRC	RMB64,000,000	–	100	Manufacture and sale of cigarette packages
北京北控光伏科技發展有限公司π (Beijing Enterprises Photovoltaic Development Company Limited*)	PRC	RMB800,000,000	–	100	Trade of equipment and provision of technical consultancy services in relation to photovoltaic power business
蔚縣北控新能源開發有限公司π (Yuxian Beijing Enterprises New Energy Development Company Limited*)	PRC	HK$350,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
天津富歡企業管理諮詢有限公司@ (Tianjin Clean Energy Investment Company Limited*)	PRC	RMB500,000,000	–	100	Investment holding
北清清潔能源投資有限公司π (Beiqing Clean Energy Investment Company Limited*)	PRC	RMB1,000,000,000	–	100	Investment holding
二連浩特北控宏暉能源有限公司@ (Erenhot Beikong Honghui Energy Co. Ltd.*)	PRC	RMB100,000,000	–	70	Infrastructure development and operation of photovoltaic power plants

1. CORPORATE AND GROUP INFORMATION (CONTINUED)
Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
北控清潔能源(包頭)電力有限公司@ (Beikong Clean Energy (Baotou) Electricity Co. Ltd.*)	PRC	RMB80,000,000	–	70	Infrastructure development and operation of photovoltaic power plants
新泰北控清潔能源有限公司@ (Xintai Beikong Clean Energy Company Limited*)	PRC	RMB200,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
北控清潔能源(烏海)電力有限公司@ (Beikong Clean Energy (Wuhai) Electricity Co. Ltd.*)	PRC	RMB100,000,000	–	90	Infrastructure development and operation of photovoltaic power plants
微山縣中晟清潔能源有限責任公司@ (Weishan County Zhongcheng Clean Energy Company Ltd.*)	PRC	RMB50,000,000	–	90	Infrastructure development and operation of photovoltaic power plants
濟南中晟新能源開發有限公司@ (Jinan Zhongcheng New Energy Development Company Limited*)	PRC	RMB103,100,000	–	100	Infrastructure development and operation of photovoltaic power plants
高青創贏農牧科技有限公司@ (Gaoqing Chuangying Farming Technology Company Limited*)	PRC	RMB50,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
四川中民信電力工程設計有限公司@ (Sichuan Zhong Min Xin Electric Power Engineering Limited*)	PRC	RMB200,000,000	–	100	Construction services and provision of technical consultancy services
曲陽綠谷能源科技有限公司@ (Quyang Lvgu Energy Technologies Company Limited*)	PRC	RMB3,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
潤峰電力(鄖西)有限公司@ (Runfeng Power (Yunxi) Company Limited*)	PRC	RMB20,000,000	–	100	Infrastructure development and operation of photovoltaic power plants

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
巢湖睿閣光伏發電有限公司@ (Chaohu Ruige Photovoltaic Power Generating Company Limited*)	PRC	RMB62,500,000	–	100	Infrastructure development and operation of photovoltaic power plants
四川長建電力工程設計有限公司@ (Sichuan Changjian Electric Power Engineering Limited*)	PRC	RMB10,000,000	–	60	Construction services
安陽永歌光伏發電有限公司@ (Anyang Yongge Photovoltaic Power Generation Co. Limited*)	PRC	RMB200,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
淇縣中光太陽能有限公司@ (Qi County Solar Power Limited*)	PRC	RMB200,100,000	–	100	Infrastructure development and operation of photovoltaic power plants
山東魯薩風電有限公司@ (Shandong Lusa Wind Power Limited*) ("Shandong Lusa")	PRC	RMB160,000,000	–	100	Infrastructure development and operation of wind power plants
鉛山縣天宏虹輝太陽能科技有限公司@ (Yanshan Tianhong Honghui Solar Power Technology Company Limited*)	PRC	RMB5,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
圍場滿族蒙古族自治縣中能光伏發電有限公司@ (Weichang Manzu Mongolian Autonomous County Zhongneng Photovoltaic Power Generating Company Limited*)	PRC	RMB10,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
金寨金葉光伏科技有限公司@ (Jinzhai Jinye Photovoltaic Technology Co., Ltd.*)	PRC	RMB50,000,000	–	100	Infrastructure development and operation of photovoltaic power plants

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
合肥中鑫新能源科技有限公司@ (Hefei Zhongxin New Energy Technology Company Limited*)	PRC	RMB1,000,000	–	60	Infrastructure development and operation of photovoltaic power plants
合肥中晶新能源科技有限公司@ (Hefei Zhongjing New Energy Technology Company Limited*)	PRC	RMB1,000,000	–	60	Infrastructure development and operation of photovoltaic power plants
河南日升光伏電力發展有限公司@ (Henan Risheng Photovoltaic Power Development Co., Ltd.*) ("Henan Risheng")	PRC	RMB20,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
潁上聚安光伏發電有限公司@ (Yingshang Ju An PV Power Generation Co., Ltd*)	PRC	RMB1,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
廬江東升太陽能開發有限公司@ (Lujiang Dongsheng Solar Energy Development Co., Ltd.*) ("Lujiang Dongsheng")	PRC	RMB41,600,000	–	100	Infrastructure development and operation of photovoltaic power plants
靖邊縣東投能源有限公司@ (Jingbian Dongtou Energy Corporation Limited*)	PRC	RMB1,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
張家口萬全區光晨新能源有限公司@ (Zhangjiakou Wanquan Guangchen New Energy Company Limited*)	PRC	RMB500,000	–	100	Infrastructure development and operation of photovoltaic power plants
大理瑞德興陽新能源科技有限公司@ (Dali Ruide Xingyang New Energy Technology Company Limited*)	PRC	RMB1,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
唐山匯聯新能源發電有限公司@ (Tangshan Huilian New Energy Power Generation Company Limited*)	PRC	RMB10,000,000	–	100	Infrastructure development and operation of photovoltaic power plants

1. CORPORATE AND GROUP INFORMATION (CONTINUED)
Information about subsidiaries (Continued)

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
榆林協合太陽能發電有限公司@ (Yulin Century Concord Solar Power Co., Ltd.*) ("Yulin Century Concord")	PRC	RMB150,390,000	–	100	Infrastructure development and operation of photovoltaic power plants
沁源縣聯鴻新能源有限公司@ (Qinyuan County Lianhong New Energy Company Limited*)	PRC	RMB10,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
靈璧晨陽新能源發電有限公司@ (Linbi Cheng Yang New Energy Power Energy Company Limited*)	PRC	RMB1,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
濟南長峽新能源有限公司@ (Jinan Changxia New Energy Company Limited*)	PRC	RMB40,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
西藏嘉天新能源投資開發有限公司@ (Xizang Jiatian New Energy Investment Development Company Limited*)	PRC	RMB10,000,000	–	80	Infrastructure development and operation of photovoltaic power plants
廣宗縣富平光伏發電有限公司@ (Guangzong County Fuping Photovoltaic Power Generation Company Limited*) ("Guangzong County Fuping")	PRC	RMB50,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
寬城埃菲生太陽能發電有限公司@ (Kuancheng Aifeisheng Photovoltaic Power Generating Company Limited*)	PRC	RMB1,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
唐縣森興新能源開發有限公司@ (Tangxian Senxing New Energy Development Limited*)	PRC	RMB50,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
瑞昌台達新能源投資有限公司@ (Ruichang Taida New Energy Investment Co., Ltd.*)	PRC	RMB10,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
邢台萬陽新能源開發有限公司@ (Xingtai Wanyang New Energy Development Limited*)	PRC	RMB50,000,000	–	100	Infrastructure development and operation of photovoltaic power plants

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Information about subsidiaries (Continued)

π Company registered as a wholly-foreign-owned enterprise under PRC law

@ Acquired/incorporated during the year

* For identification purposes only

During the year, the Group acquired a number of subsidiaries, details of material transactions are set out in note 34 to the financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

Despite that the Group had net current liabilities of HK$1,227.8 million, certain potential investments and capital commitments of HK$2,368 million as at 31 December 2016, the directors consider that the Group will have adequate funds available to enable it to operate as a going concern, based on the Group's profit forecast and cash flow projection which, inter alia, take into account the historical operating performance of the Group and the following:

(a) aggregate principal of RMB1,774.3 million (equivalent to HK$1,983.6 million) received subsequent to the reporting period and up to the date of these financial statements in respect of the completed finance lease arrangements entered into by the Group for terms ranging from 9 to 15 years, for the Group's photovoltaic and wind power businesses. The funds obtained were used to refinance the Group's current liabilities as at 31 December 2016;

(b) the existing banking facilities available to the Group as at the date of approval of these financial statements and on the assumption that such facilities will continue to be available from the Group's bankers;

(c) adequate financing will be obtained from banks or other financial institutions for future acquisitions and investments;

(d) Beijing Enterprises Water Group Limited ("BEWG"), a substantial equity holder of the Company, has the intention to maintain directly or indirectly an equity interest in the Company of not less than 30% in the foreseeable future; and

(e) certain of the above-mentioned potential investments and capital commitments are expected to be fulfilled by the Group after 2017 according to the Group's development plan.

Accordingly, these financial statements have been prepared on the going concern basis which assumes, among other things, the realisation of assets and satisfaction of liabilities in the normal course of business.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investment which has been measured at fair value as further explained in note 2.5. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

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

   (i) the materiality requirements in HKAS 1;

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

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

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

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

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance* Contracts[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Annual Improvements 2014-2016 cycle	Amendments to a number of HKFRSs[5]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption
5 Effective for annual periods beginning on or after 1 January 2017 or 2018, with early application permitted

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRSs (Continued)

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

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

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

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRSs (Continued)

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

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

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

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRSs (Continued)

Annual Improvements to HKFRSs 2014-2016 Cycle issued in March 2017 sets out amendments to a number of HKFRSs. Details of the applicable amendments are as follows:

HKFRS 12 *Disclosure of Interest in Other entities:* Clarified the scope of the standard by specifying that certain disclosure requirements is not required for subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that are classified as held for sale in accordance with HKFRS 5 *Noncurrent Assets Held for Sale and Discontinued Operations*.

HKAS 28 *Investments in Associates and Joint Ventures:* Clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December (2015: Not applicable). For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

Fair value measurement

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (Continued)

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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

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

Building	Over the lease terms
Leasehold improvement	Over the shorter of the lease terms and 20%
Photovoltaic and wind power plants	4% to 5%
Plant and machinery	10% to 20%
Motor vehicles	10%
Furniture, fixtures and equipment	20%

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

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

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. For sale and finance leaseback arrangements, the Group continues to recognise the leased assets at their previous carrying amounts and recognises the proceeds received or receivables as finance lease payables.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible asset (other than goodwill)

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

Operating rights

Operating rights represent the rights to operate certain photovoltaic and wind power plants in designated locations according to the contractual arrangements entered into between the Group's project companies and State Grid Corporation of China (the "State Grid") for the sale of electricity, operating licences granted by local governments and the existing government policies on the related businesses. The operating rights were acquired by the Group during the year through business combinations and initially measured at fair value. Operating rights are subsequently carried at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 20 years.

Computer software

Computer software is stated at cost less any impairment losses and are amortised on the straight-line basis over its estimated useful life of 5 years.

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Loans and receivables

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Available-for-sale investment

Available-for-sale investment is a non-derivative financial asset in an unlisted equity investment. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale investment is subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses.

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

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

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

Derecognition of financial assets

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Derecognition of financial assets (Continued)

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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

Available-for-sale investment

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

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

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings and finance lease payables.

Subsequent measurement

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

Income tax

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised as other income at its fair value when there is reasonable assurance that the grants will be received and all the attaching condition will be complied with.

Revenue recognition

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

(a) from the sale of cigarette packages, sale of electricity and trading agency income in relation to photovoltaic and wind power-related businesses, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the electricity and goods sold;

(b) for tariff adjustment, it represents subsidy received and receivable from the government authorities in respect of the Group's photovoltaic and wind power plant operations. Tariff adjustment is recognised when it is probable that the additional tariff will be received and the Group will comply with all attached conditions, if any;

(c) from construction services, on the percentage-of-completion basis, as further explained in the accounting policy for "Construction contracts" below;

(d) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" below;

(e) from the rendering of entrusted operations, on time proportion basis over the contract terms; and

(f) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts (Continued)

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Other employee benefits

Defined contribution plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the participating employees' salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme. The employer contributions vest fully once made.

Borrowing costs

Borrowing costs directly attributable to the construction in progress, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

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

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

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

The functional currencies of certain Mainland China subsidiaries are currencies other than HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into HK$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of Mainland China subsidiaries are translated into HK$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of Mainland China subsidiaries which arise throughout the year are translated into HK$ at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

The major judgements, estimates and assumptions, that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out below:

Purchase price allocations of photovoltaic power-related businesses

As further detailed in note 34 to the financial statements, the Group acquired a number of entities engaging in photovoltaic power-related businesses during the year ended 31 December 2016. The Group engaged an independent external valuer to perform the valuation of the identifiable assets acquired and liabilities assumed of significant subsidiaries acquired. The accounting for business combinations, which were accounted for using the acquisition method, relied on a significant amount of management estimation and judgements in respect of fair value measurement and allocation of the purchase price.

Classification of other non-current assets and other non-current liabilities

Other non-current assets/liabilities represent costs of equipment/contracted selling prices of equipment delivered to third party project companies under certain equipment sales arrangements for photovoltaic power plant development, and there are possibilities that those third party project companies would be acquired by the Group subsequently. If the project companies are subsequently acquired by the Group, the net balance of the related costs and contracted selling price would be transferred to investment costs of the related acquisitions.

Significant judgements were required to be made by management in determining whether, at the time of transfer of the significant risks and rewards associated with the ownership of the equipment to the project companies, the related transactions shall be accounted for as (i) sales transactions with the third party companies; or (ii) equipment used by the Group for the development of the photovoltaic power plants.

At 31 December 2016, the aggregate cost of equipment delivered to these photovoltaic power plants amounted to HK$270,784,000 (2015: HK$250,359,000) and the aggregate selling prices amounted to HK$271,459,000 (2015: Nil), further detail of which are set out in note 19 to the financial statements.

Impairment of trade receivables in respect of photovoltaic and wind power-related businesses

The policy for provision for impairment of trade receivables in respect of photovoltaic and wind power-related businesses of the Group is based on the evaluation of collectability and aged analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amount of trade receivables in respect of photovoltaic and wind power-related businesses in the consolidated statement of financial position as at 31 December 2016 was HK$1,002,450,000 (2015: HK$270,239,000).

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the relevant business units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The total carrying amount of goodwill as at 31 December 2016 was HK$167,568,000 (2015: Nil) in aggregate, details of which are set out in note 15 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Useful lives and residual values of property, plant and equipment

The Group's management determines the useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. 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 technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives or residual values are less than 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. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods. The carrying amounts of property, plant and equipment carried as assets in the consolidated statement of financial position as at 31 December 2016 was HK$9,412,975,000 (2015: HK$397,666,000), further details of which are set out in note 13 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

(a) investment, development, construction, operation and management of photovoltaic power plants, photovoltaic and wind power-related business; and

(b) design, printing and sale of cigarette packages in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that head office and corporate income/(expenses) and finance costs are excluded from this measurement.

Segment assets exclude available-for-sale investment and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

Years ended 31 December 2016 and 2015

	Photovoltaic and wind power businesses		Cigarette packaging business		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Segment revenue:						
Sales to external customers	**2,721,564**	49,243	**168,612**	239,687	**2,890,176**	288,930
Segment results	**792,857**	43,128	**7,462**	46,301	**800,319**	89,429
Reconciliation:						
Unallocated gains					**604**	11
Corporate and other unallocated expenses					**(30,581)**	(20,963)
Finance costs					**(103,857)**	(2,514)
Profit before tax					**666,485**	65,963
Income tax expense					**(137,238)**	(27,471)
Profit for the year					**529,247**	38,492

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Years ended 31 December 2016 and 2015 (Continued)

	Photovoltaic and wind power businesses		Cigarette packaging business		Total	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Segment assets	**17,132,553**	2,395,992	**301,461**	311,569	**17,434,014**	2,707,561
Reconciliation:						
Available-for-sale investment					**–**	24,482
Corporate and other unallocated assets						
– Property, plant and equipment					**983**	1,220
– Prepayments, deposits and other receivables					**246**	21,306
– Cash and bank balances					**143,372**	24,850
Total assets					**17,578,615**	2,779,419
Segment liabilities	**10,691,102**	229,522	**110,581**	131,256	**10,801,683**	360,778
Reconciliation:						
Corporate and other unallocated liabilities						
– Interest-bearing bank borrowings					**2,275,498**	297,444
– Other payables and accruals					**16,558**	2,690
Total liabilities					**13,093,739**	660,912
Other segment information:						
Depreciation and amortisation						
– Operating segments	**110,236**	48	**8,329**	9,472	**118,565**	9,520
– Amount unallocated					**262**	87
Capital expenditures*						
– Operating segments	**1,670,304**	347,186	**3,712**	4,916	**1,674,016**	352,102
– Amount unallocated					**25**	1,307
Addition of other non-current assets	**270,784**	250,359	**–**	–	**270,784**	250,359

* Capital expenditures consists of additions to property, plant and equipment, prepaid land lease payments and other intangible asset, excluding assets from the acquisition of subsidiaries. Details of property, plant and equipment, prepaid land lease payments and other intangible asset in relation to the photovoltaic and wind power businesses acquired through business combinations are set out in note 34 to the financial statements.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the assets of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of these financial statements.

Information about major customers

Revenue derived from cigarette packaging business and photovoltaic and wind power businesses which individually accounted for more than 10% of the Group's total revenue is as follows:

	2016	2015
	HK$'000	HK$'000
Customer A	**732,631**	N/A#
Customer B	**452,077**	N/A#
Customer C*	**N/A#**	197,421
Customer D*	**N/A#**	33,737

The corresponding revenue of these customers are not disclosed as they individually did not contribute over 10% of the Group's total revenue for the relevant year.

* Both customers are under control of a state-owned entity in the PRC.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the aggregate of (i) sales of electricity with tariff adjustment from photovoltaic and wind power generation, net of value-added tax; (ii) an appropriate proportion of contract revenue of construction contracts relating to photovoltaic power-related businesses, net of value-added tax; (iii) the value of technical consultancy services rendered from photovoltaic power-related businesses, net of value added tax; (iv) the value of entrusted operations services of photovoltaic power-related businesses, net of value-added tax; (v) trading agency income from photovoltaic power-related businesses, net of value-added tax; and (vi) the net invoiced value of goods sold, after allowances for returns and trade discounts.

5. REVENUE, OTHER INCOME AND GAINS, NET (CONTINUED)

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

	2016 HK$'000	2015 HK$'000
Revenue		
Photovoltaic power-related businesses:		
Sale of electricity with tariff adjustment*	**214,643**	–
Construction services	**2,233,966**	–
Technical consultancy services	**109,628**	26,415
Entrusted operations	**114,332**	–
Trading agency income	**27,964**	22,828
Wind power-related business:		
Sales of electricity with tariff adjustment*	**21,031**	–
Sales of cigarette packages	**168,612**	239,687
	2,890,176	288,930
Other income and gains, net		
Bank interest income	**4,967**	1,592
Government grants#	**78,874**	–
Foreign exchange gains, net	**10,548**	19,454
Reversal of write-down of inventories to net realisable value	**–**	72
Fair value gain on disposal of available-for-sale investment (transfer from equity on disposal)	**499**	–
Others	**3,774**	376
	98,662	21,494

* Tariff adjustment represents subsidy from the government authorities in respect of the Group's photovoltaic and wind power plants businesses.

\# Government grants recognised during the year included, inter alia, an investment incentive of RMB66,400,000 (equivalent to HK$77,588,000) provided by a local government in the Inner Mongolia Autonomous Region, the PRC, for an investment by the Group in the region.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	**2016 HK$'000**	2015 HK$'000
Cost of sales of electricity		**94,840**	–
Cost of construction services		**1,840,041**	–
Cost of technical consultancy services in relation to photovoltaic power-related businesses		**7,625**	3,202
Cost of services in relation to entrusted operations		**6,896**	–
Cost of inventories sold in relation to cigarette packaging business		**117,689**	128,558
Depreciation	13	**112,615**	9,087
Amortisation of prepaid land lease payments*	14	**1,216**	514
Amortisation of operating rights*	16	**4,869**	–
Amortisation of other intangible asset#	17	**127**	6
Minimum lease payments under operating leases		**9,472**	3,406
Auditors' remuneration		**5,475**	1,700
Employee benefit expenses (excluding directors' remuneration (note 8)):			
Wages and salaries		**102,167**	45,366
Pension scheme contributions		**3,389**	4,911
Welfare and other expenses		**13,552**	4,535
		119,108	54,812

* Amortisation of prepaid land lease payments and operating rights for the year are included in "Cost of sales" on the face of the consolidated statement of profit or loss.

Amortisation of other intangible asset for the year is included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

7. FINANCE COSTS

	2016 HK$'000	2015 HK$'000
Interest on bank and other loans	**96,374**	2,514
Interest on finance leases	**7,483**	–
	103,857	2,514

8. DIRECTORS' REMUNERATION

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

	2016 HK$'000	2015 HK$'000
Fees	**1,008**	1,027
Other emoluments:		
Salaries, allowances and benefits in kind	**1,694**	1,338
Performance related bonuses*	**1,484**	5,973
Pension scheme contributions	**55**	61
	3,233	7,372
Total	**4,241**	8,399

* Certain directors of the Company are entitled to bonus payments which are determined by reference to the performance of the Group and individual's performance.

No director was granted share options in respect of their services to the Group, under the share option scheme of the Company during the years ended 31 December 2016 and 2015, further details of the share option scheme are included in the disclosures in note 32 to the financial statements.

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2016 HK$'000	2015 HK$'000
Mr. Li Fujun@	**61**	–
Mr. Xu Honghua*	**144**	95
Mr. Chiu Kung Chik@	**61**	–
Professor Lam Sing Kwong Simon^	**83**	144
Mr. Tam Tak Kei Raymond^	**83**	144
Mr. Zeng Shiquan#	**–**	61
	432	444

@ appointed as an independent non-executive director of the Company on 29 July 2016.
* appointed as an independent non-executive director of the Company on 6 May 2015.
^ resigned as an independent non-executive director of the Company on 29 July 2016.
# resigned as an independent non-executive director of the Company on 6 May 2015.

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2016					
Executive directors:					
Mr. Hu Xiaoyong π	144	–	–	–	144
Mr. Shi Xiaobei π	144	–	–	–	144
Mr. Liang Yongfeng^	144	775	158	55	1,132
Mr. Wang Ye §	144	919	1,326	–	2,389
	576	1,694	1,484	55	3,809

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and a non-executive director (Continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015					
Executive directors:					
Mr. Hu Xiaoyong[π]	95	–	–	–	95
Mr. Shi Xiaobei[π]	95	–	–	–	95
Mr. Liang Yongfeng[^]	95	828	–	29	952
Mr. Wang Ye[§]	32	196	–	–	228
Mr. Han Songbai[Ω]	63	302	–	21	386
Ms. Huang Li*	105	12	5,000	5	5,122
Mr. Zheng Hua[#]	49	–	766	6	821
Non-executive director:					
Mr. Huang Chao[@]	49	–	207	–	256
	583	1,338	5,973	61	7,955

π appointed as an executive director of the Company on 6 May 2015.

^ appointed as an executive director of the Company on 6 May 2015 and resigned subsequent to the reporting period on 23 January 2017.

§ appointed as an executive director of the Company on 13 October 2015.

Ω appointed as an executive director of the Company on 6 May 2015 and resigned on 13 October 2015.

* resigned as an executive director of the Company on 23 September 2015.

\# resigned as an executive director of the Company on 6 May 2015.

@ resigned as a non-executive director of the Company on 6 May 2015.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2015: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 2 directors (2015: 3), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining 3 (2015: 2) non-director highest paid employees are as follows:

	2016 HK$'000	2015 HK$'000
Salaries, allowances and benefits in kind	**3,049**	1,478
Performance related bonuses	**1,964**	800
Pension scheme contributions	**254**	30
	5,267	2,308

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**3**	1
	3	2

10. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2015: Nil).

The PRC corporate income tax provision in respect of operations in Mainland China is calculated at the applicable tax rates on the estimated assessable profits for the year based on the prevailing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions, by reason that these companies are engaged in the operation of photovoltaic and wind power plants.

	2016 HK$'000	2015 HK$'000
Current – Mainland China	**138,116**	25,568
Current – Withholding tax	**1,321**	889
Deferred (note 30)	**(2,199)**	1,014
Total tax expense for the year	**137,238**	27,471

10. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

2016

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	**(55,939)**	**100.0**	**722,424**	**100.0**	**666,485**	**100.0**
Tax expense at the statutory tax rate	**(9,230)**	**16.5**	**180,606**	**25.0**	**171,376**	**25.7**
Tax concession	**–**	**–**	**(44,031)**	**(6.1)**	**(44,031)**	**(6.6)**
Withholding tax on the distributable profits of the Group's PRC subsidiaries (note 30)	**1,069**	**(1.9)**	**–**	**–**	**1,069**	**0.2**
Income not subject to tax	**(1,657)**	**3.0**	**(1,863)**	**(0.3)**	**(3,520)**	**(0.5)**
Expenses not deductible for tax	**10,887**	**(19.5)**	**522**	**0.1**	**11,409**	**1.7**
Tax losses not recognised as deferred tax assets	**–**	**–**	**935**	**0.1**	**935**	**0.1**
Tax expense at the Group's effective tax rate	**1,069**	**(1.9)**	**136,169**	**18.8**	**137,238**	**20.6**

2015

	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(30,466)	100.0	96,429	100.0	65,963	100.0
Tax expense at the statutory tax rate	(5,027)	16.5	24,107	25.0	19,080	28.9
Withholding tax on the distributable profits of the Group's PRC subsidiaries (note 30)	1,903	(6.2)	–	–	1,903	2.9
Income not subject to tax	(7)	0.0	(31)	(0.1)	(38)	(0.1)
Expenses not deductible for tax	27	(0.1)	760	0.8	787	1.2
Tax losses not recognised as deferred tax assets	5,007	(16.4)	732	0.8	5,739	8.7
Tax expense at the Group's effective tax rate	1,903	(6.2)	25,568	26.5	27,471	41.6

11. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares and convertible preference shares in issue during the year.

The calculation of the diluted earnings per share amount for the year is based on the profit for the year attributable to equity holders of the Company, and the weighted average number of ordinary shares and convertible preference shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued as a result of the effect from the forward contract of the convertible preference shares.

The calculation of the basic and diluted earnings per share amounts is based on the following data:

	2016 **HK$'000**	2015 HK$'000
Earnings		
Profit for the year attributable to equity holders of the Company, used in the basic and diluted earnings per share calculation	**505,101**	38,492

	2016	2015
Number of ordinary shares and convertible preference shares		
Weighted average number of ordinary shares and convertible preference shares in issue during the year, used in the basic earnings per share calculation and adjusted for share subdivision (note)	**36,065,518,446**	14,053,273,355
Effect of dilution – weighted average number of ordinary shares from forward contract on convertible preference shares	**12,342,339,733**	18,854,225,211
Weighted average number of ordinary shares and convertible preference shares, used in the diluted earnings per share calculation and adjusted for share subdivision (note)	**48,407,858,179**	32,907,498,566

	2016	2015
Basic earnings per share	**HK1.40 cents**	HK0.27 cents
Diluted earnings per share	**HK1.04 cents**	HK0.12 cents

Note: Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 4 March 2015, each of the issued and unissued shares of HK$0.010 each in the share capital of the Company was subdivided into ten shares of HK$0.001 each with effect from 5 March 2015. As at the completion of the share subdivision, the authorised capital of the Company was HK$20,000,000, divided into 20,000,000,000 ordinary shares of HK$0.001 each, of which 3,200,000,000 ordinary shares were issued and fully paid or credited as fully paid.

13. PROPERTY, PLANT AND EQUIPMENT

	Building HK$'000	Leasehold improvements HK$'000	Photovoltaic and wind power plants HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2016								
At 1 January 2016:								
Cost	29,258	1,089	–	91,644	7,242	5,513	331,889	466,635
Accumulated depreciation	(797)	(73)	–	(62,724)	(1,873)	(3,502)	–	(68,969)
Net carrying amount	28,461	1,016	–	28,920	5,369	2,011	331,889	397,666
At 1 January 2016, net of accumulated depreciation	28,461	1,016	–	28,920	5,369	2,011	331,889	397,666
Additions	–	3,166	2,228	3,804	1,727	2,996	1,640,304	1,654,225
Acquisition of subsidiaries (note 34)	–	–	7,391,113	48,795	1,484	218	358,649	7,800,259
Depreciation provided during the year	(583)	(219)	(102,924)	(7,067)	(1,303)	(519)	–	(112,615)
Transfers	–	–	606,909	–	–	–	(606,909)	–
Exchange realignment	(1,932)	(137)	(244,546)	(3,958)	(262)	(242)	(75,483)	(326,560)
At 31 December 2016, net of accumulated depreciation	25,946	3,826	7,652,780	70,494	7,015	4,464	1,648,450	9,412,975
At 31 December 2016:								
Cost	27,247	4,117	7,858,721	136,618	10,076	8,232	1,648,450	9,693,461
Accumulated depreciation	(1,301)	(291)	(205,941)	(66,124)	(3,061)	(3,768)	–	(280,486)
Net carrying amount	25,946	3,826	7,652,780	70,494	7,015	4,464	1,648,450	9,412,975

	Building HK$'000	Leasehold improvements HK$'000	Photovoltaic and wind power plants HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Furniture, fixtures and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2015								
At 1 January 2015:								
Cost	30,895	–	–	97,586	3,802	4,189	–	136,472
Accumulated depreciation	(211)	–	–	(59,797)	(1,279)	(3,545)	–	(64,832)
Net carrying amount	30,684	–	–	37,789	2,523	644	–	71,640
At 1 January 2015, net of accumulated depreciation	30,684	–	–	37,789	2,523	644	–	71,640
Additions	–	1,089	–	1,060	3,943	1,601	345,629	353,322
Disposals	–	–	–	(939)	–	–	–	(939)
Depreciation provided during the year	(623)	(73)	–	(7,271)	(970)	(150)	–	(9,087)
Exchange realignment	(1,600)	–	–	(1,719)	(127)	(84)	(13,740)	(17,270)
At 31 December 2015, net of accumulated depreciation	28,461	1,016	–	28,920	5,369	2,011	331,889	397,666
At 31 December 2015:								
Cost	29,258	1,089	–	91,644	7,242	5,513	331,889	466,635
Accumulated depreciation	(797)	(73)	–	(62,724)	(1,873)	(3,502)	–	(68,969)
Net carrying amount	28,461	1,016	–	28,920	5,369	2,011	331,889	397,666

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net carrying amounts of the Group's property, plant and equipment held under finance leases included in the total amounts of photovoltaic and wind power plants at 31 December 2016 were HK$2,498,532,000 (2015: Nil), of which HK$2,095,876,000 were also pledged to secure certain finance lease arrangements (note 29(b)).

14. PREPAID LAND LEASE PAYMENTS

	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January	**21,110**	22,812
Additions	**17,220**	–
Acquisition of subsidiaries (note 34)	**104,335**	–
Amortisation provided during the year	**(1,216)**	(514)
Exchange realignment	**(6,658)**	(1,188)
Carrying amount at 31 December	**134,791**	21,110
Current portion	**(4,732)**	(494)
Non-current portion	**130,059**	20,616

15. GOODWILL

	2016 HK$'000	2015 HK$'000
Photovoltaic and wind power businesses		
Cost and net carrying amount:		
At 1 January	**–**	–
Acquisition of subsidiaries (note 34)	**175,124**	–
Exchange realignment	**(7,556)**	–
At 31 December	**167,568**	–

15. GOODWILL (CONTINUED)

Impairment testing of goodwill

The carrying amount of the goodwill acquired through acquisitions of subsidiaries is allocated to the cash-generating unit of each of the subsidiaries acquired.

The recoverable amounts of the cash-generating units of the significant subsidiaries acquired have been determined by reference to business valuations performed by Greater China Appraisal Limited, an independent professionally qualified valuer, using cash flow projections which are based on financial forecast approved by senior management covering a period of 20 years for wind power-related business and 25 years for photovoltaic power-related businesses and based on the assumption that the sizes of the operations remain constant. The discount rates applied to the cash flow projections ranged from 8.51% to 8.88% (2015: Nil), which are determined by reference to the discount rates for similar industries and the business risks of the relevant business units.

Based on the results of the impairment testing of goodwill, in the opinion of the directors, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2016 (2015: Nil).

Key assumptions used in estimations of the recoverable amounts

The following describes each key assumption adopted by management in the preparation of the cash flow projections for the purpose of impairment testing of goodwill:

- Budgeted turnover
  - The budgeted turnover is based on the projected electricity sales volume and the latest electricity selling prices and tariff charges.
- Discount rate
  - The discount rates used are after tax and reflect specific risks of respective unit.
  - The pre-tax discount rates implied in the cash flow projections ranged from 10.45% to 10.82% for the business units.
- Business environment
  - There will be no major changes in the existing political, legal and economic conditions in Mainland China.

16. OPERATING RIGHTS

Operating rights represent the rights to operate certain photovoltaic and wind power plants in designated locations according to the contractual arrangements entered into between the Group's project companies and the State Grid for the sale of electricity, operating licences granted by local governments and the existing government policies on the related businesses. The operating rights were acquired by the Group during the year through business combinations and initially measured at fair value. Details of the Group's business combinations are set out in note 34 to the financial statements.

	HK$'000
At 1 January 2015, 31 December 2015 and 1 January 2016:	
Cost, accumulated amortisation and net carrying amount	–
Net carrying amount:	
At 1 January 2015, 31 December 2015 and 1 January 2016	–
Acquisition of subsidiaries (note 34)	**391,555**
Amortisation provided during the year	**(4,869)**
Exchange realignment	**(16,731)**
At 31 December 2016	**369,955**
At 31 December 2016:	
Cost	**374,614**
Accumulated amortisation	**(4,659)**
Net carrying amount	**369,955**

17. OTHER INTANGIBLE ASSET

	Computer software	
	2016 **HK$'000**	2015 HK$'000
At 1 January:		
Cost	**83**	–
Accumulated amortisation	**(6)**	–
Net carrying amount	**77**	–
Net carrying amount:		
At 1 January	**77**	–
Addition	**2,596**	87
Amortisation provided during the year	**(127)**	(6)
Exchange realignment	**(112)**	(4)
At 31 December	**2,434**	77
At 31 December:		
Cost	**2,561**	83
Accumulated amortisation	**(127)**	(6)
Net carrying amount	**2,434**	77

18. AVAILABLE-FOR-SALE INVESTMENT

	2016 **HK$'000**	2015 HK$'000
Unlisted equity investment, at fair value	**–**	24,482

The above unlisted equity investment represents approximately 3.79% equity interest in 深圳市鵬鼎創盈金融信息服務股份有限公司 (Shenzhen Peng Ding Chuang Ying Financial Information Services Stock Company Limited*, "Peng Ding") which was established in the PRC. Ms. Huang Li, a shareholder and a former executive director of the Company, is also a director of Peng Ding.

Pursuant to an agreement dated 1 September 2016, the unlisted equity investment was disposed of to an independent third party for the cash consideration of RMB20,400,000 (equivalent to HK$23,837,000). A fair value gain on disposal in respect of the Group's available-for-sale investment recognised in profit or loss amounted to RMB400,000 (equivalent to HK$499,000) (2015: Nil).

* For identification purposes only

19. OTHER NON-CURRENT ASSETS AND OTHER NON-CURRENT LIABILITIES

Other non-current assets/liabilities represent cost of equipment/contracted selling price of equipment delivered to third party project companies under certain equipment sales arrangements for photovoltaic power plant development, and there are possibilities that those third party project companies would be acquired by the Group subsequently. Further details of this classification are explained in note 3 to the financial statements.

In addition, the Group's contractual obligations to purchase the remaining equipment amounted to HK$129,593,000 as at 31 December 2016 (2015: HK$87,745,000).

20. INVENTORIES

	2016 HK$'000	2015 HK$'000
Cigarette packaging business:		
Raw materials	**4,376**	1,070
Work in progress	**7,588**	11,493
Finished goods	**10,750**	17,038
Photovoltaic equipment	**10,359**	–
	33,073	29,601

21. AMOUNTS DUE FROM CONTRACT CUSTOMERS

	2016 HK$'000	2015 HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	**2,596,438**	–
Less: Progress billings	**(2,045,654)**	–
	550,784	–

At 31 December 2016, retentions held by customers for contract works included in amounts due from contract customers and trade receivables of the Group amounted to approximately HK$10,348,000 (2015: Nil) and HK$12,616,000 (2015: Nil) (note 22(f)), respectively.

22. TRADE AND BILLS RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade and bills receivables	**865,311**	404,963
Tariff adjustment	**429,796**	–
Total trade and bills receivables	**1,295,107**	404,963

Notes:

(a) The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The Group generally allows credit periods of 90 days and 30 days to 180 days to its customers in cigarette packaging business and in photovoltaic and wind power-related businesses, respectively, and accepts settlement of certain trade receivables by bank bills with maturity period from 90 days to 180 days.

(b) The management seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2016 HK$'000	2015 HK$'000
Billed:		
Within 3 months	**761,964**	397,912
4 to 6 months	**76,569**	4,955
7 to 12 months	**21,733**	2,094
Over 1 year	**5,045**	2
	865,311	404,963
Unbilled	**429,796**	–
	1,295,107	404,963

22. TRADE AND BILLS RECEIVABLES (CONTINUED)

Notes: (Continued)

(c) The aged analysis of the billed trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 **HK$'000**	2015 HK$'000
Neither past due nor impaired	**596,013**	317,770
Less than 1 month past due	**117,914**	27,813
1 to 3 months past due	**118,859**	52,328
4 to 6 months past due	**25,505**	5,991
7 months to 1 year past due	**7,018**	1,059
Over 1 year past due	**2**	2
	865,311	404,963

The trade and bills receivables were not impaired because they relate to those customers who have long-term relationship with the Group or with no history of default. The Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

(d) The net carrying amount of the Group's trade and bills receivables included tariff adjustment receivables of HK$429,796,000 (2015: Nil), which represent central government renewable energy subsidy receivable on behalf by the State Grid and payable to the Group by the State Grid, in respect of the Group's photovoltaic and wind power plant operations based on the existing government policies.

In the opinion of the directors, the registration procedures of tariff adjustment to photovoltaic and wind power operators are of administrative in nature and the Group will comply with related procedures stipulated by the current government policy in Mainland China and all other attached conditions, if any, and the outstanding tariff adjustment receivables shall be recoverable and no impairment is considered necessary as at 31 December 2016.

(e) Certain subsidiaries engaging in the operation of photovoltaic and wind power plants have pledged trade receivables in respect of the sales of electricity with aggregate amounts of HK$6,946,000 (2015: Nil) and HK$36,248,000 (2015: Nil) to secure certain bank borrowings (note 28(b)) and finance lease arrangements (note 29 (b)), respectively.

(f) The Group's trade receivables as at 31 December 2016 included retention receivables of HK$12,616,000 (2015: Nil) held by contract customers arose from the Group's construction services and are settled within 1 year after the completion of the construction work, as stipulated in the construction contracts.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2016 HK$'000	2015 HK$'000
Prepayments	(a)	**203,250**	296,199
Deposits and other receivables	(b)	**1,940,600**	106,798
		2,143,850	402,997
Portion classified as current assets		**(1,386,711)**	(167,123)
Non-current portion		**757,139**	235,874

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

Notes:

(a) The Group's prepayments as at 31 December 2016 included, inter alia, prepayments of HK$161,565,000 (2015: HK$277,617,000) for the purchase of equipment for photovoltaic power plant projects. Prepayments of HK$18,052,000 (2015: HK$130,855,000) were classified as non-current assets.

(b) The Group's deposits and other receivables as at 31 December 2016 included, inter alia, the following:

(i) an aggregate amount of HK$460,658,000 (2015: Nil) due from a financial institution under certain financial lease arrangements. These receivables were settled subsequent to the reporting period and up to the date of approval of these financial statements. The amount was classified as a current asset;

(ii) investment/bidding deposits of HK$347,446,000 (2015: HK$100,840,000) in aggregate paid to independent third parties in the PRC for potential acquisition of photovoltaic power plant projects. The deposits were classified as non-current assets;

(iii) receivables of HK$317,607,000 (2015: Nil) due from independent third party project companies in respect of the supply of photovoltaic equipment by the Group. There are possibilities that these independent third party project companies would be acquired by the Group and the amounts were classified as non-current assets; and

(iv) refundable security deposits under finance lease arrangements of HK$73,564,000 (2015: Nil). The deposits were classified as non-current assets.

24. OTHER TAX RECOVERABLES

Other tax recoverables represent the net value-added tax paid by the Group for the construction of photovoltaic and wind power plants which will be utilised and offset against value-added tax payable for the sales of electricity after the commencement of operation of the plants.

25. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND PLEDGED BANK DEPOSITS

	2016 HK$'000	2015 HK$'000
Restricted cash and pledged bank deposits	**386,251**	15,857
Cash and bank balances	**1,633,214**	290,108
Time deposits	**–**	807,932
Total cash and bank balances	**2,019,465**	1,113,897
Less: Restricted cash and pledged bank deposits (note)	**(386,251)**	(15,857)
Cash and cash equivalents	**1,633,214**	1,098,040

Note:

The Group's restricted cash and pledged bank deposits as at 31 December 2016 mainly included the following:

(i) restricted cash of RMB298,998,000 (equivalent to HK$334,263,000) (2015: Nil) which could only be applied to the repayment of outstanding consideration payable and debts assumed by the Group in respect of the acquisition of subsidiaries according to certain debt settlement agreements entered into between the Group and the respective counter parties.

(ii) bank deposits of RMB8,988,000 (equivalent to HK$10,048,000) (2015: RMB13,208,000 (equivalent to HK$15,857,000)) were pledged to secure certain banking facilities in the forms of bills payables (note 26) and bank borrowings (note 28(b)) granted to the Group.

At the end of the reporting period, the carrying amounts of the Group's total cash and bank balances are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK$	**156,075**	376,745
RMB	**1,682,008**	84,296
US$	**180,973**	652,856
EUR	**409**	–
	2,019,465	1,113,897

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

26. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2016 HK$'000	2015 HK$'000
Within 3 months	**1,100,274**	178,881
3 to 6 months	**43,651**	6,698
6 to 12 months	**198**	–
1 to 2 years	**224**	–
2 to 3 years	**–**	241
	1,144,347	185,820

The trade and bills payables for cigarette packaging business and photovoltaic and wind power-related businesses are non-interest-bearing and are normally settled on terms of 60 days to 90 days and 90 days to 180 days, respectively.

The Group's bills payables amounted to HK$15,907,000 (2015: HK$25,557,000) were secured by the pledged bank deposits as at 31 December 2016 (note 25).

27. OTHER PAYABLES AND ACCRUALS

	2016 HK$'000	2015 HK$'000
Deposits received	**1,934**	388
Other payables (note)	**3,807,785**	116,532
Accruals	**19,076**	5,819
	3,828,795	122,739

Note:

Other payables are non-interest-bearing and are normally settled within three months, the Group's other payables as at 31 December 2016 included, inter alia, the following:

(a) an aggregate amount of HK$360,866,000 (2015: Nil) of outstanding consideration payable in respect of the acquisition of subsidiaries (note 34);

(b) an aggregate amount of HK$1,244,303,000 (2015: Nil) due to certain independent third parties assumed by the Group upon the acquisitions of subsidiaries during the year. The balances mainly represent construction costs payable by the acquired companies and according to the debt settlement agreements entered into between the Group and counter parties, the debts originally owed by the acquired subsidiaries are assumed by the Group upon acquisitions. The amounts are repayable according to the time schedules as stipulated in the debt settlement of the Group agreements and the last repayments of each consumed liability are usually repayable within 1 year of the acquisition; and

(c) an aggregate amount of HK$2,059,034,000 (2015: Nil) due to certain contractors arising from construction and purchase of equipment of photovoltaic power plants.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank loans:		
Secured	**1,284,052**	–
Unsecured	**2,529,271**	328,656
	3,813,323	328,656
Other loan, unsecured	**1,014,814**	–
	1,014,814	–
Total bank and other borrowings	**4,828,137**	328,656
Analysed into:		
Bank loans repayable:		
Within one year	**1,583,540**	181,212
In the second year	**95,211**	147,444
In the third to fifth years, inclusive	**1,405,118**	–
Beyond five years	**729,454**	–
	3,813,323	328,656
Other loan repayable:		
In the second year	**1,014,814**	–
	1,014,814	–
Total bank and other borrowings	**4,828,137**	328,656
Portion classified as current liabilities	**(1,583,540)**	(181,212)
Non-current portion	**3,244,597**	147,444

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) The carrying amounts of the Group's bank and other borrowings are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK$	2,275,498	297,444
RMB	2,552,639	31,212
	4,828,137	328,656

(b) Certain of the Group's bank loans are secured by:

(i) guarantees given by the Company and/or its subsidiaries;

(ii) pledges over the trade receivables with an aggregate amount of HK$6,946,000 (2015: Nil) in respect of sales of electricity of certain subsidiaries (note 22(e)); and

(iii) pledges over certain of the Group's bank balances.

(c) The Group's bank and other borrowings bear interest at floating rates with effective interest rate ranging from 2.08% to 6.60% (2015: 2.24% to 6%).

(d) Loan agreements of certain bank loans of the Group in an aggregate carrying amount of HK$2,275,498,000 (2015: HK$297,444,000) as at 31 December 2016 include covenants imposing specific performance obligations on substantial beneficial owners of the Company, among which of the following events which would constitute an event of default on the loan facilities:

(i) BEWG does not or ceases to own, directly or indirectly, at least 25% to 27% (2015: 27%) (which vary depending on the terms of bank loan agreements with relevant banks) of the beneficial shareholding carrying at least 25% to 27% (2015: 27%) of the voting rights in the Company, free from any security;

(ii) BEWG shall beneficially own, directly or indirectly, at least the minimum proportion of shares amounting to (a) an aggregate of 32.88% of the issued share capital of the Company from the date of a bank loan agreement to and including 6 May 2016; (b) an aggregate of 30.63% of the issued share capital of the Company from 7 May 2016 to and including 7 November 2016; and (c) an aggregate of 31.90% of the issued share capital of the Company from 8 November 2016 onwards, each determined on an as-converted basis (assuming conversion in full of all preference shares of the Company in issue from time to time) for one of the Group's bank loans;

(iii) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company;

(iv) BEWG does not or ceases to supervise the Company and/or have management control over the Company;

(v) Beijing Enterprises Holdings Limited ("BEHL") does not or ceases to own, directly or indirectly, at least 35% of the beneficial shareholding carrying at least 35% of the voting rights in BEWG, free from any security;

(vi) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG;

(vii) BEHL does not or ceases to supervise BEWG and/or have management control over BEWG;

28. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (Continued)

(d) (Continued)

(viii) Beijing Enterprises Group Company Limited ("BE Group") does not or ceases to own, directly or indirectly, at least 40% of the beneficial shareholding carrying at least 40% of the voting rights in BEHL, free from any security;

(ix) BE Group is not or ceases to be the, direct or indirect, single largest shareholder of BEHL and/or does not or ceases to supervise BEHL; and/or

(x) BE Group is not or ceases to be wholly-owned, supervised and controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

Within the best knowledge of the directors, none of the above events took place during the year and as at the date of approval of these financial statements.

29. FINANCE LEASE PAYABLES

The Group leases certain property, plant and equipment for its photovoltaic and wind power businesses under finance lease arrangements. The leases are classified as finance leases and had remaining lease terms of 3 to 15 years as at 31 December 2016 (2015: Nil).

The total future minimum lease payments under the finance leases and their present values were as follows:

	Minimum lease payments 2016 HK$'000	Present value of minimum lease payments 2016 HK$'000
Amounts repayable:		
Within one year	**297,607**	142,974
In the second year	**359,796**	194,651
In the third to fifth years, inclusive	**1,282,974**	910,609
Over five years	**1,813,193**	1,557,942
Total minimum finance lease payments	**3,753,570**	2,806,176
Future finance charges	**(947,394)**	
Total net finance lease payables	**2,806,176**	
Portion classified as current liabilities	**(142,974)**	
Non-current portion	**2,663,202**	

29. FINANCE LEASE PAYABLES (CONTINUED)

Notes:

(a) All of the finance lease arrangements are denominated in RMB.

(b) Certain of the above finance lease arrangements are secured by:

(i) guarantees given by the Company and/or its subsidiaries;

(ii) pledges over the Group's leased assets with an aggregate carrying amount of HK$2,095,876,000 as at 31 December 2016 (note 13);

(iii) pledges over the trade receivables in respect of the sales of electricity with an aggregate amount of HK$36,248,000 (2015: Nil) of certain subsidiaries as at 31 December 2016 (note 22(e)); and

(iv) pledges over the Group's equity interests in certain subsidiaries.

(c) The finance lease agreements in respect of the above certain finance lease arrangements as at 31 December 2016 include conditions imposing specific performance obligations on the Company, among which the following events would constitute events of default on the finance lease payables:

(i) if BEWG does not hold less than 27% of the ordinary shares of the Company, directly or indirectly; and

(ii) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company.

Within the best knowledge of the directors, none of the above events took place during the year and at the date of approval of these financial statements.

30. DEFERRED TAX

Net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position are as follows:

	2016 HK$'000	2015 HK$'000
Deferred tax assets	**18,844**	–
Deferred tax liabilities	**(100,384)**	(5,241)
	(81,540)	(5,241)

30. DEFERRED TAX (CONTINUED)

The components of deferred tax assets and liabilities and their movements during the year are as follows:

	Fair value adjustments arising from acquisition of subsidiaries HK$'000	Withholding tax HK$'000	Other temporary differences HK$'000	Net deferred tax assets/ (liabilities) HK$'000
At 1 January 2015	–	(4,496)	–	(4,496)
Deferred tax charged to profit or loss during the year	–	(1,903)	–	(1,903)
Reversal upon payment	–	889	–	889
Exchange realignment	–	269	–	269
At 31 December 2015 and 1 January 2016	**–**	**(5,241)**	**–**	**(5,241)**
Acquisition of subsidiaries (note 34)	**(82,326)**	**–**	**–**	**(82,326)**
Net deferred tax credited/(charged) to profit or loss during the year	**1,137**	**(1,069)**	**810**	**878**
Reversal upon payment	**–**	**1,321**	**–**	**1,321**
Exchange realignment	**3,513**	**349**	**(34)**	**3,828**
At 31 December 2016	**(77,676)**	**(4,640)**	**776**	**(81,540)**

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For a subsidiary of cigarette packaging business, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

Deferred tax has not been fully recognised for withholding taxes that would be payable on certain portions of the unremitted earnings that are subject to withholding taxes of certain of the Group's subsidiaries established in Mainland China. In the option of the directors, it is not probable that these subsidiaries will distribute these unremitted earnings in the foreseeable future. The aggregate amount of temporary differences associated with the investments in subsidiaries, in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$525,541,000 (2015: HK$29,854,000) as at 31 December 2016.

The Group also has tax losses arising in Mainland China of HK$16,436,000 (2015: HK$12,715,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in a subsidiary which had not yet commenced business during the year. In the opinion of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised in the foreseeable future.

31. SHARE CAPITAL

	Notes	2016 HK$'000	2015 HK$'000
Authorised:			
Ordinary shares:			
466,637,115,100 (2015: 466,637,115,100) shares of HK$0.001 (2015: HK$0.001) each	(a), (b)(i)	**466,637**	466,637
Convertible preference shares:			
33,362,884,900 (2015: 33,362,884,900) shares of HK$0.001 (2015: HK$0.001) each	(b)(i), (ii)	**33,363**	33,363
		500,000	500,000
Issued and fully paid:			
Ordinary shares:			
42,512,107,314 (2015: 17,707,711,170) shares of HK$0.001 (2015: HK$0.001) each	(a), (c)	**42,512**	17,708
Convertible preference shares:			
7,482,296,716 (2015: 9,241,957,740) shares of HK$0.001 (2015: HK$0.001) each	(c)	**7,483**	9,242
		49,995	26,950

31. SHARE CAPITAL (CONTINUED)

A summary of movements in the Company's share capital is as follows:

	Notes	Number of ordinary shares in issue	Number of convertible preference shares in issue	Ordinary shares HK$'000	Convertible preference shares HK$'000	Total HK$'000
At 1 January 2015		320,000,000	–	3,200	–	3,200
Share subdivision	(a)	2,880,000,000	–	–	–	–
Issue of new ordinary shares	(c)	14,136,452,910	–	14,137	–	14,137
Issue of new convertible preference shares	(c)	–	9,613,216,000	–	9,613	9,613
Conversion of convertible preference shares	(c)	371,258,260	(371,258,260)	371	(371)	–
At 31 December 2015 and 1 January 2016		17,707,711,170	9,241,957,740	17,708	9,242	26,950
Issue of new ordinary shares	(d)	4,045,000,000	–	4,045	–	4,045
Issue of new convertible preference shares	(c)	–	18,999,735,120	–	19,000	19,000
Conversion of convertible preference shares	(c)	20,759,396,144	(20,759,396,144)	20,759	(20,759)	–
At 31 December 2016		42,512,107,314	7,482,296,716	42,512	7,483	49,995

Notes:

(a) Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 4 March 2015, each of the authorised ordinary shares and the issued ordinary shares of HK$0.01 in the share capital of the Company was subdivided into ten ordinary shares of HK$0.001 each with effect from 5 March 2015 (the "Share Subdivision"). As at the completion of the Share Subdivision, the authorised share capital of ordinary shares of the Company was divided into 20,000,000,000 ordinary shares of HK$0.001 each, and the issued share capital of ordinary shares was divided into 3,200,000,000 ordinary shares of HK$0.001 each, respectively.

(b) (i) Pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 4 May 2015, the authorised share capital of the Company was increased from HK$20,000,000 to HK$500,000,000 by way of creation of additional ordinary shares and convertible preference shares. As at the completion of the increase of authorised share capital, the authorised share capital of the Company was increased to 466,637,115,100 ordinary shares of HK$0.001 each and 33,362,884,900 convertible preference shares of HK$0.001 each.

31. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(b) (Continued)

(ii) The number of ordinary shares that holders of convertible preference shares shall be entitled to following a conversion event shall be the subscription price of each convertible preference share multiplied by the number of the convertible preference shares being converted, divided by HK$0.079 (as adjusted in accordance with the conversion adjustment). The conversion is subject to the condition that the holders of the convertible preference shares shall not exercise the conversion rights if upon the conversion, the percentage of the ordinary shares held by the public would drop below the minimum public float requirements under the Listing Rules applicable to the Company.

The holders of the convertible preference shares are entitled to participate pari passu in any dividends payable to the holders of the ordinary shares on a pro rata as-if-converted basis. The holders of the convertible preference shares shall rank prior to, for return of capital on liquidation, winding up or dissolution of the Company and shall rank pari passu with, for participation in the distribution of surplus assets of the Company, all other ordinary shares in the capital of the Company for the time being in issue.

The holders of the convertible preference shares shall not be entitled to vote at general meetings of the Company unless a resolution is to be proposed at a general meeting for winding up the Company or a resolution is to be proposed at a general meeting which if passed would vary or abrogate the rights and privileges of the convertible preference shares.

The convertible preference shares shall be non-redeemable and the convertible preference shares are not listed on the Stock Exchange.

(c) On 9 December 2014, 29 December 2014, 31 January 2015 and 30 April 2015, a principal and several supplemental subscription agreements (collectively the "Subscription Agreements") were entered into by the Company and four subscribers (the "Subscribers"). Pursuant to which, the Subscribers had conditionally agreed to subscribe for, or procure subscribers to subscribe for, and the Company has conditionally agreed to allot and issue:

(i) 14,136,452,910 ordinary shares and an aggregate of 113,348,440 convertible preference shares at the completion date of 6 May 2015 (the "Completion Date");

(ii) an aggregate of 9,499,867,560 convertible preference shares on the 183rd day after the Completion Date;

(iii) an aggregate of 9,499,867,560 convertible preference shares on the first anniversary of the Completion Date;

(iv) an aggregate of 9,499,867,560 convertible preference shares on the 183rd day after the first anniversary of the Completion Date; and

(v) an aggregate of 4,749,933,780 convertible preference shares on the second anniversary of the Completion Date.

The par value of each of the ordinary shares and the convertible preference shares is HK$0.001 and the issue price of each of the ordinary shares and the convertible preference shares is HK$0.079.

The subscription of 14,136,452,910 ordinary shares and 113,348,440 convertible preference shares was completed on 6 May 2015 and the net proceeds of approximately HK$1,110.9 million (net of share issue expenses of HK$14,838,000) were received.

The further subscriptions of 9,499,867,560, 9,499,867,560 and 9,499,867,560 Convertible Preference Shares were completed on 5 November 2015, 6 May 2016 and 7 November 2016, respectively, and the net proceeds of approximately HK$750.5 million, HK$750.5 million and HK$750.5 million, respectively, were received.

During the year ended 31 December 2016, 20,759,396,144 (2015: 371,258,260) convertible preference shares were converted into 20,759,396,144 (2015: 371,258,260) ordinary shares by the holders of convertible preference shares.

31. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(d) On 20 July 2016, the Company entered into a subscription agreement (the "Tuspark Subscription Agreement") with Tuspark Technology Innovation Ltd. ("Tuspark Technology") pursuant to which Tuspark Technology conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 4,045,000,000 new Ordinary Shares of HK$0.001 each in the capital of the Company (with an aggregate nominal value of HK$4,045,000) at the subscription price of HK$0.17 per subscription share with total cash consideration of HK$687,650,000. The transaction was completed on 22 August 2016.

32. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 11 June 2013 for the primary purpose of attracting and retaining the best available personnel, providing additional incentive to employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners, service providers or substantial shareholders ("Eligible Participants") of the Group and promoting the success of the business of the Group and will remain in force for a period of ten years commencing on the adoption date and shall expire on 10 June 2023 subject to early termination provisions contained in the Share Option Scheme. The board of directors of the Company may grant options to Eligible Participants to subscribe for shares in the Company subject to the terms of the Share Option Scheme.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Further, the total maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not exceed 30% of the issued share capital of the Company from time to time. Options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares as stated in the daily quotation sheets issued by the Stock Exchange at the date of the grant) in excess of HK$5 million, within any 12-month period up to and including the date of grant, are subject to shareholders' approval in advance in a general meeting.

Options granted must be taken up within 7 days inclusive of the day on which offer was made, upon payment of HK$1 by the grantee. Options may be exercised at any time for a period determined by its directors which shall not be later than the day immediately preceding the tenth anniversary of the date of grant. The exercise price of the share options shall be a price solely determined by the board of directors of the Company and notified to an Eligible Participant and shall be at least the highest of (i) the closing price of the Company's shares as stated in the daily quotations sheet of the Stock Exchange on the date of the grant of the options; (ii) the average of the closing price of the Company's shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share of the Company on the date of grant.

As at the date of approval of these financial statements, the total number of shares available for issue under the Share Option Scheme was 2,501,418,332 shares, which represents approximately 5.78% of the ordinary shares in issue and approximately 5.00% of the total issued share capital of the Company (assuming full conversion of the convertible preference shares in issue) as at the date of approval of these financial statements. From the adoption date of the Share Option Scheme on 11 June 2013 to 31 December 2016, no share option was granted, exercised, cancelled or lapsed, and there was no outstanding option under the Share Option Scheme as at 31 December 2016 (2015: Nil).

33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 64 and 65 of this annual report.

Special reserves

The Group's special reserves mainly represent:

(i) the difference between the issued paid-up capital of a subsidiary of the Company and the fair value of the property, plant and equipment invested in a subsidiary by a former shareholder of the subsidiary in prior years;

(ii) paid-in capital of a subsidiary which had been transferred to special reserve as part of the corporate reorganisation carried out in prior years;

(iii) the difference between the carrying amount of the share of net assets acquired and the consideration in respect of the acquisition of additional interests in subsidiaries in prior years. The consideration was treated as deemed contribution from the then controlling shareholder; and

(iv) the amount due to a former shareholder, being waived during the year ended 31 December 2013. The waiver was accounted for as deemed contribution from that shareholder.

Statutory surplus reserve

Pursuant to the relevant laws and regulations applicable to Mainland China, the Group's subsidiaries established in Mainland China are required to transfer part of their profit after tax to the reserve funds, which are non-distributable and restricted as to use.

34. BUSINESS COMBINATIONS

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the year as at their respective dates of acquisition are set out as follows:

	Notes	Shandong Lusa HK$'000 (note (a)(i))	Lujiang Dongsheng HK$'000 (note (a)(ii))	Henan Risheng HK$'000 (note (a)(iii))	2016 Yulin Century Concord HK$'000 (note (a)(iv))	Guangzong County Fuping HK$'000 (note (a)(v))	Others HK$'000	Total HK$'000
Property, plant and equipment	13	393,391	356,002	409,890	723,187	155,656	5,762,133	7,800,259
Prepaid land lease payments	14	2,955	–	1,160	27,160	3,824	69,236	104,335
Operating rights	16	123,908	–	46,148	128,176	–	93,323	391,555
Deferred tax assets	30	–	3,181	–	–	–	12,382	15,563
Inventories		–	–	–	–	–	3,288	3,288
Trade and bills receivables		17,895	14,776	17,924	64,138	3,754	263,995	382,482
Prepayments, deposits and other receivables		285	457	654	22,337	1,536	122,298	147,567
Other tax recoverables		36,258	10,200	46,140	90,065	20,428	670,408	873,499
Restricted cash and pledged bank deposits		–	–	–	–	40,897	–	40,897
Cash and cash equivalents		2,004	3,915	5,177	92	526	69,661	81,375
Trade and bills payables		–	(4,282)	–	–	(2,083)	(108,469)	(114,834)
Other payables and accruals		(414,920)	(338,206)	(454,534)	(745,464)	(164,934)	(6,661,384)	(8,779,442)
Income tax payables		–	–	–	–	–	(21)	(21)
Deferred tax liabilities	30	(30,977)	–	(11,537)	(32,044)	–	(23,331)	(97,889)
Total identifiable net assets at fair value		130,799	46,043	61,022	277,647	59,604	273,519	848,634
Non-controlling interests		–	–	–	–	–	(13,183)	(13,183)
		130,799	46,043	61,022	277,647	59,604	260,336	835,451
Goodwill	15	22,030	–	37,828	97,383	–	17,883	175,124
Gains on bargain purchase		–	(470)	–	–	(2,039)	(76,160)	(78,669)
		152,829	45,573	98,850	375,030	57,565	202,059	931,906
Satisfied by:								
Cash consideration		152,829	45,573	98,850	375,030	57,565	208,462	938,309
Transfer from other non-current assets/liabilities, net		–	–	–	–	–	(6,403)	(6,403)
		152,829	45,573	98,850	375,030	57,565	202,059	931,906

34. BUSINESS COMBINATIONS (CONTINUED)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	2016 HK$'000
Cash consideration	(938,309)
Cash and cash equivalents acquired	81,375
Outstanding cash consideration at end of year (note 27(a))	360,866
Transfer from other non-current assets/liabilities, net	6,403
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(489,665)

Had the above business combinations taken place at the beginning of the year, the Group's profit for the year would have been HK$583,067,000 and the Group's revenue would have been HK$3,354,527,000.

Notes:

(a) During the year ended 31 December 2016, the Group acquired 35 companies from certain independent vendors engaging in the photovoltaic and wind power businesses and recorded goodwill and gains on bargain purchase of approximately HK$175,124,000 and HK$78,669,000, respectively. Such amounts arose because of the discounted cash flow for 20 years for the wind power plant and 25 years for the photovoltaic power plants, which were assessed by the independent professionally qualified valuer, is below/above the consideration paid. The details of the material acquisitions are as follows:

(i) in August 2016, the Group completed the acquisition of the 100% equity interest in Shandong Lusa from independent third parties for a cash consideration of RMB130,791,000 (equivalent to HK$152,829,000). Shandong Lusa is principally engaged in the operation of a wind power plant located in Shandong Province, the PRC;

(ii) in September 2016, the Group completed the acquisition of the 100% equity interest in Lujiang Dongsheng from independent third parties for a cash consideration of RMB39,001,000 (equivalent to HK$45,573,000). Lujiang Dongsheng is principally engaged in the operation of a photovoltaic power plant located in Anhui Province, the PRC;

(iii) in September 2016, the Group completed the acquisition of the 100% equity interest in Henan Risheng from an independent third party for a cash consideration of RMB84,596,000 (equivalent to HK$98,850,000). Henan Risheng is principally engaged in the operation of a photovoltaic power plant located in Henan Province, the PRC;

(iv) in December 2016, the Group completed the acquisition of the 100% equity interest in Yulin Century Concord from an independent third party for a cash consideration of RMB320,950,000 (equivalent to HK$375,030,000). Yulin Century Concord is principally engaged in the operation of a photovoltaic power plant located in Shaanxi Province, the PRC; and

(v) in December 2016, the Group completed the acquisition of the 100% equity interest in Guangzong County Fuping from an independent third party for a cash consideration of RMB49,264,000 (equivalent to HK$57,565,000). Guangzong County Fuping is principally engaged in the operation of a photovoltaic power plant located in Guangdong Province, the PRC.

(b) The fair values of the trade and bills receivables, and deposits and other receivables as at the respective dates of acquisitions amounted to HK$382,482,000 and HK$124,073,000, respectively.

35. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases its manufacturing plants, office properties, motor vehicles and certain land situated in the PRC under operating lease arrangements. The leases for the manufacturing facilities, office properties and land are negotiated for original terms ranging from 1 to 50 years (2015: 1 to 20 years).

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**37,375**	1,566
In the second to fifth years, inclusive	**116,851**	1,157
After five years	**415,847**	3,781
	570,073	6,504

36. COMMITMENTS

(a) In addition to the operating lease commitments detailed in note 35 above, the Group had the following capital commitments at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
Contracted, but not provided for:		
Buildings for cigarette packaging business	**–**	226
Plant and machinery for cigarette packaging business	**–**	456
Construction, material and equipment costs for development of photovoltaic power plants	**2,368,031**	594,022
	2,368,031	594,704

(b) The Group entered into certain cooperative agreements pursuant to which, subject to certain conditions including successful grid-connected power generation, among others, the Group may enter into sale and purchase agreements for acquisitions of equity interest of several photovoltaic power plants. In the opinion of the directors, the aggregate maximum amount of consideration for the potential acquisitions are expected to be HK$1,508 million (2015: HK$1,623 million), of which deposits of HK$347,446,000 (2015: HK$100,840,000) (note 23(b)(ii)) have been placed as at 31 December 2016.

Save as disclosed above, at 31 December 2016, the Group did not have any significant commitments.

37. RELATED PARTY DISCLOSURES

(a) Save as disclosed elsewhere in these financial statements, the Group had no other material transactions and outstanding balances with related parties during the years ended 31 December 2016 and 2015.

(b) In the opinion of the directors, the directors represent the key management personnel of the Group. Details of directors' remuneration are included in note 8 to the financial statements.

38. FINANCIAL INSTRUMENTS BY CATEGORY

Except for the available-for-sale investment which was measured at fair value, the financial assets and liabilities of Group as at 31 December 2016 and 2015 are loans and receivables, and financial liabilities at amortised cost, respectively.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the carrying amounts of financial assets and liabilities which are due to be received or settled within one year are approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the directors and audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair value of the non-current portion of deposits and other receivables, interest-bearing bank and other borrowings and finance lease payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. In the opinion of the directors, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial instruments is made.

The fair value of unlisted available-for-sale investment (which were disposed of by the Group in 2016) had been estimated using a direct comparison method. Comparable entities of similar size and character and location were analysed and carefully weighted against all the respective advantages and disadvantages of each entity in order to arrive at a fair comparison. The directors believe that the estimated fair value resulting from the valuation technique, which was recorded in the consolidated statement of financial position, and the related changes in fair value, which were recorded in other comprehensive income, were reasonable.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy disclosure

The fair value measurement of the Group's unlisted available-for-sale investment was categorised within Level 3 of the fair value hierarchy.

No disclosure of the significant unobservable input to the valuation of the Group's unlisted available-for-sale investment is made as the investment had been disposed of by the Group in 2016.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, amounts due from contract customers, trade and bills receivables, deposits and other receivables, trade and bills payables, other payables, interest-bearing bank and other borrowings and finance lease payables. Details of the major financial instruments and the Group's relevant accounting policies are disclosed in note 2.5 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings and finance lease payables):

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2016		
HK$	**100**	**(22,755)**
RMB	**100**	**(53,420)**
HK$	**(100)**	**22,755**
RMB	**(100)**	**53,420**
2015		
HK$	100	(2,974)
RMB	100	(312)
HK$	(100)	2,974
RMB	(100)	312

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of its significant business operations in Mainland China, the consolidated statement of financial position can be affected significantly by movements in the RMB/HK$ exchange rate.

RMB is not a freely convertible currency. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of RMB. The appreciation or depreciation of RMB against HK$ may have impact on the operating results of the Group.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in foreign exchange rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
2016			
If HK$ weakens against RMB	**1.00**	**7,224**	**26,432**
If HK$ strengthens against RMB	**1.00**	**(7,224)**	**(26,432)**
2015			
If HK$ weakens against RMB	1.00	963	17,343
If HK$ strengthens against RMB	1.00	(963)	(17,343)

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, amounts due from contract customers and trade and bills receivable balances are monitored on an ongoing basis to ensure that follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. The Group's maximum exposures to credit risk are the carrying amounts of amounts due from contract customers, trade and bills receivables and other receivables as disclosed in notes 21, 22 and 23 to the financial statements, respectively. In addition, the Group reviews the recoverable amount of each individual trade and non-trade debtor at the end of the reporting period to ensure that adequate impairment losses have been made for irrecoverable amounts.

At the end of the reporting period, the Group had certain concentrations of credit risk as 20% (2015: 25%) and 43% (2015: 97%) of the Group's amounts due from contract customers and trade and bills receivables were due from the Group's largest customer and the five largest customers respectively.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through cash receipts from the issue of new ordinary shares and convertible preference shares, and the raising of bank loans and finance leases to cover expected cash demands, as well as the strict control over its daily operating expenses. Accordingly, the Group expects to have adequate sources of funding to finance the Group's operations and manage its liquidity position.

The maturity profile of the Group's financial liabilities as at the end of the reporting period based on the contractual undiscounted payments is as follows:

	On demand HK$'000	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	3-4 years HK$'000	4-5 years HK$'000	Beyond 5 years HK$'000	Total HK$'000
2016								
Trade and bills payables	**–**	**1,144,347**	**–**	**–**	**–**	**–**	**–**	**1,144,347**
Other payables	**–**	**3,792,403**	**–**	**–**	**–**	**–**	**–**	**3,792,403**
Interest-bearing bank and other borrowings	**–**	**1,734,900**	**1,219,196**	**1,184,657**	**196,801**	**190,887**	**756,970**	**5,283,411**
Finance lease payables	**–**	**297,607**	**359,796**	**497,334**	**380,361**	**405,279**	**1,813,193**	**3,753,570**
	–	**6,969,257**	**1,578,992**	**1,681,991**	**577,162**	**596,166**	**2,570,163**	**13,973,731**
2015								
Trade and bills payables	–	185,820	–	–	–	–	–	185,820
Other payables	–	118,262	–	–	–	–	–	118,262
Interest-bearing bank and other borrowings	–	187,585	152,405	–	–	–	–	339,990
	–	491,667	152,405	–	–	–	–	644,072

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may issue new shares to increase capital or sell assets to reduce debt.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group monitors capital using the gearing ratio, which is calculated based on net debt and total equity. Net debt is calculated as total interest-bearing bank and other borrowings and finance lease payables (as shown in the consolidated statement of financial position) less cash and cash equivalents. The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016 **HK$'000**	2015 HK$'000
Interest-bearing bank and other borrowings	**4,828,137**	328,656
Finance lease payables	**2,806,176**	–
Less: Cash and cash equivalents	**(1,633,214)**	(1,098,040)
Net debt	**6,001,099**	N/A@
Total equity	**4,484,876**	N/A@
Gearing ratio	**133.81%**	N/A@

@ Net cash position

41. EVENTS AFTER THE REPORTING PERIOD

(a) On 10 February 2017, the Company and 新泰市人民政府 (Xintai City People's Government*) entered into a project development agreement in relation to the construction, development and management of a 100MW photovoltaic power plant in 新泰市 (Xintai City*), Shandong Province, the PRC at a maximum total investment amount of RMB820,000,000 (equivalent to HK$916,713,000). Further details are set out in the Company's announcement dated 10 February 2017; and

(b) On 16 February 2017, the Company and 微山縣人民政府 (Weishan County People's Government*) entered into a project development agreement in relation to the construction, development and management of a 50MW photovoltaic power plant in 微山縣 (Weishan County*), Shandong Province, the PRC at a maximum total investment amount of RMB520,000,000 (equivalent to HK$581,330,000). Further details are set out in the Company's announcement dated 16 February 2017.

* *For identification purposes only*

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**983**	1,220
Interests in subsidiaries	**3,988,757**	–
	3,989,740	1,220
CURRENT ASSETS		
Prepayments, deposits and other receivables	**2,044,265**	2,192,018
Cash and cash equivalents	**140,461**	22,430
Total current assets	**2,184,726**	2,214,448
CURRENT LIABILITIES		
Interest-bearing bank borrowings	**1,287,110**	150,000
Other payables and accruals	**8,393**	2,691
Total current liabilities	**1,295,503**	152,691
NET CURRENT ASSETS	**889,223**	2,061,757
TOTAL ASSETS LESS CURRENT LIABILITIES	**4,878,963**	2,062,977
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**988,388**	147,444
Net assets	**3,890,575**	1,915,533
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**49,995**	26,950
Reserves (Note)	**3,840,580**	1,888,583
Total equity	**3,890,575**	1,915,533

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Special reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	57,146	2,799	(17,321)	42,624
Profit and total comprehensive income for the year	–	–	8,323	8,323
Issue of new ordinary shares	1,102,643	–	–	1,102,643
Issue of new convertible preference shares	749,831	–	–	749,831
Share issue expenses	(14,838)	–	–	(14,838)
At 31 December 2015	1,894,782	2,799	(8,998)	1,888,583

	Share premium account HK$'000	Special reserves HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	1,894,782	2,799	(8,998)	1,888,583
Loss and total comprehensive loss for the year	–	–	(213,587)	(213,587)
Issue of new ordinary shares	683,605	–	–	683,605
Issue of new convertible preference shares	1,481,979	–	–	1,481,979
At 31 December 2016	4,060,366	2,799	(222,585)	3,840,580

43. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 29 March 2017.

Five Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out below.

RESULTS

	Years ended 31 December				
	2016	2015	2014	2013	2012
			(Restated)	(Restated)	(Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**2,890,176**	288,930	209,426	213,284	223,159
PROFIT BEFORE TAX	**666,485**	65,963	46,024	45,395	62,456
Income tax expense	**(137,238)**	(27,471)	(17,255)	(18,786)	(18,706)
PROFIT FOR THE YEAR	**529,247**	38,492	28,769	26,609	43,750
Attributable to equity holders of the Company	**505,101**	38,492	28,769	26,609	38,148

ASSETS AND LIABILITIES

	As at 31 December				
	2016	2015	2014	2013	2012
			(Restated)	(Restated)	(Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**17,578,615**	2,779,419	401,638	391,565	281,818
Total liabilities	**(13,093,739)**	(660,912)	(144,313)	(143,246)	(134,241)
	4,484,876	2,118,507	257,325	248,319	147,577

The summary of the consolidated results and of the assets and liabilities of the Group (i) for the last five financial years has been extracted from the published audited financial statements and the prospectus of the Company, where appropriate; and (ii) for the years ended 31 December 2012 to 2014 has also been adjusted for the change of presentation currency.