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
2017

Contents

Corporate Information

BOARD OF DIRECTORS
Executive Directors
Mr. Hu Xiaoyong *(Chairman)*
Mr. Shi Xiaobei
Mr. Huang Weihua *(Chief Executive Officer)*
Mr. Wang Ye
Mr. Wen Hui

Independent Non-executive Directors
Mr. Li Fujun
Mr. Xu Honghua
Mr. Chiu Kung Chik

AUDIT COMMITTEE
Mr. Li Fujun *(Chairman)*
Mr. Xu Honghua
Mr. Chiu Kung Chik

NOMINATION COMMITTEE
Mr. Hu Xiaoyong *(Chairman)*
Mr. Li Fujun
Mr. Xu Honghua

REMUNERATION COMMITTEE
Mr. Chiu Kung Chik *(Chairman)*
Mr. Shi Xiaobei
Mr. Xu Honghua

COMPANY SECRETARY
Mr. Liu Kin Wai

STOCK CODE
1250

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INVESTOR RELATIONS CONTACT
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Cayman Islands

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Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
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Wanchai
Hong Kong

AUDITOR
Ernst & Young

PRINCIPAL BANKERS
In Hong Kong:
DBS Bank Ltd., Hong Kong Branch
Wing Lung Bank, Limited
Industrial and Commercial Bank of China (Asia) Limited

In Mainland China:
Bank of China
China Construction Bank
Bank of Jiangsu
Ping An Bank

Group Structure

31 December 2017

Beijing Enterprises Water Group Limited#
(Stock code: 371)

31.88%

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

Photovoltaic Power Business*

Anhui Province
Jinzhai ("金寨")
Fuyang ("阜陽")

Hebei Province
Xingtai ("邢台")
Yuxian ("蔚縣")

Shaanxi Province
Jingbian ("靖邊")
Yuyang ("榆陽")

Shandong Province
Xintai ("新泰")
Weishan ("微山")

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

Other Provinces and Autonomous Regions
Xingyi ("興義")
Zhongning ("中寧")
Pu'an ("普安")
Nanchang ("南昌")

Wind Power Business

Shandong Province
Binzhou ("濱州")

Clean Heat Supply Business

Henan Province
2 Projects

Jiangsu Province
1 Project

Shaanxi Province
2 Projects

Shanxi Province
1 Project

Listed on the Main Board of The Stock Exchange of Hong Kong Limited
* Only projects with total capacity of 50MW or above are disclosed
Note: The above group structure only lists out major projects in operation and held by the Group's subsidiaries

Chairman's Statement

Dear Shareholders,

In 2017, the Chinese macro economy kept on growing positively and stably along with the growth in the society's power consumption. Structure of the power sources has been also adjusting in an accelerating manner. As at 31 December 2017, the installed capacity of renewable energy power generation reached 650 million kilowatts, representing an increase of 14% as compared to last year, and accounting for 36.6% of the installed capacity of total power generation (an increase of 2.1% as compared to last year). The power replacement by renewable energy is getting clearer, and the development prospect of new energy industry is promising. Beijing Enterprises Clean Energy Group Limited (the "Company", together with its subsidiaries, the "Group" or "BECE"), by utilising the advantageous resources of its three major shareholders (Beijing Enterprises Water Group Limited ("BEWG"), a company listed on the main board of The Stock Exchange of Hong Kong Limited (stock code: 371), the private equity funds managed by CITIC Private Equity Funds Management Co., Ltd. and 啟迪控股股份有限公司(Tus-Holdings Co., Ltd.*) as well as the Group's experienced management team, rapidly expanded its scale of high quality clean energy assets base, and continued to proactively explore a number of areas, including but not limited to heat supply, energy storage, multi-energy complement, micro-grid network, distribution and sales of electricity, and liquefied natural gas businesses based on the foundation of ground-mounted centralised photovoltaic power plants, distributed photovoltaic power plants and wind power plants businesses, and achieved fruitful results.

PERFORMANCE

The Group recorded revenue of approximately HK$10,040 million (2016: HK$2,890 million) for the year ended 31 December 2017, representing an increase of 247% as compared to the corresponding period of last year. The Group's profit attributable to the equity holders of the Company was approximately HK$1,560 million (2016: HK$505 million), representing an increase of 209% as compared to the corresponding period of last year. Basic earnings per share for the year was HK2.72 cents (2016: HK1.36 cents (restated)).

PERFORMANCE REVIEW

The Group's centralised photovoltaic power business achieved a stable growth. As at 31 December 2017, by ways of self-development, joint development, acquisitions, etc., the Group's aggregate capacity of the grid-connected, under-construction and to-construct centralised photovoltaic power plants reached approximately 2,200 megawatt ("MW"). In particular, the aggregate on-grid capacity of the centralised ground-mounted photovoltaic power plants held by the Group was approximately 1,784MW, with 43 projects situated mainly in Anhui Province, Shandong Province, Hebei Province and Henan Province, etc., and mainly in resource areas 2 and 3 as promulgated by the National Development and Reform Commission of the People's Republic of China (the "NDRC"). In respect of the Top Runner Program (as defined in section headed "1.1.1 Centralised Photovoltaic Power Business" in "Management Discussion and Analysis"), the Group's centralised photovoltaic power plant constructed in the advanced photovoltaic technology demonstration base in the coal mining subsidence area of Weishan County*（微山縣）, Jining City*（濟寧市）, Shandong Province, the PRC with designed capacity of 50MW was successfully connected to grid in June 2017, becoming the first on-grid water photovoltaic project under the second batch of the Top Runner Program in the PRC, and with the integration of science popularisation education, fishery-photovoltaic power and agricultural-photovoltaic power complements. On the other hand, the Group's agricultural-photovoltaic complementary centralised photovoltaic power plant constructed in the advanced photovoltaic technology demonstration base in the coal mining subsidence area of Xintai City*（新泰市）, Shandong Province, the PRC with designed capacity of 100MW was successfully connected to grid in September 2017. In particular, the 65MW aggregate installed capacity in the combination of N-shaped double-glass bifacial module and flat uniaxial tracking bracket is currently the largest photovoltaic power project in the PRC with the integration of "bifacial module, tracking bracket and agricultural greenhouse". In the overseas business aspect, the Group's investment in its first overseas centralised photovoltaic power plant project situated in Southern Australia started construction during the year and up to January 2018, the construction with a 6MW capacity was completed.

In respect of the distributed photovoltaic power business, 2017 represented the first year of the rapid development of the distributed photovoltaic power industry in the PRC. The total newly installed capacity during the year was 19.44GW, representing an increase of 3.7 times as compared to last year and accounting for approximately 37% of the total newly installed photovoltaic power capacity during the year. In October 2017, the NDRC and National Energy Administration published the Notice on Implementation of Market-Oriented Transaction Pilots for Distributed Power Generation*（《關於開展分布式發電市場化交易試點的通知》）, which further provides opportunities for the distributed power business. The Group ranked as one of the leading developers in the PRC in terms of the increase in aggregate industrial and commercial rooftop distributed photovoltaic capacity during the year. As at 31 December 2017, the total installed capacity held and/or managed by the Group and in operation achieved approximately 441MW, mainly locating in resource area 3 as promulgated by the NDRC (such as Henan Province, Anhui Province, Shandong Province, Jiangsu Province and Hebei Province), which includes the distributed photovoltaic power stations constructed by the Group in certain water plants of BEWG of which the Group sold electricity to respective water plants. The Group will devote further efforts to steady and rapidly develop the distributed photovoltaic power business, including developing further cooperation with major shareholders and building up users-based photovoltaic internet service platform.

Chairman's Statement

In the field of wind power, with the improvement of wind power technology, it becomes suitable for enterprises to invest in and develop wind power business in low-wind-speed regions, and the decrease in the cost per kWh alleviated the reliance of wind power business on renewable energy subsidies. To steady develop the wind power business, the Group established a wind power investment management platform and a professional team in 2017. As at 31 December 2017, through self-development, joint development, acquisitions, etc., the Group's aggregate capacity of the grid-connected, under-construction and to-construct wind power projects reached approximately 474MW. These projects locate in Shandong Province, Hebei Province, the Tibet Autonomous Region and the Inner Mongolia Autonomous Region and mainly situate in resource areas II and IV as promulgated by the NDRC. The on-grid capacity of wind power project held by the Group was 48MW, which locates in Binzhou City*（濱州市）, Shandong Province and has been in satisfactory operation since 2016.

In the field of heat supply, the Chinese government vigorously promotes the development of clean heat supply industry for effective prevention and control of air pollution and haze. With the on-going improvement of people's living quality, the coverage of urban heat supply gradually extends from the Northern China to the provinces and cities at the middle and lower reaches of the Yangtze River including Jiangsu, Zhejiang and Anhui, indicating an ample room for the clean heat supply industry development. During the year, the Group proactively built its presence for development of its clean heat supply business in Henan, Hebei, Shanxi, Shaanxi, Jiangsu, Liaoning and other provinces, by means of construction, acquisition and entrusted operation and riding on the clean heat supply technologies including deep-ground geothermal energy, natural gas, industrial excess heat energy, clean coal and water source heat pump.

In other business fields, the Group also made promising breakthroughs. The Group's energy storage project with capacity of 20MWh locating in the Tibet Autonomous Region at the altitude of 4,700 meters was successfully put into operation in December 2017, which represents the world's highest altitude large scale energy storage project. The project operates in a highly stable manner upon commencement of operation, which facilitates the enhancement of the power system stability and eases the photovoltaic curtailment issue, enabling the Group to be commercially and technically prepared for the development of the energy storage business.

The abovementioned performance fully demonstrates our comprehensive strength including market development, project planning, scientific research and innovation, project financing, etc.

CORPORATE MANAGEMENT AND CONTROL AND SUSTAINABLE DEVELOPMENT

In 2017, the Group continued to enhance its corporate governance structure and adhere its management principles of "sufficient authorisation, goal-oriented, positive incentives, and control and review in place" along with the focus on corporate risk management and control and sustainable development. The major achievements during the year included (1) optimisation of various management mechanism and management and control system; (2) establishment of performance assessment system with the focus on both performance and risk; and (3) further facilitation of the information technology construction and successfully launched the investment, planning, property rights, supervision, portal and micro-portal systems, etc., which further enhanced the standardisation and efficiency of the Group's internal project management.

The Group closely adheres to the core values of "being responsible, having values and being sharing" and insists on regarding corporate culture as the core driving force for its development. The Group promotes common cultural recognition and development by means of common cultural construction in the forms of cultural consensus camp, etc., thereby building the cultural system and ecology adhering to the core values of the Group. In the future, the Group will continue to bolster the supporting role of the corporate culture in strategy implementation, operation management, business collaboration and cohesion of the Group to build an entrepreneur team and create an organisation with passion to learn.

While striving to achieve business objectives and create returns for shareholders, the Group also endeavours to improve the performance in terms of environment, occupational health and safety, resources consumption and other fields and gradually implements such elements in strategy and daily operation. The major achievements in the year included (1) publication of the first environmental, social and governance report; (2) establishment of production safety committee and systematic implementation of safety management responsibility system to build a new safety management system featuring clear division of responsibilities, joint management and the participation of all staff. In 2017, the Group achieved remarkable results in safety management and no production safety accident occurred in engineering construction and power generation operation; and (3) the completion of certifications of the ISO9001 (Quality Management Systems), ISO14001 (Environmental Management Systems) and OHSAS18001 (Occupational Health and Safety Assessment Series), signifying the notable achievements of the Group's system management.

FUTURE OUTLOOK

Looking forward to 2018, the Chinese economy is transforming from the stage of rapid growing to high quality development, and winning the "blue sky defence battle" becomes one of the key tasks of the Chinese government. With the rapid improvement of technology in the clean energy industry, technical costs of wind power, photovoltaic power, energy storage, etc. become more and more competitive. Following the in-depth implementation of the new series of power structure reform, the switch of adopting clean and low-carbon energy is overwhelming and inevitable. The clean energy industry coincides with development opportunities of "high quality, new motivation and big room", but is also facing challenges on delay in subsidy receipts and consumption of clean energy.

The Group principally focuses on the clean development and use of energy providing "clean energy plus" solutions, and aims at building up a clean energy business ecosystem featuring synergies on multi-energy and multi-businesses with multi-profit sources to become a leading integrated clean energy service provider. The Group will uphold the mission of "contributing our clean energy and building a green future" and the core values of "being responsible, having values and being sharing", fully leverages the advantageous resources of shareholders, technologies, internal systems, etc. and be confident and down-to-earth, to grasp the business opportunities and be passionate on innovation, to achieve high quality development and to provide stable and healthy results to shareholders.

In closing, on behalf of the Board, I would like to express our sincere gratitude to the shareholders rendering great support and trust to the Group, and our heartfelt thanks to all the employees for their arduous work.

Hu Xiaoyong
Chairman

Hong Kong, 27 March 2018

* *For identification purposes only*

1. BUSINESS REVIEW

During the year ended 31 December 2017, the Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses (the "Photovoltaic Power Business"), wind power businesses (the "Wind Power Business") and clean heat supply businesses (the "Clean Heat Supply Business") in the PRC. It also had a non-core business in the design, printing and sale of cigarette packages (the "Cigarette Packaging Business") in the PRC which was disposed of in January 2018.

On 14 August 2017, the Group decided to divest its Cigarette Packaging Business in order to focus the resources on the clean energy businesses. On 10 January 2018, the Company announced the disposal of the Cigarette Packaging Business and the disposal was completed on 17 January 2018. Further details of the disposal of the Cigarette Packaging Business are set out in the Company's announcement dated 10 January 2018.

Financial highlights:

	2017 **HK$'000**	2016 HK$'000	Change %
Revenue	**10,039,549**	2,890,176	247
Gross profit	**2,624,962**	817,000	221
Profit for the year	**1,576,326**	529,247	198
Profit attributable to the equity holders of the Company	**1,560,348**	505,101	209
Basic EPS (in HK cents)	**2.72**	(restated) 1.36	100
EBITDA	**2,847,849**	889,169	220
Total assets	**35,995,682**	17,578,615	105
Equity	**9,004,029**	4,484,876	101
Cash and cash equivalents	**4,772,754**	1,633,214	192

The increases in the Group's revenue, profit for the year and profit attributable to the equity holders of the Company during the year ended 31 December 2017 as compared to the year ended 31 December 2016 were mainly driven by the performance of (i) the sale of electricity in respect of the Photovoltaic Power Business and the Wind Power Business; and (ii) the provision of engineering, procurement and construction services for photovoltaic and wind power plant projects.

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations

During the year, the Group expanded its operating capacity through the investment, development, construction, operation and management of (i) centralised photovoltaic power plant projects; (ii) distributed photovoltaic power plant projects; and (iii) wind power plant projects, and the aggregate revenue in respect of the sale of electricity and the provision of entrusted management services amounted to approximately HK$1,669.2 million (2016: approximately HK$350.0 million), representing an increase of 377% as compared to last year, which is illustrated below.

1.1.1 Centralised Photovoltaic Power Plant Projects

During the year ended 31 December 2017, the Group's centralised photovoltaic power business further expanded through acquisition of businesses from independent third parties and development and construction of photovoltaic power plants. The Group recorded revenue of approximately HK$1,392.4 million (2016: approximately HK$214.7 million) from the sale of electricity from the Group's centralised photovoltaic power plants, representing 14% (2016: 7%) of the Group's total revenue during the year.

Centralised Photovoltaic Power Plant,
Weishan County, Shandong Province

As at 31 December 2017, the total capacity of centralised photovoltaic power plant projects held or under joint development by the Group in the PRC reached approximately 2,200 megawatt ("MW"), with 48 projects in aggregate covering 11 provinces and 3 autonomous regions in the PRC. These projects were mainly situated in photovoltaic resource areas 2 and 3 as promulgated by the National Development and Reform Commission of the PRC (the "NDRC"), locations considered by the management to be favourable for the development of the Group's Photovoltaic Power Business.

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.1 Centralised Photovoltaic Power Plant Projects (Continued)

As at 31 December 2017, 43 (2016: 26) centralised photovoltaic power plants held by the Group in the PRC were in operation, and the aggregate on-grid capacity of these photovoltaic power plants reached 1,784MW (2016: 946MW), which is analysed below:

Location	Photovoltaic resource area	2017 Number of plants	2017 Approximate total on-grid capacity (MW)	2017 Approximate electricity sales volume (note 1) (MWh)#	2016 Number of plants	2016 Approximate total on-grid capacity (MW)	2016 Approximate electricity sales volume (note 1) (MWh)#
Subsidiaries:							
Hebei Province	2/3	12	324	352,828	9	252	67,046
Henan Province	3	3	264	283,193	2	154	68,128
Anhui Province	3	7	249	220,645	5	175	23,848
Shandong Province	3	5	235	121,622	2	59	25,054
Shaanxi Province	2	2	160	210,088	2	160	6,012
Guizhou Province	3	3	155	–	–	–	–
Jiangxi Province	3	3	125	51,627	2	47	5,654
The Ningxia Hui Autonomous Region (note 3)	1	1	100	–	–	–	–
Hubei Province	3	2	43	20,901	1	27	13,240
Jilin Province	2	1	30	14,320	–	–	–
The Tibet Autonomous Region	3	1	30	35,472	1	30	4,470
Yunnan Province	2	1	22	32,005	1	22	–
Shanxi Province	3	1	20	29,960	1	20	8,524
		42	1,757	1,372,661	26	946	221,976
Joint venture:							
Hubei Province (note 2)	3	1	27	28,273	–	–	–
Total		43	1,784	1,400,934	26	946	221,976

Megawatt-hour

Note 1: It represented the approximate electricity sales volume of the projects from the later of (i) the dates of acquisition by the Group; (ii) the dates of commencement of operation; and (iii) 1 January 2017, to the end of the reporting period. Therefore, the above electricity sales volume does not reflect a full year performance of these operations.

Note 2: The project was jointly held by the Group and 北京北控蘇銀股權投資管理中心（有限合夥）(Beijing BE Suyin Equity Investment Management Centre (Limited Partnership)*, "BE Suyin"), a limited partnership established during the year which was classified as a joint venture of the Group. The Group owned 65% subordinated interest in BE Suyin. Further details of the establishment of BE Suyin are set out in the Company's announcement dated 9 August 2017.

Note 3: The project was acquired in late December 2017 and is situated in the photovoltaic resource area 1 as promulgated by the NDRC. According to information published by 國家能源局西北監管局 (the Northwest China Energy Regulatory Bureau of National Energy Administration of the PRC*), the curtailment percentage in the Ningxia Hui Autonomous Region, the PRC was 6.4% during the year ended 31 December 2017, representing one of the regions with the lowest curtailment percentage among the five regions in the Northwest of the PRC (the average curtailment percentage in the Northwest of the PRC during the year ended 31 December 2017 was 14.1%). Having considered the above curtailment issue, the investment cost and overall performance of the project, investment return equivalent to other centralised photovoltaic power plant projects is expected to be generated.

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.1 Centralised Photovoltaic Power Plant Projects (Continued)

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 centralised photovoltaic power plants under the Top Runner Program with an aggregate designed capacity of 300MW. The Top Runner Program was approved by the National Energy Administration of the PRC and sets out advanced technology benchmarks for photovoltaic industry in the PRC. Securing the centralised 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. During the year, the projects situated in (i) Weishan County, Shandong Province, the PRC with designed capacity of 50MW; and (ii) Xintai City, Shandong Province, the PRC with designed capacity of 100MW were put into operation, and the remaining two projects under the Top Runner Program with an aggregate designed capacity of 150MW are expected to be constructed and put into operation in 2018.

In addition to the above-mentioned sale of electricity from the Group's centralised photovoltaic power plants, the Group provided entrusted management services for centralised photovoltaic power plant projects in the PRC and revenue of approximately HK$95.3 million (2016: approximately HK$114.3 million) was recognised during the year.

In relation to international business, construction of the Group's first overseas centralised photovoltaic power plant with an operating capacity of 6MW situated in Whyalla, Southern Australia, Australia commenced in the fourth quarter of 2017 and completed in January 2018. The project represents the first centralised photovoltaic power plant in Sothern Australia developed by a Chinese renewable energy company, signifying the recognition of the Group's technical strength.

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.2 Distributed Photovoltaic Power Plant Projects

The distributed photovoltaic power industry in the PRC enjoys a significant growth with the supportive government policies. During the year ended 31 December 2017, the Group had actively sought for business opportunities in relation to the distributed photovoltaic power business, aiming at developing the distributed photovoltaic power business with (i) solid location resources situated mainly in photovoltaic resource areas 2 and 3 as promulgated by the NDRC; and (ii) long-term customers with stable and concrete businesses.

Distributed Photovoltaic Power Station in a water plant of BEWG, Dongguan, Guangdong Province

With the strong development and investment strengths, the Group's distributed photovoltaic capacity achieved a remarkable growth during the year. As at 31 December 2017, the total installed capacity held and/or managed by the Group and in operation achieved 441MW, mainly locating in resource area 3 as promulgated by the NDRC (such as Henan Province, Anhui Province, Shandong Province, Jiangsu Province, Hebei Province).

Distributed Photovoltaic Power Plant, Shandong Province

The Group's sale of distributed photovoltaic power comprised the below business models:

(1) Direct sale to the State Grid Corporation of China (the "State Grid")

Under this model, the Group develops distributed photovoltaic power plants in the idle resources (e.g. rooftop, greenbelt and other unused space) of the resources owners. Electricity was sold to the State Grid, a state-owned enterprise principally engaged in the development and operation of nationwide power network.

(2) Direct sale to end users with excess electricity selling to the State Grid

Under this model, the Group develops distributed photovoltaic power plants in the idle resources (e.g. rooftop, greenbelt and other unused space) of the resources owners. Electricity was sold to the end users with excess electricity sold to the State Grid. During the year ended 31 December 2017, the Group expands the capacity under this model through:

(a) self-development on certain water plants of Beijing Enterprises Water Group Limited ("BEWG"), the controlling shareholder of the Company. Pursuant to the power purchase agreement entered into between the Company and BEWG, the Company provides distributed photovoltaic power generated by the distributed photovoltaic power plants in certain water plants of BEWG from 1 July 2017, details of which are set out in the Company's announcement dated 30 June 2017; and

(b) self-development or joint development on the location resources of other customers.

1. BUSINESS REVIEW (CONTINUED)

1.1 Sale of Electricity and Entrusted Operations (Continued)

1.1.2 Distributed Photovoltaic Power Plant Projects (Continued)

During the year ended 31 December 2017, revenue of approximately HK$74.3 million (2016: Nil) in respect of the sale of electricity was recognised.

In addition, the Group provided entrusted management services for distributed photovoltaic power plant projects in the PRC and revenue of approximately HK$41.4 million (2016: Nil) was recognised during the year.

The Group will continue liaising with Beijing Enterprises Group Company Limited, other shareholders of the Company, and other long-term customers with stable and concrete businesses to expand the Group's distributed photovoltaic power business on their location resources.

1.1.3 Wind Power Plant Projects

The technology and cost improvements and the supportive government policies drive new business opportunities in the wind power industry, and in particular, in low-altitude regions such as the Central and Eastern regions of the PRC which in general do not have curtailment issue. With the Group's expertise on, among others, investing, developing and managing wind and other power businesses, the Group is optimistic on expanding its Wind Power Business to contribute its effort in building up a green future of the PRC.

Centralised Wind Power Plant,
Binzhou, Shandong Province

As at 31 December 2017, the total capacity held or under joint development by the Group achieved 474MW, with a 48MW wind power plant locating in Shandong Province, the PRC, resource area 4 as promulgated by the NDRC, was held by the Group and in stable operation. Revenue of approximately HK$65.8 million (2016: approximately HK$21.0 million) from the sale of wind power electricity was recognised by the Group during the year ended 31 December 2017. Respective gross profit ratio was 60.2% (2016: 53.8%) during the year.

1. BUSINESS REVIEW (CONTINUED)

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

The Group is engaged in the provision of engineering, procurement and construction services for photovoltaic and wind power businesses 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 2017, a number of centralised and distributed photovoltaic power plant projects and wind power plant projects on engineering, procurement and construction services locating in the PRC were undergoing, and revenue of approximately HK$6,952.1 million (2016: approximately HK$2,234.0 million) in aggregate was recognised during the year ended 31 December 2017, representing 69.2% (2016: 77.3%) of the Group's total revenue during the year.

In addition to the above, during the year ended 31 December 2017, a centralised photovoltaic project on a build-operate-transfer (the "BOT") basis under the Top Runner Program located in Xintai City, Shandong Province, the PRC and a clean heat supply project under the BOT basis were under construction. With reference to HK(IFRIC) Interpretation 12 *Service Concession Arrangements*, construction revenue of approximately HK$1,013.2 million (2016: Nil) was recognised with reference to the fair value of construction services delivered during the construction phase. The fair value of such services is estimated on a cost-plus basis with reference to the prevailing market rate of gross margin at the inception date of the development agreement or the service concession agreement. Construction revenue is recognised based on the percentage-of-completion method.

In respect of the technical consultancy services, the Group successfully marketed the aforementioned qualification and experience to other industry participants. Revenue of approximately HK$205.8 million (2016: approximately HK$109.6 million) was recognised during the year ended 31 December 2017.

1.3 Clean Heat Supply Business

Clean heat supply represents the production of low emission heat through the utilisation of clean energies such as natural gas, electricity, geothermal energy, biomass energy, photovoltaic power, industrial excess heat energy, clean coal (ultra-low emission) energy, river water source etc., and the supply of such heat to end users. At present, 83% of the heat supply region in the Northern PRC adopts coal as the source of heat supply, and increasing the proportion of clean heat supply usage shall improve the air pollution issue in the PRC. With various supportive government policies issued including but not limited to the issuance of 《關於印發北方地區冬季清潔取暖規劃（2017-2021年）的通知》 ("the Winter Clean Heating Plan (2017 to 2021) of the Northern PRC") jointly by ten government authorities in December 2017, the Clean Heat Supply Business shall have a favourable business prospects.

Industrial excess heat energy centralised heat supply project in Huojia County, Henan Province

The Group commences to develop the Clean Heat Supply Business during the year ended 31 December 2017. As at 31 December 2017, through development and business acquisition, 6 projects in operation locating in Henan, Shanxi, Shaanxi and Jiangsu provinces were held and/or managed by the Group. Revenue of approximately HK$20.4 million (2016: Nil) arising from the provision of clean heat supply services was recognised by the Group during the year.

1. BUSINESS REVIEW (CONTINUED)

1.4 Other Clean Energy Businesses

The Group has been exploring other clean energy businesses such as multi-energy complement, energy storage, micro-grid technologies, distribution and sale of electricity, liquefied natural gas business and other business lines, and exploring international opportunities for strategic development and diversification.

Photovoltaic energy storage project in Yangyi, the Tibet Autonomous Region

In respect of the energy storage business, the Group has completed a photovoltaic energy storage demonstrative project with a capacity of 20MWh in the Tibet Autonomous Region, the PRC during the year, which represents the world's highest altitude energy storage project. It operates in a very stable manner, which signifies the Group's technical strengths in the energy storage business and in high altitude locations, and enables the Group to get prepared for the potential opportunities in the energy storage market.

1.5 Cigarette Packaging Business

With (i) the Group's effort in the expansion of the clean energy businesses; and (ii) the continued competitive environment, increased labour costs and the stringent government regulations and policies with respect to smoking, the contribution of the Cigarette Packaging Business to the Group was insignificant. Given that it had become a non-core business of the Group, the Board decided to divest its Cigarette Packaging Business in order to focus the resources on the clean energy businesses.

Pursuant to the agreement dated 10 January 2018 entered into between the Company (as the seller) and Ms. Huang Li (as the purchaser), the Cigarette Packaging Business was disposed of by the Company to Ms. Huang Li for a consideration of HK$258,868,000. The disposal was completed on 17 January 2018 and gain on disposal is expected to be recognised in the Group's consolidated statement of profit or loss for the year ending 31 December 2018. Further details of the disposal are set out in the Company's announcement dated 10 January 2018. Assets and liabilities of the Cigarette Packaging Business were classified as assets and liabilities of a disposal group held for sale respectively in the consolidated statement of financial position as at 31 December 2017.

2. FINANCIAL ANALYSIS

2.1 Revenue and gross profit margin

During the year ended 31 December 2017, the Group recorded revenue of approximately HK$10,039.5 million (2016: approximately HK$2,890.2 million). The increase was mainly attributable to the developments of the Photovoltaic Power Business and the Wind Power Business. In particular, (i) revenue from the sale of electricity and entrusted management services reached approximately HK$1,669.2 million (2016: approximately HK$350.0 million) in aggregate; and (ii) revenue from construction services achieved approximately HK$7,965.3 million (2016: approximately HK$2,234.0 million).

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

	2017			2016		
	Revenue (HK$ million)	**Gross profit ratio (%)**	**Gross profit (HK$ million)**	Revenue (HK$ million)	Gross profit ratio (%)	Gross profit (HK$ million)
Sale of electricity						
Photovoltaic Power Business	**1,466.7**	**69.4**	**1,018.6**	214.7	57.5	123.4
Wind Power Business	**65.8**	**60.2**	**39.6**	21.0	53.8	11.3
Construction services	**7,965.3**	**15.0**	**1,191.3**	2,234.0	17.6	394.0
Technical consultancy services	**205.8**	**89.9**	**185.1**	109.6	93.1	102.0
Entrusted operations	**136.7**	**90.0**	**123.0**	114.3	94.0	107.4
Trading agency income	**–**	**N/A**	**–**	28.0	N/A	28.0
Provision of clean heat supply services	**20.4**	**31.4**	**6.4**	–	–	–
Sale of cigarette packages	**178.8**	**34.1**	**61.0**	168.6	30.2	50.9
Total	**10,039.5**	**26.1**	**2,625.0**	2,890.2	28.3	817.0

Gross profit for the sale of electricity increased from approximately HK$134.7 million for the year ended 31 December 2016 to approximately HK$1,058.2 million during the year, representing 40.3% (2016: 16.5%) to the total gross profit of the Group. The increase in contribution of sale of electricity to the Group's total gross profit was attributable to the rapid expansion of the Group's operating capacity of the photovoltaic and wind power plant projects. On the other hand, contribution of construction services to the Group's total gross profit was 45.4% (2016: 48.2%) during the year, which remained relatively comparable to that of last year. Analysis of the above businesses are set out in the section headed "Business Review" in "Management Discussion and Analysis".

2. FINANCIAL ANALYSIS (CONTINUED)

2.1 Revenue and gross profit margin (Continued)

Gross profit ratio reduced from 28.3% during the year ended 31 December 2016 to 26.1% during the year ended 31 December 2017, which was mainly attributable to (i) the decrease in overall gross profit ratio of construction services; and (ii) the change in the mix of revenue during the year. Revenue from construction services contributed 79.3% (2016: 77.3%) to the Group's total revenue during the year. As the gross profit ratio of construction services of 15.0% was comparatively lower than that of other business sectors, overall gross profit ratio of the Group reduced.

2.2 Other income and gains, net

The Group's other income and gains, net achieved approximately HK$183.0 million (2016: approximately HK$98.7 million) during the year. The increase was mainly attributable to the recognition of (i) interest income from other loan receivables of approximately HK$72.2 million (2016: Nil); and (ii) gains on disposal of subsidiaries of HK$35.2 million (2016: Nil) mainly derived from the disposals of a factory (not yet put into operation) of the Cigarette Packaging Business to independent third parties and a 27MW photovoltaic power plant project in Hubei Province to BE Suyin during the year.

2.3 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$476.7 million (2016: approximately HK$219.7 million) was mainly attributable to the increases in staff costs by approximately HK$120.1 million and other administrative expenses during the year as a result of the expansion of the Photovoltaic Power Business, Wind Power Business and Clean Heat Supply Business.

2.4 Other operating expenses

It mainly represented the net foreign exchange losses of approximately HK$8.1 million (2016: net foreign exchange gains of approximately HK$10.5 million recognised in other income and gains, net) recognised during the year.

2.5 Finance costs

The increase in finance costs of the Group by approximately HK$366.1 million to approximately HK$470.0 million (2016: approximately HK$103.9 million) was mainly attributable to the increase in the average balances of bank and other borrowings and finance lease payables of the Group during the year.

2.6 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 during the years.

2. FINANCIAL ANALYSIS (CONTINUED)

2.7 Property, plant and equipment

Property, plant and equipment mainly represented the carrying amounts of photovoltaic and wind power plant projects and clean heat supply projects held by the Group and in operation or under construction, and the increase during the year was mainly attributable to the acquisition and development of centralised and distributed photovoltaic power plant projects during the year.

2.8 Investment properties

The Group's investment properties represented the fair value of an office and car parking spaces in Hong Kong purchased by the Group during the year ended 31 December 2017. Pursuant to an agreement dated 5 September 2017 entered into between a wholly-owned subsidiary of the Group as the purchaser and two independent third parties as vendors, the Group purchased the entire equity interest in an entity holding an office and car parking spaces for a consideration of HK$174,800,000, which was satisfied by the allotment of 960,439,560 ordinary shares (the "Ordinary Share(s)") of the Company. The transaction was completed in October 2017 and the office and car parking spaces are currently leased to an independent third party. Further details of the purchase of the entity and the office and car parking spaces are set out in the Company's announcement dated 5 September 2017.

2.9 Prepaid land lease payments

The increase of prepaid land lease payments was mainly attributable to the acquisition and development of photovoltaic power plant projects during the year.

2.10 Goodwill

It was attributable to the acquisition of subsidiaries during the years ended 31 December 2017 and 2016.

2.11 Operating concessions and operating rights

Operating concessions and operating rights represented the rights to operate a photovoltaic power plant project and a clean heat supply project under the BOT basis, and the operating rights arising from the acquisition of photovoltaic and wind power businesses with reference to HKFRS 3 (Revised) *Business Combinations*, respectively. The increase in operating concessions was mainly attributable to the construction of a centralised photovoltaic project and a clean heat supply project on a BOT basis as detailed in the section headed "1.2 Engineering, Procurement and Construction Services, and Technical Consultancy Services" in "Management Discussion and Analysis", and the increase in operating rights was attributable to the acquisition of photovoltaic power plant projects during the year.

2.12 Investments in joint ventures

It mainly represented the capital contributions made by the Group to the limited partnerships established in the PRC during the year.

2. FINANCIAL ANALYSIS (CONTINUED)

2.13 Investments in associates

It represented (i) the Group's investment in 四川金宇汽車城（集團）股份有限公司 (Sichuan Jinyu Automobile City (Group) Co., Ltd.*, "Sichuan Jinyu", a company established in the PRC and shares of which are listed on the Shenzhen Stock Exchange (stock code: SZ.000803)). Further details of which are set out in paragraph (c) of the section headed "Significant Investments, Material Acquisition and Disposal of Subsidiaries and Associated Companies" in "Management Discussion and Analysis"; and (ii) the Group's investment in 北控城投控股集團有限公司 (Beijing Enterprises City Investment Holdings Group Co., Ltd*), a 15%-owned investment of the Group which was principally engaged in the investment, development and operation of infrastructural and properties-related businesses in the PRC.

2.14 Other non-current assets

It represented materials and equipment sold and delivered to independent third parties for the development of photovoltaic power plant projects.

2.15 Amounts due from contract customers

Amounts due from contract customers as at 31 December 2017 of approximately HK$2,028.9 million (2016: approximately HK$550.8 million) was mainly attributable to the provision of engineering, procurement and construction services for photovoltaic and wind power plant projects by the Group, and the increase was attributable to the increase in the extent of engineering, procurement and construction services provided by the Group during the year ended 31 December 2017.

2.16 Trade and bills receivables

Trade and bills receivables of approximately HK$4,502.0 million (2016: approximately HK$1,295.1 million) as at 31 December 2017 were mainly derived from (i) the sale of electricity of the Photovoltaic Power Business and the Wind Power Business; and (ii) the provision of engineering, procurement and construction services of the Photovoltaic Power Business and the Wind Power Business. The increase was attributable to the significant expansion of the Photovoltaic Power Business and the Wind Power Business during the year.

Trade receivables for the sale of electricity of the Photovoltaic Power Business and the Wind Power Business of approximately HK$1,965.0 million (2016: approximately HK$521.6 million) mainly comprised (i) receivables from the sale of electricity to the State Grid; and (ii) central government renewable energy subsidies for photovoltaic and wind power plant projects receivable on behalf by the State Grid and payable to the Group by the State Grid. On the other hand, trade and bills receivables for the provision of engineering, procurement and construction services of the Photovoltaic Power Business and the Wind Power Business amounted to approximately HK$2,485.3 million (2016: approximately HK$507.6 million) as at 31 December 2017.

2. FINANCIAL ANALYSIS (CONTINUED)

2.17 Prepayments, deposits and other receivables, and other tax recoverables

The increase in prepayments, deposits and other receivables and other tax recoverables by approximately HK$1,747.3 million in aggregate to approximately HK$5,050.1 million (2016: approximately HK$3,302.8 million) in aggregate (non-current portion and current portion increased by approximately HK$966.0 million and approximately HK$781.3 million in aggregate respectively) was mainly attributable to the increases in prepayments to suppliers for the development of the Photovoltaic Power Business, investment deposits made for the acquisitions of certain photovoltaic power plant projects, and input value-added-tax recoverables arising from the acquisition and development of photovoltaic power plants.

2.18 Cash and cash equivalents

The increase in cash and cash equivalents by approximately HK$3,139.6 million to approximately HK$4,772.8 million (2016: approximately HK$1,633.2 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 issuance of shares of the Company as detailed under the section headed "Equity fund raising of the Company" in "Management Discussion and Analysis"; (iii) cash outflow on developing and acquiring photovoltaic power plant projects; and (iv) receipts of trade receivables during the year ended 31 December 2017.

2.19 Trade and bill payables

Trade and bills payables of approximately HK$4,631.4 million (2016: approximately HK$1,144.3 million) increased by approximately HK$3,487.1 million as compared to that of last year was mainly attributable to the increase in trade and bills payables in relation to the provision of engineering, procurement and construction services during the year.

2.20 Other payables and accruals

Other payables and accruals of approximately HK$4,043.3 million (2016: approximately HK$3,828.8 million) increased by approximately HK$214.5 million as compared to that of last year was mainly due to the net effect of (i) settlement of construction and equipment payables to contractors and suppliers in relation to the projects held by the Group; and (ii) increase in the construction and equipment payable of projects acquired or under development by the Group during the year.

2.21 Interest-bearing bank and other borrowings and finance lease payables

Interest-bearing bank and other borrowings and finance lease payables of approximately HK$17,708.7 million (2016: approximately HK$7,634.3 million) in aggregate increased by approximately HK$10,074.4 million in aggregate (non-current portion and current portion increased by approximately HK$9,061.0 million in aggregate and approximately HK$1,013.4 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.

2. FINANCIAL ANALYSIS (CONTINUED)

2.22 Capital expenditures

During the year ended 31 December 2017, the Group's total capital expenditures amounted to approximately HK$8,564.6 million (2016: approximately HK$9,970.1 million), comprising (i) construction and acquisition of photovoltaic and wind power plant projects, clean heat supply projects, other property, plant and equipment and operating concessions of approximately HK$4,062.1 million (2016: approximately HK$1,654.2 million) in aggregate; (ii) addition to prepaid land lease payments of approximately HK$53.1 million (2016: approximately HK$17.2 million); (iii) acquisition of other intangible assets of approximately HK$7.2 million (2016: approximately HK$2.6 million); (iv) investments in and acquisition of equity interests in subsidiaries, joint ventures, associates and an available-for-sale investment of approximately HK$4,267.2 million (2016: approximately HK$8,296.1 million); and (v) acquisition of investment properties of approximately HK$175.0 million (2016: Nil).

2.23 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$") and Renminbi ("RMB"). Surplus cash is generally placed in short-term deposits denominated in HK$ and RMB.

As at 31 December 2017, the Group's cash and cash equivalents amounted to approximately HK$4,772.8 million (2016: approximately HK$1,633.2 million).

Developments of the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business require material initial capital investments and the Group funds such developments during the year ended 31 December 2017 by means of (i) equity fund raising of the Company as detailed under the section headed "Equity fund raising of the Company" in "Management Discussion and Analysis"; and (ii) long-term bank and other borrowings and finance lease payables as illustrated below. Accordingly, the Group's net assets status improved. As at 31 December 2017, the Group recorded net current assets of approximately HK$2,884.0 million (2016: net current liabilities of approximately HK$1,227.8 million).

As at 31 December 2017, the Group's total borrowings of approximately HK$17,708.7 million (2016: approximately HK$7,634.3 million) comprised (i) bank and other borrowings of approximately HK$6,530.1 million (2016: approximately HK$4,828.1 million); and (ii) finance lease payables of approximately HK$11,178.6 million (2016: approximately HK$2,806.2 million). Save as a five-year term loan of RMB54.0 million (equivalent to approximately HK$64.8 million) (2016: a one-year term loan of RMB15.0 million (equivalent to approximately HK$16.8 million)) bears interest at a fixed rate and a revolving loan of HK$450.0 million which is repayable on demand and bears interest at floating rate, the Group's bank and other borrowings and finance lease payables bear interest at floating rates with terms ranging from nine months to 20 years. 85% (2016: 77%) of the Group's borrowings are long-term borrowings.

The Group had unutilised banking facilities of approximately HK$925.9 million (2016: approximately HK$238.5 million) with terms ranging from repayable on demand to 10 years (2016: 1 to 12 years) as at 31 December 2017.

2. FINANCIAL ANALYSIS (CONTINUED)

2.23 Liquidity and financial resources (Continued)

As at 31 December 2017, the Group's total equity amounted to approximately HK$9,004.0 million (2016: approximately HK$4,484.9 million). The increase was mainly attributable to (i) the issuance of convertible preference shares of the Company and the completion of open offer as detailed under the section headed "Equity fund raising of the Company" in "Management Discussion and Analysis" with aggregate net proceeds of approximately HK$1,703.5 million received; (ii) the profit attributable to the equity holders of the Company of approximately HK$1,560.3 million during the year ended 31 December 2017; and (iii) the increase in the Group's consolidated exchange fluctuation reserve attributable to the appreciation of RMB against HK$ during the year.

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 144% as at 31 December 2017 (2016: 134%). The increase in gearing ratio was mainly due to the net effect of (i) increase in bank and other borrowings and finance lease payables for the purpose of funding the development of the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business; and (ii) the increase in equity as above-mentioned.

2.24 Equity fund raising of the Company

(a) Issuance and conversion of the convertible preference shares

(i) Share subscription

Pursuant to the principal subscription agreement dated 9 December 2014 (as supplemented by the first supplemental agreement dated 29 December 2014, the second supplemental agreement dated 31 January 2015 and the third supplemental agreement dated 30 April 2015) entered into between 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, the subscription of 4,749,933,780 convertible preference shares (the "Convertible Preference Share(s)") of the Company (with an aggregate nominal value of HK$4,749,934) at the subscription price of HK$0.079 per Convertible Preference Share was completed on 8 May 2017 and net proceeds of approximately HK$375.2 million were received. Further details of the subscription are set out in the Company's announcements dated 2 February 2015 and 6 May 2015, and the Company's circular dated 10 April 2015.

The net proceeds received from the share subscription were 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.

(ii) Conversion of the Convertible Preference Shares

As at 31 December 2017, an aggregate of 33,362,884,900 Convertible Preference Shares had been converted into Ordinary Shares by holders of the Convertible Preference Shares, including 12,232,230,496 (2016: 20,759,396,144) Convertible Preference Shares which had been converted into 12,232,230,496 (2016: 20,759,396,144) Ordinary Shares during the year ended 31 December 2017. As at 31 December 2017, all Convertible Preference Shares were converted into Ordinary Shares.

2. FINANCIAL ANALYSIS (CONTINUED)

2.24 Equity fund raising of the Company (Continued)

(b) The open offer

On 25 July 2017, the Company proposed to raise approximately HK$1,329,505,000, before expenses, by way of an open offer (the "Open Offer"), by issuing 7,820,619,687 new ordinary shares of the Company (the "Offer Share(s)") at the subscription price of HK$0.17 per Offer Share on the basis of one (1) Offer Share for every seven (7) existing ordinary shares of the Company held by the shareholder(s) whose names appear(s) on the register of members of the Company as at the close of business on 15 August 2017 (other than the Non-Qualifying Shareholders as defined in the Company's prospectus dated 21 August 2017).

The Open Offer was completed in September 2017. The application of the net proceeds received of HK$1,328,225,000 is consistent with the intended use of proceeds as disclosed in the Company's prospectus dated 21 August 2017, which is, as to 50% for organic growth (i.e. self-development of photovoltaic power plant projects) and 50% for acquisitions (including the potential acquisitions of established project companies in relation to photovoltaic and wind power businesses). As at the date of this annual report, save as the unutilised net proceeds of approximately HK$75.3 million to be utilised for the self-development of photovoltaic power plant projects in Anhui Province, the PRC, all the net proceeds were utilised as intended.

The Open Offer strengthens the Company's capital base including improving its gearing level and enhance its financial position and net asset base. Further details are set out in the Company's announcements dated 25 July 2017, 7 August 2017, 14 August 2017 and 8 September 2017, and the Company's prospectus dated 21 August 2017.

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 and finance lease payables of the Group as at 31 December 2017 are secured by:

(a) pledges over certain of the Group's property, plant and equipment and an operating concession;

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

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

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

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

Save as disclosed above, at 31 December 2017, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities (2016: Nil).

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 consolidated accounts. If RMB appreciates/depreciates against Hong Kong dollar, the Group would record a(n) increase/decrease in the Group's net asset value. During the year ended 31 December 2017, 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 others, changes in the 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. During the year, the Group continues to expand the clean energy businesses (i.e. the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business), which require material funding in investment and development stages. In managing the liquidity risks, the Group, among others, (i) obtains long-term borrowings as detailed under the section headed "Liquidity and financial resources" in "Management Discussion and Analysis"; (ii) monitors and maintains an adequate level of cash and credit facilities (including the establishment of several limited partnerships in the PRC to support the funding requirement of the clean energy businesses); (iii) obtains new equity financing including the Open Offer as detailed under the section headed "Equity fund raising of the Company" in "Management Discussion and Analysis", to improve the Group's financial position and stability of cash flows; and (iv) timely monitors the settlements of receivables.

Policy risks

The Group's clean energy businesses are dependent on the relevant governmental support measures (including the preferential tax policies, tariff subsidies, electricity generation dispatch priority, laws and regulations, etc.) for rapid and healthy development. Although the Chinese government has been supportive to the growth of the clean energy businesses and launched a series of favourable measures, it is possible that these measures will be modified. The Group will strictly cohere to the government measures and will closely monitor the policy planning to grasp the business opportunities and get understanding on the risks associated with the policy modifications in advance.

Other business risks

The risks and uncertainties on the Group's clean energy businesses, in particular the Photovoltaic Power Business and the Wind Power Business, also comprise (i) the risks on project performance; and (ii) grid curtailment risks. If any of these risks and uncertainties materialise, overall growth and profitability would be affected. In mitigating the risks on project performance, the Group places significant emphasis on, among others, (i) implementing effective investment due diligence, approval and review processes; (ii) monitoring and controlling the quality and performance of its assets and businesses; (iii) human capital and technical strengths; and (iv) relationships with customers and suppliers, in order to facilitate the positive development of these businesses. On the other hand, in mitigating the curtailment risks, the Group strategically focuses on developing the Photovoltaic Power Business and the Wind Power Business in the central and Eastern regions of the Mainland China which are well-developed with power transmission network and with stronger economy and electricity demand, and in general do not have curtailment issue.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed 1,668 employees (2016: 831 employees) with total staff cost of approximately HK$275.0 million incurred for the year ended 31 December 2017 (2016: approximately HK$119.1 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

CORPORATE SOCIAL RESPONSIBILITY

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, the Wind Power Business and the Clean Heat Supply 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 stakeholders including employees, shareholders and investors, customers, suppliers and contractors, government entities, industry partners and community partners are the key to corporate sustainability and is keen on developing long-term relationships with these stakeholders. Some examples on supporting and communicating with the stakeholders include:

(a) Employees: 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 on-going 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;

(b) Shareholders and investors: Details of which are set out in the section headed "Investor Relations – Communication with shareholders" in the Corporate Governance Report of this annual report;

(c) Customers: The Group understands that it is important to maintain good relationship with customers and provide products in a way that satisfy their needs and requirements. 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; and

(d) Suppliers and contractors: 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 on-going communication in a proactive and effective manner so as to ensure quality and timely delivery.

CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

Environmental, social and governance report

Further details of the Group's commitment and strategies to sustainability and the performance in environmental contributions, employee relation, supply chain management, occupational health and safety and social investments of the core business of the Group for the year ended 31 December 2017 are set out in the Group's Environmental, Social and Governance Report for the year ended 31 December 2017, which will be published on the websites of the Company (www.bece.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) by the end of July 2018.

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

(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$945,508,000). Further details are set out in the Company's announcement dated 10 February 2017.

(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$599,591,000). Further details are set out in the Company's announcement dated 16 February 2017.

(c) During the year, the Group acquired 22,634,000 ordinary shares with a nominal value of RMB1 each in the issued share capital of Sichuan Jinyu through the open market of Shenzhen Stock Exchange for an aggregate consideration of RMB493,331,000 (equivalent to HK$568,840,000), representing 17.72% of the total issued share capital of Sichuan Jinyu. Sichuan Jinyu was classified as an associate of the Company as at 31 December 2017.

(d) On 22 December 2017, 天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*, "Tianjin Clean Energy") (as the purchaser) and three independent third parties (as the vendors, collectively the "NXJX Vendors") entered into an equity transfer agreement, pursuant to which Tianjin Clean Energy agreed to acquire the entire equity interest in 寧夏錦繡龍騰新能源有限公司 (Ningxia Jinxiulongteng New Energy Co. Ltd.*, "NXJX") from the NXJX Vendors for a consideration of RMB169,351,000 (equivalent to HK$195,272,000). On 22 December 2017, Tianjin Clean Energy, the NXJX Vendors, NXJX, 中寧縣興業錦繡新能源有限公司 (Zhongning County Xingyejinxiu New Energy Co. Ltd.*, "ZNXY") and an independent third party entered into a debt settlement agreement, pursuant to which Tianjin Clean Energy shall repay the liabilities for and on behalf of NXJX and ZNXY in an amount of RMB626,389,000 (equivalent to HK$722,263,000). ZNXY is wholly-owned by NXJX and holds a 100MW photovoltaic power plant in 中寧縣 (Zhongning County*), the Ningxia Hui Autonomous Region, the PRC. The equity transfer was completed in December 2017 and NXJX and ZNXY became indirect wholly-owned subsidiaries of the Company. Further details are set out in the Company's announcement dated 22 December 2017.

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 2017.

* *For identification purposes only*

Corporate Governance Report

The board (the "Board") of directors of Beijing Enterprises Clean Energy Group Limited (the "Company", together with its subsidiaries the "Group") is pleased to present this Corporate Governance Report in the Group's annual report for the year ended 31 December 2017.

The Company's corporate governance policies and practices are applied and implemented in the manners as stated in the below Corporate Governance Report.

CORPORATE GOVERNANCE CODE COMPLIANCE

The Company focuses on maintaining high standard of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Company strive for adhering to the principles of corporate governance and have 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 has complied with all the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31 December 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in securities of the Company by the directors. Having made specific enquiry of all directors, the directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

BOARD OF DIRECTORS

Role and delegation

The Board is responsible for the leadership and directing and supervising the Group's businesses, strategic decisions and performance. The Board has delegated the chief executive officer of the Company (the "Chief Executive Officer") the day-to-day leadership and the management of the Group. The management is entrusted by the Board with the authority and responsibility for the day-to-day operations of the businesses of the Group. The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all corporate governance matters, material acquisitions, material contracts, discloseable and/or connected transactions, director's appointment or reappointment and the financial performance of the Group in pursuit of its strategic goals. The Board is also responsible for the developing and reviewing the appropriate corporate governance practices applicable to the Company's circumstances and ensuring processes and procedures are in place to achieve the Company's corporate governance objectives.

All directors are required to discharge their responsibilities as directors of the Company. All directors have timely access to all relevant information of the Company and the advice of the management. Any director may also seek independent professional advice in appropriate circumstances at the Company's expenses upon reasonable request made to the Board.

BOARD OF DIRECTORS (CONTINUED)

Composition

As at the date of this annual report, the Board 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, namely, Mr. Li Fujun, Mr. Xu Honghua and Mr. Chiu Kung Chik.

The Board has met the requirements of rule 3.10 of the Listing Rules of having at least three independent non-executive directors (representing at least one-third of the Board). In addition, Mr. Li Fujun, an independent non-executive director of the Company, has the appropriate professional qualifications, accounting or related financial management expertise, as required under the Listing Rules.

The biographical details of the directors are set out in the section headed "Directors and Senior Management" in this annual report. Directors have disclosed their number and nature of offices held in public companies or organisations and other significant commitments in their biographies. They are also reminded to notify the Company of any change of the information in a timely manner. Except for the relationships (including financial, business, family, and other material and relevant relationships) as detailed in the biographies of the directors set out on pages 41 to 43 of this annual report, there are no other relationships among the Board to the best knowledge of the Board members as of the date of this annual report.

Chairman and Chief Executive Officer

Currently, the chairman of the Board (the "Chairman") is Mr. Hu Xiaoyong and the Chief Executive Officer is Mr. Huang Weihua. The roles of the Chairman and the Chief Executive Officer are clearly defined and segregated to ensure independence and accountability of their respective functions and balanced distribution of power and authority between them.

The Chairman has executive responsibilities, provides leadership to, and oversees the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. With the support of the executive directors and the company secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman promotes a culture of openness and actively encourages directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders as outlined later in this report.

The Chief Executive Officer, leading the management of the Company, is accountable to the Board for the overall implementation of the Company's strategies and the management of the operations of the Group.

BOARD OF DIRECTORS (CONTINUED)

Independent non-executive directors

The Board considers that the independent non-executive directors 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.

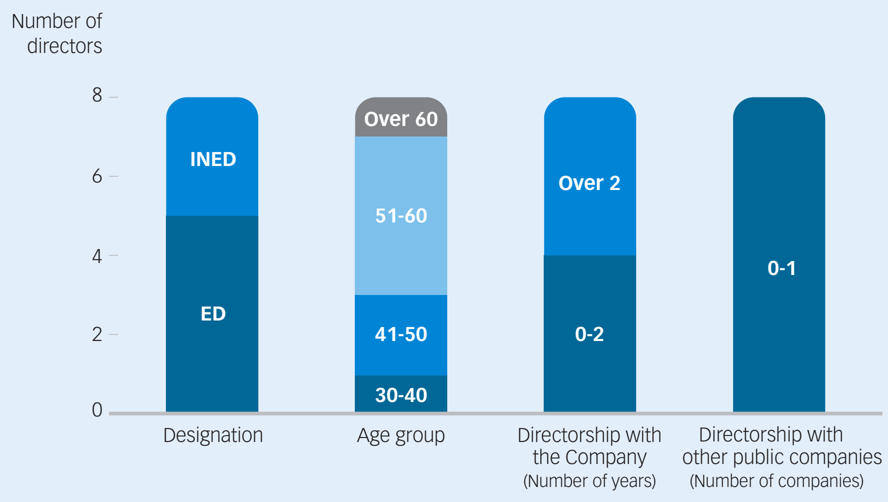
The Company has received a written annual confirmation from each of the independent non-executive directors ("INEDs") confirming his independence pursuant to rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

Board diversity

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.

As at the date of this annual report, there are 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 illustration of the Board diversity is shown below while the detailed biographies (including their roles, function, skills and experience) are set out in this annual report under the section headed "Directors and Senior Management".



Remarks: ED – Executive directors
INED – Independent non-executive directors

BOARD OF DIRECTORS (CONTINUED)

Tenure

In accordance with the articles of association of the Company (the "Articles of Association"), all directors are subject to retirement by rotation. At each annual general meeting, one-third of the directors for the time being shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The retiring directors shall be eligible for re-election. Any director appointed by the Board to fill casual vacancy shall hold office only until the first general meeting. Any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company.

All directors (including independent non-executive directors) had entered into the letters of appointment or service agreements (as the case may be) with the Company for a term of three years subject to retirement from office by rotation and re-election at the annual general meeting in accordance with the Articles of Association.

Directors' induction and continuous professional development

Upon appointment to the Board, each newly appointed director 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)

Directors' induction and continuous professional development (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 2017.

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)	✔	✔
Mr. Wang Ye	✔	✔
Mr. Wen Hui (appointed on 23 January 2017)	✔	✔
Mr. Liang Yongfeng (resigned on 23 January 2017)	N/A	N/A
Independent non-executive directors		
Mr. Li Fujun	✔	✔
Mr. Xu Honghua	✔	✔
Mr. Chiu Kung Chik	✔	✔

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. The terms of reference of these committees stipulating their respective authorities and responsibilities are available on the Company's website.

Audit Committee

The Audit Committee comprises all three INEDs, namely Mr. Li Fujun (chairman), Mr. Xu Honghua and Mr. Chiu Kung Chik.

The Audit Committee is mainly responsible for considering all relationships between the Company and the external auditor (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.

The meetings of the Audit Committee shall be held at least twice a year and when necessary. During the financial year ended 31 December 2017, the Audit Committee had held three meetings during which the Audit Committee has performed the following major works:

- reviewed the results announcements and the financial statements for the year ended 31 December 2016 and for the six months ended 30 June 2017 respectively
- considered and approved the audit work of the external auditor and monitor its independence
- reviewed the business and financial performance of the Company
- reviewed the effectiveness of the Company's internal audit function, risk management and internal control systems

The attendance of each member of the Audit Committee is set out in the section headed "Board and Board Committees Meetings" of this report.

Nomination Committee

The Nomination Committee comprises one executive director and two INEDs, namely Mr. Hu Xiaoyong (chairman), Mr. Li Fujun and Mr. Xu Honghua.

The Nomination Committee is responsible for, amongst other things, formulating policy and making recommendations to the Board on nominations, appointment and re-appointment of directors and Board succession.

BOARD COMMITTEES (CONTINUED)

Nomination Committee (Continued)

The meeting of the Nomination Committee shall be held at least once a year and when necessary. During the financial year ended 31 December 2017, the Nomination Committee had held two meetings during which the Nomination Committee has performed the following major works:

- reviewed and made recommendations to the Board on the appointments of Mr. Huang Weihua as the Chief Executive Officer and executive director of the Company and Mr. Wen Hui as executive director of the Company

- reviewed and made recommendations to the Board on the re-appointment of directors of the Company

- 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

The attendance of each member of the Nomination Committee is set out in the section headed "Board and Board Committees Meetings" of this report.

Remuneration Committee

The Remuneration Committee comprises one executive director and two INEDs, namely Mr. Chiu Kung Chik (chairman), Mr. Shi Xiaobei and Mr. Xu Honghua.

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.

The meeting of the Remuneration Committee shall be held at least once a year and when necessary. During the financial year ended 31 December 2017, the Remuneration Committee had held two meetings during which the Remuneration Committee has performed the following major works:

- reviewed the terms of service agreements for Mr. Huang Weihua and Mr. Wen Hui respectively

- reviewed the remuneration policy and structure of the Company

- reviewed the remuneration packages for executive directors and senior management of the Company

- reviewed the remuneration of INEDs

The attendance of each member of the Remuneration Committee is set out in the section headed "Board and Board Committees Meetings" of this report.

BOARD AND BOARD COMMITTEES MEETINGS

The individual attendance records of each director at the meetings of the Board, Audit Committee, Nomination Committee, Remuneration Committee and the annual general meeting during the year ended 31 December 2017 are set out below:

	Meetings attended/held				
Name of directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Executive directors					
Mr. Hu Xiaoyong *(Chairman)*	5/10	–	2/2	–	1/1
Mr. Shi Xiaobei	12/12	–	–	2/2	1/1
Mr. Huang Weihua *(Chief Executive Officer)* (appointed on 23 January 2017)	10/10	–	–	–	0/1
Mr. Wang Ye	12/12	–	–	–	0/1
Mr. Wen Hui (appointed on 23 January 2017)	11/11	–	–	–	0/1
Mr. Liang Yongfeng (resigned on 23 January 2017)	1/1	N/A	N/A	N/A	N/A
Independent non-executive directors					
Mr. Li Fujun	12/12	3/3	2/2	–	1/1
Mr. Xu Honghua	12/12	3/3	2/2	2/2	0/1
Mr. Chiu Kung Chik	12/12	3/3	–	2/2	1/1

ACCOUNTABILITY AND AUDIT

Financial reporting

The directors are responsible for the preparation of financial statements for each financial period which gives 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 financial statements for the year ended 31 December 2017, 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 financial statements 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 auditor, is set out on pages 63 to 67 of the "Independent Auditor's Report" in this annual report.

Auditor's remuneration

The Audit Committee of the Company is responsible for considering the appointment of the external auditor and reviewing the non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, external auditor's remuneration for audit services was approximately HK$5.7 million and for non-audit service assignments was approximately HK$1.8 million, which represented agreed-upon procedures engagements such as for the Group's interim report, other assurance engagement for the Open Offer, and taxation and compliance services. The Audit Committee had satisfied that the non-audit services in 2017 did not affect the independence of the external auditor.

Risk management and internal control

The Board has the overall responsibility for overseeing the risk management and internal control systems on an on-going 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.

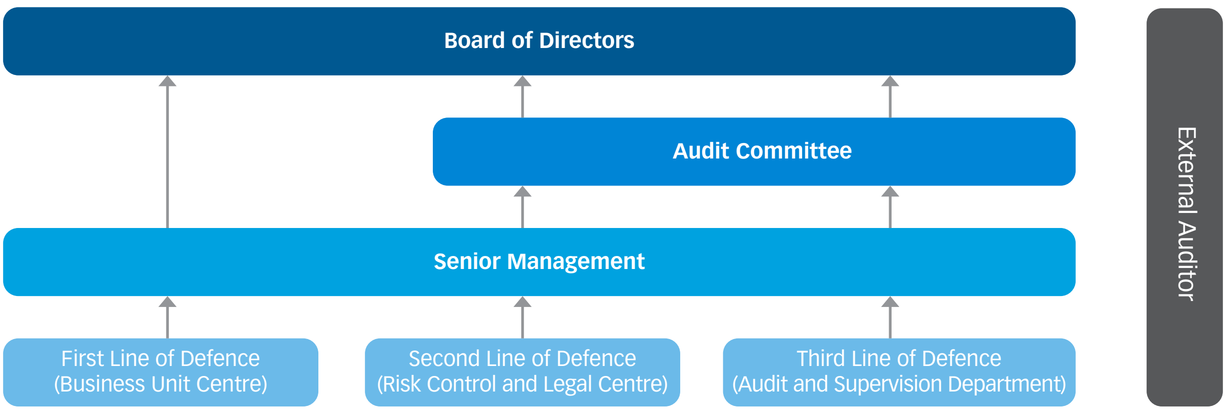
The Board understands that it is responsible for evaluating and determining the nature and extent of the risks it is willing to take and ensuring that the Group has established and maintained appropriate and effective risk management and internal control systems. The systems are designed to manage rather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

The Board has delegated to the management the design, implementation and monitoring of the risk management and internal systems on an on-going basis. The Audit Committee has also delegated with reviewing the effectiveness of the risk management and internal controls systems of the Group.

ACCOUNTABILITY AND AUDIT (CONTINUED)

Risk management and internal control (Continued)

The Group's risk governance structure is based on a "Three Layers + Three Lines of Defence" model, with oversight and directions from the Board, the Audit Committee and senior management. The following diagram illustrates the Group's risk governance framework:



First Line of Defence: Each business unit centre of the Group, as a risk owner, identifies, evaluates and monitors its own risk.

Second Line of Defence: The risk control and legal centre has set up a risk management mechanism to realise corporate objectives in terms of identifying, controlling, ensuring and managing the risks faced by the Group. In particular, the Group applies for strict guidelines and procedures that control over every investment which are targeted at mitigating risks in terms of exposure and external impacts and ensures the processes in which risk management are fit for purpose.

Third Line of Defence: The audit and supervision department of the Company (the "Audit and Supervision Department") carries out an independent evaluation of key business processes and controls in accordance with its normal procedures. Their recommendations and remedial measures will be taken to rectify the deficiencies accordingly.

Within this framework, an on-going process has been established for identifying, evaluating and managing the significant risks faced by the Group. The process involving:

- Risk Identification: identify risks that may potentially affect the Group's businesses and operations;

- Risk Evaluation: consider the impact on the business and the likelihood of their occurrence; and

- Risk Management: perform on-going and periodic monitoring of the risk and ensure that appropriate internal control processes are in place.

ACCOUNTABILITY AND AUDIT (CONTINUED)

Risk management and internal control (Continued)

The Audit and Supervision Department 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 2017 and reported the review results to the Audit Committee. All major findings were communicated to senior management of the respective business units or departments to enforce the remediation.

The Board, through the Audit Committee, has conducted a review on the Group's risk management and internal control systems which covered financial, operational, compliance procedural and risk management functions and internal control matters identified by the Audit and Supervision Department. It also conducts review on the internal audit functions with particular emphasis on the scope and quality of management's on-going monitoring of risks and of the internal control systems and the works of the Audit and Supervision Department. During the annual review, the Audit Committee also considers the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

Based on the assessment and information made by the Audit and Supervision Department and the senior management, the Audit Committee considered that 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.

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 financial statements in this annual report, respectively.

COMPANY SECRETARY

Mr. Liu Kin Wai, the company secretary (the "Company Secretary") of the Company, is a full time employee of the Company and has complied with the relevant professional training required under rule 3.29 of the Listing Rules during the year.

SHAREHOLDERS' RIGHTS

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

Pursuant to article 64 of the Articles of Association, 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.

SHAREHOLDERS' RIGHTS (CONTINUED)

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 of Association 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 of Association 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 2017, 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

During the year under review, no changes have been made to the constitutional documents of the Company. An up-to-date consolidated version of the Memorandum and Articles of Association of the Company is available on both the websites of the Company and the Stock Exchange.

DIRECTORS

Executive Directors

Mr. Hu Xiaoyong ("Mr. Hu"), aged 53, was appointed as the Chairman and an executive director of the Company in May 2015. Mr. Hu is also the chairman of the Nomination Committee of the Company. Mr. Hu graduated from the Tsinghua University（清華大學）with an executive master degree of business administration. He has approximately over 21 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 Beijing Enterprises Water Group Limited (stock code: 371) ("BEWG"), a company listed on the main board of The Stock Exchange of Hong Kong Limited (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 42, was appointed as an executive director of the Company in May 2015. Mr. Shi is also a member of the Remuneration Committee of the Company. 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 14 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 People's Republic of China (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 55, was appointed as the Chief Executive Officer and an executive director of the Company 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 31 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*).

Directors and Senior Management

DIRECTORS (CONTINUED)

Executive Directors (Continued)

Mr. Wang Ye ("Mr. Wang"), aged 64, was appointed as the President of the Company in May 2015 and was appointed as the executive director of the Company 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 46, was appointed as an executive director of the Company on 23 January 2017. Mr. Wen holds a bachelor's degree in automation control and a master degree of business administration 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*), the chairman 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*).

Independent Non-executive Directors

Mr. Li Fujun ("Mr. Li"), aged 54, was appointed as an independent non-executive director of the Company on 29 July 2016. Mr. Li is also the chairman of the Audit Committee and a member of the Nomination Committee of the Company. 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 26 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) from January 2001 to March 2007, a director of 眾安在綫財產保險股份有限公司 (ZhongAn Online P & C Insurance Co., Ltd.*) (stock code: 6060) from July 2013 to January 2017 and the chief financial officer of Sinolink Worldwide Holdings Limited (stock code: 1168) from October 2007 to September 2014, all of these companies are listed on the main board of the Stock Exchange. Prior to joining the Company, Mr. Li was the managing director of Noble Bridge Capital Limited（君橋資本有限公司）and a director of Shenzhen Goldlink Benefit Fund Management Limited（深圳金聯惠澤基金管理有限公司）.

DIRECTORS (CONTINUED)

Independent Non-executive Directors (Continued)

Mr. Xu Honghua ("Mr. Xu"), aged 51, was appointed as an independent non-executive director of the Company in May 2015. Mr. Xu is also a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. 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 officer of 北京市太陽能發電技術重點實驗室 (Beijing Key Laboratory of Solar Power Technology *) and 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, the Scientific Figure Award of the Third Capital Technology Celebration(第三屆首都科技盛典人物獎)in 2014 and the title of leading talents for science and technology entrepreneurship(科技創業領軍人才)in the third batch of national "Manpower Planners"(萬人計劃)in 2017.

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.

Mr. Chiu Kung Chik ("Mr. Chiu"), aged 33, was appointed as an independent non-executive director of the Company on 29 July 2016. Mr. Chiu is also the chairman of the Remuneration Committee and a member of the Audit Committee of the Company. 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. He is currently an independent non-executive director of China Fortune Financial Group Limited (stock code: 290), a company listed on the main board of the Stock Exchange.

* *For identification purposes only*

Report of the Directors

The directors of Beijing Enterprises Clean Energy Group Limited (the "Company") herein present their report and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses, wind power businesses and clean heat supply businesses in the mainland (the "Mainland China") of the People's Republic of China (the "PRC"). It also had a non-core business in the design, printing and sale of cigarette packages in the Mainland China. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

A discussion and review on the business activities of the Group, including an indication of likely future development in the Group's businesses 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 7 and sections headed "Business Review" and "Financial Analysis" under "Management Discussion and Analysis" on pages 8 to 23 of this annual report. The financial risk management objectives and policies of the Group can be found in note 47 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 24 to 27 of this annual report. These discussions form part of this report.

RESULTS AND DISTRIBUTIONS

The Group's profit for the year ended 31 December 2017 and the Group's financial position at that date are set out in the financial statements on pages 68 to 165 of this annual report.

The board of directors (the "Board") of the Company does not recommend the payment of dividend for the year ended 31 December 2017 (2016: Nil).

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 31 May 2018 (the "AGM"), the register of members of the Company will be closed from Friday, 25 May 2018 to Thursday, 31 May 2018 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 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 Thursday, 24 May 2018.

Report of the Directors

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group as at 31 December 2017 and for the last four financial years, as extracted from the published audited financial statements of the Company and adjusted for the change of presentation currency, is set out on page 166 of this annual report. This summary does not form part of the audited financial statements.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Particulars of the Company's principal subsidiaries, associates and joint ventures as at 31 December 2017 are set out in notes 1, 22 and 21 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 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 35 to the financial statements.

EQUITY-LINKED AGREEMENTS

Save as the subscription agreements as disclosed in the paragraphs headed "Share subscription" under the section "Equity fund raising of the Company" in "Management Discussion and Analysis" of this annual report, and share option scheme of the Company as disclosed in the section headed "Share Option Scheme" of this report and "Share Option Scheme" in note 36 to the financial statements respectively, no equity-linked agreement was entered into by the Company during the year or subsisted at the end of the year.

PRE-EMPTIVE RIGHTS

No provisions for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders exist in the Cayman Islands, being the jurisdiction in which the Company was incorporated.

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 2017.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to the shareholders as at 31 December 2017 amounted to approximately HK$5,824.4 million.

DONATIONS

During the year ended 31 December 2017, the Group made charitable and other donations amounting to approximately HK$38,000.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the five largest customers of the Group together accounted for 21% of the Group's revenue and aggregate purchases attributable to the Group's five largest suppliers accounted for 17% of the Group's total purchases for the year. Sales to the largest customer accounted for 8% of the Group's revenue and purchases from the largest supplier accounted for 4% 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.

DIRECTORS

The directors during the year and up to the date of this report are:

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
Mr. Xu Honghua
Mr. Chiu Kung Chik

In accordance with article 108 of the articles of association of the Company (the "Articles of Association"), Mr. Hu Xiaoyong, Mr. Huang Weihua and Mr. Wang Ye will retire by rotation at the AGM and, being eligible, offer themselves for re-election.

The Company has received annual confirmation of independence from each of the independent non-executive directors pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The nomination committee of the Company has duly reviewed the independence of each of these directors. The Company considered that all independent non-executive directors meet the independence guidelines set out in rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

BOARD CHANGES

Since the date of the interim report of the Company for the six months ended 30 June 2017 and up to the date of this report, there have been no change in the Board.

CHANGES IN DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to rule 13.51B(1) of the Listing Rules, the changes of the information of directors of the Company are as follows:

(1) Mr. Chiu Kung Chik is currently an independent non-executive director of China Fortune Financial Group Limited (stock code: 290).

(2) Mr. Xu Honghua has ceased to be a director of Renewable Energy Power Generation Research Centre（可再生能源發電系統研究部）and the person-in-charge of CAS Research and Demonstration Centre for the Technology of Solar Power Generation（中國科學院太陽能發電研究示範中心）.

(3) Mr. Xu Honghua serves as an officer of 北京市太陽能發電技術重點實驗室 (Beijing Key Laboratory of Solar Power Technology*).

Save as disclosed above, after having made all reasonable enquiry, the Company is not aware of any other information which is required to be disclosed pursuant to rule 13.51B(1) of the Listing Rules since the date of the interim report of the Company for the six months ended 30 June 2017 and up to the date of this report.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the directors and the senior management of the Company are set out on pages 41 to 43 of this annual report.

DIRECTORS' SERVICE CONTRACTS

All executive directors had entered into service agreements and all independent non-executive directors 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.

Apart from the foregoing, no director proposed for re-election at the 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. Save as disclosed in "Directors' Remuneration" in note 8 to the financial statements, during the year ended 31 December 2017, 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 in note 8 to the financial statements.

Further details of the Company's remuneration committee are set out in the corporate governance report on pages 34 to 35 of this annual report.

DIRECTORS' INDEMNITIES AND INSURANCE

Pursuant to the Articles of Association, 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 taken out and maintained directors' and officers' liability insurance which provides appropriate cover for, among others, directors and officers of the Company throughout the year.

Report of the Directors

DISCLOSURE OF INTERESTS

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

As at 31 December 2017, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of 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 under 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in in Appendix 10 of the Listing Rules were as follows:

(i) Long positions in the shares and/or underlying shares of the Company

	Capacity and number of shares/ underlying shares held					
Name of directors	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Approximate percentage of the Company's total issued shares** *(Note 1)*
Mr. Hu Xiaoyong	132,780,000	–	2,291,454,285 *(Note 2)*	–	2,424,234,285	3.82%
Mr. Wang Ye	–	–	911,898,742 *(Note 3)*	–	911,898,742	1.44%

Notes:

1. The approximate percentage was calculated on the basis of 63,525,397,057 shares of the Company in issue as at 31 December 2017.

2. Out of 2,291,454,285 shares, 2,285,714,285 shares and 5,740,000 shares were held by Zhihua Investments Limited and Starry Chance Investments Limited respectively, both companies are wholly and beneficially owned by Mr. Hu Xiaoyong. Accordingly, Mr. Hu Xiaoyong is deemed to have interests in those shares of the Company under the SFO.

3. Such shares are held by 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") in which Mr. Wang Ye holds more than one-third of the voting power at its general meetings and he is also a director of this company. Accordingly, Mr. Wang Ye is deemed to have interests in those shares of the Company held by Bestech under the SFO.

(ii) Long positions in the share options of the Company

The interests of the directors in the share options of the Company are separately disclosed in the section "Share Option Scheme" below.

Save as disclosed above, as at 31 December 2017, none of the directors or chief executive of the Company had any interests or short positions in the shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required by the Company under 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 the shareholder's resolution passed on 11 June 2013. As at 31 December 2017, there were share options relating to 1,460,000,000 shares granted by the Company, representing approximately 2.30% of the total issued shares of the Company as at the date of this report pursuant to the Share Option Scheme which were valid and outstanding.

The major terms of the Share Option Scheme are summarised as follows:

(i) Purpose

The purpose of the Share Option Scheme is to attract and retain the best available personnel for the development of the Group's business; to provide additional incentive to the selected qualifying participants; and to promote the success of the business of the Group.

(ii) Qualifying participants

Any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group.

(iii) Maximum number of shares

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Share Option Scheme. The scheme mandate limit under the Share Option Scheme was refreshed by the ordinary resolution passed by the shareholders at the annual general meeting held on 31 May 2017 (the "2017 AGM") which enabled the grant of share options to subscribe for up to 5,430,492,417 shares, representing 10% of the shares in issue as at the date of the 2017 AGM. As at the date of this report, the total number of shares available for issue pursuant to the Share Option Scheme was 5,430,492,417, representing approximately 8.55% of the shares in issue of the Company.

Notwithstanding the foregoing, the aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 30% of the shares in issue from time to time.

SHARE OPTION SCHEME (CONTINUED)

(iv) Limit for each participant

The total number of shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period up to and including the date of grant to each participant must not exceed 1% of the shares in issue at anytime. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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 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.

(v) Option period

The period for the exercise of an option shall be determined by the Board in its absolute discretion at the time of granting an option, but in any event such period shall not exceed 10 years from the date of grant.

(vi) Acceptance and payment on acceptance

An offer for the options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer is HK$1.00.

(vii) Subscription price

The subscription price shall be a price solely determined by the Board and notified to a qualifying participant and shall be at least the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the share on the date of grant.

(viii) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the adoption date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the shareholders in general meeting.

Under the Share Option Scheme, the Board shall be entitled at any time within 10 years between 11 June 2013 and 10 June 2023 to offer an option to any qualifying participant.

SHARE OPTION SCHEME (CONTINUED)

On 18 September 2017, the Company has granted the directors of the Company share options to subscribe for an aggregate of 1,490,000,000 ordinary shares of HK$0.001 each in the share capital of the Company under the Share Option Scheme. Details of movements in the share options granted under the Share Option Scheme during the year ended 31 December 2017 were as follows:

	Number of share options								
Name of directors	As at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed/ Forfeited during the year	As at 31 December 2017	Grant date (DD/MM/YYYY)	Exercisable period (DD/MM./YYYY)	Exercise price HK$
Executive directors									
Hu Xiaoyong	–	120,000,000	–	–	–	120,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	–	120,000,000	–	–	–	120,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	–	120,000,000	–	–	–	120,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	–	120,000,000	–	–	–	120,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	–	120,000,000	–	–	–	120,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Shi Xiaobei	–	6,000,000	–	–	(6,000,000)	–	18/09/2017	18/09/2020-17/09/2027	0.199
	–	6,000,000	–	–	(6,000,000)	–	18/09/2017	18/09/2021-17/09/2027	0.199
	–	6,000,000	–	–	(6,000,000)	–	18/09/2017	18/09/2022-17/09/2027	0.199
	–	6,000,000	–	–	(6,000,000)	–	18/09/2017	18/09/2023-17/09/2027	0.199
	–	6,000,000	–	–	(6,000,000)	–	18/09/2017	18/09/2024-17/09/2027	0.199
Huang Weihua	–	80,000,000	–	–	–	80,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	–	80,000,000	–	–	–	80,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	–	80,000,000	–	–	–	80,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	–	80,000,000	–	–	–	80,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	–	80,000,000	–	–	–	80,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Wang Ye	–	80,000,000	–	–	–	80,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	–	80,000,000	–	–	–	80,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	–	80,000,000	–	–	–	80,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	–	80,000,000	–	–	–	80,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	–	80,000,000	–	–	–	80,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Wen Hui	–	6,000,000	–	–	–	6,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	–	6,000,000	–	–	–	6,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	–	6,000,000	–	–	–	6,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	–	6,000,000	–	–	–	6,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	–	6,000,000	–	–	–	6,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Independent non-executive directors									
Li Fujun	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Xu Honghua	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Chiu Kung Chik	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2020-17/09/2027	0.199
	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2021-17/09/2027	0.199
	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2022-17/09/2027	0.199
	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2023-17/09/2027	0.199
	–	2,000,000	–	–	–	2,000,000	18/09/2017	18/09/2024-17/09/2027	0.199
Grand Total	**–**	**1,490,000,000**	**–**	**–**	**(30,000,000)**	**1,460,000,000**			

SHARE OPTION SCHEME (CONTINUED)

Notes:

1. The closing market price per ordinary share as at the date preceding the date on which the share options were granted and stated in the Stock Exchange's daily quotation sheet on 15 September 2017 was HK$0.197.

2. The above share options granted are recognised as expenses in the financial statements in accordance with the Company's accounting policy as set out in note 2.4 to the financial statements. Other details of share options granted by the Company are set out in note 36 to the financial statements.

3. The share option are subject to a vesting scale in five tranches of 20% each per annum starting from the third anniversary and fully vested in the seventh anniversary of the date of grant of 18 September 2017. Each tranche of the share options shall be exercisable on the condition that each participant has passed the performance assessment of the Company.

Save as disclosed above, no share options were granted, exercised, lapsed, cancelled and forfeited under the Share Option Scheme during the year ended 31 December 2017.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests and Short Positions in Shares, Underlying Shares or Debentures of the Company and its Associated Corporations" and "Share Option Scheme" of this report, and "Share Option Scheme" in note 36 to the financial statements, 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 minor children, 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 transactions, arrangements or contracts of significance in relation to the Group's business 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 at the end of the year or at any time during the year, save as disclosed under the section headed "Connected Transactions" below and "Related Party Disclosures" in note 44 to the financial statements".

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, the following directors were considered to have interests in the following businesses which competed or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to rule 8.10 of the Listing Rules:

Name of directors	Name of company	Nature of business	Nature of interests
Wen Hui	北京啟迪清芸能源科技有限公司 (Beijing Tus-Tsingyun Energy Technology Company Limited*)	Provision of financial services, design, construction, operation and maintenance and management of the photovoltaic power projects	Director
	北京啟迪清潔能源科技有限公司 (Beijing Tus Clean Energy Technology Company Limited*)	Solar photovoltaic systems, solar thermal systems and wind power systems	Director
	北京啟迪清風科技有限公司 (Beijing Tus-Wind Technology Company Limited*)	Development, construction and operation of wind power	Director
Huang Weihua	西藏多能共拓創業投資合夥企業（普通合夥） (Tibet Duo Neng Gong Tuo Chuang Ye Investment Partnership Corporation (General Partnership)*)	Investment, development and operation of clean energy power-related businesses	Director

The directors consider that by virtue of being a common director, such competition, if any, is neither significant nor material to the Group as a whole. Furthermore, each of the abovementioned directors will fulfil his fiduciary duties in order to ensure that he will act in the best interest of the shareholders and the Company as a whole at all times. Hence, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSIONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, so far as was known to the directors or chief executive of the Company, the following persons (other than the directors and chief executive of the Company as disclosed above) 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 shares held	Approximate percentage of the Company's issued share capital *(Note 1)*
Beijing Enterprises Group Company Limited ("BE Group") *(Note 2)*	Interest of controlled corporation	20,253,164,571	31.88%
Beijing Enterprises Holdings Limited ("BEHL") *(Note 2)*	Interest of controlled corporation	20,253,164,571	31.88%
Beijing Enterprises Water Group Limited ("BEWG") *(Note 2)*	Interest of controlled corporation	20,253,164,571	31.88%
CITIC Securities Company Limited *(Notes 3(i) and (ii))*	Interest of controlled corporation	15,189,873,410	23.91%
CITICPE Holdings Limited *(Note 3(i))*	Interest of controlled corporation	7,594,936,710	11.96%
CITIC PE Associates II, L.P. *(Note 3(i))*	Interest of controlled corporation	7,594,936,710	11.96%
CPEChina Fund II, L.P. *(Note 3(i))*	Interest held jointly with another person	7,594,936,710	11.96%
CPEChina Fund IIA, L.P. *(Note 3(i))*	Interest held jointly with another person	7,594,936,710	11.96%
中信產業投資基金管理有限公司 (CITIC Private Equity Funds Management Co., Ltd.*) ("CITIC Private Equity Funds") *(Note 3(ii))*	Interest of controlled corporation	7,594,936,700	11.96%

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSIONS' 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 shares held	Approximate percentage of the Company's issued share capital *(Note 1)*
北京宥德投資管理中心(有限合夥) (Beijing Youde Investment Management Centre (Limited Partnership)*) ("Beijing Youde Investment") *(Note 3(ii))*	Interest of controlled corporation	7,594,936,700	11.96%
北京中信投資中心(有限合夥) (CITIC Private Equity Fund III (RMB)*) ("CITIC PEF III") *(Note 3(ii))*	Interest of controlled corporation	7,594,936,700	11.96%
清華大學 (Tsinghua University) *(Note 4)*	Interest of controlled corporation	4,045,000,000	6.37%
清華控股有限公司 (Tsinghua Holdings Co., Ltd.*) *(Note 4)*	Interest of controlled corporation	4,045,000,000	6.37%
啟迪控股股份有限公司 (Tus-Holdings Co., Ltd.*) *(Note 4)*	Interest of controlled corporation	4,045,000,000	6.37%
Tuspark Technology Innovation Ltd. (啟迪科創有限公司) *(Note 4)*	Beneficial interest	4,045,000,000	6.37%

Notes:

1. The approximate percentage was calculated on the basis of 63,525,397,057 shares of the Company in issue as at 31 December 2017.

2. BE Group is deemed to be interested in an aggregate of 20,253,164,571 shares of the Company as a result of its indirect holding of such shares through the following entities including its wholly-owned subsidiaries:

Name	Long position in the shares
Fast Top Investment Limited ("Fast Top")	20,253,164,571
BEWG	20,253,164,571
Beijing Enterprises Environmental Construction Limited ("BE Environmental")	20,253,164,571
BEHL	20,253,164,571
Beijing Enterprises Group (BVI) Company Limited	20,253,164,571

Fast Top, a wholly-owned subsidiary of BEWG, beneficially holds 20,253,164,571 shares of the Company. BEWG is directly held as to approximately 43.49% 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), and which is in turn wholly-owned by BE Group.

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

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

Notes: (Continued)

3. CITIC Securities Company Limited is deemed to be interested in an aggregate of 15,189,873,410 shares of the Company as a result of its indirect holding of such shares through the following entities including its wholly-owned subsidiaries:

(i)	Name	Long position in the shares
	CTSL Green Power Investment Limited ("Green Power")	7,594,936,710
	CPEChina Fund II, L.P.	7,594,936,710
	CPEChina Fund IIA, L.P.	7,594,936,710
	CITIC PE Associates II, L.P.	7,594,936,710
	CITIC PE Funds II Limited	7,594,936,710
	CITICPE Holdings Limited	7,594,936,710
	CLSA Global Investments Management Limited ("CLSA Global")	7,594,936,710
	CLSA B.V.	7,594,936,710
	CITIC Securities International Company Limited ("CITIC Securities International")	7,594,936,710

Green Power, a company jointly-controlled by CPEChina Fund II, L.P. and CPEChina Fund IIA, L.P., beneficially holds 7,594,936,710 shares of the Company. 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 CLSA Global. CLSA Global is wholly-owned by CLSA B.V., which is wholly-owned by CITIC Securities International, which is in turn wholly-owned by CITIC Securities Company Limited, a company listed on the Stock Exchange and the Shanghai Stock Exchange.

(ii)	Name	Long position in the shares
	CTSL New Energy Investment Limited（"New Energy"）	7,594,936,700
	CITIC PEF III	7,594,936,700
	Beijing Youde Investment	7,594,936,700
	上海磐諾企業管理有限公司 (Shanghai Pannuo Enterprise Management Service Company Limited*)	7,594,936,700
	CITIC Private Equity Funds	7,594,936,700

New Energy, a wholly-owned subsidiary of CITIC PEF III, beneficially holds 7,594,936,700 shares of the Company. CITIC PEF III is a limited partnership registered under the laws of the PRC. The general partner of CITIC PEF III is Beijing Youde Investment, 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 CITIC Private Equity Funds, 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.

4. 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 shares of the Company. 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).

Save as disclosed above, as at 31 December 2017, the Company had not been notified by any persons (other than the directors or the chief executive 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.

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.

CONNECTED TRANSACTIONS

During the year, the Group entered into the following connected transactions which were subject to reporting and announcement requirements but are exempt from the independent shareholders' approval requirements.

(A) Connected Transactions

(i) Formation of a joint venture company

On 8 August 2017, Champion South (Hong Kong) Limited (an indirect wholly-owned subsidiary of the Company), Great First (Hong Kong) Limited ("Great First"), 西藏多能共拓創業投資合夥企業（普通合夥）("Tibet Duo Neng", Tibet Duo Neng Gong Tuo Chuang Ye Investment Partnership Corporation (General Partnership*)) and other parties entered into an agreement, pursuant to which the parties agreed to establish a joint venture company (the "JV Company") in the PRC. The registered capital of the JV Company is RMB720,000,000 and Great First and Tibet Duo Neng agreed to contribute RMB60,000,000 and RMB30,000,000 respectively, representing 8.33% and 4.17% of the registered capital of the JV Company respectively. Upon completion, the JV Company is an indirect 50%-owned subsidiary of the Company.

Great First is beneficially and wholly-owned by Mr. Hu Xiaoyong, the chairman and an executive director of the Company, and Tibet Duo Neng is owned as to 81% by Mr. Huang Weihua, the chief executive officer and an executive director of the Company. Great First and Tibet Duo Neng are associates of Mr. Hu Xiaoyong and Mr. Huang Weihua respectively and therefore are connected persons of the Company. Accordingly, the formation of the JV Company with Great First and Tibet Duo Neng constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

(ii) Equity transfer agreement

On 28 December 2017, 北京北控光伏科技發展有限公司 ("BENE", Beijing Enterprises New Energy Company Limited*, an indirect wholly-owned subsidiary of the Company) and the JV Company entered into an equity transfer agreement pursuant to which the JV Company agreed to acquire, and BENE agreed to dispose of, the entire equity interest in 昌都北控清潔能源開發有限公司 (Changdu BE Clean Energy Development Co. Ltd.*) for a consideration of RMB25,002,900.

As Mr. Hu Xiaoyong and Mr. Huang Weihua, both executive directors and connected persons of the Company, indirectly own 8.33% and 4.17% equity interests in the JV Company respectively, the JV Company is a connected subsidiary of the Company under the Listing Rules and the entering into of the equity transfer agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS (CONTINUED)

(B) Continuing Connected Transactions

(I) Lease and Licence

(i) Units 201 and 302 of BEWG Building and four carparking spaces

On 1 March 2017, BENE entered into a lease agreement (the "Lease") with Beijing Enterprises Water (China) Investment Co., Ltd*（北控水務（中國）投資有限公司）("BEWCI"), a wholly-owned subsidiary of BEWG in respect of the leasing of Units 201 and 302 of BEWG Building, Poly International Plaza T3, Zone 7, Wangjingdongyuan, Chaoyang District, Beijing, the PRC (the "Premises") as office premises and four carparking spaces in the BEWG Building. The Lease was entered into for a fixed term of 3 years from 1 January 2017 to 31 December 2019 with a rental of RMB794,792.29 (equivalent to approximately HK$896,763.24) per month, inclusive of the managements fees and other services charges of the Premises and RMB2,000 (equivalent to approximately HK$2,256.60) per month for the four carparking spaces.

The annual cap for the Lease for each of the three financial years ended 31 December 2019 is RMB9,561,507.48 (equivalent to approximately HK$10,788,238.03).

(ii) Rooms 6706-07, 67th Floor, Central Plaza

On 1 March 2017, the Company entered into an agreement (the "Licence") with BEWG in respect of granting a licence for occupying and using a portion of Rooms 6706-07, 67th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong (the "Hong Kong Property") with floor area of approximately 1,608.6 square feet, representing 30% of the total floor area of the Hong Kong Property for the period from 1 January 2017 to 1 July 2017 or the date on which BEWG ceases to be a tenant of the Hong Kong Property under the terms of the tenancy agreement entered into between BEWG and the landlord of the Hong Kong Property (the "Hong Kong Lease"), whichever is earlier. The Company will pay BEWG a monthly fee, being the sum of: (i) HK$96,516, representing 30% of the rent payable by BEWG under the Hong Kong Lease; and (ii) 30% of the service charges (inclusive of the management fees and air-conditioning charges) and government rates of the Hong Kong Property payable by BEWG. The annual cap for the term of the Licence is HK$745,522.57.

On 30 June 2017, the Company entered into an agreement (the "New Licence") with BEWG to renew the terms of Licence for occupying and using the Hong Kong Property for the period from 2 July 2017 to 1 July 2019 or the date on which BEWG ceases to be a tenant of the Hong Kong Property under the terms of the Hong Kong Lease applicable to the New Licence, whichever is earlier. The Company will pay BEWG a monthly fee, being the sum of: (i) HK$101,341.80, representing 30% of the rent payable by BEWG under the Hong Kong Lease applicable to the New Licence; (ii) HK$15,442.56, representing 30% of the service charges (inclusive of the management fees, air-conditioning charges and internal office cleaning charges) payable by BEWG under the Hong Kong Lease applicable to the New Licence; (iii) HK$6,460.20, representing 30% of the coolant fees payable by BEWG; and (iv) 30% of the government rates of the Hong Kong Property payable by BEWG.

The annual caps for the New Licence are (i) HK$1,547,292.84 for the period from 2 July 2017 to 1 July 2018; and (ii) HK$1,559,962.05 for the period from 2 July 2018 to 1 July 2019.

BEWG is the controlling shareholder of the Company. BEWCI is an associate of BEWG and therefore BEWG and BEWCI are connected persons of the Company. Accordingly, the entering into of the Lease, the Licence and the New Licence constituted continuing connected transactions of the Company which are subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS (CONTINUED)

(B) Continuing Connected Transactions (Continued)

(II) Power purchase agreement

On 30 June 2017, the Company and BEWG entered into the power purchase agreement (the "Power Purchase Agreement") pursuant to which the Group will sell electricity to be generated by the distributed photovoltaic power stations in certain water plants to BEWG and its subsidiaries from 1 July 2017 to 31 December 2019, and may be renewable for another term upon mutual agreement between BEWG and the Company within one month prior to the expiry date. The annual cap amount for the electricity fees to be received by the Group in respect of the power purchase under the Power Purchase Agreement for the financial years ending 31 December 2017 (commencing from 1 July 2017), 31 December 2018 and 31 December 2019 will be RMB6,269,085, RMB12,224,715 and RMB11,919,097 respectively.

BEWG is the controlling shareholder of the Company and therefore is a connected person of the Company. Accordingly, the transaction contemplated under the Power Purchase Agreement constituted a continuing connected transaction of the Company which is subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The above continuing connected transactions were carried out within the respective annual caps, details of which are set out in note 44 to the financial statements.

In accordance with rule 14A.55 of the Listing Rules, the continuing connected transactions set out above have been reviewed by the independent non-executive directors of the Company who confirmed that the aforesaid continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Group as a whole.

Pursuant to rule 14A.56 of the Listing Rules, the Company's external auditor, Ernst & Young ("EY") was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants.

EY has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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. Certain transactions set out in note 44 to the financial statements are connected transactions as defined under the Listing Rules and were exempt and complied with the requirements of Chapter 14A of the Listing Rules. The disclosures required by rule 14A.71 of the Listing Rules during the year are provided in the section headed "Connected Transactions" of this report.

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
1 November 2016	Term loan facility with a bank	HK$1,000	November 2019	Note 1
23 December 2016	Finance lease facility with a financial institution	RMB295	December 2026	Note 2
23 December 2016	Finance lease facility with a financial institution	RMB241.87	December 2031	Note 2
23 December 2016	Finance lease facility with a financial institution	RMB83.5	December 2019	Note 2
23 December 2016	Finance lease facility with a financial institution	RMB103.8	December 2026	Note 2
23 December 2016	Finance lease facility with a financial institution	RMB220	December 2026	Note 2
18 September 2017	Term loan facilities with a syndicate of banks	HK$1,780	September 2020	Note 1
12 October 2017	Revolving loan facility with a bank	HK$800	On demand	Note 1
28 December 2017	Term loan facility with a bank	HK$1,000	December 2020	Note 3

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER (CONTINUED)

Notes:

1. (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 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 is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and/or 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/or 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*).

2. BEWG holds 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.

3. (i) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and/or does not or ceases to supervise the Company and/or have management control over the Company; (ii) 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 Security; (iii) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG, and/or does not or ceases to supervise BEWG and/or have management control over BEWG; (iv) 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; (v) 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 (vi) BE Group is not or ceases 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*).

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.

Within the best knowledge of the directors, none of the above events took place during the year ended 31 December 2017 and at the date of approval of this annual report.

EMOLUMENT POLICY

The emolument of each of the 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.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

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 has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2017 and up to the date of this annual report.

The Corporate Governance Report is set out in pages 28 to 40 of this annual report.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by the directors. Having made specific enquiry of all directors, the directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2017.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2017 have been audited by EY who will retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution will be proposed at the AGM for the re-appointment of EY as auditor of the Company.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 48 to the financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2017 were approved by the Board on 27 March 2018.

On behalf of the Board

Hu Xiaoyong
CHAIRMAN

Hong Kong
27 March 2018

* *For identification purposes only*

Independent Auditor's Report

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 68 to 165, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (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 businesses (the "Photovoltaic Power Business") and clean heat supply businesses (the "Clean Heat Supply Business")	
As further detailed in note 38 to the financial statements, the Group acquired a number of entities engaging in Photovoltaic Power Business and Clean Heat Supply Business during the year ended 31 December 2017. 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 in notes 3, 17 and 38 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
Recoverability of trade receivables in respect of Photovoltaic Power Business, wind power businesses (the "Wind Power Business") and Clean Heat Supply Business	
At 31 December 2017, the Group has different types of trade receivables in respect of Photovoltaic Power Business, Wind Power Business and Clean Heat Supply Business, including (i) construction services; (ii) technical consultancy services; (iii) sales of electricity; (iv) entrusted operations; (v) trading agency income; and (vi) provision of clean heat supply services. The carrying amount of the related trade receivables as at 31 December 2017 amounted to HK$4,121,485,000. 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 26 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.

Independent Auditor's Report

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

27 March 2018

Consolidated Statement of Profit or Loss

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	5	**10,039,549**	2,890,176
Cost of sales		**(7,414,587)**	(2,073,176)
Gross profit		**2,624,962**	817,000
Other income and gains, net	5	**182,994**	98,662
Gains on bargain purchase of subsidiaries	38	**–**	78,669
Selling and distribution expenses		**(3,655)**	(3,565)
Administrative expenses		**(476,697)**	(219,664)
Other operating expenses, net		**(10,998)**	(760)
Finance costs	7	**(469,983)**	(103,857)
Share of profits and losses of:			
Joint ventures	21	**(624)**	–
Associates	22	**16,234**	–
PROFIT BEFORE TAX	6	**1,862,233**	666,485
Income tax expense	10	**(285,907)**	(137,238)
PROFIT FOR THE YEAR		**1,576,326**	529,247
Attributable to:			
Equity holders of the Company		**1,560,348**	505,101
Non-controlling interests		**15,978**	24,146
		1,576,326	529,247
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	13		
			(Restated)
Basic		**HK2.72 cents**	HK1.36 cents
			(Restated)
Diluted		**HK2.67 cents**	HK1.01 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
PROFIT FOR THE YEAR	**1,576,326**	529,247
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investment:		
Changes in fair value	**49,952**	7
Reclassification adjustment for gain included in the consolidated statement of profit or loss – gain on disposal	**–**	(499)
Exchange differences on translation of foreign operations	**648,706**	(364,421)
	698,658	(364,913)
Items not to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of joint ventures	**3,735**	–
Share of other comprehensive income of associates	**27,004**	–
	30,739	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**729,397**	(364,913)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,305,723**	164,334
Attributable to:		
Equity holders of the Company	**2,271,072**	141,785
Non-controlling interests	**34,651**	22,549
	2,305,723	164,334

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**15,567,761**	9,412,975
Investment properties	15	**175,000**	–
Prepaid land lease payments	16	**191,102**	130,059
Goodwill	17	**339,287**	167,568
Operating concessions	18	**1,060,563**	–
Operating rights	19	**516,882**	369,955
Other intangible assets	20	**8,751**	2,434
Investments in joint ventures	21	**94,228**	–
Investments in associates	22	**681,279**	–
Available-for-sale investment	23	**7,612**	–
Prepayments, deposits and other receivables	27	**1,451,629**	757,139
Other tax recoverables	28	**1,134,059**	862,575
Other non-current assets	24	**108,618**	270,784
Deferred tax assets	34	**27,122**	18,844
Total non-current assets		**21,363,893**	11,992,333
CURRENT ASSETS			
Inventories		**21,164**	33,073
Amounts due from contract customers	25	**2,028,891**	550,784
Trade and bills receivables	26	**4,502,025**	1,295,107
Prepaid land lease payments	16	**5,318**	4,732
Prepayments, deposits and other receivables	27	**1,756,591**	1,386,711
Other tax recoverables	28	**707,811**	296,410
Restricted cash and pledged bank deposits	29	**497,340**	386,251
Cash and cash equivalents	29	**4,772,754**	1,633,214
		14,291,894	5,586,282
Assets of a disposal group classified as held for sale	11	**339,895**	–
Total current assets		**14,631,789**	5,586,282
CURRENT LIABILITIES			
Trade and bills payables	30	**4,631,417**	1,144,347
Other payables and accruals	31	**4,043,342**	3,828,795
Interest-bearing bank and other borrowings	32	**1,349,295**	1,583,540
Finance lease payables	33	**1,390,624**	142,974
Income tax payables		**233,930**	114,441
		11,648,608	6,814,097
Liabilities directly associated with the assets classified as held for sale	11	**99,172**	–
Total current liabilities		**11,747,780**	6,814,097
NET CURRENT ASSETS/(LIABILITIES)		**2,884,009**	(1,227,815)
TOTAL ASSETS LESS CURRENT LIABILITIES		**24,247,902**	10,764,518

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	32	**5,180,768**	3,244,597
Finance lease payables	33	**9,787,999**	2,663,202
Other non-current liabilities	24	**108,104**	271,459
Deferred tax liabilities	34	**167,002**	100,384
Total non-current liabilities		**15,243,873**	6,279,642
Net assets		**9,004,029**	4,484,876
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	35	**63,525**	49,995
Reserves	37	**8,497,381**	4,399,603
		8,560,906	4,449,598
Non-controlling interests		**443,123**	35,278
Total equity		**9,004,029**	4,484,876

Hu Xiaoyong
Director

Huang Weihua
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	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 37)	Available-for-sale investment revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (note 37)	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		–	–	–	–	(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	38	–	–	–	–	–	–	–	–	–	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	35(c)	4,045	–	683,605	–	–	–	–	–	687,650	–	687,650
Issue of new convertible preference shares	35(b)	–	19,000	1,481,979	–	–	–	–	–	1,500,979	–	1,500,979
Conversion of convertible preference shares	35(b)	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

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Notes	Attributable to equity holders of the Company										Non-controlling interests HK$'000	Total equity HK$'000
		Ordinary shares HK$'000	Convertible preference shares HK$'000	Share premium account HK$'000	Share option reserve HK$'000 (note 37)	Special reserves HK$'000 (note 37)	Available-for-sale investment revaluation reserve HK$'000	Statutory surplus reserve HK$'000 (note 37)	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000		
At 1 January 2017		42,512#	7,483#	4,060,366*	–*	83,077*	–*	84,044*	(380,580)*	552,696*	4,449,598	35,278	4,484,876
Profit for the year		–	–	–	–	–	–	–	–	1,560,348	1,560,348	15,978	1,576,326
Other comprehensive income for the year:													
Available-for-sale investment:													
Change in fair value, net of tax		–	–	–	–	–	49,952	–	–	–	49,952	–	49,952
Share of other comprehensive income of joint ventures		–	–	–	–	–	–	–	3,735	–	3,735	–	3,735
Share of other comprehensive income of associates		–	–	–	–	–	–	–	27,004	–	27,004	–	27,004
Exchange differences related to foreign operations		–	–	–	–	–	–	–	630,033	–	630,033	18,673	648,706
Total comprehensive income for the year		–	–	–	–	–	49,952	–	660,772	1,560,348	2,271,072	34,651	2,305,723
Acquisition of subsidiaries	38	–	–	–	–	–	–	–	–	–	–	45,813	45,813
Acquisition of non-controlling interests		–	–	–	–	5,071	–	–	–	–	5,071	(9,613)	(4,542)
Capital contributions from non-controlling equity holders		–	–	–	–	–	–	–	–	–	–	306,473	306,473
Disposal of partial interests in subsidiaries		–	–	–	–	1	–	–	–	–	1	66,880	66,881
Disposal of subsidiaries	39	–	–	–	–	–	–	–	–	–	–	(36,359)	(36,359)
Reclassification to an associate upon step acquisition		–	–	–	–	–	(49,952)	–	–	–	(49,952)	–	(49,952)
Issue of new convertible preference shares	35(b)	–	4,749	370,496	–	–	–	–	–	–	375,245	–	375,245
Conversion of convertible preference shares	35(b)	12,232	(12,232)	–	–	–	–	–	–	–	–	–	–
Issue of new ordinary shares upon completion of the Open Offer	35(d)	7,821	–	1,320,404	–	–	–	–	–	–	1,328,225	–	1,328,225
Issue of new ordinary shares for acquisition of investment properties	35(e)	960	–	174,029	–	–	–	–	–	–	174,989	–	174,989
Equity-settled share option arrangements	36	–	–	–	6,657	–	–	–	–	–	6,657	–	6,657
Transfer from retained profits		–	–	–	–	–	–	125,897	–	(125,897)	–	–	–
At 31 December 2017		63,525#	–#	5,925,295*	6,657*	88,149*	–*	209,941*	280,192*	1,987,147*	8,560,906	443,123	9,004,029

These accounts comprise the consolidated share capital of HK$63,525,000 (2016: HK$49,995,000) in the consolidated statement of financial position.

* These reserve accounts comprise the consolidated reserves of HK$8,497,381,000 (2016: HK$4,399,603,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,862,233**	666,485
Adjustments for:			
Interest income	5	**(89,939)**	(4,967)
Fair value gain on disposal of an available-for-sale investment (transfer from equity on disposal)	5	**–**	(499)
Gains on bargain purchase of subsidiaries		**–**	(78,669)
Gain on disposals of subsidiaries	5	**(35,211)**	–
Depreciation	6	**469,101**	112,615
Amortisation of prepaid land lease payments	6	**26,636**	1,216
Amortisation of operating rights	6	**19,104**	4,869
Amortisation of other intangible assets	6	**792**	127
Equity-settled share option expenses	6	**6,657**	–
Finance costs	7	**469,983**	103,857
Share of profits and losses of joint ventures		**624**	–
Share of profits and losses of associates		**(16,234)**	–
		2,713,746	805,034
Decrease/(increase) in inventories		**3,287**	(2,219)
Increase in amounts due from contract customers		**(1,380,385)**	(575,691)
Increase in trade and bills receivables		**(2,841,633)**	(535,505)
Decrease/(increase) in prepayments, deposits and other receivables		**(54,860)**	229,822
Increase in other tax recoverables		**(209,299)**	(160,450)
Increase in trade and bills payables		**3,248,187**	856,469
Decrease in other payables and accruals		**(135,376)**	(300,894)
Cash generated from operations		**1,343,667**	316,566
The People's Republic of China tax paid		**(153,742)**	(36,485)
Net cash from operating activities		**1,189,925**	280,081

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**89,939**	4,967
Purchases of items of property, plant and equipment		**(2,994,173)**	(1,658,091)
Proceeds from disposal of items of property, plant and equipment		**647**	–
Addition of prepaid land lease payments	16	**(53,096)**	(17,220)
Addition of operating concessions	18	**(1,018,744)**	–
Addition of other intangible assets	20	**(7,193)**	(2,596)
Proceeds from disposal of other intangible assets		**507**	–
Addition of an available-for-sale investment		**(7,310)**	–
Investments in joint ventures		**(107,753)**	–
Investments in associates		**(642,636)**	–
Acquisition of subsidiaries	38	**40,075**	(489,665)
Disposal of subsidiaries	39	**(18,602)**	–
Proceeds from disposal of partial interests in subsidiaries		**66,881**	–
Increase in prepayments and deposits for purchase of property, plant and equipment		**(379,002)**	(398,585)
Deposits for potential business acquisition		**(74,154)**	(347,446)
Decrease in payables in relation to photovoltaic and wind power plants and clean heat supply projects		**(2,466,752)**	(5,124,919)
Increase in other non-current assets/liabilities and receivables from potential acquisition companies, net		**–**	(292,857)
Increase in pledged bank deposits		**(91,773)**	(330,587)
Net cash used in investing activities		**(7,663,139)**	(8,656,999)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of new ordinary shares	35(c),(d)	**1,328,225**	687,650
Proceeds from issue of new convertible preference shares	35(b)	**375,245**	1,500,979
Capital contributions by non-controlling equity holders		**306,473**	1,170
Acquisition of non-controlling interests		**(4,542)**	(947)
New bank borrowings		**4,258,479**	6,320,963
Repayment of bank and other borrowings		**(2,678,962)**	(1,705,218)
Proceeds received under finance lease arrangements		**6,680,186**	2,285,253
Capital element of finance lease rental payments		**(629,947)**	(13,299)
Interest on bank and other borrowings paid		**(195,258)**	(96,374)
Interest element of finance lease rental payments		**(323,929)**	(7,483)
Net cash from financing activities		**9,115,970**	8,972,694

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,642,756**	595,776
Cash and cash equivalents at beginning of year		**1,633,214**	1,098,040
Effect of foreign exchange rate changes, net		**508,767**	(60,602)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**4,784,737**	1,633,214
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	29	**4,772,754**	1,633,214
Cash and cash equivalents attributable to assets of a disposal group classified as held for sale	11	**11,983**	–
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		**4,784,737**	1,633,214

1. CORPORATE AND GROUP INFORMATION

Beijing Enterprises Clean Energy Group Limited (the "Company") is a limited liability company 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 principally engaged in the investment, development, construction, operation and management of photovoltaic power businesses (the "Photovoltaic Power Business"), wind power businesses (the "Wind Power Business") and clean heat supply businesses (the "Clean Heat Supply Business") in the mainland ("Mainland China") of the People's Republic of China (the "PRC").

On 14 August 2017, the board (the "Board") of directors (the "Directors") of the Company decided to divest the business of the design, printing and sale of cigarette packages in the PRC (the "Cigarette Packaging Business"), the Group's non-core business in order to focus its resources on the clean energy businesses. Subsequent to the reporting period, pursuant to an agreement entered into between the Company (as the seller) and Ms. Huang Li (as the purchaser) dated 10 January 2018, the Cigarette Packaging Business was disposed of by the Company to Ms. Huang Li for a consideration of HK$258,868,000. The transaction was completed on 17 January 2018. Further details of the disposal of the Cigarette Packaging Business are set out in the Company's announcements dated 14 August 2017 and 10 January 2018.

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2017 are as follows:

Name	Place of registration and business	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
北京北控光伏科技發展有限公司# (Beijing Enterprises New Energy Company Limited*)	PRC	RMB1,800,000,000	–	100	Trade of equipment and provision of technical consultancy services in relation to the Photovoltaic Power Business
蔚縣北控新能源開發有限公司# (Yuxian Beijing Enterprises New Energy Development Company Limited*)	PRC	HK$350,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
北清清潔能源投資有限公司# (Beiqing Clean Energy Investment Company Limited*)	PRC	RMB3,500,000,000	–	100	Investment holding
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

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Year ended 31 December 2017

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
天津富歡企業管理諮詢有限公司 (Tianjin Clean Energy Investment Company Limited*)	PRC	RMB3,000,000,000	–	100	Investment holding
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
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	–	50	Infrastructure development and operation of wind 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

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	
新泰北控清潔能源有限公司 (Xintai BE Clean Energy Company Limited*)	PRC	RMB200,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
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
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
天津富驛企業管理諮詢有限公司 (Tianjin Fuyi Enterprise Management Consulting Co., Ltd*)	PRC	RMB100,000,000	–	100	Investment holding
天津富樺企業管理諮詢有限公司 (Tianjin Fuhua Enterprise Management Consulting Co., Ltd*)	PRC	RMB500,000,000	–	100	Investment holding
青島富歡資產管理有限公司 (Qingdao Fuhuan Asset Management Co., Ltd*)	PRC	RMB20,000,000	–	100	Investment holding
西藏北控清潔能源電力有限公司 (Tibet Beikong Clean Energy Electricity Co., Ltd.*)	PRC	RMB500,000,000	–	60	Infrastructure development and operation of photovoltaic power plants
西藏北控清潔能源科技發展有限公司 (Tibet Beikong Clean Energy Technology Development Company Limited*)	PRC	RMB100,000,000	–	100	Investment holding
西藏富樺電力有限公司 (Tibet Fuhua Electricity Co., Ltd.*)	PRC	RMB500,000,000	–	100	Trade of equipment in relation to the Photovoltaic Power Business
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	Indirect	Principal activities
北控清潔能源電力有限公司 (Beijing Enterprises Clean Energy Electricity Company Limited*)	PRC	RMB200,000,000	–	60	Investment holding
南昌縣綠川新能源有限公司@ (Nanchang County Lvchuan New Energy Company Limited*)	PRC	RMB10,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
河南平煤北控清潔能源有限公司 (Henan Pingmei Beikong Clean Energy Company Limited*)	PRC	RMB1,000,000,000	–	80.2	Infrastructure development and operation of clean energy projects and investment holding
四川通藝來電力工程有限公司@ (Sichuan Tongyilai Electricity Power Engineering Company Limited*)	PRC	RMB24,000,000	–	60	Construction services and provision of technical consultancy services
西藏雲北能源科技有限公司@ (Tibet Yunbei Energy Technology Co., Ltd.*)	PRC	RMB200,000,000	–	100	Construction services and provision of technical consultancy services
西藏北控清潔熱力有限公司@ (Tibet Beikong Clean Heat Company Limited*)	PRC	RMB300,000,000	–	68	Infrastructure development and provision of clean heat supply services
普安縣瑞輝新能源開發有限公司@ (Puan County Ruihui New Energy Development Company Limited*)	PRC	RMB100,000,000	–	95	Infrastructure development and operation of photovoltaic power plants
興義市中弘新能源有限公司@ (Xingyi Zhonghong New Energy Co., Ltd.*)	PRC	RMB1,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
中寧縣興業錦繡新能源有限公司@ (Zhongning County Xingyejinxiu New Energy Co. Ltd.*)	PRC	RMB50,000,000	–	100	Infrastructure development and operation of photovoltaic power plants
西藏平北清潔能源有限公司@ (Tibet Pingbei Clean Energy Company Limited*)	PRC	RMB20,000,000	–	80.2	Trade of equipment in relation to the Photovoltaic Power Business

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	
北控風力發電有限公司@ (Beijing Enterprises Wind Power Generation Company Limited*)	PRC	RMB720,000,000	–	50	Infrastructure development and operation of clean energy projects
寧夏錦繡龍騰新能源有限公司@ (Ningxia Jinxiulongteng New Energy Co. Ltd.*)	PRC	RMB50,000,000	–	100	Investment holding
Greatest Winner Limited (宏源有限公司)	Hong Kong	HK$1	–	100	Investment holding
Harvest Sunny International Limited (富歡國際有限公司)	Hong Kong	HK$1	–	100	Investment holding
Champion South (Hong Kong) Limited@ (冠南(香港)有限公司)	Hong Kong	HK$1	–	100	Investment holding
New Channel (Hong Kong) Limited@ (立昌(香港)有限公司)	Hong Kong	HK$1	–	100	Investment holding
First Master (Hong Kong) Limited@ (豐美(香港)有限公司)	Hong Kong	HK$1	–	100	Investment holding
Top Cheers Industrial Limited@ (德昌實業有限公司)	Hong Kong	HK$10	–	100	Property investment
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

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 38 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 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 investment properties which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell. 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 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has, rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (Continued)

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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. The nature and impact of the amendments are described below:

(a) 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. Disclosure of the changes in liabilities arising from financing activities is in note 40 to the financial statements.

(b) Amendments to HKAS 12 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 amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

(c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group's subsidiary classified as a disposal group held for sale as at 31 December 2017 is a wholly-owned subsidiary and so no additional information is required to be disclosed.

2.3 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*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[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*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 cycle	Amendments to number of HKFRSs[2]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after 1 January 2021

[4] No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

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 an 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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will 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 will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group expects to measure all available-for sale investments at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to the statement of profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

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 adoption now. The Group expects the adoption will have financial impact on the Group's future transactions with its associates and joint ventures.

HKFRS 15, issued in July 2014, 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. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. 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 plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018. The Group expects that the transitional adjustment to be made on 1 January 2018 upon initial adoption of HKFRS 15 will not be material. However, the application of HKFRS 15 in the future may result in more disclosures.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

HKFRS 16, issued in May 2016, 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 elective 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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019.

The Group is currently assessing the impact of HKFRS 16 upon adoption, and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 42 to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$537,020,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 January 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2014-2016 Cycle, issued in March 2017, sets out amendments to HKFRS 1, HKFRS 12 and HKAS 28. Except for the amendments to HKFRS 12 which have been adopted by the Group for the current year's financial statements, the Group expects to adopt the amendments from 1 January 2018. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendments to HKFRS 1 and HKAS 28 are as follows:

HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards*: Deletes the short-term exemptions for first-time adopters because the reliefs provided in the exemptions are no longer applicable.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

HKAS 28 *Investments in Associates and Joint Ventures*: Clarifies that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries when applying the equity method. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognised; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent. These amendments should be applied retrospectively.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 the statement of 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.

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 30 June (2016: 31 December). For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (Continued)

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 investment properties 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, financial assets, investment properties and a disposal group classified as held for sale), 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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(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. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Disposal group held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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

Buildings	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%
Photovoltaic and wind power plants	4% to 5%
Clean heat supply facilities	10%
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 and clean heat supply facilities under construction, which are stated at cost less any impairment losses, and are 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.

Investment properties

Investment properties are interests in an office and car parking spaces held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at fair value, which reflects market condition at the end of the reporting period.

Gain or loss arising from change in the fair value of the investment properties is included in the statement of profit or loss in the year in which they arise.

Any gain or loss on the retirement or disposal of the investment properties is recognised in the statement of profit or loss in the year of the retirement or disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Disposal group held for sale

A disposal group is classified as held for sale if its carrying amount will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal group and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

The disposal group classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

Service concession arrangements

Consideration given by the grantor

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" below.

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for "Construction contracts" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue recognition" below. Costs for operating services are expensed in the period in which they are incurred.

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its licence, that is to operate and maintain the facilities at a specified level of serviceability and to restore the facilities to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to restore the facilities, except for upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

Intangible asset (other than goodwill)

Intangible assets 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 assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible asset (other than goodwill) (Continued)

Operating concessions

Operating concessions representing the rights to operate a photovoltaic power plant and clean heat supply facilities are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 25 to 30 years.

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 ("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 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 is amortised on the straight-line basis over its estimated useful life of 5 years.

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. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 operating expenses for receivables.

Available-for-sale investment

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

After initial recognition, an 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Available-for-sale investment (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 operating expenses in the statement of profit or loss.

Available-for-sale investment

If there is objective evidence that an impairment loss has been incurred on the unlisted equity investment that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on the asset is not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and 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

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

Loans and borrowings

After initial recognition, interest-bearing 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.

Financial guarantee contracts

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Provisions

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general guidance for provisions above; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised as other income at their fair value when there is reasonable assurance that the grants will be received and all the attaching conditions 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) from tariff adjustment, which represents subsidies 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 an additional tariff will be received and the Group will comply with all attaching 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 a 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 (i) the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments in respect of the construction services in relation to Photovoltaic Power Business, Wind Power Business and Clean Heat Supply Business; and (ii) construction revenue recognised under Build-Operate-Transfer ("BOT") contracts from the construction of a photovoltaic power plant and clean heat supply facilities. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts (Continued)

Revenue from the construction of a photovoltaic power plant and clean heat supply facilities under the terms of BOT contracts (service concession agreements) is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered in the PRC, and 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.

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.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 36 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. In addition, at the time when the share options are exercised, the amount previously recognised in the share option reserve will be transferred to the share premium account.

Options which are cancelled prior to their exercise date or lapse are deleted from the register of outstanding options. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the share option reserve will be transferred to retained profits as a movement in reserves.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

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

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 Business and Clean Heat Supply Business

As further detailed in note 38 to the financial statements, the Group acquired a number of entities engaging in Photovoltaic Power Business and Clean Heat Supply Business during the year ended 31 December 2017. 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Impairment of trade receivables in respect of Photovoltaic Power Business, Wind Power Business and Clean Heat Supply Business

The policy for provision for impairment of trade receivables in respect of Photovoltaic Power Business, Wind Power Business and Clean Heat Supply Business 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 Power Business, Wind Power Business and Clean Heat Supply Business in the consolidated statement of financial position as at 31 December 2017 was HK$4,121,485,000 (2016: HK$1,002,450,000).

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 2017 was HK$339,287,000 (2016: HK$167,568,000) in aggregate, details of which are set out in note 17 to the financial statements.

Useful lives and residual values of property, plant and equipment

The Group's management determines the useful lives, residual values and related depreciation charges of 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 amount of property, plant and equipment carried as assets in the consolidated statement of financial position as at 31 December 2017 was HK$15,567,761,000 (2016: HK$9,412,975,000), further details of which are set out in note 14 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Cigarette Packaging Business, which represents the design, printing and sale of cigarette packages in the PRC and a reportable operating segment in the prior year's financial statements, is not a significant operating segment of the Group during the year ended 31 December 2017 in terms of revenue, operating performance, assets and liabilities. Accordingly, the Group did not report the Cigarette Packaging Business segment as a reportable operating segment during the year ended 31 December 2017.

As a result, for management purposes, the Group has only one reportable operating segment which is the investment, development, construction, operation and management of clean energy businesses (i.e. the Photovoltaic Power Business, the Wind Power Business and the Clean Heat Supply Business) and therefore, no further segment information is presented in these 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

During the year ended 31 December 2016, the Group had transactions with two external customers of the photovoltaic and wind power businesses segment from which the revenue contributed over 10% of the Group's total revenue for the year. During the year ended 31 December 2017, there was no single external customer which contributed over 10% of the Group's total revenue for the year. A summary of revenue from the major external customers is set out below:

	2017 HK$'000	2016 HK$'000
Customer A	**N/A**#	732,631
Customer B	**N/A**#	452,077

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

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents the aggregate of (i) sale 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 and wind power businesses, net of value-added tax; (iii) the value of technical consultancy services rendered from photovoltaic and wind power businesses, net of value-added tax; (iv) the value of entrusted operations services of photovoltaic power businesses, net of value-added tax; (v) trading agency income from photovoltaic power businesses, net of value-added tax; (vi) the provision of clean heat supply services, net of value-added tax; and (vii) 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:

	2017 HK$'000	2016 HK$'000
Revenue		
Sale of electricity with tariff adjustment*		
Photovoltaic Power Business	**1,466,739**	214,643
Wind Power Business	**65,771**	21,031
Construction services	**7,965,268**	2,233,966
Technical consultancy services	**205,788**	109,628
Entrusted operations	**136,678**	114,332
Trading agency income	**–**	27,964
Provision of clean heat supply services	**20,466**	–
Sale of cigarette packages	**178,839**	168,612
	10,039,549	2,890,176
Other income and gains, net		
Bank interest income	**17,756**	4,967
Other interest income@	**72,183**	–
Government grants#	**54,075**	78,874
Foreign exchange gains, net	**–**	10,548
Gain on disposal of subsidiaries	**35,211**	–
Fair value gain on disposal of an available-for-sale investment (transfer from equity on disposal)	**–**	499
Others	**3,769**	3,774
	182,994	98,662

@ It represents interest income from advances to independent third parties for the development and operation of photovoltaic and wind power plants and Clean Heat Supply Business, further details of which are disclosed in note 27 to the financial statements.

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

The government grants represent government subsidies and value-added tax and corporate income tax refunds. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

	Notes	2017 HK$'000	2016 HK$'000
Cost of sales of electricity		**474,374**	100,925
Cost of construction services		**6,774,066**	1,840,041
Cost of technical consultancy services		**20,651**	7,625
Cost of services in relation to entrusted operations		**13,658**	6,896
Cost of clean heat supply services		**14,022**	–
Cost of inventories sold in relation to Cigarette Packaging Business		**117,816**	117,689
Depreciation@	14	**469,101**	112,615
Amortisation of prepaid land lease payments*	16	**26,636**	1,216
Amortisation of operating rights*	19	**19,104**	4,869
Amortisation of other intangible assets#	20	**792**	127
Minimum lease payments under operating leases		**34,668**	9,472
Auditor's remuneration		**5,717**	5,475
Employee benefit expenses (excluding Directors' remuneration (note 8)):			
Wages and salaries		**227,916**	102,167
Equity-settled share option expenses	36	**6,657**	–
Pension scheme contributions		**18,074**	3,389
Welfare and other expenses		**22,310**	13,552
		274,957	119,108
Foreign exchange differences, net		**8,112**	(10,548)

@ Depreciation for the year amounted to HK$459,896,000 and HK$9,205,000 (2016: HK$109,991,000 and HK$2,624,000) are included in "Cost of sales" and "Administrative expenses" on the face of the consolidated statement of profit or loss, respectively.

* 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 assets for the year is included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Interest on bank and other loans	**195,258**	96,374
Interest on finance leases	**323,929**	7,483
Total interest expenses	**519,187**	103,857
Less: Interest capitalised	**(49,204)**	–
	469,983	103,857

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (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:

	2017 HK$'000	2016 HK$'000
Fees	**1,144**	1,008
Other emoluments:		
Salaries, allowances and benefits in kind	**1,976**	1,694
Performance related bonuses*	**2,849**	1,484
Equity-settled share option expenses	**6,657**	–
Pension scheme contributions	**56**	55
	11,538	3,233
Total	**12,682**	4,241

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

8. DIRECTORS' REMUNERATION (CONTINUED)

(a) Independent non-executive Directors

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

	Fees HK$'000	Equity-settled share option expenses HK$'000	Total remuneration HK$'000
2017			
Mr. Li Fujun@	**144**	**46**	**190**
Mr. Xu Honghua	**144**	**46**	**190**
Mr. Chiu Kung Chik@	**144**	**46**	**190**
	432	**138**	**570**
2016			
Mr. Li Fujun@	61	–	61
Mr. Xu Honghua	144	–	144
Mr. Chiu Kung Chik@	61	–	61
Professor Lam Sing Kwong Simon^	83	–	83
Mr. Tam Tak Kei Raymond^	83	–	83
	432	–	432

@ appointed as an independent non-executive Director on 29 July 2016.

^ resigned as an independent non-executive Director on 29 July 2016.

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive Directors

The fees paid to executive Directors during the year were as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2017						
Mr. Hu Xiaoyong	**144**	**–**	**35**	**2,736**	**–**	**2,915**
Mr. Shi Xiaobei	**144**	**–**	**–**	**–**	**–**	**144**
Mr. Huang Weihua[§]	**136**	**1,150**	**1,659**	**1,823**	**51**	**4,819**
Mr. Wang Ye	**144**	**756**	**1,155**	**1,823**	**–**	**3,878**
Mr. Wen Hui[π]	**135**	**–**	**–**	**137**	**–**	**272**
Mr. Liang Yongfeng[^]	**9**	**70**	**–**	**–**	**5**	**84**
	712	**1,976**	**2,849**	**6,519**	**56**	**12,112**
2016						
Mr. Hu Xiaoyong	144	–	–	–	–	144
Mr. Shi Xiaobei	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

§ appointed as an executive Director and the chief executive officer of the Company on 23 January 2017.

π appointed as an executive Director on 23 January 2017.

^ resigned as an executive Director and the chief executive officer of the Company on 23 January 2017.

During the year ended 31 December 2017, share options were granted (2016: Nil) to the Directors in respect of their services to the Group under the share option scheme of the Company, details of which are set out in note 36 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined at the date of grant and the amounts included in the financial statements for the current year is included in the above Directors' disclosures.

Except for the lapse of share options to subscribe for 30,000,000 ordinary shares of the Company by Mr. Shi Xiaobei, an executive Director, on 25 September 2017, there was no arrangement under which a Director waived or agreed to waive any remuneration during the year (2016: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 3 Directors (2016: 2), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining 2 (2016: 3) non-Director highest paid employees are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	1,173	3,049
Performance related bonuses	2,176	1,964
Pension scheme contributions	117	254
	3,466	5,267

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

	Number of employees	
	2017	2016
Nil to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	2	3
	2	3

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 (2016: 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 period 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 because (i) these companies are engaged in the operation of photovoltaic and wind power plants and (ii) they have operations in the Tibet Autonomous Region of the PRC that are qualified for a 9% concessionary corporate income tax rate for a prescribed period of time pursuant to "西藏自治區企業所得稅政策實施辦法" (the "Notice for the Implementation of the Corporate Income Tax Policies of the Tibet Autonomous Region"*) (Zang Zheng Fa [2014] No. 51) issued by the People's Government of the Tibet Autonomous Region of the PRC.

	2017 **HK$'000**	2016 HK$'000
Current – Mainland China	**270,594**	138,116
Current – Withholding tax	**–**	1,321
Deferred	**15,313**	(2,199)
Total tax expense for the year	**285,907**	137,238

* For identification purposes only

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:

2017

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit/(loss) before tax	**(135,921)**		**1,998,154**		**1,862,233**	
Tax expense at the statutory tax rate	**(22,427)**	**16.5**	**499,539**	**25.0**	**477,112**	**25.6**
Tax concession	**–**	**–**	**(275,757)**	**(13.8)**	**(275,757)**	**(14.8)**
Withholding tax on the distributable profits of the Group's PRC subsidiaries	**3,212**	**(2.4)**	**–**	**–**	**3,212**	**0.2**
Effect on opening deferred tax of increase in rates	**4,785**	**(3.5)**	**–**	**–**	**4,785**	**0.3**
Profit or loss attributable to joint ventures and associates	**–**	**–**	**(3,903)**	**(0.2)**	**(3,903)**	**(0.2)**
Income not subject to tax	**(11)**	**0.0**	**(8,674)**	**(0.4)**	**(8,685)**	**(0.5)**
Expenses not deductible for tax	**21,601**	**(15.9)**	**56,503**	**2.8**	**78,104**	**4.2**
Tax losses not recognised as deferred tax assets	**837**	**(0.6)**	**10,202**	**0.5**	**11,039**	**0.6**
Tax expense at the Group's effective tax rate	**7,997**	**(5.9)**	**277,910**	**13.9**	**285,907**	**15.4**

2016

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit/(loss) before tax	(55,939)		722,424		666,485	
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	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

10. INCOME TAX EXPENSE (CONTINUED)

No share of tax attributable to joint ventures for the year ended 31 December 2017 and the share of tax attributable to associates amounting to HK$4,380,000 (2016: Nil) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

11. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 14 August 2017, the Board decided to divest the Cigarette Packaging Business in order to focus its resources on the clean energy businesses.

Subsequent to the reporting period, on 10 January 2018, the Company announced the disposal of the Cigarette Packaging Business, which comprised the following then wholly-owned subsidiaries of the Group:

(1) 深圳大洋洲印務有限公司 (Shenzhen Oceania Printing Company Limited*, the "PRC Company");

(2) Super Future Investments Limited (the immediate holding company of the PRC Company); and

(3) Meteor River Limited (the immediate holding company of Super Future Investments Limited, which was wholly-owned by the Company before the disposal of the Cigarette Packaging Business).

Pursuant to an agreement entered into between the Company (as the seller) and Ms. Huang Li (as the purchaser) dated 10 January 2018, the Cigarette Packaging Business was disposed of by the Company to Ms. Huang Li for a consideration of HK$258,868,000. The transaction was completed on 17 January 2018. Further details of the disposal of the Cigarette Packaging Business are set out in the Company's announcements dated 14 August 2017 and 10 January 2018.

As at 31 December 2017, the Cigarette Packaging Business was classified as a disposal group held for sale.

* For identification purposes only

11. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

The major classes of assets and liabilities of the Cigarette Packaging Business classified as held for sale as at 31 December 2017 are as follows:

	2017 HK$'000
Assets:	
Property, plant and equipment	27,952
Prepayments, deposits and other receivables	187,391
Inventories	16,090
Trade and bills receivables	83,949
Restricted cash and pledged bank deposits	12,530
Cash and cash equivalents	11,983
Assets classified as held for sale	339,895
Liabilities:	
Trade and bills payables	(62,718)
Other payables and accruals	(12,516)
Income tax payable	(10,628)
Deferred tax liabilities	(13,310)
Liabilities directly associated with the assets classified as held for sale	(99,172)
Net assets directly associated with the disposal group	240,723

12. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit attributable to the equity holders of the Company for the years ended 31 December 2017 and 2016, and the weighted average number of ordinary shares and convertible preference shares in issue during the years.

The calculation of the diluted earnings per share amounts for the years is based on the profit attributable to the equity holders of the Company for the years ended 31 December 2017 and 2016, and the weighted average number of ordinary shares and convertible preference shares in issue during the years 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 on the convertible preference shares. No adjustment has been made to the basic earnings per share amount for the year ended 31 December 2017 in respect of the outstanding share options of the Company due to the anti-dilutive effect on the earnings per share amount at the beginning of the year.

13. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Earnings		
Profit for the year attributable to equity holders of the Company, used in the basic and diluted earnings per share calculation	1,560,348	505,101

	2017	2016 (Restated)
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 (note)	57,304,086,649	37,086,240,666
Effect of dilution – weighted average number of ordinary shares:		
Forward contract on convertible preference shares	1,047,096,218	12,691,651,235
Weighted average number of ordinary shares and convertible preference shares, used in the diluted earnings per share calculation (note)	58,351,182,867	49,777,891,901
Basic earnings per share	HK2.72 cents	HK1.36 cents
Diluted earnings per share	HK2.67 cents	HK1.01 cents

Note:

An open offer (the "Open Offer") of one offer share for every seven existing ordinary shares of the Company held by members on the register of members on 15 August 2017 was made at a subscription price of HK$0.17 per offer share, resulting in the issue of 7,820,619,687 ordinary shares of the Company on 11 September 2017 for a total cash consideration, before expenses, of HK$1,329,505,000.

The weighted average number of ordinary shares of the Company and convertible preference shares of the Company adopted in the calculation of basic and diluted earnings per share amounts for the years ended 31 December 2017 and 2016 have been adjusted retrospectively to reflect the impact of the Open Offer.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Photovoltaic and wind power plants HK$'000	Clean heat supply facilities HK$'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 2017									
At 31 December 2016 and 1 January 2017:									
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
At 1 January 2017, net of accumulated depreciation	25,946	3,826	7,652,780	–	70,494	7,015	4,464	1,648,450	9,412,975
Additions	–	4,071	125,850	66,520	1,465	4,250	14,639	2,826,513	3,043,308
Disposals	–	–	–	–	(266)	(329)	(52)	–	(647)
Acquisition of subsidiaries (note 38)	54,730	–	2,944,838	140,280	2	1,518	855	173,353	3,315,576
Depreciation provided during the year	(1,423)	(885)	(452,609)	(3,409)	(3,878)	(3,825)	(3,072)	–	(469,101)
Disposal of subsidiaries (note 39)	(26,664)	–	(132,161)	–	(47,074)	(568)	(430)	(91,946)	(298,843)
Transfers	–	–	3,819,282	20,142	–	–	–	(3,839,424)	–
Reclassified as assets held for sale (note 11)	–	–	–	–	(23,745)	(3,428)	(779)	–	(27,952)
Exchange realignment	3,021	363	481,896	9,237	3,158	687	814	93,269	592,445
At 31 December 2017, net of accumulated depreciation	55,610	7,375	14,439,876	232,770	156	5,320	16,439	810,215	15,567,761
At 31 December 2017:									
Cost	68,145	8,579	15,186,640	236,320	180	9,528	20,038	810,215	16,339,645
Accumulated depreciation	(12,535)	(1,204)	(746,764)	(3,550)	(24)	(4,208)	(3,599)	–	(771,884)
Net carrying amount	55,610	7,375	14,439,876	232,770	156	5,320	16,439	810,215	15,567,761

	Buildings HK$'000	Leasehold improvements HK$'000	Photovoltaic and wind power plants HK$'000	Clean heat supply facilities HK$'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 38)	–	–	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

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amounts of photovoltaic and wind power plants and clean heat supply facilities at 31 December 2017 was HK$11,639,189,000 (2016: HK$2,498,532,000), of which HK$8,777,055,000 (2016: HK$2,095,876,000) were also pledged to secure certain finance lease arrangements (note 33(b)(ii)).

15. INVESTMENT PROPERTIES

	HK$'000
Carrying amount at 1 January 2016, 31 December 2016 and 1 January 2017:	–
Additions	175,000
Carrying amount at 31 December 2017	175,000

Notes:

(a) The Group's investment properties consist of an office floor and 4 car parking spaces in Hong Kong and were revalued on 31 December 2017 based on valuations performed by Greater China Appraisal Limited, an independent professionally qualified valuer, at HK$175,000,000. Each year, the Group's senior management decides which external valuer to be responsible for the external valuations of the Group's property. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's senior management has ongoing discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

(b) Fair value hierarchy disclosure

At 31 December 2017, the fair value of the Group's investment properties was measured using significant unobservable inputs (Level 3 of fair value hierarchy) as defined in HKFRS 13. During the year, there was no transfer into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of the Group's investment properties:

Valuation technique	Significant unobservable inputs	Weighted average input
Direct comparison method	Price per square feet	As at 31 December 2017 Office: HK$18,400 per square feet Car parking space: HK$1,750,000 per space

As at 31 December 2017, the valuation of the investment properties was based on the direct comparison method by reference to comparable market transactions. A significant increase (decrease) in the estimated rental value per annum in isolation would result in a significant increase (decrease) in the fair value of the property.

16. PREPAID LAND LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January	**134,791**	21,110
Additions	**53,096**	17,220
Acquisition of subsidiaries (note 38)	**46,206**	104,335
Disposal of subsidiaries (note 39)	**(23,057)**	–
Amortisation provided during the year	**(26,636)**	(1,216)
Exchange realignment	**12,020**	(6,658)
Carrying amount at 31 December	**196,420**	134,791
Current portion	**(5,318)**	(4,732)
Non-current portion	**191,102**	130,059

17. GOODWILL

	2017 HK$'000	2016 HK$'000
Cost and net carrying amount:		
At 1 January	**167,568**	–
Acquisition of subsidiaries (note 38)	**177,930**	175,124
Disposal of subsidiaries (note 39)	**(18,507)**	–
Exchange realignment	**12,296**	(7,556)
At 31 December	**339,287**	167,568

17. GOODWILL (CONTINUED)

Impairment testing of goodwill

The carrying amount of the goodwill acquired through acquisitions of subsidiaries is allocated to the only reportable operating segment, which is the investment, development, construction, operation and management of clean energy businesses of the Group for impairment testing.

The recoverable amount of the above operating segment has 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 the Wind Power Business and 25 years for the Photovoltaic Power Business and based on the assumption that the sizes of the operations remain constant. The discount rate applied to the cash flow projections is 9.00% (2016: from 8.51% to 8.88%), 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 2017 (2016: 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 rate used is after tax and reflects specific risks of respective units (group of cash-generating units).
  - The pre-tax discount rate implied in the cash flow projections is 10.76% (2016: ranging 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.

18. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into certain service concession arrangements with governmental authorities in Mainland China on a Build-Operate-Transfer (the "BOT") basis in respect of its Photovoltaic Power Business and Clean Heat Supply Business. These service concession arrangements generally involve the Group as an operator (i) constructing photovoltaic power plants and clean heat supply facilities (collectively, the "Facilities") for those arrangements on a BOT basis; and (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 25 to 30 years (the "Service Concession Periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through specific pricing mechanisms. The Group is generally entitled to use all the property, plant and equipment of the Facilities, however, the relevant governmental authorities as grantors will control and regulate the scope of services that the Group must provide with the Facilities, and retain the beneficial entitlement to any residual interest in the Facilities at the end of the terms of the Service Concession Periods.

Each of these service concession arrangements is governed by a contract entered into between the Group and the relevant governmental authority in Mainland China setting out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations imposed on the Group to restore the Facilities to a specified level of serviceability at the end of the Service Concession Periods, and/or arrangements for arbitrating disputes.

At 31 December 2017, the Group had a service concession arrangement in operation on each of the Photovoltaic Power Business and the Clean Heat Supply Business, and a summary of the major terms of these service concession arrangements is set out as follows:

Name of company as operator	Name of project	Location	Name of grantor	Type of service concession arrangement	Service concession period
新泰北控清潔能源有限公司 (Xintai BE Clean Energy Company Limited*)	新泰市採煤沉陷區光伏領跑技術基地100MW項目 (A 100MW project in the advanced photovoltaic technology demonstration base in the coal mining subsidence area of Xintai City*)	Xintai City, Shandong Province, the PRC*	新泰市人民政府 (Xintai City People's Government*)	BOT on sale of photovoltaic power	25 years from 2017 to 2042
山西北控綠威環能科技有限公司 (Shanxi BE Lvwei Huanneng Technology Company Limited*)	山西興縣燃氣供熱項目 (A natural gas heat supply project in Xing County, Shanxi Province*)	Xing County, Lvliang City, Shanxi Province, the PRC*	興縣住房保障和城鄉建設管理局 (Xing County Housing Protection and Urban-Rural Development Administration*)	BOT on natural gas heat supply service	30 years from 2017 to 2047

* For identification purposes only

18. SERVICE CONCESSION ARRANGEMENTS (CONTINUED)

Pursuant to the service concession agreements entered into by the Group, the Group are granted the rights to use the property, plant and equipment of the Facilities and related land, which are generally registered under the names of the relevant companies in the Group during the Service Concession Periods, but the Group is generally required to surrender these property, plant and equipment to the grantors at a specified level of serviceability at the end of the respective Service Concession Periods.

As further explained in the accounting policy for "Service concession arrangements" set out in note 2.4 to the financial statements, the rights to operate the Facilities are stated at cost less accumulated amortisation and any accumulated impairment losses, and are accounted for as intangible assets (i.e. operating concessions). The following is the summarised information of the operating concessions with respect to the Group's service concession arrangements:

	HK$'000
At 1 January 2016, 31 December 2016 and 1 January 2017:	
Cost, accumulated amortisation and net carrying amount	–
Net carrying amount:	
At 1 January 2016, 31 December 2016 and 1 January 2017	–
Additions	1,018,744
Exchange realignment	41,819
At 31 December	1,060,563
At 31 December 2017:	
Cost, accumulated amortisation and net carrying amount	1,060,563

At 31 December 2017, a concession right of the Group included in operating concessions with a carrying amount of HK$837,044,000 (2016: Nil) was pledged to secure a finance lease payable granted to the Group (note 33(b)(iv)).

19. 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 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 through business combinations and initially measured at fair value. Details of the Group's business combinations are set out in note 38 to the financial statements.

	2017 HK$'000	2016 HK$'000
At 1 January:		
Cost	**374,614**	–
Accumulated amortisation	**(4,659)**	–
Net carrying amount	**369,955**	–
Net carrying amount:		
At 1 January	**369,955**	–
Acquisition of subsidiaries (note 38)	**147,676**	391,555
Amortisation provided during the year	**(19,104)**	(4,869)
Disposal of a subsidiary (note 39)	**(16,103)**	–
Exchange realignment	**34,458**	(16,731)
At 31 December	**516,882**	369,955
At 31 December:		
Cost	**540,660**	374,614
Accumulated amortisation	**(23,778)**	(4,659)
Net carrying amount	**516,882**	369,955

20. OTHER INTANGIBLE ASSETS

	Computer software	
	2017	2016
	HK$'000	HK$'000
At 1 January:		
Cost	**2,561**	83
Accumulated amortisation	**(127)**	(6)
Net carrying amount	**2,434**	77
Net carrying amount:		
At 1 January	**2,434**	77
Addition	**7,193**	2,596
Disposal	**(507)**	–
Amortisation provided during the year	**(792)**	(127)
Exchange realignment	**423**	(112)
At 31 December	**8,751**	2,434
At 31 December:		
Cost	**9,713**	2,561
Accumulated amortisation	**(962)**	(127)
Net carrying amount	**8,751**	2,434

21. INTERESTS IN JOINT VENTURES

	Notes	2017 HK$'000	2016 HK$'000
Investments in joint ventures:			
Share of net assets		**94,228**	–
Due from a joint venture, included in current assets	(c), 27	**45,333**	–
Total interests in joint ventures		**139,561**	–

Notes:

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

Name	Paid-up capital/ registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
華潤北控(汕頭)新能源產業基金合夥企業(有限合夥) (CR BE (Shantou) New Energy Industrial Fund Partnership Corporation (Limited Partnership)*)	RMB495,000,000/ RMB1,500,000,000	PRC	5.85%	(a)	(a)	Investment in photovoltaic power plants
北京北控蘇銀股權投資管理中心(有限合夥) (Beijing BE Suyin Equity Investment Management Centre (Limited Partnership)*)	RMB210,021,000/ RMB1,000,100,000	PRC	19.5%	(b)	(b)	Investment in clean energy projects

* For identification purposes only

21. INTERESTS IN JOINT VENTURES (CONTINUED)

Notes: (Continued)

(a) During the year, the Group (as a general partner) entered into a partnership agreement (the "CR BE (Shantou) Partnership Agreement") with a senior limited partner and several investors (as general partners or junior limited partners) in relation to the establishment and management of a limited partnership which primarily invests in photovoltaic power projects in the PRC.

Pursuant to the CR BE (Shantou) Partnership Agreement, the aggregate capital commitment of the limited partnership was RMB1.5 billion. As at 31 December 2017, the total investment contributed by the Group and other partners in the limited partnership amounted to approximately RMB43 million and approximately RMB452 million respectively.

The senior limited partner is entitled to preferential returns based on its actual capital contribution.

In connection with the limited partnership, the Group and one of the general partners made undertakings to the senior limited partner and other partners on a joint and several basis, to procure (i) each of their outstanding capital contribution to the limited partnership as at the end of the limited partnership; and (ii) the distributions to be payable by the limited partnership to each of the other partners (collectively the "CR BE (Shantou) Guarantee"). The CR BE (Shantou) Guarantee is borne by the Group and that other general partner on a 65:35 basis.

The Group has engaged Greater China Appraisal Limited, an independent professionally qualified valuer, to measure the fair value of the CR BE (Shantou) Guarantee provided by the Group. In the opinion of the Directors, the fair value of the CR BE (Shantou) Guarantee is not material that no separate disclosure is made.

As all the significant relevant activities of the limited partnership require unanimous consent from the members of the investment committee (of which the Group is entitled to nominate two out of five members of the investment committee), the limited partnership is accounted for as a joint venture.

Further details of the limited partnership are set out in the Company's announcements dated 29 June 2017 and 28 July 2017.

(b) During the year, the Group (as a junior limited partner) entered into a partnership agreement (the "BE Suyin Partnership Agreement") with a senior limited partner and two investors (as a general partner and a junior limited partner) in relation to the establishment and management of a limited partnership which primarily invests in clean energy projects in the PRC.

Pursuant to the BE Suyin Partnership Agreement, the aggregate capital commitment of the limited partnership was approximately RMB1 billion. As at 31 December 2017, the total investment contributed by the Group and other partners in the limited partnership amounted to approximately RMB41 million and approximately RMB169 million respectively.

The senior limited partner is entitled to preferential returns based on its actual capital contribution.

In connection with the limited partnership, the Group and another junior limited partner made undertakings to the senior limited partner on a joint and several basis, to procure (i) its outstanding capital contribution to the limited partnership as at the end of the limited partnership; and (ii) the preferential returns to be payable by the limited partnership to it (collectively the "BE Suyin Guarantee"). The BE Suyin Guarantee is borne by the Group and the other junior limited partner on a 65:35 basis.

The Group has engaged Greater China Appraisal Limited, an independent professionally qualified valuer, to measure the fair value of the BE Suyin Guarantee provided by the Group. In the opinion of the Directors, the fair value of the BE Suyin Guarantee is not material that no separate disclosure is made.

As all the significant relevant activities of the limited partnership require unanimous consent from all investors, the limited partnership is accounted for as a joint venture.

Further details of the limited partnership are set out in the Company's announcement dated 9 August 2017.

21. INTERESTS IN JOINT VENTURES (CONTINUED)

Notes: (Continued)

(c) Included in the amounts due from a joint venture as at 31 December 2017 was an advance to a joint venture of RMB5,001,000 (equivalent to HK$6,004,000). The amount was unsecured, bearing fixed interest rate at 10% per annum and repayable on demand. Other than the above balance, the amounts due from a joint venture included in current assets as at 31 December 2017 are unsecured, interest-free and have no fixed terms of repayment.

The above investments are indirectly held by the Company.

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

	2017 HK$'000	2016 HK$'000
Share of the joint ventures' loss for the year	**(624)**	–
Share of the joint ventures' total comprehensive income	**3,111**	–
Aggregate carrying amount of the Group's investments in joint ventures	**94,228**	–

22. INTERESTS IN ASSOCIATES

	Note	**2017 HK$'000**	2016 HK$'000
Investments in associates:			
Share of net assets		**681,279**	–
Due from associates, included in current assets	27	**170,824**	–
Total interests in associates		**852,103**	–

22. INTERESTS IN ASSOCIATES (CONTINUED)

Particulars of the Group's associates are as follows:

Name	Paid-up capital/ registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
北控城投控股集團有限公司 (Beijing Enterprises City Investment Holdings Group Co., Ltd.*)	RMB380,000,000/ RMB1,000,000,000	PRC	15%	Investment, development and operation of infrastructural and properties-related businesses
四川金宇汽車城(集團)股份有限公司 (Sichuan Jinyu Automobile City (Group) Co., Ltd.*)	RMB127,730,893/ RMB127,730,893	PRC	17.72%	Manufacture and sale of renewable energy electrical equipment, trading of silk products, development and operation of real estate and trading of automobiles

* For identification purposes only

Included in the amounts due from associates as at 31 December 2017 was advances to an associate of RMB122,360,000 (equivalent to HK$146,911,000) in aggregate, which were unsecured, bearing fixed interest ranging from 6.525% to 9% per annum and repayable on demand. Other than the above advances, the amounts due from associates included in current assets as at 31 December 2017 were unsecured, interest-free and have no fixed terms of repayment.

In the opinion of the Directors, the associates were not individually material to the Group in the current and prior years. Hence, no disclosure of their separate financial information has been made.

The above investments are indirectly held by the Company.

22. INTERESTS IN ASSOCIATES (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Share of the associates' profit for the year	**16,234**	–
Share of the associates' total comprehensive income	**43,238**	–
Aggregate carrying amount of the Group's investments in associates	**681,279**	–

23. AVAILABLE-FOR-SALE INVESTMENT

	2017 HK$'000	2016 HK$'000
Unlisted equity investment, at cost	**7,612**	–

The above unlisted equity investment represents certain subordinated units held by the Group in a trust scheme. In connection with the trust scheme, the Group and another holder of the subordinated units agreed to provide the guarantee in favour of the trust scheme in respect of the repayment obligations of the independent borrowers for all amounts payable by the borrowers under the loan agreements entered into between the trust scheme and the independent borrowers (the "Guarantee"). Details of the trust scheme are set out in the Company's announcement dated 10 August 2017.

The Group has engaged Greater China Appraisal Limited, an independent professionally qualified valuer, to measure the fair value of the Guarantee. In the opinion of the Directors, the fair value of the Guarantee is not material that no separate disclosure is made.

In addition, the unlisted equity investment of the Group is not stated at fair value but at cost because the trust scheme does not have a quoted market price in an active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

24. 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.

In addition, the Group's contractual obligations to purchase the remaining equipment amounted to HK$106,011,000 as at 31 December 2017 (2016: HK$129,593,000).

25. AMOUNTS DUE FROM CONTRACT CUSTOMERS

	2017 **HK$'000**	2016 HK$'000
Contract costs incurred plus recognised profits less recognised losses to date	**3,269,771**	2,596,438
Less: Progress billings	**(1,240,880)**	(2,045,654)
	2,028,891	550,784

At 31 December 2017, retentions held by customers for contract works included in amounts due from contract customers and trade receivables of the Group amounted to approximately HK$181,965,000 (2016: HK$10,348,000) and HK$20,374,000 (2016: HK$12,616,000), respectively.

26. TRADE AND BILLS RECEIVABLES

	2017 **HK$'000**	2016 HK$'000
Trade and bills receivables	**2,811,967**	865,311
Tariff adjustment	**1,690,058**	429,796
Total trade and bills receivables	**4,502,025**	1,295,107

Notes:

(a) The Group's trading terms with its customers are mainly on credit, except for certain new customers where payment in advance is normally required. The Group generally allows credit periods of 30 days to 90 days to its customers, and accepts settlement of certain trade receivables by bank bills with maturity periods 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 ageing 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:

26. TRADE AND BILLS RECEIVABLES (CONTINUED)

Notes: (Continued)

(b) (Continued)

	2017 HK$'000	2016 HK$'000
Billed:		
Within 3 months	**1,527,579**	761,964
4 to 6 months	**98,322**	76,569
7 to 12 months	**1,114,507**	21,733
Over 1 year	**71,559**	5,045
	2,811,967	865,311
Unbilled	**1,690,058**	429,796
	4,502,025	1,295,107

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**1,318,574**	596,013
Less than 1 month past due	**84,932**	117,914
1 to 3 months past due	**270,259**	118,859
4 to 6 months past due	**633,741**	25,505
7 months to 1 year past due	**438,488**	7,018
Over 1 year past due	**65,973**	2
	2,811,967	865,311

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 as at 31 December 2017 included tariff adjustment receivables of HK$1,690,058,000 (2016: HK$429,796,000), which represented central government renewable energy subsidy receivables on behalf by State Grid and payable to the Group by 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 the related procedures stipulated by the current government policy in Mainland China and all other attaching conditions, if any, and the outstanding tariff adjustment receivables shall be recoverable and no impairment was considered necessary as at 31 December 2017.

(e) Certain subsidiaries engaging in the operation of photovoltaic power plants, wind power plants and clean heat supply facilities have pledged trade receivables with aggregate amounts of HK$25,024,000 (2016: HK$6,946,000) and HK$180,882,000 (2016: HK$36,248,000) to secure certain bank borrowings (note 32(b)) and finance lease arrangements (note 33(b)), respectively.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2017 HK$'000	2016 HK$'000
Prepayments	(a)	**1,161,877**	203,250
Deposits and other receivables	(b)	**1,830,186**	1,940,600
Due from a joint venture	21	**45,333**	–
Due from associates	22	**170,824**	–
		3,208,220	2,143,850
Portion classified as current assets		**(1,756,591)**	(1,386,711)
Non-current portion		**1,451,629**	757,139

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 2017 included, inter alia, prepayments of HK$1,056,292,000 (2016: HK$161,565,000) for the purchase of equipment for photovoltaic power plant projects and clean heat supply facilities, of which, an aggregate amount of HK$558,829,000 (2016: HK$18,052,000) related to prepayments for the purchase of equipment for self-constructed plants and was classified as a non-current asset.

(b) The Group's deposits and other receivables as at 31 December 2017 included, inter alia, the following:

(i) Investment/bidding deposits of HK$421,600,000 (2016: HK$347,446,000) in aggregate paid to independent third parties in the PRC for potential acquisition of photovoltaic and wind power plant projects. The deposits were classified as non-current assets;

(ii) Receivables of HK$114,757,000 (2016: HK$317,607,000) due from independent third party project companies in respect of the supply of photovoltaic equipment by the Group. There were possibilities that these independent third party project companies would be acquired by the Group and the amounts were classified as non-current assets;

(iii) Advances of HK$324,324,000 (2016: HK$226,284,000) provided to independent third parties for the development and operation of photovoltaic and wind power plants and the Clean Heat Supply Business, which were generally secured and repayable within one year after the reporting period. The balances were classified as current assets. Interest income of HK$72,183,000 (2016: Nil) was recognised in respect of the advances provided during the year at interest rates ranging from 4.275% to 10% per annum; and

(iv) Refundable security deposits under finance lease arrangements of HK$280,281,000 (2016: HK$73,564,000). The deposits were classified as non-current assets.

28. OTHER TAX RECOVERABLES

Other tax recoverables mainly 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.

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

	2017 HK$'000	2016 HK$'000
Restricted cash and pledged bank deposits	**497,340**	386,251
Cash and bank balances	**4,214,092**	1,633,214
Time deposits	**558,662**	–
Total cash and bank balances	**5,270,094**	2,019,465
Less: Restricted cash and pledged bank deposits (note)	**(497,340)**	(386,251)
Cash and cash equivalents	**4,772,754**	1,633,214

Note:

The Group's restricted cash and pledged bank deposits as at 31 December 2017 and 2016 mainly included the following:

(a) bank deposits of RMB414,226,000 (equivalent to HK$497,340,000) (2016: RMB8,988,000 (equivalent to HK$10,048,000)) which were pledged to secure certain banking facilities in the form of bills payables (note 30) and bank borrowings (note 32(b)) granted to the Group as at 31 December 2017; and

(b) restricted cash of RMB298,998,000 (equivalent to HK$334,263,000) as at 31 December 2016 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 counterparties.

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:

	2017 HK$'000	2016 HK$'000
HK$	**1,182,382**	156,075
RMB	**4,042,638**	1,682,008
US$	**45,074**	180,973
EUR	**–**	409
	5,270,094	2,019,465

29. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND PLEDGED BANK DEPOSITS (CONTINUED)

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.

30. TRADE AND BILLS PAYABLES

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

	2017 **HK$'000**	2016 HK$'000
Within 3 months	**3,288,098**	1,100,274
4 to 6 months	**204,431**	43,651
7 to 12 months	**406,729**	198
1 to 2 years	**732,159**	224
	4,631,417	1,144,347

The trade and bills payables are non-interest-bearing and are normally settled on terms of 60 days to 180 days.

The Group's bills payables amounting to HK$711,936,000 (2016: HK$15,907,000) were secured by the pledged bank deposits as at 31 December 2017 (note 29).

31. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Deposits received	**9,455**	1,934
Other payables (note)	**3,961,246**	3,807,785
Accruals	**72,641**	19,076
	4,043,342	3,828,795

Note:

Other payables are non-interest-bearing and are normally settled within three months. The Group's other payables as at 31 December 2017 included, inter alia, the following:

(a) an aggregate amount of HK$540,208,000 (2016: HK$360,866,000) of outstanding considerations payable in respect of the acquisition of subsidiaries (note 38) during the year;

(b) an aggregate amount of HK$609,432,000 (2016: HK$1,244,303,000) due to certain independent third parties assumed by the Group upon the acquisitions of subsidiaries during the year. The balances mainly represented construction costs payable by the acquired companies and according to the debt settlement agreements entered into between the Group and counterparties, the debts originally owed by the acquired subsidiaries were assumed by the Group upon acquisitions. The amounts are repayable according to the time schedules as stipulated in the debt settlement agreements and the last repayments of each assumed liability are usually repayable within 1 year of the acquisition; and

(c) an aggregate amount of HK$2,453,916,000 (2016: HK$2,059,034,000) due to certain contractors arising from construction and purchase of equipment of photovoltaic and wind power plants and clean heat supply facilities.

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank loans:		
Secured	**1,782,541**	1,284,052
Unsecured	**4,747,522**	2,529,271
	6,530,063	3,813,323
Other loan, unsecured	**–**	1,014,814
Total bank and other borrowings	**6,530,063**	4,828,137
Analysed into:		
Bank loans repayable:		
Within one year or on demand (note (d))	**1,349,295**	1,583,540
In the second year	**1,334,146**	95,211
In the third to fifth years, inclusive	**2,961,506**	1,405,118
Beyond five years	**885,116**	729,454
	6,530,063	3,813,323
Other loan repayable:		
In the second year	**–**	1,014,814
Total bank and other borrowings	**6,530,063**	4,828,137
Portion classified as current liabilities	**(1,349,295)**	(1,583,540)
Non-current portion	**5,180,768**	3,244,597

32. 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:

	2017 **HK$'000**	2016 HK$'000
HK$	**4,197,594**	2,275,498
RMB	**2,332,469**	2,552,639
	6,530,063	4,828,137

(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$25,024,000 (2016: HK$6,946,000) (note 26(e)); and

(iii) pledges over certain of the Group's bank balances (note 29).

(c) The Group's bank and other borrowings bear interest at floating rates with effective interest rates ranging from 2.71% to 6.53% (2016: 2.08% to 6.60%).

(d) A bank loan with a principal amount of HK$450,000,000 (2016: Nil) as at 31 December 2017 contained an on demand repayment clause and therefore has been recognised as a current liability, which was included in the above analysis as unsecured current interest-bearing bank and other borrowings and bank loans repayable within one year or on demand.

(e) Loan agreements of certain bank loans of the Group in an aggregate carrying amount of HK$4,197,594,000 (2016: HK$2,275,498,000) as at 31 December 2017 include covenants imposing specific performance obligations on substantial beneficial owners of the Company, among which the following events would constitute an event of default on the loan facilities:

(i) In relation to the facilities dated 1 November 2016, 18 September 2017 and 12 October 2017:

(1) Beijing Enterprises Water Group Limited ("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 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");

(2) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and/or does not or ceases to supervise the Company;

(3) 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;

(4) 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;

(5) 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;

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

Notes: (Continued)

(e) (Continued)

(i) (Continued)

(6) 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

(7) 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 the People's Government of Beijing Municipality*).

(ii) In relation to a facility dated 28 December 2017:

(1) BEWG is not or ceases to be the, direct or indirect, single largest shareholder of the Company, and/or does not or ceases to supervise the Company and/or have management control over the Company;

(2) 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 Security;

(3) BEHL is not or ceases to be the, direct or indirect, single largest shareholder of BEWG, and/or does not or ceases to supervise BEWG and/or have management control over BEWG;

(4) 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;

(5) 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

(6) BE Group is not or ceases 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 the 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.

* For identification purposes only

33. FINANCE LEASE PAYABLES

The Group leases certain property, plant and equipment for its clean energy businesses under finance lease arrangements. The leases are classified as finance leases and had remaining lease terms of 8 months to 14 years as at 31 December 2017 (2016: 3 to 15 years).

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

	Minimum lease payments 2017 HK$'000	Minimum lease payments 2016 HK$'000	**Present value of minimum lease payments 2017 HK$'000**	Present value of minimum lease payments 2016 HK$'000
Amounts repayable:				
Within one year	**2,021,350**	297,607	**1,390,624**	142,974
In the second year	**1,695,026**	359,796	**1,129,463**	194,651
In the third to fifth years, inclusive	**5,908,272**	1,282,974	**4,842,729**	910,609
Over five years	**4,322,735**	1,813,193	**3,815,807**	1,557,942
Total minimum finance lease payments	**13,947,383**	3,753,570	**11,178,623**	2,806,176
Future finance charges	**(2,768,760)**	(947,394)		
Total net finance lease payables	**11,178,623**	2,806,176		
Portion classified as current liabilities	**(1,390,624)**	(142,974)		
Non-current portion	**9,787,999**	2,663,202		

Notes:

(a) All 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$8,777,055,000 as at 31 December 2017 (2016: HK$2,095,876,000) (note 14);
- (iii) pledges over the trade receivables with an aggregate amount of HK$180,882,000 (2016: HK$36,248,000) as at 31 December 2017 (note 26(e));
- (iv) a concession right of the Group with a carrying amount of HK$837,044,000 (2016: Nil) (note 18); and
- (v) pledges over the Group's equity interests in certain subsidiaries.

(c) The finance lease agreements in respect of certain finance lease arrangements as at 31 December 2017 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 holds 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.

34. DEFERRED TAX

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

	2017 HK$'000	2016 HK$'000
Deferred tax assets	**27,122**	18,844
Deferred tax liabilities	**(167,002)**	(100,384)
	(139,880)	(81,540)

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$'000	Temporary differences related to service concession arrangements HK$'000	Withholding tax HK$'000	Other temporary differences HK$'000	Net deferred tax assets/ (liabilities) HK$'000
At 1 January 2016	–	–	(5,241)	–	(5,241)
Acquisition of subsidiaries (note 38)	(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 and 1 January 2017	**(77,676)**	**–**	**(4,640)**	**776**	**(81,540)**
Acquisition of subsidiaries (note 38)	**(51,730)**	**–**	**–**	**–**	**(51,730)**
Liabilities included in a disposal group held for sale (note 11)	**–**	**–**	**13,310**	**–**	**13,310**
Disposal of subsidiaries (note 39)	**4,026**	**–**	**–**	**–**	**4,026**
Net deferred tax credited/(charged) to profit or loss during the year	**4,323**	**(17,711)**	**(7,997)**	**6,072**	**(15,313)**
Exchange realignment	**(7,537)**	**(731)**	**(673)**	**308**	**(8,633)**
At 31 December 2017	**(128,594)**	**(18,442)**	**–**	**7,156**	**(139,880)**

Pursuant to the PRC Corporate Income Tax Law, a 10% (2016: 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 10% (2016: 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.

34. DEFERRED TAX (CONTINUED)

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 opinion 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$2,153,904,000 (2016: HK$525,541,000) as at 31 December 2017.

The Group also has tax losses arising in Mainland China of HK$34,791,000 (2016: HK$16,436,000) 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.

35. SHARE CAPITAL

	Notes	**2017 HK$'000**	2016 HK$'000
Authorised:			
Ordinary shares: 466,637,115,100 (2016: 466,637,115,100) shares of HK$0.001 (2016: HK$0.001) each		**466,637**	466,637
Convertible preference shares: 33,362,884,900 (2016: 33,362,884,900) shares of HK$0.001 (2016: HK$0.001) each	(a)	**33,363**	33,363
		500,000	500,000
Issued and fully paid:			
Ordinary shares: 63,525,397,057 (2016: 42,512,107,314) shares of HK$0.001 (2016: HK$0.001) each	(b)	**63,525**	42,512
Convertible preference shares: Nil (2016: 7,482,296,716 shares of HK$0.001 each)	(b)	**–**	7,483
		63,525	49,995

35. SHARE CAPITAL (CONTINUED)

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

	Notes	Number of ordinary shares in issue (note (a))	Number of convertible preference shares in issue (note (a))	Ordinary shares HK$'000	Convertible preference shares HK$'000	Total HK$'000
At 1 January 2016		**17,707,711,170**	**9,241,957,740**	**17,708**	**9,242**	**26,950**
Issue of new ordinary shares	(c)	**4,045,000,000**	**–**	**4,045**	**–**	**4,045**
Issue of new convertible preference shares	(b)	**–**	**18,999,735,120**	**–**	**19,000**	**19,000**
Conversion of convertible preference shares	(b)	**20,759,396,144**	**(20,759,396,144)**	**20,759**	**(20,759)**	**–**
At 31 December 2016 and 1 January 2017		**42,512,107,314**	**7,482,296,716**	**42,512**	**7,483**	**49,995**
Issue of new convertible preference shares	(b)	**–**	**4,749,933,780**	**–**	**4,749**	**4,749**
Conversion of convertible preference shares	(b)	**12,232,230,496**	**(12,232,230,496)**	**12,232**	**(12,232)**	**–**
Issue of new ordinary shares upon completion of the Open Offer	(d)	**7,820,619,687**	**–**	**7,821**	**–**	**7,821**
Issue of new ordinary shares for acquisition of investment properties	(e)	**960,439,560**	**–**	**960**	**–**	**960**
At 31 December 2017		**63,525,397,057**	**–**	**63,525**	**–**	**63,525**

Notes:

(a) 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.

35. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(a) (Continued)

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.

(b) 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 (the "Third Subscription");

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

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

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.

During the year ended 31 December 2016, the Third Subscription and the Fourth Subscription were completed in May 2016 and November 2016 respectively with an aggregate of 18,999,735,120 convertible preference shares issued, and an aggregate net proceeds of approximately HK$1,501 million were received.

During the year ended 31 December 2017, the Fifth Subscription was completed in May 2017 with 4,749,933,780 convertible preference shares issued, and the net proceeds of approximately HK$375 million were received.

During the year ended 31 December 2017, 12,232,230,496 (2016: 20,759,396,144) convertible preference shares were converted into 12,232,230,496 (2016: 20,759,396,144) ordinary shares by the holders of convertible preference shares. All convertible preference shares were fully converted into ordinary shares as at 31 December 2017.

(c) 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 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.

(d) On 11 September 2017, 7,820,619,687 ordinary shares of the Company were issued for the total net proceeds of HK$1,328,225,000 under the Open Offer made to shareholders of the Company on the register of members on 15 August 2017 at an offer price of HK$0.17 per ordinary share on the basis of one offer share for every seven existing ordinary shares, for the purpose of raising long-term equity capital to finance its future expansion plan. The difference of HK$1,320,404,000 between the nominal value of the ordinary shares issued and the total net proceeds was recognised in the Company's share premium account. Further details of the Open Offer are set out in the Company's prospectus dated 21 August 2017.

35. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

(e) Pursuant to an agreement dated 5 September 2017 entered into between New Channel (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company (as the purchaser) and two independent third parties (as vendors), the Group purchased the entire equity interest in an entity holding an office property and car parking spaces for a consideration of HK$174,800,000, which was satisfied by the allotment of 960,439,560 ordinary shares of the Company on 24 October 2017 upon completion of the transaction. The difference of HK$174,029,000 between the nominal value of the ordinary shares issued and the fair value of the office property, the car parking spaces and other assets and liabilities of the entity acquired was recognised in the Company's share premium account. Further details of the purchase of the entity, the office property and the car parking spaces are set out in the Company's announcement dated 5 September 2017. The office property and the car parking spaces were recognised as investment properties in the Group's financial statements, details of which are set out in note 15 to the financial statements.

36. 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 incentives to employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners, service providers or substantial shareholders (the "Eligible Participants") of the Group and promoting the success of the business of the Group, which 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 the Eligible Participants to subscribe for shares in the Company subject to the terms of the Share Option Scheme.

The total number of shares which may be issued upon exercise of all options to 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 aggregate 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(s) 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 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 an offer was made, upon payment of HK$1.00 by the grantee. Options may be exercised at any time for a period determined by its Directors which shall not be later than 10 years from 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 higher 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, which must be a business day; (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.

36. SHARE OPTION SCHEME (CONTINUED)

The movements in share options outstanding under the Share Option Scheme as at the end of the reporting period are as follows:

	Weighted average exercise price HK$ per share	Number of options
At 1 January 2016, 31 December 2016 and 1 January 2017	–	–
Granted during the year (note)	0.199	1,490,000,000
Lapsed during the year (note)	0.199	(30,000,000)
At 31 December 2017	0.199	1,460,000,000

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

	Number of options	Exercise prices HK$ per share	Exercise periods
At 31 December 2017	292,000,000	0.199	18 September 2020 to 17 September 2027
	292,000,000	0.199	18 September 2021 to 17 September 2027
	292,000,000	0.199	18 September 2022 to 17 September 2027
	292,000,000	0.199	18 September 2023 to 17 September 2027
	292,000,000	0.199	18 September 2024 to 17 September 2027

Note: Share options to subscribe for 1,490,000,000 ordinary shares of the Company were granted to the Directors on 18 September 2017 under the Share Option Scheme, details of which are set out in the Company's announcement dated 18 September 2017. Apart from the lapse of share options to subscribe for 30,000,000 ordinary shares of the Company by Mr. Shi Xiaobei, an executive Director, on 25 September 2017, none of the share options of the Company was exercised, cancelled or lapsed, and the number of outstanding share options of the Company under the Share Option Scheme as at 31 December 2017 was 1,460,000,000.

The fair value of the share options granted during the year was HK$103,421,000 (HK$0.071 each) (2016: Nil), of which the Group recognised a share option expenses of HK$6,657,000 (2016: Nil) during the year ended 31 December 2017.

36. SHARE OPTION SCHEME (CONTINUED)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2017
Dividend yield (%)	0.0000%
Expected volatility (%)	52.0520%
Risk-free interest rate (%)	1.4590%
Expected life of options (year)	10
Forfeiture rate (%)	8.8889%

The expected life of the options is the time to maturity of the options granted under the Share Option Scheme. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 1,460,000,000 share options outstanding under the Share Option Scheme, which represented approximately 2.3% of the ordinary shares of the Company in issue as at 31 December 2017 and the date of approval of these financial statements. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 1,460,000,000 additional ordinary shares of the Company and the increase of share capital of HK$1,460,000 and the share premium of HK$289,080,000 (before issue expenses).

As at the date of approval of these financial statements, the total number of ordinary shares which may be issued upon exercise of share options yet to be granted under the Share Option Scheme (and thus not including those ordinary shares for share options already granted but yet to be exercised under the Share Option Scheme) was 3,970,492,417 shares (2016: 2,501,418,332 shares), which represents approximately 6.25% (2016: 5.78%) of the ordinary shares in issue and approximately 6.25% (2016: 5.00%) of the total issued share capital of the Company (assuming full conversion of the convertible preference shares in issue as at 31 December 2016) as at the date of approval of these financial statements.

37. 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 72 and 73 to the financial statements.

Share option reserve

It comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits should the related share options lapse or be forfeited.

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 a deemed contribution from the then controlling shareholder;

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

(v) the difference between the carrying amount of the share of net assets acquired and the consideration in respect of the acquisition of the non-controlling interest in a subsidiary during the year ended 31 December 2017.

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.

38. 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 below:

	Notes	2017					2016
		Nanchang County Lvchuan New Energy Company Limited HK$'000 (note (a)(i))	Xingyi Zhonghong New Energy Co. Ltd HK$'000 (note (a)(ii))	Ningxia Jinxiulongteng New Energy Co. Ltd and its subsidiary HK$'000 (note (a)(iii))	Others HK$'000	Total HK$'000	Total HK$'000 (notes (a) (iv) to (viii))
Property, plant and equipment	14	551,028	455,285	680,628	1,628,635	3,315,576	7,800,259
Prepaid land lease payments	16	7,838	3,820	15,823	18,725	46,206	104,335
Property under development		–	–	–	136,606	136,606	–
Operating rights	19	–	–	147,676	–	147,676	391,555
Deferred tax assets	34	–	–	–	–	–	15,563
Inventories		–	–	–	5,727	5,727	3,288
Trade and bills receivables		76,085	60,568	24,374	110,733	271,760	382,482
Prepayments, deposits and other receivables		247,710	57,699	12,843	208,080	526,332	147,567
Other tax recoverables		78,588	44,251	91,686	183,165	397,690	873,499
Restricted cash and pledged bank deposits		–	–	–	–	–	40,897
Cash and cash equivalents		117	–	6,331	213,957	220,405	81,375
Trade and bills payables		–	–	–	(83,051)	(83,051)	(114,834)
Other payables and accruals		(58,782)	(7,955)	(804,617)	(1,854,583)	(2,725,937)	(8,779,442)
Interest-bearing bank borrowings		–	–	–	(34,591)	(34,591)	–
Finance lease payables		(925,514)	(361,620)	–	(297,114)	(1,584,248)	–
Income tax payables		–	–	–	–	–	(21)
Deferred tax liabilities	34	(3,713)	–	(37,626)	(10,391)	(51,730)	(97,889)
Total identifiable net assets/(liabilities) at fair value		(26,643)	252,048	137,118	225,898	588,421	848,634
Non-controlling interests		–	–	–	(45,813)	(45,813)	(13,183)
		(26,643)	252,048	137,118	180,085	542,608	835,451
Goodwill	17	–	23,162	58,154	96,614	177,930	175,124
Gains on bargain purchase		–	–	–	–	–	(78,669)
		(26,643)	275,210	195,272	276,699	720,538	931,906
Satisfied by:							
Cash consideration		–	275,210	195,272	276,699	747,181	938,309
Transfer from other non-current assets/liabilities, net		(26,643)	–	–	–	(26,643)	(6,403)
		(26,643)	275,210	195,272	276,699	720,538	931,906

38. BUSINESS COMBINATIONS (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Cash consideration	**(747,181)**	(938,309)
Cash and cash equivalents acquired	**220,405**	81,375
Outstanding cash consideration at end of year (note 31(a))	**540,208**	360,866
Transfer from other non-current assets/liabilities, net	**26,643**	6,403
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	**40,075**	(489,665)

The transaction costs incurred by the Group for the acquisitions had been expensed and also included in administrative expenses in the consolidated statements of profit or loss for the years ended 31 December 2017 and 2016.

Since the acquisition, these acquired entities contributed HK$1,343,064,000 (2016: HK$2,490,033,000) to the Group's revenue and HK$86,812,000 (2016: HK$261,425,000) to the consolidated profit for the year ended 31 December 2017.

Had the above business combinations taken place at the beginning of the year, the Group's profit for the year would have been HK$1,736,090,000 (2016: HK$583,067,000) and the Group's revenue would have been HK$10,290,677,000 (2016: HK$3,354,527,000).

Notes:

(a) During the year ended 31 December 2017, the Group acquired 19 companies (2016: 35 companies) from certain independent vendors engaging in the Photovoltaic Power Business and the Clean Heat Supply Business (2016: the Photovoltaic Power Business and the Wind Power Business) and recorded goodwill of HK$177,930,000 (2016: HK$175,124,000) and gains on bargain purchase of nil (2016: HK$78,669,000). Details of the material acquisitions for the years ended 31 December 2017 and 2016 are as follows:

(i) in December 2017, the Group completed the acquisition of the 100% equity interest in Nanchang County Lvchuan New Energy Company Limited from independent third parties for nil consideration, which is principally engaged in the operation of a photovoltaic power plant located in Jiangxi Province, the PRC;

(ii) in December 2017, the Group completed the acquisition of the 100% equity interest in Xingyi Zhonghong New Energy Co. Ltd. from an independent third party for a cash consideration of RMB238,678,000 (equivalent to HK$275,210,000), which is principally engaged in the operation of a photovoltaic power plant located in Guizhou province, the PRC;

38. BUSINESS COMBINATIONS (CONTINUED)

Notes: (Continued)

(a) (Continued)

(iii) in December 2017, the Group completed the acquisition of the 100% equity interests in Ningxia Jinxiulongteng New Energy Co. Ltd. and its subsidiary from independent third parties for a cash consideration of RMB169,351,000 (equivalent to HK$195,272,000), which are principally engaged in the operation of a photovoltaic power plant located in the Ningxia Hui Autonomous Region, the PRC;

(iv) 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;

(v) 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;

(vi) 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;

(vii) 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; and

(viii) 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.

(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$271,760,000 (2016: HK$382,482,000) and HK$360,717,000 (2016: HK$124,073,000), respectively.

39. DISPOSAL OF SUBSIDIARIES

	Notes	2017 HK$'000	2016 HK$'000
Property, plant and equipment	14	**298,843**	–
Goodwill	17	**18,507**	–
Operating right	19	**16,103**	–
Investment in associates		**4,595**	–
Prepaid land lease payments	16	**23,057**	–
Property under development		**181,382**	–
Inventories		**137**	–
Trade and bills receivables		**41,658**	–
Prepayments, deposits and other receivables		**183,880**	–
Other tax recoverables		**33,517**	–
Cash and cash equivalents		**86,076**	–
Trade payables		**(975)**	–
Other payables and accruals		**(718,680)**	–
Interest-bearing bank borrowings		**(112,261)**	–
Deferred tax liability	34	**(4,026)**	–
Income tax payables		**(24)**	–
Non-controlling interests		**(36,359)**	–
		15,430	–
Elimination of unrealised gain on disposal of a subsidiary		**16,833**	–
Gains on disposal of subsidiaries	5	**35,211**	–
		67,474	–
Satisfied by:			
Cash consideration		**67,474**	–

Note:

Details of the material disposals are as follows:

(i) In September 2017, pursuant to an equity transfer agreement entered into between the Group and 北京北控蘇銀股權投資管理中心（有限合夥）(Beijing BE Suyin Equity Investment Management Centre (Limited Partnership)*, a joint venture of the Group), the Group disposed of the entire equity interest in 潤峰電力（鄯西）有限公司 (Runfeng Power (Yunxi) Company Limited*, "Runfeng Yunxi") for a cash consideration of approximately RMB34 million (equivalent to approximately HK$40 million). Runfeng Yunxi is engaged in the operation of a photovoltaic power plant in the PRC; and

(ii) In March 2017, pursuant to an equity transfer agreement entered into between the Group and an independent third party, the Group disposed of the entire equity interest in 惠州金彩印務有限公司 (Huizhou Jin Cai Printing Company Limited*, "Huizhou Jin Cai") for a cash consideration of approximately RMB23 million (equivalent to approximately HK$27 million). At the time of disposal, Huizhou Jin Cai did not actively engage in any business other than holding a vacant manufacturing plant in the PRC.

* For identification purposes only

39. DISPOSAL OF SUBSIDIARIES (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Cash consideration	**67,474**	–
Cash and cash equivalents disposed of	**(86,076)**	–
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(18,602)**	–

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings HK$'000	**Finance lease payables** HK$'000
At 1 January 2017	4,828,137	2,806,176
Changes from financing cash flows	1,384,259	5,726,310
Refundable security deposits under finance leases	–	206,717
Interest expenses	195,258	323,929
Increase arising from acquisition of subsidiaries (note 38)	34,591	1,584,248
Decrease arising from disposal of subsidiaries (note 39)	(112,261)	–
Foreign exchange movement	200,079	531,243
At 31 December 2017	6,530,063	11,178,623

41. CONTINGENT LIABILITIES

At 31 December 2017, the Group did not have any significant contingent liabilities (2016: Nil).

42. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases its office properties, motor vehicles and certain land situated in the PRC under operating lease arrangements (2016: also included manufacturing plants) with leases negotiated for terms ranging from 1 to 26 years (2016: 1 to 50 years).

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**39,679**	37,375
In the second to fifth years, inclusive	**101,431**	116,851
After five years	**395,910**	415,847
	537,020	570,073

43. COMMITMENTS

(a) In addition to the operating lease commitments detailed in note 42 above, the Group had the following capital commitments at the end of the reporting period:

	2017 **HK$'000**	2016 HK$'000
Contracted, but not provided for:		
Construction, material and equipment costs for the development of photovoltaic power plants	**2,578,190**	2,368,031
Capital contributions to joint ventures	**622,897**	–
	3,201,087	2,368,031

(b) The Group entered into certain cooperative agreements, pursuant to which subject to certain conditions including, among others, successful grid-connected power generation, among others, the Group may enter into equity transfer agreements for acquisitions of equity interests in several photovoltaic and wind power, and clean heat supply businesses. In the opinion of the Directors, the aggregate maximum amount of consideration for the potential acquisitions was expected to be approximately HK$1,241 million (2016: approximately HK$1,508 million), of which deposits of HK$421,600,000 (2016: HK$347,446,000) (note 27(b)(i)) have been placed as at 31 December 2017.

Save as disclosed above, at 31 December 2017, the Group did not have any significant commitments.

44. RELATED PARTY DISCLOSURES

(a) The Group had the following transactions with related parties during the year:

Name of related group/company	Nature of transaction	Notes	2017 HK$'000	2016 HK$'000
BEWG and its subsidiaries	Sales of electricity	(i)	**2,543**	–
BEWG	Licence fee	(ii)	**1,506**	–
Controlled by BEWG: 北控水務(中國)投資有限公司 (Beijing Enterprises Water (China) Investment Co., Ltd*)	Rental expenses	(ii)	**7,875**	–

* For identification purposes only

(i) The sales to a related group were made according to the published prices and conditions offered by the Group to its customers. The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) The licence fee and the rental expenses were charged on a mutually-agreed basis, which approximated to market rates. The related party transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Save as disclosed elsewhere in these financial statements, the Group had no material transactions and outstanding balances with related parties during the years ended 31 December 2017 and 2016.

(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.

45. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets and liabilities of Group as at 31 December 2017 and 2016 were available-for-investment, loans and receivables, and financial liabilities at amortised cost, respectively.

46. 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 approximate to their carrying amounts largely due to the short term maturities of these instruments.

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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include cash and cash equivalents, 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 2.4 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.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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$'000
2017		
HK$	**100**	**(41,976)**
RMB	**100**	**(134,463)**
HK$	**(100)**	**41,976**
RMB	**(100)**	**134,463**
2016		
HK$	100	(22,755)
RMB	100	(53,420)
HK$	(100)	22,755
RMB	(100)	53,420

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 an impact on the operating results of the Group.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk (Continued)

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	Increase/ (decrease) in equity
	%	HK$'000	HK$'000
2017			
If HK$ weakens against RMB	**1.00**	**19,982**	**73,218**
If HK$ strengthens against RMB	**(1.00)**	**(19,982)**	**(73,218)**
2016			
If HK$ weakens against RMB	1.00	7,224	26,432
If HK$ strengthens against RMB	(1.00)	(7,224)	(26,432)

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, 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 trade and bills receivables and other receivables as disclosed in notes 26 and 27 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 5% (2016: 20%) and 14% (2016: 43%) of the Group's trade and bills receivables were due from the Group's largest customer and the five largest customers respectively.

47. 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 receivables, the issue of new 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
2017								
Trade and bills payables	**–**	**4,631,417**	**–**	**–**	**–**	**–**	**–**	**4,631,417**
Other payables	**–**	**3,940,304**	**–**	**–**	**–**	**–**	**–**	**3,940,304**
Interest-bearing bank and other borrowings	**450,000**	**1,107,100**	**1,511,793**	**2,738,169**	**232,187**	**223,378**	**1,020,318**	**7,282,945**
Finance lease payables	**–**	**2,021,350**	**1,695,026**	**3,115,423**	**1,461,418**	**1,331,431**	**4,322,735**	**13,947,383**
	450,000	**11,700,171**	**3,206,819**	**5,853,592**	**1,693,605**	**1,554,809**	**5,343,053**	**29,802,049**
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

The exposure of the Group's financial guarantee contracts in relation to interests in joint ventures and the available-for-sale investment is disclosed in notes 21 and 23 to the financial statements.

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.

47. 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 2017 and 2016 were as follows:

	2017 HK$'000	2016 HK$'000
Interest-bearing bank and other borrowings	**6,530,063**	4,828,137
Finance lease payables	**11,178,623**	2,806,176
Less: Cash and cash equivalents	**(4,772,754)**	(1,633,214)
Net debt	**12,935,932**	6,001,099
Total equity	**9,004,029**	4,484,876
Gearing ratio	**144%**	134%

48. EVENTS AFTER THE REPORTING PERIOD

(a) Pursuant to the equity transfer agreement dated 10 January 2018 entered into between Champion South (Hong Kong) Limited ("Champion South", a wholly-owned subsidiary of the Company) (as the purchaser) and two independent third parties of the Group (as the vendors), the vendors agreed to dispose of, and Champion South agreed to acquire, a 20% equity interest in 北控風力發電有限公司 (Beijing Enterprises Wind Power Generation Company Limited*, "BE Wind Power", a 50%-owned subsidiary of the Company) for nil consideration. BE Wind Power becomes a 70%-owned subsidiary of the Company upon completion of the transaction. Further details of the acquisition are set out in the Company's announcement dated 10 January 2018; and

(b) Pursuant to the agreement dated 10 January 2018 entered into between the Company (as the seller) and Ms. Huang Li (as the purchaser), the Cigarette Packaging Business was disposed of by the Company to Ms. Huang Li for a consideration of HK$258,868,000. The disposal was completed on 17 January 2018. Further details of the disposal are set out in the Company's announcement dated 10 January 2018.

49. COMPARATIVE AMOUNTS

The weighted average number of ordinary shares and convertible preference shares of the Company adopted in the calculation of basic and diluted earnings per share amounts for the year has been adjusted retrospectively to reflect the impact of the Open Offer completed on 5 September 2017.

* For identification purposes only

50. 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:

	2017 **HK$'000**	2016 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**749**	983
Interests in subsidiaries	**4,394,464**	3,988,757
	4,395,213	3,989,740
CURRENT ASSETS		
Prepayments, deposits and other receivables	**4,533,287**	2,044,265
Cash and cash equivalents	**1,173,846**	140,461
Total current assets	**5,707,133**	2,184,726
CURRENT LIABILITIES		
Interest-bearing bank borrowings	**628,000**	1,287,110
Other payables and accruals	**7,404**	8,393
Total current liabilities	**635,404**	1,295,503
NET CURRENT ASSETS	**5,071,729**	889,223
TOTAL ASSETS LESS CURRENT LIABILITIES	**9,466,942**	4,878,963
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**3,569,594**	988,388
Net assets	**5,897,348**	3,890,575
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**63,525**	49,995
Reserves (Note)	**5,833,823**	3,840,580
Total equity	**5,897,348**	3,890,575

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

Note:

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

	Share premium account HK$'000	Share option reserve HK$'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 (note 35(c))	683,605	–	–	–	683,605
Issue of new convertible preference shares (note 35(b))	1,481,979	–	–	–	1,481,979
At 31 December 2016 and 1 January 2017	4,060,366	–	2,799	(222,585)	3,840,580
Profit and total comprehensive income for the year	–	–	–	121,657	121,657
Issue of new ordinary shares upon completion of the Open Offer (note 35(d))	1,320,404	–	–	–	1,320,404
Issue of new convertible preference shares (note 35(b))	370,496	–	–	–	370,496
Issue of new ordinary shares for acquisition of investment properties (note 35(e))	174,029	–	–	–	174,029
Equity-settled share option arrangements (note 36)	–	6,657	–	–	6,657
At 31 December 2017	5,925,295	6,657	2,799	(100,928)	5,833,823

The share option reserve comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits should the related share options lapse or be forfeited.

51. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Board on 27 March 2018.

Five-Year Financial Summary

Year ended 31 December 2017

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				
	2017	2016	2015	2014 (Restated)	2013 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**10,039,549**	2,890,176	288,930	209,426	213,284
PROFIT BEFORE TAX	**1,862,233**	666,485	65,963	46,024	45,395
Income tax expense	**(285,907)**	(137,238)	(27,471)	(17,255)	(18,786)
PROFIT FOR THE YEAR	**1,576,326**	529,247	38,492	28,769	26,609
Attributable to equity holders of the Company	**1,560,348**	505,101	38,492	28,769	26,609

ASSETS AND LIABILITIES

	As at 31 December				
	2017	2016	2015	2014 (Restated)	2013 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**35,995,682**	17,578,615	2,779,419	401,638	391,565
Total liabilities	**(26,991,653)**	(13,093,739)	(660,912)	(144,313)	(143,246)
	9,004,029	4,484,876	2,118,507	257,325	248,319

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 of the Company; and (ii) for the years ended 31 December 2013 to 2014 has also been adjusted for the change of presentation currency.