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**CGN Power Co., Ltd.\***

**中國廣核電力股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1816)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2016**

### **FINANCIAL HIGHLIGHTS**

The Company has completed the acquisition (the “**Acquisition**”) of 61% equity interest in Fangchenggang Nuclear, 100% equity interest in Lufeng Nuclear and 100% equity interest in CGN Engineering held by China General Nuclear Power Corporation (“**CGNPC**”), the ultimate holding company of the Company. As the Company, Fangchenggang Nuclear, Lufeng Nuclear and CGN Engineering are under common control of CGNPC, the above acquisition has been recorded as a business combination under common control. The assets and liabilities of Fangchenggang Nuclear, Lufeng Nuclear and CGN Engineering have been recognized in the consolidated financial statements of the Group at the carrying amounts previously recognized in CGNPC’s consolidated financial statements. The financial data of 2015 in the consolidated financial statements of the Group have been restated as if the combination had occurred prior to the starting of the earliest period presented. For the year ended December 31, 2016:

- Revenue of the Group was RMB32,890,307,000, representing an increase of 22.7% over last year (as restated) and an increase of 41.4% over last year (before restatement).
- Profit for the year attributable to owners of the Company was RMB7,286,934,000, representing an increase of 3.7% over last year (as restated) and an increase of 10.5% over last year (before restatement).
- Profit for the year attributable to owners of the Company (excluding the effects of net foreign exchange (losses) gains) was RMB7,544,077,000, representing an increase of 12.0% over last year (as restated) and an increase of 19.7% over last year (before restatement).
- The Board recommended a payment of final cash dividend of RMB0.051 (inclusive of tax) per share.

\* For identification purpose only

The board of directors (the “**Board**”) of CGN Power Co., Ltd. (the “**Company**”, “**we**” or “**us**”) hereby announces the consolidated operating results of the Company and its subsidiaries (the “**Group**”) for the year ended December 31, 2016 (the “**Reporting Period**”) together with the comparative figures for the year 2015 (as restated). The financial information of the Group for the year ended December 31, 2016 shown in this results announcement is based on the audited consolidated financial statements prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“**Hong Kong Companies Ordinance**”).

## SUMMARY

We are committed to pursuing the management value with integrity and transparency, upholding high standards of governance, and striving to maintain the stable business growth of the Company, so as to create the best benefit for our customers, shareholders, employees and our society.

In 2016, the international and domestic environment was complex and volatile. The changes in policies, structural adjustments and intensification of reforms all created profound impact on our operation and development. Faced with such new situations, we continued to focus on the safe and stable operation of the generating units in operation, facilitated the construction of units under construction and continuously strengthened the communication and cooperation with our customers and relevant parties. Through the joint efforts of all employees, the Company achieved stable growth in terms of business scale and operating results. By the end of 2016, we managed 19 nuclear power generating units in operation, with a total annual on-grid power generation of 115,583.57 GWh, representing a year-on-year increase of 30.83% as compared with that of 2015. Among which, the total annual on-grid power generation of the subsidiaries of the Company reached 75,556.10 GWh, representing a year-on-year increase of 31.33% as compared with that of 2015, the total annual on-grid power generation of the joint ventures of the Company reached 22,336.44 GWh, representing a year-on-year increase of 22.56% as compared with that of 2015, and the total annual on-grid power generation of the associates of the Company is 17,691.03 GWh, representing a year-on-year increase of 40.50% as compared with that of 2015. As of the end of 2016, we were conducting the engineering construction of 9 nuclear power generating units.

The Company has placed primary importance on safety and taken the initiatives to adapt to the changes in the industry and market development, while expanding the business scale and striving for excellence, so as to maintain steady growth. We strive to expand the domestic market, closely follow the investment strategies in the international market, and seek for expansion by taking proper approaches at appropriate timing. We will continue to create value for our shareholders and make efforts to the improvement of regional economy and the promotion of the community development.

## FINANCIAL INFORMATION

The financial information set out below in this announcement is extracted from the Company's 2016 Annual Report. Such financial information has been reviewed by the audit and risk management committee of the Company, approved by the Board and has been agreed by Deloitte Touche Tohmatsu, the external auditor of the Company. The consolidated financial statements of the Company for the year 2016 prepared in accordance with the IFRSs has been audited by the external auditor of the Company with unqualified audit opinion being issued.

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2016

|                                                                                    | NOTES | 2016<br>RMB'000 | 2015<br>RMB'000<br>(Restated) |
|------------------------------------------------------------------------------------|-------|-----------------|-------------------------------|
| Revenue                                                                            | 5     | 32,890,307      | 26,795,904                    |
| Less: Tax surcharge                                                                |       | (437,066)       | (459,736)                     |
| Cost of sales and services                                                         |       | (18,096,205)    | (14,315,537)                  |
| Gross profit                                                                       |       | 14,357,036      | 12,020,631                    |
| Other income                                                                       | 6     | 1,657,690       | 2,029,078                     |
| Net loss arising from changes in fair value of<br>derivative financial instruments |       | (13,844)        | (154,926)                     |
| Selling and distribution expenses                                                  |       | (99,702)        | (175,937)                     |
| Other expenses                                                                     |       | (751,802)       | (613,130)                     |
| Administrative expenses                                                            |       | (2,258,557)     | (2,037,449)                   |
| Other gains and losses                                                             | 7     | (520,533)       | 511,362                       |
| Share of results of associates                                                     |       | 539,422         | 368,627                       |
| Share of results of joint ventures                                                 |       | 751,125         | 664,530                       |
| Finance costs                                                                      | 8     | (4,083,346)     | (2,974,895)                   |
| Profit before taxation                                                             | 9     | 9,577,489       | 9,637,891                     |
| Taxation                                                                           | 10    | (652,782)       | (1,098,865)                   |
| Profit for the year                                                                |       | 8,924,707       | 8,539,026                     |

|                                                                          | NOTES | 2016<br>RMB'000 | 2015<br>RMB'000<br>(Restated) |
|--------------------------------------------------------------------------|-------|-----------------|-------------------------------|
| Other comprehensive income (expenses):                                   |       |                 |                               |
| Items that may be reclassified subsequently to<br>profit or loss:        |       |                 |                               |
| – Exchange differences arising on translation of a<br>subsidiary         |       | 498,373         | 425,375                       |
| – Share of other comprehensive (expenses) income<br>of associates        |       | (152,116)       | 229,195                       |
| – Others                                                                 |       | (2,690)         | 1,652                         |
| Other comprehensive income for the year                                  |       | 343,567         | 656,222                       |
| Total comprehensive income for the year                                  |       | 9,268,274       | 9,195,248                     |
| Profit for the year attributable to:                                     |       |                 |                               |
| Owners of the Company                                                    |       | 7,286,934       | 7,029,383                     |
| Non-controlling interests                                                |       | 1,637,773       | 1,509,643                     |
|                                                                          |       | 8,924,707       | 8,539,026                     |
| Total comprehensive income attributable to:                              |       |                 |                               |
| Owners of the Company                                                    |       | 7,505,902       | 7,577,609                     |
| Non-controlling interests                                                |       | 1,762,372       | 1,617,639                     |
|                                                                          |       | 9,268,274       | 9,195,248                     |
| Earnings per share attributable to owners of<br>the Company, basic (RMB) | 11    | 0.160           | 0.155                         |

**Consolidated Statement of Financial Position**  
**As at December 31, 2016**

|                                              | NOTES | December 31,<br>2016<br>RMB'000 | December 31,<br>2015<br>RMB'000<br>(Restated) | January 1,<br>2015<br>RMB'000<br>(Restated) |
|----------------------------------------------|-------|---------------------------------|-----------------------------------------------|---------------------------------------------|
| <b>NON-CURRENT ASSETS</b>                    |       |                                 |                                               |                                             |
| Property, plant and equipment                |       | 216,509,163                     | 199,176,595                                   | 179,584,334                                 |
| Intangible assets                            |       | 3,065,535                       | 2,991,275                                     | 2,591,440                                   |
| Investment properties                        |       | 320,333                         | 659,106                                       | 704,847                                     |
| Interests in associates                      |       | 7,837,967                       | 7,005,105                                     | 6,951,251                                   |
| Interests in joint ventures                  |       | 4,199,132                       | 4,152,147                                     | 4,346,043                                   |
| Available-for-sale investments               |       | 195,310                         | 195,310                                       | 195,310                                     |
| Deferred tax assets                          |       | 1,687,249                       | 1,500,789                                     | 1,304,431                                   |
| Derivative financial instruments             |       | 1,416                           | 8,346                                         | 18,137                                      |
| Prepayments and value-added tax recoverable  | 13    | 6,277,564                       | 5,838,094                                     | 6,729,459                                   |
| Prepaid lease payments                       |       | 2,959,611                       | 2,986,488                                     | 2,924,428                                   |
| Deposits for property, plant and equipment   |       | 755,884                         | 1,512,079                                     | 894,724                                     |
| Loans receivable                             |       | —                               | 30,000                                        | 60,000                                      |
| Other assets                                 |       | —                               | 12,143                                        | 12,143                                      |
|                                              |       | <u>243,809,164</u>              | <u>226,067,477</u>                            | <u>206,316,547</u>                          |
| <b>CURRENT ASSETS</b>                        |       |                                 |                                               |                                             |
| Inventories                                  |       | 13,137,983                      | 12,940,437                                    | 10,456,331                                  |
| Amounts due from customers for contract work |       | 5,300,838                       | 3,280,422                                     | 1,515,005                                   |
| Prepaid lease payments                       |       | 85,649                          | 85,180                                        | 82,295                                      |
| Trade and bills receivables                  | 12    | 5,735,493                       | 6,363,846                                     | 4,591,935                                   |
| Prepayments and other receivables            | 13    | 7,360,943                       | 6,915,091                                     | 5,369,750                                   |
| Amounts due from related parties             |       | 1,625,292                       | 1,364,424                                     | 801,680                                     |
| Loan to a fellow subsidiary                  |       | —                               | —                                             | 180,000                                     |
| Loan receivable                              |       | —                               | 30,000                                        | 30,000                                      |
| Derivative financial instruments             |       | 12,521                          | 23,226                                        | 34,505                                      |
| Restricted bank deposits                     |       | 6,400                           | 11,475                                        | 8,678                                       |
| Other deposits over three months             |       | 2,047,000                       | 2,902,679                                     | 2,930,821                                   |
| Cash and cash equivalents                    |       | 8,456,534                       | 11,381,296                                    | 33,278,990                                  |
|                                              |       | <u>43,768,653</u>               | <u>45,298,076</u>                             | <u>59,279,990</u>                           |
| Assets classified as held for sale           |       | <u>55,977</u>                   | <u>—</u>                                      | <u>—</u>                                    |
|                                              |       | <u>43,824,630</u>               | <u>45,298,076</u>                             | <u>59,279,990</u>                           |

|                                                                            | NOTES | December 31,<br>2016<br>RMB'000 | December 31,<br>2015<br>RMB'000<br>(Restated) | January 1,<br>2015<br>RMB'000<br>(Restated) |
|----------------------------------------------------------------------------|-------|---------------------------------|-----------------------------------------------|---------------------------------------------|
| <b>CURRENT LIABILITIES</b>                                                 |       |                                 |                                               |                                             |
| Trade and other payables                                                   | 14    | 19,294,867                      | 17,759,008                                    | 14,859,178                                  |
| Amounts due to customers for contract work                                 |       | 855,926                         | 545,553                                       | 1,965,738                                   |
| Amounts due to related parties                                             | 15    | 8,081,680                       | 1,532,038                                     | 5,279,928                                   |
| Loans from ultimate holding company                                        | 16    | 1,025,500                       | 2,725,500                                     | 3,895,000                                   |
| Loans from fellow subsidiaries                                             | 16    | 3,651,242                       | 200,000                                       | 855,191                                     |
| Loans from an associate                                                    | 16    | 3,945,435                       | 3,218,275                                     | 1,403,209                                   |
| Payable to ultimate holding company                                        | 16    | —                               | 1,995,921                                     | 3,530,000                                   |
| Income tax payable                                                         |       | 630,519                         | 783,324                                       | 547,015                                     |
| Provisions                                                                 | 17    | 1,060,000                       | 834,864                                       | 770,320                                     |
| Bank borrowings – due within one year                                      |       | 20,806,759                      | 11,634,378                                    | 12,884,451                                  |
| Notes payable – due within one year                                        |       | 5,600,000                       | 2,500,000                                     | —                                           |
| Derivative financial instruments                                           |       | 215,036                         | 218,013                                       | 135,022                                     |
|                                                                            |       | <u>65,166,964</u>               | <u>43,946,874</u>                             | <u>46,125,052</u>                           |
| Liabilities directly associated with assets<br>classified as held for sale |       | <u>699</u>                      | <u>—</u>                                      | <u>—</u>                                    |
|                                                                            |       | <u>65,167,663</u>               | <u>43,946,874</u>                             | <u>46,125,052</u>                           |
| <b>NET CURRENT (LIABILITIES) ASSETS</b>                                    |       | <u>(21,343,033)</u>             | <u>1,351,202</u>                              | <u>13,154,938</u>                           |
| <b>TOTAL ASSETS LESS</b>                                                   |       |                                 |                                               |                                             |
| <b>CURRENT LIABILITIES</b>                                                 |       | <u>222,466,131</u>              | <u>227,418,679</u>                            | <u>219,471,485</u>                          |

|                                                 | NOTES | December 31,<br>2016<br>RMB'000 | December 31,<br>2015<br>RMB'000<br>(Restated) | January 1,<br>2015<br>RMB'000<br>(Restated) |
|-------------------------------------------------|-------|---------------------------------|-----------------------------------------------|---------------------------------------------|
| <b>NON-CURRENT LIABILITIES</b>                  |       |                                 |                                               |                                             |
| Bank borrowings – due after one year            |       | 124,482,040                     | 118,861,227                                   | 109,629,837                                 |
| Notes payable – due after one year              |       | 7,993,568                       | 11,091,066                                    | 11,600,000                                  |
| Deferred tax liabilities                        |       | 1,615,117                       | 1,911,902                                     | 1,695,069                                   |
| Deferred income                                 |       | 984,873                         | 1,031,309                                     | 1,070,641                                   |
| Provisions                                      | 17    | 2,467,433                       | 1,755,732                                     | 1,526,003                                   |
| Derivative financial instruments                |       | 5,744                           | 140,634                                       | 259,984                                     |
| Borrowings from a financial institution         |       | —                               | —                                             | 953,467                                     |
| Loans from a fellow subsidiary                  | 16    | —                               | 3,680,000                                     | 2,553,197                                   |
| Loans from an associate                         | 16    | 2,989,975                       | 3,616,486                                     | 3,547,138                                   |
| Payable to ultimate holding company             | 16    | —                               | —                                             | 2,000,000                                   |
| Staff cost payables                             | 18    | 28,708                          | 10,690                                        | —                                           |
|                                                 |       | <u>140,567,458</u>              | <u>142,099,046</u>                            | <u>134,835,336</u>                          |
| <b>NET ASSETS</b>                               |       | <u><b>81,898,673</b></u>        | <u><b>85,319,633</b></u>                      | <u><b>84,636,149</b></u>                    |
| <b>CAPITAL AND RESERVES</b>                     |       |                                 |                                               |                                             |
| Share capital                                   | 19    | 45,448,750                      | 45,448,750                                    | 45,448,750                                  |
| Reserves                                        |       | <u>11,085,951</u>               | <u>15,406,666</u>                             | <u>17,468,747</u>                           |
| Equity attributable to owners<br>of the Company |       | 56,534,701                      | 60,855,416                                    | 62,917,497                                  |
| Non-controlling interests                       |       | <u>25,363,972</u>               | <u>24,464,217</u>                             | <u>21,718,652</u>                           |
| <b>TOTAL EQUITY</b>                             |       | <u><b>81,898,673</b></u>        | <u><b>85,319,633</b></u>                      | <u><b>84,636,149</b></u>                    |

## NOTES TO THE FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Company was established in the PRC on March 25, 2014 (date of establishment) as a joint stock company with limited liability under the Company Law of the PRC and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on December 10, 2014.

The parent and the ultimate holding company of the Company is China General Nuclear Power Corporation (“**CGNPC**”), a state-owned enterprise in the PRC controlled by the State-Owned Assets Supervision and Administration Commission of the State Council (the “**SASAC**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company and its principal subsidiaries.

### 2. ACQUISITION OF SUBSIDIARIES UNDER COMMON CONTROL

In September 2016, the Company entered into an equity transfer agreement with CGNPC, the ultimate holding company of the Group. Pursuant to the agreement, the Company acquired 61% equity interest in 廣西防城港核電有限公司 Guangxi Fangchenggang Nuclear Power Co., Ltd. (“**Fangchenggang Nuclear**”), 100% equity interest in 中廣核陸豐核電有限公司 CGN Lufeng Nuclear Power Co., Ltd. (“**Lufeng Nuclear**”), and 100% equity interest in CGN Engineering and its subsidiaries (collectively referred to as the “Acquired Companies”) from CGNPC at a cash consideration of RMB8,536,330,000 after making adjustment based on net assets’ value of the Acquired Companies on acquisition date to the consideration. RMB3,000,000,000 has been paid by the Company in 2016 and the remaining consideration of RMB5,536,330,000 is included in the other payable to CGNPC as at December 31, 2016. Fangchenggang Nuclear and Lufeng Nuclear are engaged in nuclear power generation and sale of nuclear electricity. CGN Engineering is engaged in investment holding and provision of construction and maintenance services for nuclear power plant and other construction projects. The transaction was completed on November 30, 2016.

As the Company and the Acquired Companies are under common control of CGNPC, the above acquisition has constituted a business combination under common control. The assets and liabilities of the Acquired Companies have been recognized in the consolidated financial statements of the Group at the carrying amounts recognized previously in CGNPC’s consolidated financial statements. The consolidated financial statements of the Group have been restated as if the combination had occurred prior to the start of the earliest period presented.

The effects of these restatements described above on the Group's consolidated financial statements are as follows:

|                                                 | <b>The Group</b> | <b>The Acquired</b> |                    | <b>The Group</b>     |
|-------------------------------------------------|------------------|---------------------|--------------------|----------------------|
|                                                 | <b>RMB'000</b>   | <b>Companies</b>    | <b>Elimination</b> | <b>(as restated)</b> |
|                                                 |                  | <b>RMB'000</b>      | <b>RMB'000</b>     | <b>RMB'000</b>       |
| <b>Results of operations for the year ended</b> |                  |                     |                    |                      |
| <b>December 31, 2015:</b>                       |                  |                     |                    |                      |
| Profit for the year                             | 8,072,576        | 827,111             | (360,661)          | 8,539,026            |
| Profit for the year attributable to:            |                  |                     |                    |                      |
| Owners of the Company                           | 6,593,646        | 798,017             | (362,280)          | 7,029,383            |
| Non-controlling interests                       | 1,478,930        | 29,094              | 1,619              | 1,509,643            |
| Total comprehensive income                      |                  |                     |                    |                      |
| attributable to:                                |                  |                     |                    |                      |
| Owners of the Company                           | 6,912,677        | 1,027,212           | (362,280)          | 7,577,609            |
| Non-controlling interests                       | 1,586,926        | 29,094              | 1,619              | 1,617,639            |
| Basic earnings per share (RMB)                  | 0.145            | —                   | —                  | 0.155                |
| <b>Consolidated statement of financial</b>      |                  |                     |                    |                      |
| <b>position as at January 1, 2015:</b>          |                  |                     |                    |                      |
| Non-current assets                              | 178,297,794      | 36,986,132          | (8,967,379)        | 206,316,547          |
| Current assets                                  | 42,590,705       | 19,305,826          | (2,616,541)        | 59,279,990           |
| Current liabilities                             | 28,468,715       | 26,062,044          | (8,405,707)        | 46,125,052           |
| Non-current liabilities                         | 113,344,953      | 21,490,383          | —                  | 134,835,336          |
| Equity attributable to owners                   |                  |                     |                    |                      |
| of the Company                                  | 59,450,087       | 6,553,856           | (3,086,446)        | 62,917,497           |
| Non-controlling interests                       | 19,624,744       | 2,185,675           | (91,767)           | 21,718,652           |
| <b>Consolidated statement of financial</b>      |                  |                     |                    |                      |
| <b>position as at December 31, 2015:</b>        |                  |                     |                    |                      |
| Non-current assets                              | 190,949,763      | 44,228,413          | (9,110,699)        | 226,067,477          |
| Current assets                                  | 26,851,595       | 20,337,291          | (1,890,810)        | 45,298,076           |
| Current liabilities                             | 25,290,982       | 26,118,527          | (7,462,635)        | 43,946,874           |
| Non-current liabilities                         | 113,800,603      | 28,298,443          | —                  | 142,099,046          |
| Equity attributable to owners                   |                  |                     |                    |                      |
| of the Company                                  | 56,636,949       | 7,667,193           | (3,448,726)        | 60,855,416           |
| Non-controlling interests                       | 22,072,824       | 2,481,541           | (90,148)           | 24,464,217           |

The effects of these restatements described above on the Group's consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2016 are as follows:

|                                                                              | <b>2016</b>             |
|------------------------------------------------------------------------------|-------------------------|
|                                                                              | <b>RMB'000</b>          |
| Increase in profit for the year                                              | <b>511,944</b>          |
| Increase in profit for the year attributable to:                             |                         |
| Owners of the Company                                                        | <b>447,414</b>          |
| Non-controlling interests                                                    | <b>64,530</b>           |
| Decrease in other comprehensive income attributable to owners of the Company | <b><u>(152,116)</u></b> |

The effects of these restatements described above on the Group's consolidated statement of financial position as at December 31, 2016 are as follows:

|                                                          | <b>December 31,</b>     |
|----------------------------------------------------------|-------------------------|
|                                                          | <b>2016</b>             |
|                                                          | <b>RMB'000</b>          |
| Increase in non-current assets                           | <b>34,559,884</b>       |
| Increase in current assets                               | <b>18,491,848</b>       |
| Increase in current liabilities                          | <b>30,826,896</b>       |
| Increase in non-current liabilities                      | <b>23,376,441</b>       |
| Decrease in equity attributable to owners of the Company | <b>(3,448,044)</b>      |
| Increase in non-controlling interests                    | <b><u>2,296,439</u></b> |

The effects of these restatements described above on the Group's cash flow for the years ended December 31, 2016 and 2015 are as follows:

|                                                                     | <b>2016</b>             | <b>2015</b>             |
|---------------------------------------------------------------------|-------------------------|-------------------------|
|                                                                     | <b>RMB'000</b>          | <b>RMB'000</b>          |
| Increase (decrease) in net cash generated from operating activities | <b>1,643,947</b>        | (2,483,272)             |
| Increase in net cash used in investing activities                   | <b>(3,585,841)</b>      | (6,036,514)             |
| Decrease in net cash used in financing activities                   | <b>1,032,660</b>        | 6,410,988               |
| Increase in cash and cash equivalents at the end of the year        | <b><u>3,307,597</u></b> | <b><u>4,202,703</u></b> |

The effects of these restatements described above on the Group's basic earnings per share for the years ended December 31, 2016 and 2015 are as follows:

|                                                                              | <b>2016</b>  | 2015  |
|------------------------------------------------------------------------------|--------------|-------|
|                                                                              | <b>RMB</b>   | RMB   |
| Figures before adjustments                                                   | <b>0.150</b> | 0.145 |
| Adjustments arising from acquisition of subsidiaries<br>under common control | <b>0.010</b> | 0.010 |
| Figures after adjustments                                                    | <b>0.160</b> | 0.155 |

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### **Basis of consolidation**

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

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

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

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

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

The allocation to non-controlling interests represents the proportion of total comprehensive income not held by group entities. In case where the Group's associate is a non-controlling shareholder of the Group's non-wholly owned subsidiary, non-controlling interests is measured as the proportion not held by the group entities.

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

### **Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity (including reserves and the non-controlling interests' proportionate share of recognized amount of the subsidiary's identifiable net assets) are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity impairment, and the fair value of the consideration paid or received is recognized directly in capital reserve and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

### **Interests in associates and joint ventures**

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

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

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates or joint ventures used for equity method accounting purpose are prepared using uniform accounting policies as these of the Group for like transactions and events in similar circumstances. Under the equity method, an interest in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net interest in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee, with a resulting gain or loss being recognized in profit or loss.

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

### **Merger accounting for business combination involving entities under common control**

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a short period.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

#### 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

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

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

#### 5. REVENUE AND SEGMENT INFORMATION

Revenue mainly represents revenue arising from sales of electricity derived from nuclear power plants.

An analysis of the Group's revenue for the year is as follows:

|                                                         | 2016<br>RMB'000   | 2015<br>RMB'000<br>(Restated) |
|---------------------------------------------------------|-------------------|-------------------------------|
| Sales of electricity                                    | 28,114,633        | 21,542,239                    |
| Revenue from construction contracts and design projects | 2,820,090         | 3,222,574                     |
| Revenue from technical and training service             | 1,029,728         | 1,061,557                     |
| Sales of equipment and other goods                      | 925,856           | 969,534                       |
|                                                         | <u>32,890,307</u> | <u>26,795,904</u>             |

Information reported to the board of directors of the Company, being the chief operating decision makers ("CODM") of the Group, for the purposes of resources allocation and assessment of performance focuses on the types of goods or services delivered or provided.

The Group has a single reportable segment for sales of electricity derived from nuclear power plant under IFRS 8 for the year ended December 31, 2015. During the year ended December 31, 2016, the Group has acquired the Acquired Companies from CGNPC which are under common control and the reportable segments have been changed to two segments, namely (i) nuclear power operation and sales of electricity and related technical services segment and (ii) engineering construction and technical services segment. Comparatives have been restated accordingly.

The CODM regularly review sales reports, electricity supply reports and construction progress reports. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from another operating segment. Summarized details of the reportable segments are as follows:

- (i) the nuclear power operation and sale of electricity and related technical services segment which mainly generates revenue from sale of electricity through nuclear power operation; and
- (ii) the engineering construction and technical services segment which generates revenue from construction of nuclear power plants and design projects, technical and training service, sales of equipment and other goods.

The accounting policies of the operating segments are the same as the Group's accounting policies. The segment revenue is the same as the Group's revenue. Segment profit is the Group's profit before taxation without taking into account of unrealized gain arising from changes in fair value of derivative financial instruments, share of results of the Group's associates and joint ventures. This is the measure reported to the CODM for resources allocation and performance assessment.

|                                                                                                   | For the year ended December 31, 2016                                                                                    |                                                                                |                     |                        |                   |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------|------------------------|-------------------|
|                                                                                                   | Nuclear power<br>operation<br>and sales of<br>electricity<br>and related<br>technical<br>services<br>segment<br>RMB'000 | Engineering<br>construction<br>and technical<br>services<br>segment<br>RMB'000 | Subtotal<br>RMB'000 | Elimination<br>RMB'000 | Total<br>RMB'000  |
| Revenue                                                                                           |                                                                                                                         |                                                                                |                     |                        |                   |
| External sales                                                                                    | 29,387,755                                                                                                              | 3,502,552                                                                      | 32,890,307          | —                      | 32,890,307        |
| Inter-segment sales                                                                               | 567,358                                                                                                                 | 10,928,341                                                                     | 11,495,699          | (11,495,699)           | —                 |
| Segment revenue                                                                                   | <u>29,955,113</u>                                                                                                       | <u>14,430,893</u>                                                              | <u>44,386,006</u>   | <u>(11,495,699)</u>    | <u>32,890,307</u> |
| Segment profit before taxation<br>reported to the board of directors                              | 8,072,725                                                                                                               | 789,131                                                                        | 8,861,856           | (695,323)              | 8,166,533         |
| Add: Unrealized gain arising from<br>changes in fair value of<br>derivative financial instruments | 120,409                                                                                                                 | —                                                                              | 120,409             | —                      | 120,409           |
| Add: Share of results of associates                                                               | 287,616                                                                                                                 | 199,768                                                                        | 487,384             | 52,038                 | 539,422           |
| Add: Share of results of joint ventures                                                           | 718,502                                                                                                                 | —                                                                              | 718,502             | 32,623                 | 751,125           |
| Group's profit before taxation                                                                    | <u>9,199,252</u>                                                                                                        | <u>988,899</u>                                                                 | <u>10,188,151</u>   | <u>(610,662)</u>       | <u>9,577,489</u>  |

For the year ended December 31, 2015 (Restated)

|                                                                                                   | Nuclear power<br>operation<br>and sales of<br>electricity<br>and related<br>technical<br>services<br>segment<br>RMB'000 | Engineering<br>construction<br>and technical<br>services<br>segment<br>RMB'000 | Subtotal<br>RMB'000 | Elimination<br>RMB'000 | Total<br>RMB'000  |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|---------------------|------------------------|-------------------|
| Revenue                                                                                           |                                                                                                                         |                                                                                |                     |                        |                   |
| External sales                                                                                    | 22,725,250                                                                                                              | 4,070,654                                                                      | 26,795,904          | —                      | 26,795,904        |
| Inter-segment sales                                                                               | 369,949                                                                                                                 | 11,883,132                                                                     | 12,253,081          | (12,253,081)           | —                 |
| Segment revenue                                                                                   | <u>23,095,199</u>                                                                                                       | <u>15,953,786</u>                                                              | <u>39,048,985</u>   | <u>(12,253,081)</u>    | <u>26,795,904</u> |
| Segment profit before taxation<br>reported to the board of directors                              | 8,337,954                                                                                                               | 939,678                                                                        | 9,277,632           | (688,449)              | 8,589,183         |
| Add: Unrealized gain arising from<br>changes in fair value of<br>derivative financial instruments | 15,551                                                                                                                  | —                                                                              | 15,551              | —                      | 15,551            |
| Add: Share of results of associates                                                               | 134,606                                                                                                                 | 193,025                                                                        | 327,631             | 40,996                 | 368,627           |
| Add: Share of results of joint ventures                                                           | 638,670                                                                                                                 | —                                                                              | 638,670             | 25,860                 | 664,530           |
| Group's profit before taxation                                                                    | <u>9,126,781</u>                                                                                                        | <u>1,132,703</u>                                                               | <u>10,259,484</u>   | <u>(621,593)</u>       | <u>9,637,891</u>  |

Inter-segment sales are charged at prevailing government-prescribed price and government-guided price, market prices.

### Geographical information

As the Group's operations and non-current assets are all located in the PRC, no other geographical segment information is presented.

## Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total sales of the Group are as follows:

|                                                                                                                                               | 2016<br>RMB'000 | 2015<br>RMB'000<br>(Restated) |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------------------|
| Entities under control by the PRC Government<br>(excluding entities under control by CGNPC,<br>a joint venture and an associate) <sup>1</sup> | 22,948,559      | 16,750,368                    |
| Entities under control by CGNPC <sup>2</sup>                                                                                                  | 859,929         | 454,310                       |
| A joint venture <sup>2</sup>                                                                                                                  | 1,297,774       | 1,723,112                     |
| An associate <sup>2</sup>                                                                                                                     | 1,768,354       | 2,062,531                     |
| An associate of CGNPC <sup>2</sup>                                                                                                            | 203,843         | —                             |
| Hong Kong Nuclear Investment Co., Ltd. (“HKNIC”) <sup>1</sup>                                                                                 | 5,166,074       | 4,791,981                     |

<sup>1</sup> revenue from sales of electricity to power grids and a non-controlling shareholder with significant influence over the relevant subsidiary from nuclear power operation and sale of electricity and related technical services segment

<sup>2</sup> revenue from construction contracts and design projects, technical and training service, and sales of equipment and other goods to related parties from the both segments

## Segment assets and liabilities

For the year ended December 31, 2015, for the purpose of allocating resources and assessing performance. The CODM regularly review the Group’s revenue and the Group’s profit as a whole and as such, there is only a single reportable segment. Accordingly, no segment assets and liabilities are presented.

During the year ended December 31, 2016, the Group has acquired entities under common control and two reportable segments, namely (i) nuclear power operation and sales of electricity and related technical services segment; and (ii) engineering construction and technical services segment are presented. Comparatives have been restated accordingly.

The following is an analysis of the Group's assets and liabilities by reporting segments:

|                                                                                           | <b>December 31,<br/>2016<br/>RMB'000</b> | December 31,<br>2015<br>RMB'000<br>(Restated) |
|-------------------------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------|
| Segment assets                                                                            |                                          |                                               |
| Nuclear power operation and sale of electricity<br>and related technical services segment | <b>265,001,229</b>                       | 249,576,254                                   |
| Engineering construction and technical services segment                                   | <b>22,580,130</b>                        | 23,496,649                                    |
| Total segment assets                                                                      | <b>287,581,359</b>                       | 273,072,903                                   |
| Unallocated assets                                                                        | <b>12,051,036</b>                        | 11,188,824                                    |
| Elimination                                                                               | <b>(11,998,601)</b>                      | (12,896,174)                                  |
| Total assets                                                                              | <b>287,633,794</b>                       | 271,365,553                                   |
| Segment liabilities                                                                       |                                          |                                               |
| Nuclear power operation and sale of electricity<br>and related technical services segment | <b>194,384,795</b>                       | 176,163,272                                   |
| Engineering construction and technical services segment                                   | <b>20,975,863</b>                        | 20,986,152                                    |
| Total segment liabilities                                                                 | <b>215,360,658</b>                       | 197,149,424                                   |
| Unallocated liabilities                                                                   | <b>220,780</b>                           | 358,647                                       |
| Elimination                                                                               | <b>(9,846,317)</b>                       | (11,462,151)                                  |
| Total liabilities                                                                         | <b>205,735,121</b>                       | 186,045,920                                   |

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

- all assets are allocated to operating segments other than interests in associates, interests in joint ventures and derivative financial instruments - assets.
- all liabilities are allocated to operating segments other than derivative financial instruments - liabilities.

## 6. OTHER INCOME

|                                              | 2016<br>RMB'000  | 2015<br>RMB'000<br>(Restated) |
|----------------------------------------------|------------------|-------------------------------|
| Value-added tax refunds (note a)             | 1,315,548        | 1,378,530                     |
| Interest income from bank deposits           | 53,407           | 218,869                       |
| Interest income from an associate            | 172,738          | 207,293                       |
| Rental income                                | 21,849           | 36,216                        |
| Dividend from available-for-sale investments | 14,433           | 17,570                        |
| Government grants                            |                  |                               |
| – related to expenses items (note b)         | 15,313           | 22,508                        |
| – related to assets                          | 64,402           | 148,092                       |
|                                              | <u>1,657,690</u> | <u>2,029,078</u>              |

Notes:

- (a) 嶺澳核電有限公司Ling Ao Nuclear Power Co, Ltd. (“**Ling’ao Nuclear**”), 嶺東核電有限公司Ling Dong Nuclear Power Co, Ltd. (“**Lingdong Nuclear**”), 陽江核電有限公司Yangjiang Nuclear Power Co., Ltd. (“**Yangjiang Nuclear**”) and Fangchenggang Nuclear, subsidiaries of the Company, are entitled to the value-added tax refund for the first 15 years for their revenue from the sales of electricity since the second month of commencement of reactor projects’ commercial operation. There were no conditions or limitations attached to these valued-added tax refunds. Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them (if applicable) and that the grants will be received.
- (b) The amounts represent incentives from various PRC government authorities in connection with the enterprise expansion support, technology advancement support and product development support for the years ended December 31, 2016 and 2015, which had no conditions imposed by the respective PRC government authorities.

## 7. OTHER GAINS AND LOSSES

|                                                                      | 2016<br>RMB'000  | 2015<br>RMB'000<br>(Restated) |
|----------------------------------------------------------------------|------------------|-------------------------------|
| Net foreign exchanges (losses)gains (note)                           | (528,532)        | 537,115                       |
| Gain on disposal of investment properties                            | 64,846           | —                             |
| Loss from disposal of interest in a subsidiary                       | (38,339)         | —                             |
| Gain from disposal of an associate                                   | —                | 19,463                        |
| (Allowance) reversal of allowance for<br>trade and other receivables | (4,323)          | 62                            |
| Allowance for prepayments and other receivables                      | —                | (32,220)                      |
| Impairment for property, plant and equipment                         | —                | (634)                         |
| Loss on disposals of intangible assets                               | —                | (7,370)                       |
| Loss on disposals of property, plant and equipment                   | (14,894)         | (6,041)                       |
| Others                                                               | 709              | 987                           |
|                                                                      | <u>(520,533)</u> | <u>511,362</u>                |

Note: Foreign exchange (losses)gains were incurred mainly due to the translating of different currency rates (at the end of the year with rates on different trading days or the rates at the beginning of the year) on monetary assets and monetary liabilities denominated in currencies other than the functional currencies.

## 8. FINANCE COSTS

|                                                                            | 2016<br>RMB'000    | 2015<br>RMB'000<br>(Restated) |
|----------------------------------------------------------------------------|--------------------|-------------------------------|
| Interest on bank borrowings                                                | 6,643,764          | 6,669,722                     |
| Interest on borrowings from a financial institution                        | —                  | 37,992                        |
| Interest on notes payable                                                  | 677,584            | 636,993                       |
| Interest on loans from ultimate holding company                            | 65,407             | 193,685                       |
| Interest on long-term payables to ultimate holding company                 | 81,233             | 156,524                       |
| Interest on loans from fellow subsidiaries                                 | 156,636            | 214,135                       |
| Interest on loans from an associate                                        | 300,126            | 298,872                       |
| Interests relating to provision for nuclear<br>power plant decommissioning | 131,701            | 99,338                        |
| Total interest expenses                                                    | <u>8,056,451</u>   | <u>8,307,261</u>              |
| Less: capitalized in construction in progress                              | <u>(3,973,105)</u> | <u>(5,332,366)</u>            |
| Total finance costs                                                        | <u>4,083,346</u>   | <u>2,974,895</u>              |

Borrowing costs capitalized during the year arose on the specific borrowings obtained for the construction work and the general borrowing pool by applying a capitalization rate ranging from 4.40% to 4.99% (2015: 5.24% to 5.56%).

## 9. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

|                                                    | 2016<br>RMB'000  | 2015<br>RMB'000<br>(Restated) |
|----------------------------------------------------|------------------|-------------------------------|
| Directors' emoluments                              | 2,441            | 2,172                         |
| Supervisors' emoluments                            | 4,990            | 2,406                         |
| Other staff costs:                                 |                  |                               |
| Salaries and other benefits                        | 6,931,369        | 6,482,550                     |
| Retirement benefit scheme contributions            | 442,797          | 388,394                       |
| Total staff costs                                  | 7,381,597        | 6,875,522                     |
| Less: Capitalized in property, plant and equipment | (2,627,073)      | (3,081,225)                   |
| Less: Capitalized in intangible assets             | (196,393)        | (251,049)                     |
|                                                    | <u>4,558,131</u> | <u>3,543,248</u>              |
| Depreciation and amortisation of:                  |                  |                               |
| – Property, plant and equipment                    | 4,719,520        | 3,598,742                     |
| Less: Capitalized in construction in progress      | (296,727)        | (308,514)                     |
|                                                    | <u>4,422,793</u> | <u>3,290,228</u>              |
| – Prepaid lease payments                           | 85,545           | 85,030                        |
| Less: Capitalized in construction in progress      | (19,622)         | (27,087)                      |
|                                                    | <u>65,923</u>    | <u>57,943</u>                 |
| – Intangible assets                                | 210,057          | 126,970                       |
| – Investment properties                            | 27,981           | 65,012                        |
|                                                    | <u>4,726,754</u> | <u>3,540,153</u>              |

|                                                                                                                                              | <b>2016</b>           | 2015                  |
|----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
|                                                                                                                                              | <b>RMB'000</b>        | RMB'000               |
|                                                                                                                                              |                       | (Restated)            |
| Auditor's remuneration                                                                                                                       | <b>6,830</b>          | 6,933                 |
| Allowance on inventories                                                                                                                     | <b>151,955</b>        | 144,288               |
| Cost of generating electricity (including cost of nuclear fuel consumed of RMB4,212,184,000 (2015: RMB3,260,084,000)) recognized as expenses | <b>13,063,444</b>     | 9,413,197             |
| Unrealized gain arising from fair value change in financial assets and liabilities at FVTPL                                                  | <b>(120,409)</b>      | (15,551)              |
| Realized loss arising from financial assets and liabilities at FVTPL                                                                         | <b>134,253</b>        | 170,477               |
| Gross rental income from investment properties                                                                                               | <b>(21,849)</b>       | (36,216)              |
| Less: Direct operating expenses including depreciation of investment properties and expenses incurred for generating rental income           | <b>36,916</b>         | 67,440                |
|                                                                                                                                              | <b><u>15,067</u></b>  | <b><u>31,224</u></b>  |
| Research and development expenses (note)                                                                                                     | <b>751,802</b>        | 613,130               |
| Provision for spent fuel management (included in cost of sales)                                                                              | <b>1,061,545</b>      | 834,213               |
| Provision for low and medium level radioactive waste management (included in cost of sales)                                                  | <b>14,648</b>         | 11,948                |
| Operating lease rentals in respect of rented premises                                                                                        | <b><u>329,661</u></b> | <b><u>163,722</u></b> |

Note: Research and development expenses are reported under "other expenses" line item on the face of consolidated statement of profit or loss and other comprehensive income, and included staff cost as well as expenses incurred to improve the safety and efficiency of nuclear power operation.

## 10. TAXATION

|                                         | 2016<br>RMB'000       | 2015<br>RMB'000<br>(Restated) |
|-----------------------------------------|-----------------------|-------------------------------|
| PRC Enterprise Income Tax (“EIT”)       |                       |                               |
| – Current year                          | 1,214,548             | 1,122,468                     |
| – (Over) under-provision in prior years | (8,907)               | 12,269                        |
|                                         | <u>1,205,641</u>      | <u>1,134,737</u>              |
| Deferred taxation                       | <u>(552,859)</u>      | <u>(35,872)</u>               |
| Taxation                                | <u><u>652,782</u></u> | <u><u>1,098,865</u></u>       |

The Company and its subsidiaries are subject to PRC EIT at 25%, except for the following subsidiaries which enjoyed certain tax exemption and relief.

深圳中廣核工程設計有限公司 China Nuclear Power Design Co., Ltd. (Shenzhen), 中廣核（北京）仿真技術有限公司 China Nuclear Power (Beijing) Simulation Technology Corporation Ltd. (“CNPSTC”), 中廣核檢測技術有限公司 CGN Inspection Technology Co., Ltd., 蘇州熱工研究院有限公司 Suzhou Nuclear Power Research Institute, 廣東核電合營有限公司 Guangdong Nuclear Power Joint Venture Co, Ltd. (“GNPJVC”), 中廣核研究院有限公司 China Nuclear Power Technology Research Institute (“CNPRI”), Ling’ao Nuclear and CGN Engineering were approved to enjoy the preferential tax rate of 15% in accordance with the relevant EIT laws and regulations for the years ended December 31, 2016 and 2015.

Lingdong Nuclear, Yangjiang Nuclear, Fangchenggang Nuclear, 台山核電合營有限公司 Taishan Nuclear Power Joint Venture Co., Ltd. (“Taishan Nuclear”) and Lufeng Nuclear, being enterprises engaged in public infrastructure project, were entitled to tax holiday of three years for EIT followed by 50% exemption for the next three years commencing from their first revenue generating year.

Pursuant to the Supplementary Notice of Tax Benefit Scheme in relation to Public Infrastructure Project 《關於公共基礎設施項目享受企業所得稅優惠政策問題的補充通知》 issued in July 2014, the tax authority clarified that for these public infrastructures which were approved as a whole and constructed at batches, the first revenue generating year of public infrastructure project should be based on each batch (such as individual reactor project) instead of the legal entity as a whole.

The first revenue generating year of two reactor projects of Lingdong Nuclear commenced in 2010 and 2011. The applicable tax rate for Lingdong Nuclear's first reactor project was 25% and the applicable tax rate for the second reactor project was 12.5% for year ended December 31, 2016 while the tax rate for its two reactors was both 12.5% for the year ended December 31, 2015.

The first revenue generating year of three reactor projects of Yangjiang Nuclear commenced in 2014, 2015 and 2016 respectively. Therefore, Yangjiang Nuclear is tax exempted for the years ended December 31, 2016 and 2015.

The first revenue generating year of two reactor projects of Fangchenggang Nuclear commenced in 2016. Therefore, Fangchenggang Nuclear is tax exempted for the year ended December 31, 2016.

Taishan Nuclear and Lufeng Nuclear have not yet commenced generating electricity nor earned profit at December 31, 2016.

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

|                                                                          | <b>2016</b>             | 2015             |
|--------------------------------------------------------------------------|-------------------------|------------------|
|                                                                          | <b>RMB'000</b>          | RMB'000          |
|                                                                          |                         | (Restated)       |
| Profit before taxation                                                   | <u><b>9,577,489</b></u> | <u>9,637,891</u> |
| Tax at the applicable tax rate of 25%                                    | <b>2,394,372</b>        | 2,409,473        |
| Tax effect of expenses not deductible for tax purpose                    | <b>29,737</b>           | 26,141           |
| Tax effect of value-added tax refunds not taxable for tax purpose (note) | <b>(325,292)</b>        | (330,574)        |
| Tax effect of share of results of associates                             | <b>(134,856)</b>        | (92,157)         |
| Tax effect of share of results of joint ventures                         | <b>(187,781)</b>        | (166,133)        |
| Tax effect of tax losses not recognized                                  | <b>127,688</b>          | 209,261          |
| Utilization of tax losses previously not recognized                      | <b>(49,836)</b>         | (4,134)          |
| Additional tax benefit on research and development expenses              | <b>(75,375)</b>         | (8,056)          |
| Effect of tax exemption and relief granted to subsidiaries               | <b>(988,985)</b>        | (943,597)        |
| (Over) under-provision in prior years                                    | <b>(8,907)</b>          | 12,269           |
| Others                                                                   | <u><b>(127,983)</b></u> | <u>(13,628)</u>  |
|                                                                          | <u><b>652,782</b></u>   | <u>1,098,865</u> |

Note:

Pursuant to the Circular on Relevant Issues Concerning Taxation in Nuclear Power Industry 《關於核電行業稅收政策有關問題的通知》, the value-added tax refund for the sales of electricity by Lingdong Nuclear, Ling'ao Nuclear and Yangjiang Nuclear are exempted from EIT.

## 11. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit attributable to the owners of the Company and the weighted average number of ordinary shares for the year.

|                                                            | 2016             | 2015<br>(Restated) |
|------------------------------------------------------------|------------------|--------------------|
| Profit attributable to the owners of the Company (RMB'000) | <b>7,286,934</b> | 7,029,383          |
| Weighted average number of ordinary shares (in million)    | <b>45,449</b>    | 45,449             |
| Basic earnings per share (RMB)                             | <b>0.160</b>     | 0.155              |

No diluted earnings per share for both 2016 and 2015 were presented as the Group had no potential ordinary share in issue during the years ended December 31, 2015 and 2016.

## 12. TRADE AND BILLS RECEIVABLES

|                                                                                                       | December 31,<br>2016<br>RMB'000 | December 31,<br>2015<br>RMB'000<br>(Restated) | January 1,<br>2015<br>RMB'000<br>(Restated) |
|-------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------------------|---------------------------------------------|
| Amounts due from third parties                                                                        | <b>3,002,320</b>                | 2,838,832                                     | 1,816,877                                   |
| Less: allowance of doubtful debts                                                                     | <b>(12,381)</b>                 | (8,058)                                       | (8,120)                                     |
|                                                                                                       | <b>2,989,939</b>                | 2,830,774                                     | 1,808,757                                   |
| Amount due from ultimate holding company                                                              | <b>10,027</b>                   | 7,821                                         | 11,008                                      |
| Amounts due from joint ventures                                                                       | <b>572,617</b>                  | 259,378                                       | 370,849                                     |
| Amounts due from associates                                                                           | <b>1,149,944</b>                | 2,619,723                                     | 2,141,026                                   |
| Amounts due from fellow subsidiaries                                                                  | <b>259,733</b>                  | 200,923                                       | 36,685                                      |
| Amount due from an associate of CGNPC                                                                 | <b>203,843</b>                  | —                                             | —                                           |
| Amount due from a non-controlling shareholder with significant influence over the relevant subsidiary | <b>538,550</b>                  | 445,177                                       | 218,612                                     |
| Bills receivables                                                                                     | <b>10,840</b>                   | 50                                            | 4,998                                       |
| Total trade and bills receivables                                                                     | <b>5,735,493</b>                | 6,363,846                                     | 4,591,935                                   |

The following is an analysis of trade receivables by age, net of allowance for doubtful debts presented based on the invoice date at the end of each reporting period:

|                    | <b>December 31,<br/>2016<br/>RMB'000</b> | December 31,<br>2015<br>RMB'000<br>(Restated) |
|--------------------|------------------------------------------|-----------------------------------------------|
| 1 day to 30 days   | <b>3,629,857</b>                         | 3,323,513                                     |
| 31 days to 1 year  | <b>1,479,394</b>                         | 1,838,794                                     |
| 1 year to 2 years  | <b>49,852</b>                            | 808,415                                       |
| 2 years to 3 years | <b>515,369</b>                           | 372,371                                       |
| Over 3 years       | <b>61,021</b>                            | 20,753                                        |
|                    | <b><u>5,735,493</u></b>                  | <b><u>6,363,846</u></b>                       |

Trade receivables due from third parties and bills receivables of the Group, as well as amount due from a non-controlling shareholder with significant influence on the relevant subsidiary, primarily represent receivables from grid companies. The credit terms granted to grid companies on the sales of electricity are 30 days. At December 31, 2016, except for an amount of RMB12,381,000 (2015: RMB8,058,000) aged above one year which are past due and fully impaired as the recoverability is considered as unlikely, trade receivables due from third parties amounting to RMB2,989,939,000 (2015 (Restated): RMB2,830,774,000) and the amount due from a non-controlling shareholder with significant influence over the relevant subsidiary are neither past due nor impaired and have good credit quality assessed by the management of the Group.

For other related parties, the Group has not granted any credit period and all the balances are past due but not impaired and aged within one year.

Movements in the allowance of doubtful debts for trade receivable are set out as follows:

|                                              | <b>2016<br/>RMB'000</b> | 2015<br>RMB'000     |
|----------------------------------------------|-------------------------|---------------------|
| At the beginning of the year                 | <b>8,058</b>            | 8,120               |
| Impairment losses recognized on receivables  | <b>4,323</b>            | —                   |
| Reversal of impairment losses on receivables | <b>—</b>                | (62)                |
| At the end of the year                       | <b><u>12,381</u></b>    | <b><u>8,058</u></b> |

The Group pledged trade receivables from grid companies resulting from the pledge of tariff collection rights with carrying amount of approximately RMB1,803,953,000 (2015 (Restated): RMB2,238,869,000) to secure loan facilities granted to the Group as at the end of the reporting period.

Trade receivables denominated in currencies other than the functional currencies of the relevant group entities are set out below:

|      | <b>December 31,<br/>2016<br/>RMB'000</b> | <b>December 31,<br/>2015<br/>RMB'000<br/>(Restated)</b> |
|------|------------------------------------------|---------------------------------------------------------|
| USD  | <b>1,386</b>                             | 44,176                                                  |
| EURO | <b>14,870</b>                            | 29,472                                                  |
|      | <b><u>16,256</u></b>                     | <b><u>73,648</u></b>                                    |

### 13. PREPAYMENTS AND OTHER RECEIVABLES

|                                                                       | <b>December 31,<br/>2016<br/>RMB'000</b> | <b>December 31,<br/>2015<br/>RMB'000<br/>(Restated)</b> | <b>January 1,<br/>2015<br/>RMB'000<br/>(Restated)</b> |
|-----------------------------------------------------------------------|------------------------------------------|---------------------------------------------------------|-------------------------------------------------------|
| Value-added tax recoverable                                           | <b>7,960,297</b>                         | 7,569,744                                               | 7,163,527                                             |
| Prepayments to third parties for materials<br>and consumable parts    | <b>4,535,916</b>                         | 4,413,641                                               | 4,062,078                                             |
| Prepayments to fellow subsidiaries for<br>nuclear and other materials | <b>548,626</b>                           | 168,644                                                 | 182,733                                               |
| Prepayments to an associate for materials                             | <b>470,688</b>                           | 478,658                                                 | 508,479                                               |
| Prepayments for rental expenses                                       | <b>19,482</b>                            | 20,788                                                  | 22,094                                                |
| Others                                                                | <b>103,498</b>                           | 101,710                                                 | 160,298                                               |
|                                                                       | <b><u>13,638,507</u></b>                 | <b><u>12,753,185</u></b>                                | <b><u>12,099,209</u></b>                              |
| Analyzed for financial reporting purpose:                             |                                          |                                                         |                                                       |
| Non-current                                                           | <b>6,277,564</b>                         | 5,838,094                                               | 6,729,459                                             |
| Current                                                               | <b>7,360,943</b>                         | 6,915,091                                               | 5,369,750                                             |
|                                                                       | <b><u>13,638,507</u></b>                 | <b><u>12,753,185</u></b>                                | <b><u>12,099,209</u></b>                              |

## 14. TRADE AND OTHER PAYABLES

|                                                           | December 31,<br>2016<br>RMB'000 | December 31,<br>2015<br>RMB'000<br>(Restated) | January 1,<br>2015<br>RMB'000<br>(Restated) |
|-----------------------------------------------------------|---------------------------------|-----------------------------------------------|---------------------------------------------|
| Amounts due to third parties                              | 3,366,347                       | 2,712,882                                     | 1,681,773                                   |
| Amounts due to fellow subsidiaries                        | 619,173                         | 647,992                                       | 80,447                                      |
| Total trade payables                                      | 3,985,520                       | 3,360,874                                     | 1,762,220                                   |
| Receipts in advance from ultimate holding company         | 1,416                           | —                                             | 4,353                                       |
| Receipts in advance from a joint venture                  | 118,236                         | 120,814                                       | 600                                         |
| Receipts in advance from associates                       | 2,388,069                       | 1,412,397                                     | 1,037,957                                   |
| Receipts in advance from fellow subsidiaries              | 23,992                          | 30,264                                        | 27,306                                      |
| Receipts in advance from a non-controlling shareholder    | —                               | —                                             | 25,062                                      |
| Receipts in advance from third parties                    | 51,236                          | 67,331                                        | 73,430                                      |
| Total receipts in advance                                 | 2,582,949                       | 1,630,806                                     | 1,168,708                                   |
| Construction payables to third parties                    | 10,061,704                      | 9,896,684                                     | 9,288,421                                   |
| Construction payables to fellow subsidiaries              | 244,280                         | 458,616                                       | 120,549                                     |
| Construction payables to ultimate holding company         | 34,532                          | 58,198                                        | 42,763                                      |
| Construction payables to associates                       | 224,411                         | 332,923                                       | 209,557                                     |
| Construction payables to a joint venture                  | 7,013                           | 3,911                                         | —                                           |
| Construction payables to a non-controlling shareholder    | —                               | —                                             | 8,598                                       |
| Value-added tax and other tax payables                    | 1,369,020                       | 1,463,613                                     | 1,443,732                                   |
| Staff cost payables                                       | 50,438                          | 50,763                                        | 46,614                                      |
| Interest on notes payable                                 | 228,925                         | 237,405                                       | 353,580                                     |
| Consideration receipt in advance for assets held for sale | 127,200                         | —                                             | —                                           |
| Other payables and accruals to third parties              | 378,875                         | 265,215                                       | 414,436                                     |
| Total other payables                                      | 12,726,398                      | 12,767,328                                    | 11,928,250                                  |
|                                                           | 19,294,867                      | 17,759,008                                    | 14,859,178                                  |

The credit period on purchases of goods ranges from 180 days to 360 days.

Other payables mainly include payable for outstanding operating expenses. The balances are unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

|               | <b>December 31,<br/>2016<br/>RMB'000</b> | December 31,<br>2015<br>RMB'000<br>(Restated) |
|---------------|------------------------------------------|-----------------------------------------------|
| Within 1 year | <b><u>3,985,520</u></b>                  | <u>3,360,874</u>                              |

## 15. AMOUNTS DUE TO RELATED PARTIES

|                                                                                                        | <b>December 31,<br/>2016<br/>RMB'000</b> | December 31,<br>2015<br>RMB'000<br>(Restated) | January 1,<br>2015<br>RMB'000<br>(Restated) |
|--------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------|---------------------------------------------|
| Dividend payable to ultimate holding company                                                           | —                                        | —                                             | 3,138,582                                   |
| Dividends payable to non-controlling shareholders over the subsidiaries                                | <b>1,734,707</b>                         | 1,249,276                                     | 664,650                                     |
| Dividend payable to Guangdong Hengjian Investment Holdings Co., Ltd. (“Hengjian Investment”)           | —                                        | —                                             | 368,812                                     |
| Dividend payable to China National Nuclear Corporation (“CNNC”)                                        | —                                        | —                                             | 180,717                                     |
| Other payable to ultimate holding company                                                              | <b>5,996,661</b>                         | 225,969                                       | 473,532                                     |
| Other payable to a non-controlling shareholder with significant influence over the relevant subsidiary | <b>224,250</b>                           | —                                             | —                                           |
| Other payables to fellow subsidiaries                                                                  | <b>94,790</b>                            | 25,454                                        | 84,372                                      |
| Other payables to associates                                                                           | <b>30,443</b>                            | 31,323                                        | 367,263                                     |
| Other payables to a joint venture                                                                      | <b>829</b>                               | 16                                            | 2,000                                       |
|                                                                                                        | <b><u>8,081,680</u></b>                  | <u>1,532,038</u>                              | <u>5,279,928</u>                            |

Saving as the amount of RMB5,536,330,000 as at December 31, 2016 payable to ultimate holding company for the acquisition of the Acquired Companies which is payable within one year, the remaining amounts are unsecured, interest-free and repayable on demand.

**16. LOANS FROM ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES/  
AN ASSOCIATE/PAYABLE TO ULTIMATE HOLDING COMPANY**

|           | <b>December 31,<br/>2016<br/>RMB'000</b> | <b>December 31,<br/>2015<br/>RMB'000<br/>(Restated)</b> | <b>January 1,<br/>2015<br/>RMB'000<br/>(Restated)</b> |
|-----------|------------------------------------------|---------------------------------------------------------|-------------------------------------------------------|
| Secured   | <b>3,221,069</b>                         | 3,800,886                                               | 4,960,335                                             |
| Unsecured | <b>8,391,083</b>                         | 11,635,296                                              | 12,823,400                                            |
|           | <b><u>11,612,152</u></b>                 | <b><u>15,436,182</u></b>                                | <b><u>17,783,735</u></b>                              |

Certain borrowings were secured by land use rights, nuclear facilities and tariff collection right of the Group.

|                                                              | <b>December 31,<br/>2016<br/>RMB'000</b> | <b>December 31,<br/>2015<br/>RMB'000<br/>(Restated)</b> |
|--------------------------------------------------------------|------------------------------------------|---------------------------------------------------------|
| <b>Non-current liabilities</b>                               |                                          |                                                         |
| Loans from a fellow subsidiary repayable after twelve months | —                                        | 3,680,000                                               |
| Loans from an associate repayable after twelve months        | <b>2,989,975</b>                         | 3,616,486                                               |
| <b>Current liabilities</b>                                   |                                          |                                                         |
| Loans from ultimate holding company                          | <b>1,025,500</b>                         | 2,725,500                                               |
| Loans from fellow subsidiaries                               | <b>3,651,242</b>                         | 200,000                                                 |
| Loans from an associate                                      | <b>3,945,435</b>                         | 3,218,275                                               |
| Payable to ultimate holding company                          | —                                        | 1,995,921                                               |
|                                                              | <b><u>11,612,152</u></b>                 | <b><u>15,436,182</u></b>                                |

|                                  | <b>December 31,<br/>2016<br/>RMB'000</b> | <b>December 31,<br/>2015<br/>RMB'000<br/>(Restated)</b> |
|----------------------------------|------------------------------------------|---------------------------------------------------------|
| Repayable within one year        |                                          |                                                         |
| – RMB loans                      | <b>8,278,594</b>                         | 5,772,267                                               |
| – USD loans                      | <b>342,341</b>                           | 369,875                                                 |
| – RMB payable                    | —                                        | 1,995,921                                               |
| – Euro loans                     | <b>1,242</b>                             | 1,633                                                   |
| Repayable from one to two years  |                                          |                                                         |
| – RMB loans                      | <b>237,878</b>                           | 3,721,214                                               |
| – Euro loans                     | <b>2,105</b>                             | 2,092                                                   |
| Repayable from two to five years |                                          |                                                         |
| – RMB loans                      | <b>713,634</b>                           | 1,314,677                                               |
| – Euro loans                     | <b>6,315</b>                             | 11,174                                                  |
| Repayable over five years        |                                          |                                                         |
| – RMB loans                      | <b>2,008,548</b>                         | 2,180,107                                               |
| – USD loans                      | —                                        | 31,689                                                  |
| – Euro loans                     | <b>21,495</b>                            | 35,533                                                  |
|                                  | <b><u>11,612,152</u></b>                 | <b><u>15,436,182</u></b>                                |

In 2016, the Group early repaid loans from an associate and a fellow subsidiary for a total amount of RMB4,437,006,000 (2015: RMB293,115,000) which are originally repayable after twelve months from the end of the reporting period.

The floating rate loans and payables are arranged at interest rate based on LIBOR or benchmark interest rate of the People's Bank of China.

The carrying amounts of the loans and payables and the weighted average effective interest rates are as below:

|                               | <b>December 31, 2016</b> |             | <b>December 31, 2015</b>      |                         |
|-------------------------------|--------------------------|-------------|-------------------------------|-------------------------|
|                               | <b>RMB'000</b>           | <b>%</b>    | <b>RMB'000<br/>(Restated)</b> | <b>%<br/>(Restated)</b> |
| Fixed rate loans and payables | <b>4,065,500</b>         | <b>4.55</b> | 5,828,438                     | 4.84                    |
| Floating rate loans           | <b>7,546,652</b>         | <b>4.78</b> | 9,607,744                     | 5.07                    |
|                               | <b><u>11,612,152</u></b> |             | <b><u>15,436,182</u></b>      |                         |

## 17. PROVISIONS

The Group has made the following provisions in the consolidated financial statements:

|                                                                 | <b>December 31,<br/>2016<br/>RMB'000</b> | December 31,<br>2015<br>RMB'000 | January 1,<br>2015<br>RMB'000 |
|-----------------------------------------------------------------|------------------------------------------|---------------------------------|-------------------------------|
| <b>Current liability</b>                                        |                                          |                                 |                               |
| Provision for spent fuel management                             | <b>1,060,000</b>                         | 834,864                         | 770,320                       |
| <b>Non-current liabilities</b>                                  |                                          |                                 |                               |
| Provision for low and medium level radioactive waste management | <b>189,126</b>                           | 167,605                         | 155,416                       |
| Provision for nuclear power plant decommissioning               | <b>2,278,307</b>                         | 1,588,127                       | 1,370,587                     |
|                                                                 | <b>2,467,433</b>                         | 1,755,732                       | 1,526,003                     |
|                                                                 | <b>3,527,433</b>                         | 2,590,596                       | 2,296,323                     |

The movements of provisions are shown as follows:

|                      | <b>Provision for<br/>spent fuel<br/>management<br/>RMB'000</b> | <b>Provision for<br/>low and<br/>medium level<br/>radioactive<br/>waste<br/>management<br/>RMB'000</b> | <b>Provision for<br/>nuclear power<br/>plant<br/>decommissioning<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|----------------------|----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------|
| At January 1, 2015   | 770,320                                                        | 155,416                                                                                                | 1,370,587                                                                        | 2,296,323                |
| Additions            | 834,213                                                        | 11,948                                                                                                 | 78,011                                                                           | 924,172                  |
| Interest expense     | —                                                              | —                                                                                                      | 99,338                                                                           | 99,338                   |
| Paid                 | (769,669)                                                      | —                                                                                                      | —                                                                                | (769,669)                |
| Exchange differences | —                                                              | 241                                                                                                    | 40,191                                                                           | 40,432                   |
| At December 31, 2015 | 834,864                                                        | 167,605                                                                                                | 1,588,127                                                                        | 2,590,596                |
| Additions            | 1,061,545                                                      | 14,648                                                                                                 | 507,675                                                                          | 1,583,868                |
| Interest expense     | —                                                              | —                                                                                                      | 131,701                                                                          | 131,701                  |
| Paid                 | (836,409)                                                      | —                                                                                                      | —                                                                                | (836,409)                |
| Exchange differences | —                                                              | 6,873                                                                                                  | 50,804                                                                           | 57,677                   |
| At December 31, 2016 | <b>1,060,000</b>                                               | <b>189,126</b>                                                                                         | <b>2,278,307</b>                                                                 | <b>3,527,433</b>         |

In compliance with the regulations on nuclear power operation, the Group recognized provisions to cover all obligations related to the nuclear facilities and operation.

### **Provision for spent fuel management**

Pursuant to the Interim Measures for the Administration of the Collection and Use of the Nuclear Power Plant Spent Fuel Treatment and Disposal Fund 《核電站乏燃料處理處置基金徵收使用管理暫行辦法》 (“**Measures**”) issued by Ministry of Finance of PRC, National Development and Reform Commission and Ministry of Industry and Information Technology of PRC, the Group is required to make contributions to a spent fuel treatment and disposal fund. For generating units that have been in operation for less than five years (inclusive) from the effective date of Measures and those to be established in the future, provisions for spent fuel disposal fund are made starting from the sixth year after they commence operations. Such fund is used by the relevant government authorities for the treatment and disposal of spent fuel, covering transportation, away-from-reactor storage and post-treatment of spent fuel. The management of the Group estimates the amount of provision for spent fuel management by taking into account the regulatory environment and government’s policies relating to the storage and disposal of spent fuel fund, as well as the charge imposed by the government authorities, which is at the rate of RMB0.026 per kilowatt/hour.

### **Provision for low and medium level radioactive waste management**

This provision covers the expenditure for management and safe disposal of radioactive waste including emission or release of gas and liquid radioactive waste, and production of solid radioactive waste arising from the nuclear power generating activities.

In determining the amount of provision, the management of the Group estimates the quantities and radioactivity of the waste water, waste gas and other solid pollutants discharged and the expenditure required in undergoing different waste treatments and processes such as collection, purification and concentration, volume reduction and solidification, packaging, transportation, temporary storage on-site, centralized disposal. The management of the Group takes into consideration the industry policies, past experience and recommendation from technical experts in estimating the expenditure required to manage and dispose the radioactive waste.

## **Provision for nuclear power plant decommissioning**

The provision is related to the decommissioning of nuclear power plants and losses relating to fuel in the reactor when the reactor is shut down. They are estimated on the assumption that once decommissioning is completed, the sites will be returned to their original state.

The Group has a team of experts specialized in nuclear power plant decommissioning work. The provision is estimated according to the team's research, which is based on the decommissioning activities and actual cost incurred in shutting down a nuclear facility in other jurisdiction, and adjusted for factors such as labour cost in the PRC, complexity of the technology to be applied, most recent developments in regulations in the PRC environment when estimating the cash flows for the decommissioning.

The relevant costs are estimated based on the economic conditions at the end of each reporting period, then spread over a forecast disbursement schedule of payment through application of a forecast long-term inflation rate.

The key assumptions to the decommissioning model applied by the Group include the discount rate which is a pre-tax rate taking into account the risks specific to the provision and effect of inflation based on the historical inflation rates in the PRC.

In the opinion of management of the Group, the decommissioning is expected to commence from 2034 to 2056 based on the expected useful lives of nuclear power plants.

## **18. Cash-Settled Share-based Payment**

The Group has set up an H-share Appreciation Rights Scheme (“**SAR**”) for core staff who exert significant impact on the Company's strategic target, including certain directors, senior management (excluding independent non-executive directors and external directors) and core technical and management staff of the Company who have exerted direct influence on the overall results and sustainable development of the Company (“**Incentive Recipients**”). SAR was approved at the annual general meeting of the Company on June 12, 2015. Supervisors of the Company are not Incentive Recipients. The initial implementation plan of the SAR was approved by the Board of the directors of the Company on November 5, 2015. Pursuant to the Scheme, 218,880,000 units of SAR were granted to Incentive Recipients of the Group at the exercise price of HKD3.50 per unit on November 5, 2015. Each unit of SAR is notionally linked to one H Share and represents the rights conferred on the relevant Incentive Recipients to receive in cash stipulated earnings from the increase in market value of the relevant H share. However, no H Shares will actually be issued to any Incentive Recipients. Hence, it is not governed by or subject to the restrictions of Chapter 17 of the Listing Rules. One third of the total number of SAR are vested entitled on December 19, 2016, one third of the total number of SAR are vested entitled on December 18, 2017 and the remaining one third of the total number of SAR are vested entitled on December 18, 2018. The SARs will have certain services periods and 3 years after the respective vesting dates. In addition, the exercise of SAR is also subject to the performance condition of the Group and Incentive Recipients including achievements of certain performance targets.

The fair value of the SAR is approximately RMB48,992,000 (2015: RMB127,738,000), which was calculated using Black-Scholes pricing model. The inputs into the model were as follows:

|                                         | <b>SAR</b><br><b>December 31,</b><br><b>2016</b> | <b>SAR</b><br><b>December 31,</b><br><b>2015</b> |
|-----------------------------------------|--------------------------------------------------|--------------------------------------------------|
| Fair value at measurement date (in HKD) | <b>0.19 - 0.31</b>                               | 0.63 - 0.73                                      |
| Share price (in HKD)                    | <b>2.13</b>                                      | 2.90                                             |
| Exercise price (in HKD)                 | <b>3.50</b>                                      | 3.50                                             |
| Expected volatility                     | <b>37.36 - 37.60%</b>                            | 36.38 - 38.89%                                   |
| Expected life (year)                    | <b>2.96 - 4.96</b>                               | 3.96 - 5.96                                      |
| Expected dividend yield                 | <b>2.338%</b>                                    | 1.530%                                           |
| Risk-free interest rate                 | <b>1.273 - 1.553%</b>                            | 0.897 - 1.173%                                   |

Expected volatility was determined with reference to the historical volatility of the Company's and other listed electricity generation companies' share prices. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability exercised restrictions and behavioural considerations.

At December 31, 2016, the Group has recorded liabilities of RMB28,708,000 (2015:RMB10,690,000). The Group recognized a total expense of RMB18,018,000 for the year ended December 31, 2016 (2015:RMB10,690,000) in relation to SAR approved by the Group. There was no lapse or exercise of SAR for both years.

## 19. SHARE CAPITAL

Details of the movement of the number of shares comprising the domestic shares and H shares are shown as below:

|                                                                                                                        | <b>Number of<br/>domestic<br/>shares<br/>'000</b> | <b>Number of<br/>H Shares<br/>'000</b> | <b>Share<br/>capital<br/>RMB'000</b> |
|------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------------|--------------------------------------|
| Registered, issued and fully paid ordinary<br>shares of RMB1.00 each at January 1, 2015,<br>December 31, 2015 and 2016 | <u>34,285,125</u>                                 | <u>11,163,625</u>                      | <u>45,448,750</u>                    |

## 20. DIVIDEND

Subsequent to the end of the reporting period, a final dividend of RMB0.051 per share in respect of the year ended December 31, 2016 amounting to approximately RMB2,317,886,000 in total has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

The final dividend of RMB0.042 per share in respect of the year ended December 31, 2015 amounting to approximately RMB1,908,814,000 in total was approved by the shareholders at the 2015 annual general meeting on May 27, 2016. The Company has paid the dividend by July 31, 2016.

## Finance, Assets and Investment

### (I) Financial Performance and Analysis

Our investment and operational strategies affect our business performance, which in turn translate into the finance data combined in our financial statements.

#### Impact of restatement of 2015 Financial Statements

The Company has completed the Acquisition in 2016. As the Company and the Acquired Companies are under common control of CGNPC, the above Acquisition has been recorded as a business combination under common control. The assets and liabilities of the Acquired Companies have been recognized at the carrying amounts previously recognized in CGNPC's consolidated financial statements. The financial data for 2015 in the consolidated financial statements of the Group has been restated as if the combination had occurred prior to the starting of the earliest period presented. The following table sets forth the impact of the restatement on the key items included in the consolidated financial statements for 2015:

|                                                                                                                | For the year ended December 31, |                                            |                                                 |
|----------------------------------------------------------------------------------------------------------------|---------------------------------|--------------------------------------------|-------------------------------------------------|
|                                                                                                                | 2015<br>(Restated)<br>RMB'000   | 2015<br>(before<br>restatement)<br>RMB'000 | Movements<br>increase/<br>(decrease)<br>RMB'000 |
| Revenue                                                                                                        | 26,795,904                      | 23,262,898                                 | 3,533,006                                       |
| Net foreign exchange gains                                                                                     | 537,115                         | 532,327                                    | 4,788                                           |
| Effects of net foreign exchange<br>gains on profit for the year attributable<br>to owners of the Company       | 292,233                         | 292,957                                    | (724)                                           |
| Profit for the year attributable to<br>owners of the Company (net of effects of<br>net foreign exchange gains) | 6,737,150                       | 6,300,689                                  | 436,461                                         |
| Profit for the year attributable to<br>owners of the Company                                                   | 7,029,383                       | 6,593,646                                  | 435,737                                         |
| Total assets                                                                                                   | 271,365,553                     | 217,801,358                                | 53,564,195                                      |
| Total liabilities                                                                                              | 186,045,920                     | 139,091,585                                | 46,954,335                                      |
| Total equity                                                                                                   | 85,319,633                      | 78,709,773                                 | 6,609,860                                       |
| Equity attributable to<br>owners of the Company                                                                | 60,855,416                      | 56,636,949                                 | 4,218,467                                       |

For details of the effects of the restatements on the consolidated financial statements for 2016, please refer to note 2 to the financial information of this announcement.

The following analysis is conducted based on the restated financial statements

## KEY FINANCIAL INDICATORS

| Item                                                                      | 2016         | 2015<br>(Restated) |
|---------------------------------------------------------------------------|--------------|--------------------|
| <b>Indicators of profitability</b>                                        |              |                    |
| EBITDA margin (%) <sup>(1)</sup>                                          | <b>55.9</b>  | 60.3               |
| Net profit margin (%) <sup>(2)</sup>                                      | <b>27.1</b>  | 31.9               |
| <b>Indicators of investment returns</b>                                   |              |                    |
| Return on equity attributable to owners of the Company (%) <sup>(3)</sup> | <b>12.4</b>  | 11.4               |
| Return on total assets (%) <sup>(4)</sup>                                 | <b>4.9</b>   | 4.7                |
| <b>Indicators of solvency</b>                                             |              |                    |
| Asset-liability ratio (%) <sup>(5)</sup>                                  | <b>71.5</b>  | 68.6               |
| Debt to equity ratio (%) <sup>(6)</sup>                                   | <b>195.4</b> | 170.2              |
| Interest coverage <sup>(7)</sup>                                          | <b>1.7</b>   | 1.5                |

Notes:

- (1) The sum of profit before taxation, finance costs, depreciation and amortization divided by revenue and multiplied by 100%.
- (2) Profit for the year divided by revenue and multiplied by 100%.
- (3) Profit for the year attributable to owners of the Company divided by average equity attributable to owners of the Company (the arithmetic mean of the opening and closing balances) and multiplied by 100%.
- (4) The sum of profit before taxation and finance costs divided by the average sum of current assets and non-current assets (the arithmetic mean of the opening and closing balances) and multiplied by 100%.
- (5) The sum of current liabilities and non-current liabilities divided by the sum of current assets and non-current assets and multiplied by 100%.
- (6) Net debt (the total amount of bank and other borrowings less cash and cash equivalents and other deposits over three months) divided by total equity and multiplied by 100%.
- (7) The sum of profit before taxation and finance costs divided by the sum of finance costs and capitalized interest.

## FINANCIAL RESULTS AND ANALYSIS

For the year ended December 31,

|                                                                                                                           | 2016                    | 2015                    | Movements                          | Percentage                             |
|---------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|------------------------------------|----------------------------------------|
|                                                                                                                           | RMB'000                 | (Restated)<br>RMB'000   | increase/<br>(decrease)<br>RMB'000 | change<br>increase/<br>(decrease)<br>% |
| Revenue                                                                                                                   | <b>32,890,307</b>       | 26,795,904              | 6,094,403                          | 22.7                                   |
| Net foreign exchange (losses)gains                                                                                        | <b>(528,532)</b>        | 537,115                 | (1,065,647)                        | (198.4)                                |
| Effects of net foreign exchange<br>(losses)gains on profit for the year<br>attributable to owners<br>of the Company       | <b>(257,143)</b>        | 292,233                 | (549,376)                          | (188.0)                                |
| Profit for the year attributable to<br>owners of the Company<br>(net of effects of net foreign<br>exchange (losses)gains) | <b>7,544,077</b>        | 6,737,150               | 806,927                            | 12.0                                   |
| Profit for the year attributable to<br>owners of the Company                                                              | <b><u>7,286,934</u></b> | <b><u>7,029,383</u></b> | <b><u>257,551</u></b>              | <b><u>3.7</u></b>                      |

### REVENUE

For the year ended December 31,

|                                                                           | 2016                     | 2015                     | Movements                          | Percentage                             |
|---------------------------------------------------------------------------|--------------------------|--------------------------|------------------------------------|----------------------------------------|
|                                                                           | RMB'000                  | (Restated)<br>RMB'000    | increase/<br>(decrease)<br>RMB'000 | change<br>increase/<br>(decrease)<br>% |
| Sales of electricity <sup>(1)</sup>                                       | <b>28,114,633</b>        | 21,542,239               | 6,572,394                          | 30.5                                   |
| Revenue from construction contracts<br>and design projects <sup>(2)</sup> | <b>2,820,090</b>         | 3,222,574                | (402,484)                          | (12.5)                                 |
| Revenue from technical and<br>training service                            | <b>1,029,728</b>         | 1,061,557                | (31,829)                           | (3.0)                                  |
| Sales of equipment and other goods                                        | <b>925,856</b>           | 969,534                  | (43,678)                           | (4.5)                                  |
| Total revenue                                                             | <b><u>32,890,307</u></b> | <b><u>26,795,904</u></b> | <b><u>6,094,403</u></b>            | <b><u>22.7</u></b>                     |

- (1) The increase in revenue from sales of electricity was primarily due to the increase of 31.33% as compared with that of 2015 in our subsidiaries' on-grid power generation, which in turn mainly caused by the commencement of commercial operation of Fangchenggang Unit 1 and Unit 2 and Yangjiang Unit 2 and Unit 3 on January 1, 2016, October 1, 2016, June 5, 2015 and January 1, 2016, respectively.
- (2) The decrease in revenue from construction contracts and design projects was primarily due to the fact that with the commencement of commercial operation of units of Hongyanhe and Ningde projects under construction. CGN Engineering' s revenue from construction and design contracts from Hongyanhe Nuclear and Ningde Nuclear decreased.

## ***COST OF SALES AND SERVICES***

For the year ended December 31,

|                                                                 | 2016                     | 2015                  | Movements                          | Percentage                             |
|-----------------------------------------------------------------|--------------------------|-----------------------|------------------------------------|----------------------------------------|
|                                                                 | RMB'000                  | (Restated)<br>RMB'000 | increase/<br>(decrease)<br>RMB'000 | change<br>increase/<br>(decrease)<br>% |
| Cost of sales of electricity                                    | <b>14,139,637</b>        | 10,259,358            | 3,880,279                          | 37.8                                   |
| Of which: Cost of nuclear fuel <sup>(1)</sup>                   | <b>4,212,184</b>         | 3,260,084             | 952,100                            | 29.2                                   |
| Depreciation of property,<br>plant and equipment <sup>(2)</sup> | <b>4,052,283</b>         | 2,932,682             | 1,119,601                          | 38.2                                   |
| Provision for spent fuel<br>management <sup>(3)</sup>           | <b>1,061,545</b>         | 834,213               | 227,332                            | 27.3                                   |
| Cost of construction and design<br>contracts                    | <b>2,499,180</b>         | 2,537,285             | (38,105)                           | (1.5)                                  |
| Cost of technical and training service                          | <b>1,308,708</b>         | 1,345,171             | (36,463)                           | (2.7)                                  |
| Cost of sales of equipment and other<br>goods                   | <b>148,680</b>           | 173,723               | (25,043)                           | (14.4)                                 |
| Total cost of sales and services                                | <b><u>18,096,205</u></b> | <u>14,315,537</u>     | <u>3,780,668</u>                   | <u>26.4</u>                            |

- (1) The increase in cost of nuclear fuel was primarily due to the increase of 31.33% as compared with that of 2015 in our subsidiaries' on-grid power generation.
- (2) The increase in depreciation of property, plant and equipment was primarily due to the depreciation costs incurred by Fangchenggang Unit 1 and Fangchenggang Unit 2 which commenced commercial operation on January 1, 2016 and October 1, 2016, respectively and the depreciation costs incurred by Yangjiang Unit 2 and Yangjiang Unit 3 which commenced commercial operation on June 5, 2015 and January 1, 2016, respectively.
- (3) The increase in provision for spent fuel management was primarily due to the provision for spent fuel management for Lingdong Unit 1 and Lingdong Unit 2 which have reached 5 years of commercial operation in September 2015 and August 2016, respectively.

## **OTHER INCOME**

For the year ended December 31,

|                                                   | 2016             | 2015             | Movements               | Percentage                        |
|---------------------------------------------------|------------------|------------------|-------------------------|-----------------------------------|
|                                                   |                  | (Restated)       | increase/<br>(decrease) | change<br>increase/<br>(decrease) |
|                                                   | RMB'000          | RMB'000          | RMB'000                 | %                                 |
| Value-added tax refunds <sup>(1)</sup>            | 1,315,548        | 1,378,530        | (62,982)                | (4.6)                             |
| Interest income from bank deposits <sup>(2)</sup> | 53,407           | 218,869          | (165,462)               | (75.6)                            |
| Interest income from an associate                 | 172,738          | 207,293          | (34,555)                | (16.7)                            |
| Government grants <sup>(3)</sup>                  | 79,715           | 170,600          | (90,885)                | (53.3)                            |
| Others                                            | 36,282           | 53,786           | (17,504)                | (32.5)                            |
| Total other income                                | <u>1,657,690</u> | <u>2,029,078</u> | <u>(371,388)</u>        | <u>(18.3)</u>                     |

- (1) Value-added tax refunds are recognized upon receipt. The decrease in value-added tax refunds was mainly due to the fact that the process of value-added tax refunds in 2016 was slower than that of 2015 as affected by many factors.
- (2) The decrease in interest income from bank deposits was mainly due to the significant decrease in cash and cash equivalents in 2016 as compared to that of 2015 with the gradual use of proceeds from global offering.
- (3) The decrease in government grants was mainly due to the fact that our subsidiary recognized income from government grants of RMB82.4 million as material research and development projects passed the acceptance test in 2015.

## **OTHER GAINS AND LOSSES**

For the year ended December 31,

|                                    | 2016             | 2015           | Movements               | Percentage                        |
|------------------------------------|------------------|----------------|-------------------------|-----------------------------------|
|                                    |                  | (Restated)     | Increase/<br>(decrease) | change<br>increase/<br>(decrease) |
|                                    | RMB'000          | RMB'000        | RMB'000                 | %                                 |
| Net foreign exchange (losses)gains | (528,532)        | 537,115        | (1,065,647)             | (198.4)                           |
| Others                             | 7,999            | (25,753)       | 33,752                  | 131.1                             |
| Other gains and losses             | <u>(520,533)</u> | <u>511,362</u> | <u>(1,031,895)</u>      | <u>(201.8)</u>                    |

Our other gains and losses decreased from the gains of RMB511.4 million in 2015 to the losses of RMB520.5 million in the current year, which was mainly due to the decrease in net foreign exchange (losses)gains. We held some debts denominated in foreign currency, most of which were held by Taishan Nuclear, for purchasing certain equipment, spare parts and relevant services for nuclear power projects from overseas markets and hence fluctuation in exchange rate of foreign currencies against RMB will affect our profits. In respect of our foreign exchange risk management, the Company has always aimed at cost control instead of profit making. In 2016, net foreign exchange (losses)gains were at loss of RMB528.5 million and the impact on profit for the year attributable to owners of the Company was at loss of RMB257.1 million, mainly due to that the exchange rate of Euro and USD against RMB increased significantly. The exchange rate of Euro against RMB increased from 7.0952 at the end of 2015 to 7.3068 at the end of 2016. The exchange rate of USD against RMB increased from 6.4936 at the end of 2015 to 6.9370 at the end of 2016. In 2015, net foreign exchange (losses) gains were at gain of RMB537.1 million and the impact on profit for the year attributable to owners of the Company was at gain of RMB292.2 million, mainly due to the significant depreciation of the exchange rate of Euro against RMB, with depreciation from 7.4556 at the end of 2014 to 7.0952 at the end of 2015. In 2016, the global economic growth continued to slow down and was recovering in hardship. Monetary policies of the Federal Reserve and major central banks in the world were divisive, intensifying the global capital flows and exchange rate fluctuations. Geopolitical events such as the Brexit, the US election and Italy constitutional referendum had a significant impact on the financial market. Facing the complex financial market environment, the Company adopted forward transactions, debt replacements and early repayments, etc. to reduce the impact of foreign currencies exchange rate fluctuation. As compared with the end of 2015, the balance of the Group's bank borrowings and other borrowings denominated in foreign currencies at the end of the Reporting Period decreased by RMB7,615.2 million in equivalent and its percentage in total bank borrowings and other borrowings decreased from 10.2% to 5.1%, reducing the impact of foreign currencies exchange rate fluctuation on net foreign exchange (losses)gains of the Group.

#### ***SHARE OF RESULTS OF ASSOCIATES***

Our associates mainly include Liaoning Hongyanhe Nuclear Power Co., Ltd. ("**Hongyanhe Nuclear**"), CGN Industry Investment Fund Phase I Co., Ltd. ("**CGN Fund Phase I**") and CGN Finance Co., Ltd. ("**CGN Finance**"). Our share of results of associates increased from RMB368.6 million in 2015 to RMB539.4 million in 2016, primarily due to the increase in profit of Hongyanhe Nuclear.

#### ***SHARE OF RESULTS OF JOINT VENTURES***

Our joint ventures mainly include Fujian Ningde Nuclear Power Co., Ltd. ("**Ningde Nuclear**"). Our share of results of joint ventures increased from RMB664.5 million in 2015 to RMB751.1 million in 2016, primarily due to the longer commercial operation period in 2016 than that in 2015 resulting from the commencement of commercial operation of Ningde Unit 4 on July 21, 2016 and the commencement of commercial operation of Ningde Unit 3 on June 10, 2015.

## FINANCE COSTS

Our finance costs increased from RMB2,974.9 million in 2015 to RMB4,083.3 million in 2016, primarily due to the reason that since the commencement of commercial operation of Fangchenggang Unit 1, Fangchenggang Unit 2, Yangjiang Unit 2 and Yangjiang Unit 3 on January 1, 2016, October 1, 2016, June 5, 2015 and January 1, 2016, respectively, the corresponding interests on borrowings ceased capitalization and were charged to finance costs directly.

## FINANCIAL POSITION

|                                                 | December 31,<br>2016<br>RMB'000 | December 31,<br>2015<br>(Restated)<br>RMB'000 | Movements<br>increase/<br>(decrease)<br>RMB'000 | Percentage<br>change<br>increase/<br>(decrease)<br>% |
|-------------------------------------------------|---------------------------------|-----------------------------------------------|-------------------------------------------------|------------------------------------------------------|
| Total assets                                    | 287,633,794                     | 271,365,553                                   | 16,268,241                                      | 6.0                                                  |
| Total liabilities                               | 205,735,121                     | 186,045,920                                   | 19,689,201                                      | 10.6                                                 |
| Total equity                                    | 81,898,673                      | 85,319,633                                    | (3,420,960)                                     | (4.0)                                                |
| Equity attributable to owners of the<br>Company | <u>56,534,701</u>               | <u>60,855,416</u>                             | <u>(4,320,715)</u>                              | <u>(7.1)</u>                                         |

## CURRENT ASSETS

|                                                                | December 31,<br>2016<br>RMB'000 | December 31,<br>2015<br>(Restated)<br>RMB'000 | Movements<br>increase/<br>(decrease)<br>RMB'000 | Percentage<br>change<br>increase/<br>(decrease)<br>% |
|----------------------------------------------------------------|---------------------------------|-----------------------------------------------|-------------------------------------------------|------------------------------------------------------|
| Inventories                                                    | 13,137,983                      | 12,940,437                                    | 197,546                                         | 1.5                                                  |
| Amounts due from customers<br>for contract work <sup>(1)</sup> | 5,300,838                       | 3,280,422                                     | 2,020,416                                       | 61.6                                                 |
| Trade and bills receivables <sup>(2)</sup>                     | 5,735,493                       | 6,363,846                                     | (628,353)                                       | (9.9)                                                |
| Prepayments and other receivables                              | 7,360,943                       | 6,915,091                                     | 445,852                                         | 6.4                                                  |
| Amounts due from related parties                               | 1,625,292                       | 1,364,424                                     | 260,868                                         | 19.1                                                 |
| Cash and cash equivalents <sup>(3)</sup>                       | 8,456,534                       | 11,381,296                                    | (2,924,762)                                     | (25.7)                                               |
| Other deposits over three months                               | 2,047,000                       | 2,902,679                                     | (855,679)                                       | (29.5)                                               |
| Other current assets                                           | 160,547                         | 149,881                                       | 10,666                                          | 7.1                                                  |
| Total current assets                                           | <u>43,824,630</u>               | <u>45,298,076</u>                             | <u>(1,473,446)</u>                              | <u>(3.3)</u>                                         |

- (1) The increase in amounts due from customers for contract work was primarily due to the increase in outstanding payments of completed contract work from Hongyanhe Nuclear by CGN Engineering.
- (2) The decrease in trade and bills receivables was primarily due to receipt of certain construction payments.
- (3) The decrease in cash and cash equivalents was primarily due to the completion of the Acquisition in 2016 by the Company and the payment of the first instalment for the Acquisition of RMB3,000.0 million.

## CURRENT LIABILITIES

|                                                         | December 31,<br>2016<br>RMB'000 | December 31,<br>2015<br>(Restated)<br>RMB'000 | Movements<br>increase/<br>(decrease)<br>RMB'000 | Percentage<br>change<br>increase/<br>(decrease)<br>% |
|---------------------------------------------------------|---------------------------------|-----------------------------------------------|-------------------------------------------------|------------------------------------------------------|
| Trade and other payables <sup>(1)</sup>                 | 19,294,867                      | 17,759,008                                    | 1,535,859                                       | 8.6                                                  |
| Amounts due to customers<br>for contract work           | 855,926                         | 545,553                                       | 310,373                                         | 56.9                                                 |
| Amounts due to related parties <sup>(2)</sup>           | 8,081,680                       | 1,532,038                                     | 6,549,642                                       | 427.5                                                |
| Loans from ultimate holding<br>company <sup>(3)</sup>   | 1,025,500                       | 2,725,500                                     | (1,700,000)                                     | (62.4)                                               |
| Loans from fellow subsidiaries <sup>(4)</sup>           | 3,651,242                       | 200,000                                       | 3,451,242                                       | 1,725.6                                              |
| Loans from an associate                                 | 3,945,435                       | 3,218,275                                     | 727,160                                         | 22.6                                                 |
| Payable to ultimate holding<br>company <sup>(5)</sup>   | —                               | 1,995,921                                     | (1,995,921)                                     | (100.0)                                              |
| Bank borrowings - due within<br>one year <sup>(6)</sup> | 20,806,759                      | 11,634,378                                    | 9,172,381                                       | 78.8                                                 |
| Notes payable - due within one year <sup>(7)</sup>      | 5,600,000                       | 2,500,000                                     | 3,100,000                                       | 124.0                                                |
| Other current liabilities                               | 1,906,254                       | 1,836,201                                     | 70,053                                          | 3.8                                                  |
| Total current liabilities                               | <u>65,167,663</u>               | <u>43,946,874</u>                             | <u>21,220,789</u>                               | <u>48.3</u>                                          |

- (1) The increase in trade and other payables was primarily due to the increase in operating activities such as purchase of raw materials and acceptance of services resulting from the increase in business scale of the Company.
- (2) The increase in amounts due to related parties was mainly due to the facts that in 2016 the company incurred payable to ultimate holding company for the Acquisition of RMB 5,536.3 million, and that dividends payable to non-controlling shareholders of subsidiaries increased RMB 485.4 million in 2016 as compared with that in 2015.
- (3) The decrease in loans from ultimate holding company was primarily due to the repayment of loans from ultimate holding company of RMB1,700.0 million by the Group in 2016.
- (4) The increase in loans from fellow subsidiaries was primarily due to the increase in loans of RMB2,000.0 million from CGNPC International Financial Leasing Co., Ltd. and the transfer of loans of RMB1,650.0 million from CGNPC Huasheng Investment Co., Ltd. due within one year to current liabilities.
- (5) The decrease in payable to ultimate holding company was due to the repayment of medium-term notes by the Company.
- (6) The increase in bank borrowings due within one year was mainly due to the fact that with the commencement of operation of nuclear power generating units, some of the syndicated loans of our subsidiaries will be due within one year, and our subsidiaries increased short-term borrowings.
- (7) The increase in notes payable due within one year was primarily due to the reason that 02 CGN bonds of RMB4,000.0 million will be due within one year.

## NON-CURRENT ASSETS

|                                                               | December 31,<br>2016<br>RMB'000 | December 31,<br>2015<br>(Restated)<br>RMB'000 | Movements<br>increase/<br>(decrease)<br>RMB'000 | Percentage<br>change<br>increase/<br>(decrease)<br>% |
|---------------------------------------------------------------|---------------------------------|-----------------------------------------------|-------------------------------------------------|------------------------------------------------------|
| Property, plant and equipment <sup>(1)</sup>                  | 216,509,163                     | 199,176,595                                   | 17,332,568                                      | 8.7                                                  |
| Intangible assets                                             | 3,065,535                       | 2,991,275                                     | 74,260                                          | 2.5                                                  |
| Interests in associates <sup>(2)</sup>                        | 7,837,967                       | 7,005,105                                     | 832,862                                         | 11.9                                                 |
| Interests in joint ventures <sup>(3)</sup>                    | 4,199,132                       | 4,152,147                                     | 46,985                                          | 1.1                                                  |
| Deferred tax assets                                           | 1,687,249                       | 1,500,789                                     | 186,460                                         | 12.4                                                 |
| Prepayments and value-added tax<br>recoverable <sup>(4)</sup> | 6,277,564                       | 5,838,094                                     | 439,470                                         | 7.5                                                  |
| Prepaid lease payments                                        | 2,959,611                       | 2,986,488                                     | (26,877)                                        | (0.9)                                                |
| Other non-current assets <sup>(5)</sup>                       | 1,272,943                       | 2,416,984                                     | (1,144,041)                                     | (47.3)                                               |
| Total non-current assets                                      | <u>243,809,164</u>              | <u>226,067,477</u>                            | <u>17,741,687</u>                               | <u>7.8</u>                                           |

- (1) The increase in property, plant and equipment was primarily due to the reason that we continued to construct Yangjiang Nuclear Power Station, Taishan Nuclear Power Station, Fangchenggang Nuclear Power Station and Lufeng Nuclear Power Station.
- (2) The increase in interests in associates was mainly due to the capital injection to associates and the increase in share of the results of associates.
- (3) The increase in interests in joint ventures was mainly due to the capital injection to a joint venture and the increase in share of the results of joint ventures.
- (4) The increase in prepayments and value-added tax recoverable was mainly due to the continuing construction of nuclear power stations, which leads to increase of value-added tax recoverable.
- (5) The decrease in other non-current assets was mainly due to the transfer of part of the investment properties held by the Group to property, plant and equipment as a result of the use of relevant properties by the Group and the transfer of prepayments for purchase of property, plant and equipment to property, plant and equipment.

## ***NON-CURRENT LIABILITIES***

|                                               | <b>December 31,<br/>2016</b> | <b>December 31,<br/>2015<br/>(Restated)</b> | <b>Movements<br/>increase/<br/>(decrease)</b> | <b>Percentage<br/>change<br/>increase/<br/>(decrease)</b> |
|-----------------------------------------------|------------------------------|---------------------------------------------|-----------------------------------------------|-----------------------------------------------------------|
|                                               | <b>RMB'000</b>               | <b>RMB'000</b>                              | <b>RMB'000</b>                                | <b>%</b>                                                  |
| Borrowings and notes payable <sup>(1)</sup>   | <b>132,475,608</b>           | 129,952,293                                 | 2,523,315                                     | 1.9                                                       |
| Provisions <sup>(2)</sup>                     | <b>2,467,433</b>             | 1,755,732                                   | 711,701                                       | 40.5                                                      |
| Loans from an associate                       | <b>2,989,975</b>             | 3,616,486                                   | (626,511)                                     | (17.3)                                                    |
| Loans from a fellow subsidiary <sup>(3)</sup> | <b>—</b>                     | 3,680,000                                   | (3,680,000)                                   | (100.0)                                                   |
| Other non-current liabilities                 | <b>2,634,442</b>             | 3,094,535                                   | (460,093)                                     | (14.9)                                                    |
| Total non-current liabilities                 | <b><u>140,567,458</u></b>    | <b><u>142,099,046</u></b>                   | <b><u>(1,531,588)</u></b>                     | <b><u>(1.1)</u></b>                                       |

- (1) The increase in borrowings and notes payable was primarily due to the increase in long-term borrowings and notes payable by Yangjiang Nuclear Power, Taishan Nuclear Power and Fangchenggang Nuclear Power in order to meet the funding requirements for construction of nuclear power projects.
- (2) The increase in provisions was primarily due to the increase in provision for nuclear power station decommissioning of RMB690.2 million by our subsidiaries.
- (3) The decrease in loans from a fellow subsidiary was primarily due to the early repayment of certain loans of RMB2,030.0 million by our subsidiaries and the transfer of loans of RMB1,650.0 million due within one year to current liabilities.

## ***EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY***

As we completed the Acquisition in November 2016, pursuant to the merger accounting for business combinations under common control, we restated the financial data for 2015 in the Group's consolidated financial statements. As of December 31, 2015, the restated equity attributable to owners of the Company amounted to RMB60,855.4 million, representing an increase of RMB4,218.5 million as compared with RMB56,636.9 million being before the restatement, primarily due to (i) the increase in equity attributable to owners Company of RMB7,667.2 million by the portion attributable to owners of the Company in the equity of the Acquired Companies; (ii) the decrease in equity attributable to owners of the Company of RMB3,448.7 million by offsetting the accumulated transactions among the Group, associates, joint ventures and the Acquired Companies.

As of December 31, 2016, equity attributable to owners of the Company amounted to RMB56,534.7 million, representing a decrease of RMB4,320.7 million or 7.1% as compared with RMB60,855.4 million as of December 31, 2015, primarily due to (i) the decrease in equity attributable to owners of the Company of RMB1,384.2 million by the distribution of cash dividend to original shareholder by CGN Engineering before completion; (ii) we completed the Acquisition in 2016 and equity attributable to owners of the Company was reduced by the final acquisition consideration of RMB8,536.3 million; (iii) our cash dividend declared in 2016 resulted in a decrease in equity attributable to owners of the Company of RMB1,908.8 million; and (iv) total comprehensive income attributable to owners of the Company amounted to RMB7,505.9 million in 2016.

## **(II) Assets and Investment**

Save for the Acquisition, the Group was mainly engaged in the investment in construction of nuclear power generating units, technical improvement in the nuclear power stations in operation, and research and development of technologies related to nuclear power for the year ended December 31, 2016.

### **INVESTMENT IN PROPERTY, PLANTS AND EQUIPMENT**

For the year ended December 31, 2016, our investment in property, plants and equipment amounted to approximately RMB21,857.4 million, representing a decrease of RMB1,187.5 million or 5.2% from RMB23,044.9 million in 2015, which was primarily used for the continuing construction of Yangjiang Nuclear Power Station, Taishan Nuclear Power Station, Fangchenggang Nuclear Power Station and Lufeng Nuclear Power Station. With the progress of project construction, the investment on property, plant and equipment for project construction decreased.

### **MAJOR INVESTMENTS IN EQUITY**

For the year ended December 31, 2016, the Group increased its capital contribution in joint ventures and associates in the sum of RMB865.0 million, of which amounts of RMB282.8 million, RMB275.8 million, RMB83.4 million, RMB43.0 million and RMB180.0 million were made to Ningde Nuclear, Hongyanhe Nuclear, CGN Fund Phase I, Fujian Ningde No.2 Nuclear Power Co., Ltd. and CGN Finance Co., Ltd., respectively.

### **MATERIAL ACQUISITION AND DISPOSAL**

#### ***MAJOR ACQUISITION***

On September 25, 2016, the Company and CGNPC entered into the share transfer agreement, pursuant to which, the Company acquired 61% equity interest in Fangchenggang Nuclear, 100% equity interest in Lufeng Nuclear and 100% equity interest in CGN Engineering from CGNPC at the share transfer price of RMB9,920.5 million, with the share transfer price adjusted by agreement in accordance with the change in net asset between the appraisal base date and the date of completion. Both parties agreed that CGN Engineering will dispose of its 60% equity interest in China Techenergy Co., Ltd. prior to completion of the Acquisition.

On 30 November 2016, the Acquisition was completed by the Company upon approval by the general meeting. Between the appraisal base date and the date of completion, CGNPC received cash dividend of RMB1,384.2 million. The share transfer price was decreased pursuant to the share transfer agreement and the final price after adjustment was RMB8,536.3 million. Upon completion of the Acquisition, we directly hold 61% equity interest in Fangchenggang Nuclear, 100% equity interest in Lufeng Nuclear and 100% equity interest in CGN Engineering.

## MAJOR DISPOSAL

On March 14, 2016, the Board has considered and approved the transfer of Nigang Road property from Guangdong Nuclear Power Joint Venture Co., Ltd. (a non-wholly owned subsidiary of the Company) to CGN Services Group Co., Ltd. (a wholly-owned subsidiary of CGNPC). The consideration for the property was approximately RMB116.6 million. As of December 31, 2016, the transfer was completed.

The Board of the Company has considered and approved the public tender in relation to the transfer of 17% equity interest in Yangjiang Nuclear on September 25, 2016 and the tender was obtained by CLP Nuclear Power (Yangjiang) Limited with the transfer price of RMB5 billion. The Board of the Company has considered and approved the agreement in relation to the share transfer of 17% equity interest in Yangjiang Nuclear with CLP Nuclear Power (Yangjiang) Limited on November 30, 2016. The agreement shall take effect on the satisfaction of the key conditions below: (i) relevant approvals from regulatory authorities have been obtained; (ii) approvals from certain lenders of Yangjiang Nuclear have been obtained; and (iii) approvals from all shareholders of Yangjiang Nuclear have been obtained. As of December 31, 2016, the equity transfer agreement has not taken effect and the transfer of equity interest has not been completed.

## USE OF PROCEEDS

The Company issued 10,148,750,000 H shares by way of global offering in December 2014 with net proceeds of RMB21,603.5 million (in equivalent) from the offering after deducting various issuance costs. As of December 31, 2016, the Company had used RMB20,061.2 million of the net proceeds for the purposes as set out in the Prospectus of the Company dated November 27, 2014, representing 92.9% of the net proceeds from the offering

| <b>Item</b>                                                                                                                           | <b>Movements<br/>RMB'000</b> |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| Net proceeds from the Listing                                                                                                         | 21,603,535                   |
| Less: Proceeds used                                                                                                                   | 20,061,176                   |
| Among which: Acquisition of 60% of the equity interests in<br>Taishan Investment and 12.5% of the equity interests in Taishan Nuclear | 9,700,196                    |
| Capital expenditure for nuclear power stations under construction                                                                     | 8,714,300                    |
| Research and development activities                                                                                                   | 316,680                      |
| Replenishment of working capital                                                                                                      | 1,330,000                    |
| Proceeds unused as at December 31, 2016                                                                                               | <u>1,542,359</u>             |

The remaining unused proceeds have been intended to be used mainly for research and development activities and overseas market exploration. The proceeds intended to be used for research and development activities are being progressively used according to the annual research and development plan of the Company. As the Company has not carried out any overseas projects, the proceeds intended to be used for overseas market exploration remain unused.

## **CONTINGENCIES**

### ***EXTERNAL GUARANTEES***

In 2016, the Group had not provided any external guarantee.

### ***PLEDGE OF ASSETS***

As of December 31, 2016, the Group's assets (mainly property, plant and equipment) of RMB23,175.4 million in carrying value were pledged to banks and related parties to secure loans for the Group. As of December 31, 2015, the carrying value of the Group's assets pledged to banks and related parties was RMB23,261.4 million.

As of December 31, 2016 and 2015, the electricity tariff collection rights of Ling'ao Nuclear, Lingdong Nuclear, Yangjiang Nuclear, Taishan Nuclear and Fangchenggang Nuclear were pledged to secure the banking facilities, loans from banks and related parties.

As of December 31, 2016, the Group's interest in Hongyanhe Nuclear was pledged to secure banking facilities of Hongyanhe Nuclear.

### ***LEGAL PROCEEDINGS***

For the year ended December 31, 2016, neither was there significant litigation, nor was the Group aware of any pending or threatened litigation against the Group which had or could have a material and adverse effect on the financial conditions or operations of the Group.

## **INVESTMENT DIRECTION**

Based on the strategies and business development needs of the Company, the Company will finance the construction of nuclear power stations under construction according to investment schedules, continue to fund the technology improvement in nuclear power stations in operation, make continuous investment in the research, development and innovation of technologies, and fund the acquisitions of contingent assets in 2017. In addition, the Company will also carry out relevant investment activities at appropriate time by exercising its rights to acquire retained businesses as set out in the non-competition deed entered into between the Company and CGNPC, thereby laying a solid foundation for the Company's future development.

## Business Performance and Analysis

### (I) Industry Overview

On September 3, 2016, the Standing Committee of the National People's Congress of the PRC approved China's entering into the new agreement on global climate change of "United Nations Framework Convention on Climate Change (Paris Agreement)" (《<聯合國氣候變化框架公約>巴黎協定》, the "**Paris Agreement**"). On November 4, 2016, the Paris Agreement came into effect. The Paris Agreement was the first constantly effective and legally-binding agreement passed by all parties in history. Entering into the Paris Agreement denotes that China would be bound and guided by this agreement. The new goal of the Paris Agreement is to require corresponding reforms on the domestic climate management policies, technology and market in China to better perform China's self-directed program for contributions and carry out innovative low-carbon development and energy transition. In 2016, important policy planning documents such as the Outline of 13th Five-Year Development Plan for National Economic and Social Development of the People's Republic of China (the "**13th Five-Year Plan**") were issued, in which many of the goals in relation to climate management committed by China have been formalized.

To the extent that safety is ensured, major countries using nuclear power and some emerging countries regard nuclear power as their direction for low-carbon energy development. During the 12th Five-Year Period (2010-2015), the domestic low-carbon energy development has obtained certain achievements. The proportion of non-fossil energy consumption increased from 9.4% in 2010 to 12% in 2015. It was clearly stated in the 13th Five-Year Plan that the proportion of non-fossil energy consumption in China will reach 15% by 2020. Meanwhile, in respect of the domestic nuclear power development, a clear goal was also stated in the 13th Five-Year Plan. By 2020, the installed nuclear power capacity will reach 58GW and the installed nuclear power capacity under construction will exceed 30GW.

As stated in the 13th Five-Year Plan of Energy Development issued in 2016, the proportion of non-fossil installed capacity shall increase from 35% in 2015 to 39% in 2020. In respect of the nuclear power development, it is proposed in the 13th Five-Year Plan to promote safe and effective nuclear power development, plan the nuclear power development in advance and moderately enhance the project size. In recent years, the nuclear power projects in China have been put into operation on a large scale, which leads to a rapid growth of nuclear power installed capacity. The installed capacity of the nuclear power generating units in commercial operation in China was 33.64GW in 2016, accounting for a higher proportion of the total installed capacity in China than that of 2015. However, the proportion of nuclear power in the overall domestic energy structure remains relatively low. There is still much room for achieving the national nuclear development goal.

During the 13th Five-Year Period, as the economic development enters the period of new normal, the growth in demand for the electricity has slowed down and the supply of electricity in China was on ease in general. In 2016, the national electricity consumption recorded a year-on-year increase of 5.0%, representing an increase of 4 percentage point as compared with last year. Meanwhile, the total installed capacity in China recorded a year-on-year increase of 8.2%, higher than the increase in the national electricity consumption. During the year, the national electricity demand and supply imbalances intensified with excessive power surplus in most regions. The overall utilization efficiency of electricity system declined. The annual average utilization hours of nuclear power equipment dropped by 361 hours as compared with that of 2015. Due to the low proportion of nuclear power in the energy structure, and leveraging on the national policy on preferential protection to clean energy, the utilization rates of nuclear power still maintained a relatively high level when compared with other energy sources.

|               | Ratio of installed capacity by type of energy (%) |      | Ratio of generation capacity by type of energy (%) |      | Average utilization hours (hours) |       |
|---------------|---------------------------------------------------|------|----------------------------------------------------|------|-----------------------------------|-------|
|               | 2016                                              | 2015 | 2016                                               | 2015 | 2016                              | 2015  |
|               |                                                   |      |                                                    |      |                                   |       |
| Nuclear power | <b>2.0</b>                                        | 1.7  | <b>3.5</b>                                         | 3.0  | <b>7,042</b>                      | 7,403 |
| Thermal power | <b>63.6</b>                                       | 65.7 | <b>72.2</b>                                        | 73.1 | <b>4,165</b>                      | 4,364 |
| Hydropower    | <b>20</b>                                         | 21.2 | <b>19.4</b>                                        | 19.9 | <b>3,621</b>                      | 3,590 |
| Wind power    | <b>9.1</b>                                        | 8.6  | <b>3.9</b>                                         | 3.3  | <b>1,742</b>                      | 1,724 |

Note: Data from 2016-2017 National Supply and Demand of Electricity Analysis and Forecast Report of China Electricity Council and 2016 Power Industry Overview of the National Bureau of Statistics

In 2016, the pace of national power system reform accelerated. Two national electricity trading centers and 31 provincial electricity trading centers have been set up and most of the electricity trading centers have organized marketized electricity trading with certain size. Except for Guangdong Province, our other nuclear power bases have properly participated in electricity market trading in their corresponding provinces. We expect that the share in marketized electricity trading in each province in 2017 will further increase with trading mechanisms being improved.

## (II) Business Performance and Analysis

As of the end of 2016, we managed 19 nuclear power generating units in operation and 9 nuclear power units under construction. During the year, we had 5 new nuclear power generating units which commenced commercial operation, namely Yangjiang Unit 3, Fangchenggang Unit 1, Hongyanhe Unit 4, Ningde Unit 4 and Fangchenggang Unit 2 and 1 new nuclear power generating unit commenced construction, namely Fangchenggang Unit 4 with construction commenced on December 23, 2016.

As of December 31, 2016, the number and capacity of nuclear power generating units in operation and nuclear power generating units under construction are as follows:

|                                                      |          | <b>As at<br/>December 31,<br/>2016</b> | <b>As at<br/>December 31,<br/>2015</b> | <b>Growth rate</b> |
|------------------------------------------------------|----------|----------------------------------------|----------------------------------------|--------------------|
| Nuclear power generating<br>units in operation       | Number   | <b>19</b>                              | 14                                     | 35.7%              |
|                                                      | Capacity | <b>20,384 MW</b>                       | 14,918 MW                              | 36.6%              |
| Nuclear power generating<br>units under construction | Number   | <b>9</b>                               | 10                                     | -10.0%             |
|                                                      | Capacity | <b>11,356 MW</b>                       | 12,290 MW                              | -7.6%              |

We will introduce and analyse the Company's business performance in 2016 in respect of safety management, generating units in operation, generating units under construction and sales of electricity.

## **1. Safety Management**

Nuclear safety is the life line of nuclear power companies. We always adhere to the principles of "Nuclear Safety is Paramount" and "Safety First". These principles apply to various stages of design, construction, operation and decommissioning of the nuclear power stations.

Based on our experience in nuclear power operation over the years, we have established a mature safety management system. We have set up the Nuclear Safety Committee of the Board, the Nuclear Safety Committee of the Company and other organizations to discuss and make decisions in relation to the Company's important nuclear safety issues. In 2016, the Company's safety management system operated smoothly and the safety management level of the Company increased.

### **1.1 Emphasizing the building of nuclear safety culture**

In recent years, the business size of the Company is growing rapidly and one of the most important core missions of the Company is to strengthen and enhance safe production level. In our opinion, the management must take the lead so as to form a safety culture within the Company. On April 26, 2016, the Company organized forums and activities with the topic of "solidifying and strengthening the foundation and making safety a habit". During the forums, responsible persons of various departments of the Company and responsible persons of subsidiaries and associates of the Group focused on "how to carry out safety management on each level" and conducted comprehensive discussions to identify the problems and deficiencies in respect of safety within their corresponding scopes of responsibilities with openness and transparency. They are committed to adhering to the five principles (namely "Nuclear Safety is Paramount", "Safety First, Quality Foremost, Pursuit of Excellence", "Doing Things Right in One Go", "Compliance with Procedures, Honesty and Transparency, Continuous Improvement" and "Serving as a Role Model, Take the Lead and Being People-based") to jointly promote the continuous enhancement of the Company's safety management level.

Apart from the safety commitment by the Company's management, we also hope that such a commitment can be implemented at the working level. In 2016, the Company launched the "On-site Management" activities, requiring the management of each level to go into the site of working level to stay close with front-line staff and timely identify and solve the management problems at the working level so as to enhance work efficiency and promote the Company's safety management level. Meanwhile, all staff participate in our nuclear safety culture precautionary education carried out routinely every year, highlighting the significance of safety culture with the Group's real cases, seeking to enhance safety awareness among the staff.

Since the construction of Daya Bay Nuclear Power Station thirty years ago, the Company has strictly adhered to the principle of "Compliance with Procedures" up till now. We believe that to enhance safety management of nuclear power stations, apart from enhancing safety awareness among staff, the most important thing is the strict compliance with working procedures by all the staff. In 2016, we launched specific activities of "Compliance with Procedures and Objection to Violations" with the theme of "Complying with Procedures for the Safety". Through the launching of the activities, managers and staff at all levels seriously reflected on and analyzed their own work to deepen the understanding of compliance with procedures which effectively corrects irregularity such as acting by experience and habitual non-compliance, restrains intentional breach or intentional non-compliance, prevents material safety issues such as important equipment damage and facilities shutdown, thereby creating the atmosphere of "cannot and being afraid to" and finally "being unwilling" not to comply with the procedures.

## **1.2 Enhancing Internal and External Supervision**

We have set up a three-level safety supervision system. The first level represents the on-site safety supervision team led by nuclear power station safety engineers which guarantees the effectiveness of safety of the nuclear power stations' daily operation activities. The second level represents the safety management body whose fundamental duty is safety quality management for nuclear power stations. The body is to safeguard and supervise the organizational effectiveness of the safety management system. The third level represents the nuclear safety supervision assessment center serving across the member companies which independently performs safety supervision over and makes safety assessment on each of the nuclear power stations.

In 2016, to strengthen nuclear safety supervision, we adopted the strategy of synchronizing the work of nuclear safety supervising officers and operation personnel at each nuclear power station to ensure the presence of 24-hour nuclear safety supervision and conduct real time monitoring of nuclear safety status of generating units, thereby further ensuring the safety operation of generating units.

Apart from internal supervision, we also receive independent supervision performed by the National Nuclear Safety Administration (“NNSA”) and other authorities. In 2016, we received an aggregate of 22 regular safety inspections from NNSA and all of which received good assessment results. Details of the major inspection are as follows:

| <b>Base or<br/>Nuclear Power Station</b>                                                                                               | <b>Major inspection item</b>                                                                                                                                                                                                                                                                                                                                                                                                                          | <b>Total number of<br/>inspections</b> |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|
| Daya Bay Base (including<br>Daya Bay Nuclear Power<br>Station, Ling’ao Nuclear<br>Power Station and Lingdong<br>Nuclear Power Station) | The control point nuclear safety inspection before<br>criticality after the outage for generating units                                                                                                                                                                                                                                                                                                                                               | 4                                      |
| Yangjiang Nuclear Power<br>Station                                                                                                     | The control point inspection for nuclear safety<br>before the cold functional test for the main<br>system of Yangjiang Unit 4, the control point<br>nuclear safety inspection before criticality after<br>the first refuelling outage of Yangjiang Unit 2,<br>the control point nuclear safety inspection before<br>criticality after the outage of Yangjiang Unit 1<br>and control point inspection of the dome lifting<br>of Yangjiang Unit 6, etc. | 7                                      |
| Taishan Nuclear<br>Power Station                                                                                                       | —                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 0                                      |
| Fangchenggang Nuclear<br>Power Station                                                                                                 | The nuclear safety integrated inspection before<br>the first loading of Fangchenggang Unit 2, the<br>nuclear safety inspection before resumption<br>of civil construction of nuclear islands for<br>Fangchenggang Units 3 and 4, etc.                                                                                                                                                                                                                 | 4                                      |
| Ningde Nuclear Power Station                                                                                                           | The control point inspection for nuclear safety<br>before the first criticality and the criticality<br>control point inspection after outage of Ningde<br>Unit 4, etc.                                                                                                                                                                                                                                                                                | 4                                      |
| Hongyanhe Nuclear Power<br>Station                                                                                                     | The control point inspection for nuclear safety<br>before the first criticality, the emergency<br>inspection for nuclear incidents and the<br>supervision and evaluation of 2016 on-site<br>integrated drills for Hongyanhe Unit 4, etc.                                                                                                                                                                                                              | 3                                      |

In 2016, apart from the routine inspection by NNSA, we also received nuclear safety inspection by external regulatory organizations such as NNSA and the Nuclear and Radiation Safety Supervision Stations from time to time and all of which received good ratings. In 2016, we were recognised as a Model Company during the Safe Production Month by the State Council's Safe Production Committee.

Moreover, we regularly receive and invite international peers to conduct safety assessments on our nuclear power stations.

According to the improvement action plan stipulated by World Association of Nuclear Operators (“WANO”) after the Fukushima nuclear accident, WANO will conduct a Corporate Peer Review (“CPR”) over all Category-1 member companies all over the world before January 2018. Upon receipt of our invitation, WANO conducted CPR on us from June 13, 2016 to June 23, 2016. The review team conducted reviews in accordance with the latest standard issued by WANO in March 2013, based on 87 specifications in 7 areas. In the course of the review, we actively collaborated with the experts in a transparent, open-minded and humble manner during the process, and the review was completed smoothly. The review team has given high recognition to the organization of the review activities and acknowledged the systems of nuclear emergency management and production management meetings across the Company. The review team considers these two activities as the strength of the Company which would be promoted to other nuclear power operators. The review team also identified five areas for improvement to the Company. In respect of the deficiencies in nuclear safety management and supervision identified during the evaluation, the Company has thoroughly analysed the fundamental reasons and has formulated improvement action. All of the improvement actions were listed in the daily working plan of each level of the Company.

In 2016, we invited WANO to conduct 6 CPRs and follow-up visits to each of our nuclear power stations, mainly involving supervision over operation teams, operators' knowledge and skill (mainly on reactivity control), decision-making and questioning attitude on organization and management, fire load control, combustible storage and management of fire-fighting equipment. Each nuclear power station has formulated improvement plan based on the deficiencies identified and has implemented improvement as planned.

### **1.3 Establishing a full-cycle feedback system**

The feedback system of nuclear power stations is an important component of the management of nuclear power stations, which can effectively prevent the recurrence of the events and promote constant improvement.

To further ensure nuclear safety, we believe that feedback practices shall be implemented during the operation stage of nuclear power stations and during the design, construction and decommissioning phases. In 2016, we actively promoted the establishment of full-cycle feedback system covering the design, construction, operation and decommissioning phases and refined the relevant systems. Meanwhile, we also actively learnt from peer companies' outstanding experience. For instance, we launched the specific feedback practice in relation to Hualong I under construction in China to ensure that the problems happened to the peer companies would not occur during construction of Fangchenggang Unit 3 and Unit 4 which adopt Hualong I third generation technology.

If deviations and hazards are identified earlier, they can be handled timely and thereby material nuclear safety events can be prevented. We have established a transparent reporting system. In 2016, we conducted educational and promotional activities and required our staff to follow the Company's internal management system to actively report any deviation during daily operation.

Isolated equipment defects occur in industrial systems, and so do operation incidents in the context of nuclear power stations. The new generating units in operation need certain time to identify the possible deviations and potential problems. The Company makes judgment on operation incidents according to the International Nuclear Events Scale (“INES”) (《國際核事件分級表》) set by the International Atomic Energy Agency (“IAEA”). In respect of operation incidents that occurred, we will immediately analyze, discuss and share the experience among all nuclear power stations in a timely manner. In respect of abnormality happened in the past and deviations identified, the Company would identify in accordance with the principles during the internal supervision and self-inspection activities. In respect of deviations and incidents, we adhere to the principle of “Honesty and Transparency” to report to the national regulatory authority, enhance analysis and reflection on the reasons and conduct feedback practice and safety culture re-education among all the staff of the Group to prevent the re-occurrence of the incidents in other generating units and timely revise and refine our system and procedures.

According to the INES set by IAEA, the nuclear power stations we operated and managed have maintained our all-time good safety record of no nuclear incident at level 2 or above in 2016.

In 2016, the number of operation incidents of our nuclear power generating units in operation are as follows:

|                                                                                                                                  | As of<br>December 31,<br>2016 | As of<br>December 31,<br>2015 |
|----------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| <b>Base or Nuclear Power Station</b>                                                                                             |                               |                               |
| Daya Bay Base (including Daya Bay Nuclear Power Station,<br>Ling'ao Nuclear Power Station and Lingdong Nuclear<br>Power Station) | 6                             | 1                             |
| Yangjiang Nuclear Power Station                                                                                                  | 7                             | 1                             |
| Fangchenggang Nuclear Power Station                                                                                              | 3                             | —                             |
| Ningde Nuclear Power Station                                                                                                     | 17                            | 4                             |
| Hongyanhe Nuclear Power Station                                                                                                  | 5                             | 3                             |

According to the INES of the IAEA, as of December 31, 2016, a total of 38 operation incidents occurred at the 19 nuclear power generating units in operation managed by us, of which 36 incidents are at level 0 and 2 incidents are at level 1.

Note: Nuclear incidents are classified into seven levels in the INES according to their impact on (i) people and the environment, (ii) radiological barriers and control, and (iii) defence-in-depth. Level 1 to Level 3 are referred to as “Incidents,” while Level 4 to Level 7 are referred to as “Accidents.” Level 0 (below classification levels) nuclear incidents have no safety significance.

## **1.4 Optimising nuclear emergency response system**

According to the Company's management strategy, we have established a complete nuclear emergency response and handling system. To ensure effective operation of the system, we conduct training and emergency drills on different scales every year as planned to ensure quick responses to any emergency.

To effectively ensure rapid handling of emergency in nuclear power stations, we believe that we have to consolidate our resources for emergency in each nuclear power base of the Group to achieve emergency support among the bases. In 2016, the Company improved relevant systems and procedures for emergency backup. Meanwhile, combining the status of resources for emergency in each nuclear power base, the Company formulated the resource allocation plan for emergency backup, set up emergency backup team in each nuclear power base. We also tested the operation of emergency backup system through emergency drill which shows that the rapid support can be achieved among the bases through the measures adopted.

On November 22, 2016, the Company conducted "Annual On-site Integrated Emergency Drill for Daya Bay Nuclear Power Base" with Daya Bay Nuclear Power Base. The scenario design of this drill took full account of the response to the combined effects of complex condition and extreme external events on nuclear power generating units. Three scenarios were designed as choices for this drill. Before conducting the drill, one scenario was randomly chosen by NNSA as the actual scenario for the emergency drill. Governmental regulatory authorities such as the National Safety Regulatory Authority, domestic peer nuclear power companies and some foreign safety regulatory authorities from countries such as Korea and Japan observed this drill. It was the first time for NNSA to invite foreign nuclear safety regulatory authorities to observe on-site integrated emergency drills in China. This drill fully tested the preparation and responsiveness to emergency in Daya Bay Nuclear Power Base, achieved the planned goal of the drill and received recognition by external regulatory authorities.

## 2. Nuclear Power Generating Units in Operation

Safe and stable operation of generating units in operation is fundamental to nuclear power companies. In 2016, all nuclear power generating units in operation managed by us maintained safe and stable operation and five new generating units commenced commercial operation, with a total annual on-grid power generation of 115,583.57 GWh, representing a year-on-year increase of 30.83% as compared with that of 2015.

Among which, the total annual on-grid power generation from nuclear power stations operated and managed by our subsidiaries (including Daya Bay Nuclear Power Station, Ling'ao Nuclear Power Station, Lingdong Nuclear Power Station, Yangjiang Nuclear Power Station and Fangchenggang Nuclear Power Station) amounted to 75,556.10 GWh, representing a year-on-year increase of 31.33% as compared with that of 2015. The total annual on-grid power generation from nuclear power stations operated and managed by our joint ventures (Ningde Nuclear Power Station) amounted to 22,336.44 GWh, representing a year-on-year increase of 22.56% as compared with that of 2015. The total annual on-grid power generation from nuclear power stations operated and managed by our associates (Hongyanhe Nuclear Power Station) amounted to 17,691.03 GWh, representing a year-on-year increase of 40.50% as compared with that of 2015.

| Name of nuclear power station                | On-grid power generation from January to December 2016 (GWh) | On-grid power generation from January to December 2015 (GWh) | Change rate for the same period |
|----------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|---------------------------------|
| <b><i>From subsidiaries</i></b>              | <b>75,556.10</b>                                             | 57,529.93                                                    | 31.33%                          |
| Daya Bay Nuclear Power Station               | <b>14,526.04</b>                                             | 14,774.85                                                    | -1.68%                          |
| Ling'ao Nuclear Power Station                | <b>15,222.19</b>                                             | 14,728.29                                                    | 3.35%                           |
| Lingdong Nuclear Power Station               | <b>15,210.66</b>                                             | 15,875.11                                                    | -4.19%                          |
| Yangjiang Nuclear Power Station <sup>1</sup> | <b>21,583.11</b>                                             | 12,151.68                                                    | 77.61%                          |
| Fangchenggang Nuclear Power Station          | <b>9,014.11</b>                                              | under construction                                           | —                               |
| <b><i>From joint ventures</i></b>            |                                                              |                                                              |                                 |
| Ningde Nuclear Power Station <sup>2</sup>    | <b>22,336.44</b>                                             | 18,225.59                                                    | 22.56%                          |
| <b><i>From associates</i></b>                |                                                              |                                                              |                                 |
| Hongyanhe Nuclear Power Station <sup>3</sup> | <b>17,691.03</b>                                             | 12,591.41                                                    | 40.50%                          |

Notes:

- 1 On-grid power generation of Yangjiang Nuclear Power Station increased by 77.61% for the same period. Yangjiang Unit 2 and Unit 3 commenced commercial operation on June 5, 2015 and January 1, 2016, respectively. For details of other factors affecting the on-grid power generation, please refer to the analysis in the chapter headed “Operation Performance”.
- 2 On-grid power generation of Ningde Nuclear Power Station increased by 22.56% for the same period. Ningde Unit 3 and Unit 4 commenced commercial operation on June 10, 2015 and July 21, 2016, respectively. For details of other factors affecting the on-grid power generation, please refer to the analysis in the chapter headed “Operation Performance”.
- 3 On-grid power generation of Hongyanhe Nuclear Power Station increased by 40.50% for the same period. Hongyanhe Unit 3 and Hongyanhe Unit 4 commenced commercial operation on August 16, 2015 and June 8, 2016, respectively. For details of other factors affecting the on-grid power generation, please refer to the analysis in the chapter headed “Operation Performance”.

## **2.1 Operation Performance**

Capacity factor, load factor and utilization hours are the three indicators normally used by us to evaluate the utilization of nuclear power generating units. They are mainly subject to the effects of refuelling outages for the generating units. According to the arrangements of the annual outage plan, there are certain differences between the duration of refuelling outages for different generating units, and refuelling outages may be implemented over to the next year, resulting in small differences between the duration of outages in different years with respect to the same type of refuelling outage for the same type of generating unit. Meanwhile, load factor and usage hours of nuclear power generating units are also under the influence of temporary operation at reduced load or shutdown resulting from the demand and supply conditions of the electricity market.

According to the calculation rules of WANO, generating units with operation for less than one quarter are excluded from the calculation of business indicators. Therefore, Fangchenggang Unit 2 which commenced commercial operation on October 1, 2016 was excluded from the calculation. In 2016, we had 18 nuclear power generating units in operation (excluding Fangchenggang Unit 2), with an average capacity factor of 90.31%, an average load factor of 77.45% and average utilization hours of 6,673 hours, as compared with 88.14%, 79.31% and 7,085 hours of the 14 nuclear power generating

units in operation in 2015. The details of the operation performance of generating units we operated and managed in 2016 are as follows:

| Nuclear power station             | Capacity factor (%) |                    | Load factor (%) |                    | utilization hours (hours) |                    |
|-----------------------------------|---------------------|--------------------|-----------------|--------------------|---------------------------|--------------------|
|                                   | 2016                | 2015               | 2016            | 2015               | 2016                      | 2015               |
| <b><i>From subsidiaries</i></b>   |                     |                    |                 |                    |                           |                    |
| Daya Bay Unit 1 <sup>1</sup>      | <b>86.58</b>        | 78.83              | <b>87.48</b>    | 79.65              | <b>7,685</b>              | 6,979              |
| Daya Bay Unit 2 <sup>2</sup>      | <b>87.42</b>        | 98.65              | <b>88.05</b>    | 99.30              | <b>7,736</b>              | 8,700              |
| Ling'ao Unit 1 <sup>3</sup>       | <b>99.81</b>        | 86.80              | <b>99.11</b>    | 86.37              | <b>8,703</b>              | 7,564              |
| Ling'ao Unit 2 <sup>4</sup>       | <b>88.65</b>        | 93.64              | <b>83.94</b>    | 91.01              | <b>7,371</b>              | 7,970              |
| Lingdong Unit 1 <sup>5</sup>      | <b>91.62</b>        | 90.10              | <b>89.23</b>    | 88.90              | <b>7,831</b>              | 7,781              |
| Lingdong Unit 2 <sup>6</sup>      | <b>87.84</b>        | 90.29              | <b>80.72</b>    | 88.69              | <b>7,084</b>              | 7,762              |
| Yangjiang Unit 1 <sup>7</sup>     | <b>81.56</b>        | 79.45              | <b>79.16</b>    | 78.86              | <b>6,953</b>              | 6,908              |
| Yangjiang Unit 2 <sup>8</sup>     | <b>77.68</b>        | 99.64              | <b>77.29</b>    | 99.94              | <b>6,789</b>              | 8,755              |
| Yangjiang Unit 3                  | <b>91.24</b>        | under construction | <b>85.11</b>    | under construction | <b>7,476</b>              | under construction |
| Fangchenggang Unit 1              | <b>99.02</b>        | under construction | <b>81.21</b>    | under construction | <b>7,133</b>              | under construction |
| Fangchenggang Unit 2 <sup>9</sup> | —                   | under construction | <b>84.13</b>    | under construction | <b>7,389</b>              | under construction |
| <b><i>From joint ventures</i></b> |                     |                    |                 |                    |                           |                    |
| Ningde Unit 1 <sup>10</sup>       | <b>98.13</b>        | 87.16              | <b>76.44</b>    | 85.93              | <b>6,714</b>              | 7,527              |
| Ningde Unit 2 <sup>11</sup>       | <b>86.38</b>        | 78.95              | <b>65.46</b>    | 73.72              | <b>5,750</b>              | 6,458              |
| Ningde Unit 3 <sup>12</sup>       | <b>80.08</b>        | 93.24              | <b>68.91</b>    | 81.67              | <b>6,053</b>              | 7,185              |
| Ningde Unit 4                     | <b>99.98</b>        | under construction | <b>92.47</b>    | under construction | <b>8,122</b>              | under construction |
| <b><i>From associates</i></b>     |                     |                    |                 |                    |                           |                    |
| Hongyanhe Unit 1 <sup>13</sup>    | <b>87.19</b>        | 87.75              | <b>66.36</b>    | 82.57              | <b>5,827</b>              | 7,233              |
| Hongyanhe Unit 2                  | <b>87.49</b>        | 65.53              | <b>57.56</b>    | 39.26              | <b>5,056</b>              | 3,439              |
| Hongyanhe Unit 3                  | <b>94.90</b>        | 100.00             | <b>59.90</b>    | 50.31              | <b>5,262</b>              | 4,407              |
| Hongyanhe Unit 4                  | <b>99.98</b>        | under construction | <b>49.02</b>    | under construction | <b>1,926</b>              | under construction |

Notes:

- 1 Daya Bay Unit 1 completed an outage in 2016 and refuelling outage duration is shorter in 2016 compared with that of 2015.
- 2 Daya Bay Unit 2 completed an outage in 2016 and did not conduct any outage in 2015.
- 3 Ling'ao Unit 1 did not conduct any outage in 2016 and completed an outage in 2015.
- 4 Ling'ao Unit 2 completed an outage in 2016 and refuelling outage duration is longer in 2016 compared with that of 2015.

- 5 Lingdong Unit 1 completed an outage in 2016 and refuelling outage duration is shorter in 2016 compared with that of 2015.
- 6 Lingdong Unit 2 completed an outage in 2016 and refuelling outage duration is longer in 2016 compared with that of 2015.
- 7 Yangjiang Unit 1 completed an outage in 2016 and refuelling outage duration is shorter in 2016 compared with that of 2015.
- 8 Yangjiang Unit 2 completed the first outage after commencement of operation in 2016 and its duration was longer, being similar to that of a 10-year outage.
- 9 Fangchenggang Unit 2 commenced its commercial operation on October 1, 2016. According to the requirements for indicators calculation by WANO, since Fangchenggang Unit 2 did not meet the time requirement of operation for one quarter, it was excluded from the calculation.
- 10 Ningde Unit 1 did not conduct any outage in 2016 and completed an outage in 2015.
- 11 Ningde Unit 2 completed an outage in 2016 and refuelling outage duration is shorter in 2016 compared with that of 2015.
- 12 Ningde Unit 3 completed the first outage after commencement of operation in 2016 and its duration was longer, being similar to that of a 10-year outage.
- 13 Hongyanhe Unit 1 completed an outage in 2016 and refuelling outage duration is shorter in 2016 compared with that of 2015.

Based on the design of pressurised water reactor (“**PWR**”) nuclear power stations, the nuclear reactor of each unit in operation must be shut down and refuelled after a certain period of time. Taking the safety and economic considerations for nuclear power stations into account, nuclear power operators often make use of the refuelling period to intensively conduct preventive and corrective maintenance projects as well as various modifications projects, and this is usually referred to as refuelling outage by nuclear power stations. The refuelling intervals of our nuclear power stations are generally 12 to 18 months. According to the technical requirements for the operation of nuclear power stations, inspection, testing and maintenance for major equipment are required every ten years. Such activities will be conducted during the refuelling period of generating units, and this is usually referred to as 10-year outage by nuclear power stations. In addition to the refuelling outage and 10-year outage, the refuelling outage of new generating units conducted in the next year after commencement of operation is usually referred to as first outage.

During the outage period, we carry out inspection, maintenance and modifications for equipment with selectivity based on the requirements of nuclear power station preventive maintenance guidelines, in-service inspection guidelines, requirements on operation technology specification as well as the experience on the operation of generating units to secure the safety of the units, improve the operating performance of the equipment, and ensure that the units would maintain good operating conditions in the next cycle according to the design requirements.

Considering the economic factors and arrangements for related works, refuelling outages intervals of nuclear power generating units are not fixed to every 12 to 18 months. In order to ensure the safe operation of the generating units, we usually take local power load fluctuations into account and communicate with local power grid companies to rationalize the refuelling outage plans for generating units. As the needs for inspection and maintenance projects are different, the duration of each refuelling outage is not identical. More inspection items are required for the first and 10-year outage, resulting in a longer inspection period compared to that of regular refuelling outage. According to the specific operating conditions of each generating unit, we continue to enhance and develop targeted refuelling outage plans, reasonably arrange inspection and maintenance projects, and actively adopt advanced technology to improve the efficiency of inspection and maintenance, in order to have good control over the duration of each refuelling outage on the premise of ensuring the quality of safety.

In 2016, we successfully conducted 12 refuelling outages and completed 10 refuelling outages during the year including 2 outages for the first time. Other two refuelling outages were conducted over to the next year, of which the refuelling outage for Hongyanhe Unit 2 was completed in January 2017.

In 2016, the total aggregate number of calendar days for refuelling outages was 575 days.

Note: In 2015, we carried out a total of 10 refuelling outages for the 14 units in operation managed by us, including 4 10-year outages or first outage, each of which is equivalent to a 10-year outage, and the total number of calendar days for refuelling outages was approximately 480 days.

We continue to implement benchmarking with international counterparts. According to the rules of calculation by WANO, since Fangchenggang Unit 2 did not meet the time requirement of operation for one quarter, it was excluded from the calculation. When compared with the one-year benchmark value of 12 performance indicators for PWR set by WANO in 2015, among a total of 216 WANO performance indicators of our 18 nuclear power generating units in operation (excluding Fangchenggang Unit 2), 156 indicators (72.2%) achieved the world's top 1/4 level and 138 indicators (63.9%) achieved the world's top 1/10 level.

Note: For the same period in last year, among our 14 nuclear power generating units in operation, 71.4% of the indicators achieved the world's top 1/4 level performance, and 66.1% of the indicators achieved the world's top 1/10 level.

## **2.2 Environmental Performance**

We continued to improve radioactive waste management, optimize emissions discharge process and strictly comply with emission control standards. In 2016, the radioactive waste management of the 19 generating units in operation managed by us has strictly complied with national laws and regulations, and has met the standards of the relevant technical specifications.

The following table sets forth the amounts and percentages of the various types of radioactive waste discharged at the nuclear power stations for the period indicated as a percentage of the national standards. The amounts of all of the radioactive substances discharged by all of our nuclear power stations were below the applicable PRC limits.

|                                                                                                                        | Daya Bay Base Area<br>(including Daya<br>Bay Nuclear Power<br>Station, Ling'ao<br>Nuclear Power Station<br>and Lingdong Nuclear<br>Power Station) |        | Yangjiang Nuclear<br>Power Station |        | Fangchenggang<br>Nuclear Power Station |      | Ningde Nuclear<br>Power Station |        | Hongyanhe Nuclear<br>Power Station |        |
|------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|--------|------------------------------------|--------|----------------------------------------|------|---------------------------------|--------|------------------------------------|--------|
|                                                                                                                        | 2016                                                                                                                                              | 2015   | 2016                               | 2015   | 2016                                   | 2015 | 2016                            | 2015   | 2016                               | 2015   |
| Discharged liquid radioactive waste<br>(radionuclides other than tritium) as<br>a percentage of the national standards | <b>0.170%</b>                                                                                                                                     | 0.21%  | <b>0.490%</b>                      | 0.5%   | <b>0.090%</b>                          | —    | <b>0.324%</b>                   | 0.24%  | <b>0.227%</b>                      | 0.47%  |
| Discharged gas radioactive waste<br>(inert gases) as a percentage of the<br>national standards                         | <b>0.142%</b>                                                                                                                                     | 0.133% | <b>0.350%</b>                      | 0.18%  | <b>0.260%</b>                          | —    | <b>0.578%</b>                   | 0.15%  | <b>0.176%</b>                      | 0.144% |
| Solid radioactive waste (m <sup>3</sup> )                                                                              | <b>180.4</b>                                                                                                                                      | 317.6  | <b>21.2</b>                        | 24.4   | <b>12.9</b>                            | —    | <b>183.6</b>                    | 149.6  | <b>114.4</b>                       | 183.1  |
| Results of environmental monitoring                                                                                    | <b>Normal</b>                                                                                                                                     | Normal | <b>Normal</b>                      | Normal | <b>Normal</b>                          | —    | <b>Normal</b>                   | Normal | <b>Normal</b>                      | Normal |

Note: The main reason for changes in the data: the refuelling outage plan is different for every unit, maintenance projects are different, Yangjiang Unit 3, Fangchenggang Unit 1, Hongyanhe Unit 4, Ningde Unit 4 and Fangchenggang Unit 2 were put into commercial operation in 2016.

The Ministry of Environmental Protection continuously monitored the air-absorbed rates in the periphery of our nuclear power generating units in operation in China. The monitoring data indicated that the air-absorbed rates fell within the fluctuation range of local background radiation levels.

Nuclear power is a clean energy source that contributes to energy saving and emissions reduction to the society. Our annual on-grid nuclear power generation in effect represented a reduction of approximately 37.00 million tons of standard coal consumption, approximately 90.00 million tons of CO<sub>2</sub> emissions, approximately 0.88 million tons of SO<sub>2</sub> emissions and approximately 0.57 million tons of NO<sub>x</sub> emissions, with an equivalent effect of planting a forest of 0.25 million hectares.

### 3. Nuclear Power Generating Units under Construction

The quality of nuclear power stations under construction is important for the safe and efficient operations of nuclear power stations after commencement of operation. We meticulously organize project construction in strict compliance with the requirements of relevant laws and regulations. For all the major construction milestones being required to pass the inspection of NNSA, we would enter into the next phase of work only after passing the inspection of NNSA which confirmed our full compliance with the requirements.

As of December 31, 2016, among nine nuclear power generating units we construct, 2 were in the commissioning phase, 3 were in the equipment installation phase and 4 were in the civil construction phase.

We control, supervise and manage aspects including the safety, quality, progress, investment, technology and environment of our construction projects, so as to ensure that the projects under construction comply with various regulatory requirements and facilitate safe, stable and economical operation of the units after commencement of commercial operation.

| <b>Nuclear Power<br/>Generating Units</b> | <b>Civil<br/>Construction<br/>Phase<sup>1</sup></b> | <b>Equipment<br/>Installation<br/>Phase<sup>2</sup></b> | <b>Commissioning<br/>Phase<sup>3</sup></b> | <b>Grid<br/>Connection<br/>Phase<sup>4</sup></b> | <b>Expected Date of<br/>Commencement<br/>of Operation</b> |
|-------------------------------------------|-----------------------------------------------------|---------------------------------------------------------|--------------------------------------------|--------------------------------------------------|-----------------------------------------------------------|
| <b><i>From subsidiaries</i></b>           |                                                     |                                                         |                                            |                                                  |                                                           |
| Yangjiang Unit 4 <sup>5</sup>             |                                                     |                                                         | √                                          |                                                  | Second half of 2017                                       |
| Yangjiang Unit 5                          |                                                     | √                                                       |                                            |                                                  | Second half of 2018                                       |
| Yangjiang Unit 6                          |                                                     | √                                                       |                                            |                                                  | Second half of 2019                                       |
| Taishan Unit 1                            |                                                     |                                                         | √                                          |                                                  | Second half of 2017                                       |
| Taishan Unit 2                            |                                                     | √                                                       |                                            |                                                  | First half of 2018                                        |
| Fangchenggang Unit 3                      | √                                                   |                                                         |                                            |                                                  | 2022                                                      |
| Fangchenggang Unit 4                      | √                                                   |                                                         |                                            |                                                  | 2022                                                      |
| <b><i>From associates</i></b>             |                                                     |                                                         |                                            |                                                  |                                                           |
| Hongyanhe Unit 5                          | √                                                   |                                                         |                                            |                                                  | Second half of 2020                                       |
| Hongyanhe Unit 6                          | √                                                   |                                                         |                                            |                                                  | 2021                                                      |

Notes:

- <sup>1</sup> “Civil construction” refers to activities within the construction phase, particularly the construction of various buildings and structures in accordance with the applicable blueprints.
- <sup>2</sup> “Equipment installation” refers to the entire process of placing and installing equipment in right positions and equipment integration during the construction phase.
- <sup>3</sup> “Commissioning” refers to the process of operating the installed systems and equipment and confirming whether their performance fulfils the requirements of their design and the applicable standards. During this phase, the NNSA will issue an Approval for First Fuel Loading in Nuclear Power Plant (《核電廠首次裝料批准》) which allows the first fuel loading in a nuclear power generating unit for carrying out commissioning and trial runs of nuclear reactors.
- <sup>4</sup> “Grid connection” refers to the connection of a power generating unit’s electricity transmission circuit to the electricity grid, and indicates that the power generating unit has the ability to transmit electricity from its internal systems.
- <sup>5</sup> Yanjiang Unit 4 connected to the grid for the first time on January 8, 2017 and fulfilled the commercial operation conditions on March 15, 2017.

As the date of commencement of operation may be affected by various factors including, among others, delivery delays, increase in the cost of key equipment and materials, delay in obtaining regulatory approvals, permits or licenses, unexpected engineering, environmental or geological problems, change of localisation ratio as well as the implementation of additional PRC regulatory and safety requirements for nuclear safety, the actual date of commencement of operation may be different from such expected date. We will disclose updated information pursuant to the relevant requirements from time to time.

Since there is no nuclear power generating unit with adoption of EPR technology that has commenced commercial operation in the world, we do not have sufficient external experience and feedback for reference. During the construction of Taishan Nuclear Project, Taishan Nuclear has to conduct more testing and verification on the design and equipment, requiring relatively longer construction time. In 2016, we thoroughly analysed every segment of the follow-up construction of Taishan Nuclear Project and continuously optimized the construction activity. After considering the actual progress, we decided to conduct appropriate adjustment to the Taishan Project construction plan. The time for commencements of commercial operation of Taishan Unit 1 and Unit 2 was adjusted from the first half year and the second half year of 2017 to the second half year of 2017 and the first half of 2018, respectively.

Currently, Taishan Unit 1 is in the commissioning phase, and Unit 2 is in the equipment installation phase. Taishan Unit 1 completed the cold functional test with a satisfactory result on January 27, 2016. On June 24, 2016, Taishan Unit 1 completed the containment pressure test and the results complied with the design criteria. The containment is the third barrier for the reactors. The containment pressure test is to test the sealing capability and structural intensity of the containment. The containment pressure test is one of the preconditions for fuel loading. On November 5, 2016, Unit 1 entered the initial stage of the hot functional test (“**hot test**”), which was a breakthrough after the cold test.

Taishan Unit 2 is in the peak phase of equipment installation. The system handover and commissioning are being carried out in an orderly manner.

Note: Hot test is the last overall performance testing before the first loading of nuclear fuel. The test covers the whole pressure and temperature range for reactors from halt to normal operation. Testing on every actual condition is carried out to test the functioning and responsiveness of the main system and equipment with regular testing and operation procedures.

Fangchenggang Unit 3 and Unit 4 adopted the Hualong I third generation technology that we owned intellectual property rights and became the reference power stations for Bradwell B Project in the UK. Fangchenggang Unit 3 and Unit 4 commenced construction on December 24, 2015 and December 23, 2016 respectively. Fangchenggang Unit 4 was the first nuclear power generating unit commenced construction during the 13th Five-Year Period. Currently, the two generating units were under construction and were progressing smoothly.

#### **4. Sales of Electricity**

Over 80% of the Group's revenue came from sales of electricity by our subsidiaries. We sell the electricity generated by our nuclear power stations based on electricity sales contracts. In 2016, the on-grid power generation of our subsidiaries was 75,556.10 GWh and the sales revenue of electricity was RMB28,114.6 million, representing 85.5% of our total revenue for the year.

In 2016, the supply and demand of electricity in China was on ease in general while the implementation process of the power system reform accelerated. The demand for electricity consumption of our nuclear power generating units in some of the provinces grew slowly. In response to the demand from the power grid, some of the generating units commenced temporary load reduction or temporary shutdown. The Company's electricity sales condition was more severe than in the previous years. Through research and analysis, we set the Company's strategy for sales of electricity as "striving for more shares of planned on-grid power generation and striving for better market power generation and tariff". The Company actively communicated with the relevant state departments, local government and power grid to keep track on relevant formulation of policies in relation to nuclear power consumption. We also kept track on and participated in the implementation of power reform, conducted research on outward transmission of regional power and participated in the electricity market trading. Meanwhile, we also strengthen the coordination of the Company to optimize the internal authorization mechanism. Various nuclear power bases need to consider the actual situation of power supply and demand in different regions to take appropriate response measures within the scope of authorization. For example, Fangchenggang Nuclear Power Station is located in Guangxi. Guangxi has more hydropower resources and hydropower has seasonal characteristics with wet season and dry season. According to the situation of Guangxi electricity market, Fangchenggang Nuclear Power actively participated in the local electricity market trading to enlarge sales channel. The on-grid power generation sold during the year amounted to 9,014.11GWh, of which 3,041.61GWh were market trading power generation. On the basis of ensuring planned power generation, we would increase on-grid power generation to increase the Company's revenue from sales of electricity. Meanwhile, according to the situation of Fujian electricity market, Ningde Nuclear Power, on the basis of ensuring planned power generation, actively communicated with local government to achieve power generation beyond planning with on-grid power generation sold during the year amounted to 22,336.44GWh, of which 1,002GWh were power generation beyond planning.

We always pay particular attention to the on-grid tariffs of the planned electricity sales of power generating units in commercial operation. As of December 31, 2016, the on-grid tariffs (inclusive of value-added tax) of the planned electricity sales of our nuclear power generating units in operation remained unchanged as follows:

| <b>Nuclear Power<br/>Generating Units</b> | <b>Clients</b>                 | <b>On-grid Tariffs<br/>(inclusive of<br/>value-added tax)<br/>(RMB/kW)</b> |
|-------------------------------------------|--------------------------------|----------------------------------------------------------------------------|
|                                           |                                |                                                                            |
| Daya Bay Unit 1                           | Guangdong Power Grid Co., Ltd. | 0.42                                                                       |
| Daya Bay Unit 2                           | Guangdong Power Grid Co., Ltd. | 0.42                                                                       |
| Ling'ao Unit 1                            | Guangdong Power Grid Co., Ltd. | 0.429                                                                      |
| Ling'ao Unit 2                            | Guangdong Power Grid Co., Ltd. | 0.429                                                                      |
| Lingdong Unit 1                           | Guangdong Power Grid Co., Ltd. | 0.43                                                                       |
| Lingdong Unit 2                           | Guangdong Power Grid Co., Ltd. | 0.43                                                                       |
| Yangjiang Unit 1                          | Guangdong Power Grid Co., Ltd. | 0.43                                                                       |
| Yangjiang Unit 2                          | Guangdong Power Grid Co., Ltd. | 0.43                                                                       |
| Yangjiang Unit 3                          | Guangdong Power Grid Co., Ltd. | 0.43                                                                       |
| Fangchenggang Unit 1                      | Guangxi Power Grid Co., Ltd.   | 0.414                                                                      |
| Fangchenggang Unit 2                      | Guangxi Power Grid Co., Ltd.   | 0.414                                                                      |
| Ningde Unit 1                             | Fujian Power Grid Co., Ltd.    | 0.43                                                                       |
| Ningde Unit 2                             | Fujian Power Grid Co., Ltd.    | 0.43                                                                       |
| Ningde Unit 3                             | Fujian Power Grid Co., Ltd.    | 0.43                                                                       |
| Ningde Unit 4                             | Fujian Power Grid Co., Ltd.    | 0.43                                                                       |
| Hongyanhe Unit 1                          | Liaoning Power Grid Co., Ltd.  | 0.4142                                                                     |
| Hongyanhe Unit 2                          | Liaoning Power Grid Co., Ltd.  | 0.4142                                                                     |
| Hongyanhe Unit 3                          | Liaoning Power Grid Co., Ltd.  | 0.4142                                                                     |
| Hongyanhe Unit 4                          | Liaoning Power Grid Co., Ltd.  | 0.4142                                                                     |

The tariff plans of third generation nuclear power are determined by relevant departments of the PRC. As there is no generating unit adopting the third generation technology in China that has commenced commercial operation, the tariffs for the third generation nuclear power has not been determined and we will continue to monitor the tariff formulation process of the third generation nuclear power generating units. The determination of the tariffs for the third generation nuclear power is closely relating to the national nuclear power development in future. We believe that the relevant departments of the PRC will consider factors from all parties to determine a reasonable price level.

### **(III)Future Outlook**

In the new situation of vigorous promotion of the optimization of energy supply structure, adherence to the green low-carbon strategic direction, continuous improvement of the proportion of clean energy consumption in the domestic market, and the new prospect of the steady progress of “One Belt, One Road” energy cooperation and the substantive commencement of the British Hinkley Point C nuclear power project invested by the controlling shareholder in the international market, in respect of long-term development, we believe that the Company is still in the stage with strategic opportunities from the international and domestic development of clean energy development.

China’s economic development has entered into a period of new normal. With the intensified implementation of power system reform, the Company’s operation is facing a lot of new requirements and new changes. We will adhere to the nuclear safety culture with “Honesty and Transparency” and the basic principle of “Safety First, Quality Foremost, Pursuit of Excellence” as well as the core value of “Doing Things Right in One Go” to actively plan and respond.

In 2017, we plan to carry out the following initiatives:

- In order to ensure safety and quality, we will push forward construction of generating units as planned. Two generating units under construction (Yangjiang Unit 4 and Taishan Unit 1) are expected to commence commercial operation in 2017;
- We will fully implement nuclear safety management actions and responsibilities to ensure the safe and stable operation of all the generating units in operation. We will conduct 13 refueling outages during the year (including the first outage for Yangjiang Unit 3 at the end of 2016);
- We will adapt to the changes in the electricity market situation, continuously optimize the marketing system and mechanism of electricity market, strengthen the capabilities of the marketing team for sales of electricity to strive for more on-grid generation;
- We will fully push forward streamlined management to effectively control construction cost of units under construction as well as operation and management cost of generating units in operation;
- We will enhance capacity of nuclear power generating units, promote reliability of fuels, improve safety system performance of power generating units through technological and market-oriented measures such as application of technology innovation and technical transformation;
- We will closely follow the change of domestic and international economic and financial environment, adhere to the principle of prudence, identify changes in risks in a timely manner through operation of risk management system and adjust our measures when appropriate to ensure the steady development of the Company.

## HUMAN RESOURCES

The total number of employees of the Group was 17,647 (20,327 if employees of associates and joint ventures were included) as of December 31, 2016. The Group implements remuneration policy that is competitive in the industry, and pays commissions and discretionary bonus to its employees with reference to performance of the Group and individual employees. The total cost of the employees for the year ended December 31, 2016 amounted to RMB7,381.6 million (exclusive of our associates and joint ventures).

The Company has adopted the long-term incentive SAR Scheme to increase its attractiveness to core and key staff while creating better value for its shareholders. According to the H Shares Appreciation Rights (“**Shares Appreciation Rights**”) Scheme (“**Scheme**”) as approved at the 2014 annual general meeting, as of 17 December 2016, the initial grant of the Share Appreciation Rights was fully completed. The vesting period for the Shares Appreciation Rights Scheme of the initial grant has expired. According to the Scheme, 1/3 of the vested initial grant shares are not exercised as the current share price has not reached the conditions for the exercise. For retired/redesignated directors and senior management, the specific arrangements for the exercise are implemented in accordance with the share appreciation rights agreement. The Scheme does not involve the grant of options over new shares or other new securities issuable by the Company (or any of its subsidiaries) and therefore, it does not fall within the ambit of, and is not subject to, the regulations of Chapter 17 of the Listing Rules. Details of the granting of the first batch of Share Appreciation Rights were set out in note 18 to the financial information of this announcement.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

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

## FINAL DIVIDEND

The Board recommended a payment of final cash dividend of RMB0.051 (tax inclusive) per share for the year from January 1, 2016 to December 31, 2016 to shareholders of the Company as of the record date for payment of dividend. The ratio of dividend distribution for the year is based on the consideration of various factors including the specific operation results for the year 2016. In the future, the Company will take into consideration the Company’s business performance, future development strategy and other factors for the relevant year when determining the dividend distribution ratio for such year, provided that it shall not be lower than 33% of the distributable net profit for such year. The distribution of dividends shall be subject to the shareholders’ approval at the annual general meeting (the “**2016 Annual General Meeting**”) of the Company and it is expected to be paid on or around July 12, 2017. For details of the distribution of final dividend of the Company, please refer to the circular for the 2016 Annual General Meeting to be issued by the Company in due course.

## **EXCHANGE RATE**

For the year ended December 31, 2016, the Group has not suffered any major difficulties of or impacts on its operations or liquidity due to exchange rate fluctuations. For the risk of exchange rate fluctuations of the Company, we have been adhering to the principle of prudence, conducting timely debt hedging and risk prevention arrangements to reduce the impact of financial market volatility on the Company's operating costs, expected earnings and cash flow. Details of exchange rate risk management were set out in the section headed "Other gains and losses" in "Financial Results and Analysis" under this announcement.

## **SUBSEQUENT EVENTS**

In December 2016, CGN Ninghe Investment Co., Ltd., a subsidiary of the Company, entered into an agreement with 大唐國際發電股份有限公司 Datang International Power Generation Co., Ltd. to act in concert over the decisions directing the relevant activities of Ningde Nuclear, of which Datang International Power Generation Co., Ltd. will vote in same direction as CGN Ninghe Investment Co., Ltd. at the shareholders' meetings and the meetings of board of directors of Ningde Nuclear. The Group has the ability to direct the relevant activities of Ningde Nuclear.

The agreement remains valid during the existence of Ningde Nuclear, with effect from January 1, 2017. Since January 1, 2017, the Group has obtained the control over Ningde Nuclear, which has been consolidated into the Group's financial statements. Ningde Nuclear has been changed from a joint venture of the Group to a subsidiary of the Group.

## **ANNUAL GENERAL MEETING AND CLOSURE OF SHARE REGISTER OF MEMBERS**

The Company proposes to hold the 2016 Annual General Meeting in May 2017. For details of the resolutions to be considered and approved, the book closure date of H shares, the record date for payment of dividend, and the date of the 2016 Annual General Meeting, please refer to the circular for the 2016 Annual General Meeting to be issued by the Company in due course.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "Stock Exchange Codes") contained in Appendix 14 to the Listing Rules. Meanwhile, the Company adopted the Corporate Governance Code of CGN Power Co., Ltd. (First Edition) which covers the basic requirements of the Stock Exchange Codes and in many aspects exceeds the standards of its recommended best practices.

During the period from January 1, 2016 to December 31, 2016, the Company has complied with the all code provisions contained in the Stock Exchange Codes, except for the one of the best recommended practices proposed in the Stock Exchange Codes (namely a listed company should announce and publish quarterly results report). Nonetheless, we have published reports on operation data of the Company on a quarterly basis. At the end of every quarter, we publish quarterly financial statements in the domestic market in accordance with the requirements of mainland China's bond market, and also made overseas regulatory announcements on the Stock Exchange's website simultaneously to disclose the quarterly financial statements based on the China Accounting Standards, and provide explanations on their differences with the International Accounting Standards where appropriate.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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 the code of conduct regarding securities transactions of the Company by directors and supervisors of the Company. The Company has also formulated and adopted the Code for Securities Transactions by Directors and Specified Individuals on terms no less exacting than those of the Model Code. According to the specific enquiry made to all directors and supervisors of the Company, all directors and supervisors of the Company have confirmed that they have strictly complied with the standards set out in the Model Code throughout the Reporting Period.

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

The Company has established an audit and risk management committee (the “**Audit and Risk Management Committee**”) in compliance with the requirements of Rule 3.21 of the Listing Rules and the Stock Exchange Codes with written terms of reference. Pursuant to the regulatory requirements of the Stock Exchange, to enhance risk management of the Company, the Board approved the rename of the Audit Committee as the Audit and Risk Management Committee on March 14, 2016. The Board has delegated to the Audit and Risk Management Committee with written terms of reference prepared according to the relevant requirements of the Articles of Association, the Company Law of the PRC, the Listing Rules, A Guide for Effective Audit Committees published by the Hong Kong Institute of Certified Public Accountants. The terms of reference are detailed in the Terms of Reference for the Audit and Risk Management Committee of CGN Power Co., Ltd. and set out on the websites of the Company and the Stock Exchange. As of the date of this announcement, the Audit and Risk Management Committee comprises one non-executive director (Mr. Zhuo Yuyun) and two independent non-executive directors (Mr. Na Xizhi and Mr. Francis Siu Wai Keung). Mr. Francis Siu Wai Keung, who possesses accounting qualification, acts as the chairman of the Audit and Risk Management Committee.

The Audit and Risk Management Committee has reviewed the 2016 annual results and the consolidated financial statements for the year ended December 31, 2016 of the Group prepared in accordance with the IFRSs.

## **AUDITORS**

Deloitte Touche Tohmatsu has audited the consolidated financial statements of the Group for the year ended December 31, 2016 prepared by the Company in accordance with the IFRSs.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.cgnp.com.cn>) respectively.

The Company will dispatch to the shareholders in due course all the information required by the Listing Rules together with the 2016 annual report of the Company, which will also be published on the websites of the Company and the Stock Exchange.

By order of the Board  
**CGN Power Co., Ltd.\***  
**Zhang Shanming**  
*Chairman*

The PRC, March 15, 2017

*If there is any discrepancy between the English version and the Chinese version in respect of this announcement, the Chinese version shall prevail.*

*As at the date of this announcement, the Board of the Company comprises Mr. Gao Ligang as executive Director; Mr. Zhang Shanming, Mr. Shi Bing, Mr. Xiao Xue and Mr. Zhuo Yuyun, as non-executive Directors; Mr. Na Xizhi, Mr. Hu Yiguang and Mr. Francis Siu Wai Keung, as independent non-executive Directors.*

\* *For identification purposes only*