
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this Scheme Document, the Scheme or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional advisor.

Scheme Shareholders should read the whole of this Scheme Document. In addition, this Scheme Document should be read in conjunction with the accompanying forms of proxy and the Election Form.

If you have sold or transferred all your shares in China Power Clean Energy Development Company Limited, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Scheme Document, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Scheme Document.



**CHINA POWER NEW ENERGY
LIMITED**

中國電力新能源有限公司

(incorporated in Hong Kong with limited liability)

**CHINA POWER CLEAN ENERGY
DEVELOPMENT COMPANY LIMITED**

中國電力清潔能源發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 0735)

**(1) PROPOSAL FOR THE DELISTING OF
CHINA POWER CLEAN ENERGY DEVELOPMENT COMPANY LIMITED
BY CHINA POWER NEW ENERGY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 673 OF THE COMPANIES ORDINANCE)
(2) IRREVOCABLE UNDERTAKING BY THE IU SHAREHOLDER
TO APPROVE THE PROPOSAL**

Financial Adviser to CHINA POWER NEW ENERGY LIMITED



Independent Financial Adviser to the Independent Board Committee



SOMERLEY CAPITAL LIMITED

Unless the context requires otherwise, capitalized terms used in this Scheme Document are defined under the section headed "Definitions" in Part I of this Scheme Document.

A letter from the Board is set out in Part IV of this Scheme Document. A letter from the Independent Board Committee, containing its advice to the Independent Shareholders and Optionholders in connection with the Proposal and the Option Offer is set out in Part V of this Scheme Document. A letter from Somerley, being the Independent Financial Adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in connection with the Proposal and the Option Offer, is set out in Part VI of this Scheme Document. An Explanatory Statement regarding the Scheme is set out in Part VII of this Scheme Document.

The actions to be taken by the Shareholders and the Optionholders are set out in Part II of this Scheme Document.

Notices convening the Court Meeting to be held at 10:30 a.m. on Friday, 12 July 2019 and the General Meeting to be held at 11:00 a.m. on Friday, 12 July 2019 (or in the case of the General Meeting immediately after the conclusion or the adjournment of the Court Meeting) are set out in Appendix VII and Appendix VIII to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof, you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon, and to lodge them at the office of the Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than the respective times and dates as stated under Part II – Actions to be taken of this Scheme Document. Completion and return of the forms of proxy for Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your forms of proxy, the returned forms of proxy shall be deemed to have been revoked by operation of law.

This Scheme Document is issued jointly by China Power New Energy Limited and China Power Clean Energy Development Company Limited.

The English language texts of this Scheme Document, the Option Offer Letter and the Forms of Acceptance shall prevail over their respective Chinese version for the purpose of interpretation.

20 June 2019

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

NOTICE TO US INVESTORS

The Proposal is being made to cancel the securities of a Hong Kong company by means of a scheme of arrangement provided for under the Companies Ordinance. The financial information included in this Scheme Document has been prepared in accordance with accounting standards applicable in Hong Kong and the PRC and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the US Securities Exchange Act of 1934, as amended. Accordingly, the Proposal is subject to the disclosure requirements and practices applicable in Hong Kong to schemes of arrangement which differ from the disclosure requirements of the US tender offer rules.

This Scheme Document does not constitute an offer or invitation to purchase or subscribe for any securities of the Company in the United States.

The receipt of cash pursuant to the Proposal by a US holder of Scheme Shares as consideration for the cancellation of his/her/its Scheme Shares pursuant to the Scheme or by an Optionholder as consideration for the cancellation of his/her/its Share Options may be a taxable transaction for US federal income tax purposes and under applicable US state and local, as well as foreign and other tax laws. Each holder of Scheme Shares or Share Options is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of the Proposal applicable to him.

It may be difficult for US holders of Scheme Shares and Share Options to enforce their rights and claims arising out of the US federal securities laws, since the Offeror and the Company are located in a country other than the United States, and some or all of their officers and directors may be residents of a country other than the United States. US holders of Scheme Shares or Share Options may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

NOTICE TO SHAREHOLDERS AND OPTIONHOLDERS OUTSIDE OF HONG KONG AND THE UNITED STATES

The implementation of the Proposal to Shareholders and the Option Offer to Optionholders who are not resident in Hong Kong or the United States may be subject to the laws of the relevant jurisdictions in which such holders are located. Such holders should inform themselves about and observe any applicable legal or regulatory requirements.

Please refer to the section headed "21. Overseas Shareholders and Optionholders" in the Explanatory Statement for further information.

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

“2018 Company Dividend”	the final dividend of RMB0.0546 per Share for the year ended 31 December 2018 which the Board has recommended pursuant to the 2018 Results Announcement, the payment of which has been approved by an ordinary resolution by the Shareholders at the annual general meeting of the Company held on Thursday, 30 May 2019
“2018 Results Announcement”	the announcement dated 27 March 2019 issued by the Company in relation to the annual results of the Group for the financial year ended 31 December 2018
“acting in concert”	has the meaning ascribed to it in the Takeovers Code and “concert party” shall be construed accordingly
“Announcement”	the announcement dated 28 March 2019 issued jointly by the Offeror and the Company in relation to the Proposal
“Announcement Date”	28 March 2019, being the date of the Announcement
“associates”	has the meaning ascribed to it in the Takeovers Code
“Beneficial Owner(s)”	any beneficial owner(s) of the Shares registered in the name of a Registered Owner(s)
“Board”	the board of directors of the Company
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“Cancellation Consideration”	the Cash Alternative or the Share Alternative
“Cash Alternative”	HK\$5.45 per Scheme Share in cash
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Certain Funds Period”	from 28 March 2019, being the date of reasonable satisfaction (or waiver) of the conditions precedent for drawdown under the facility made available to the Offeror by Bank of China (Hong Kong) Limited until the earliest of: (i) the full settlement of the total consideration in respect of the Proposal; (ii) the date on which the Proposal is withdrawn or lapses in accordance with its terms and the Takeovers Code; and (iii) the date falling twelve (12) months from the date of such facility letter
“China Three Gorges”	China Three Gorges Corporation* (中國長江三峽集團有限公司), a company established in the PRC with limited liability
“CO Disinterested Shares”	has the meaning ascribed to “disinterested shares” in section 674(3) of the Companies Ordinance
“Company”	China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司), a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 0735)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as set out in the section headed “3. Conditions of the Proposal and the Scheme” under Part VII – Explanatory Statement of this Scheme Document

“Court Meeting”	a meeting of the holders of Scheme Shares to be convened at the direction of the High Court at 10:30 a.m. on Friday, 12 July 2019 at Tianshan & Lushan Rooms, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong, at which the Scheme (with or without modification) will be voted upon, notice of which is set out in Appendix VII to this Scheme Document, or any adjournment thereof
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Ordinance
“Election Form”	the blue form of election to be completed by holder of Scheme Shares, other than the Non-Qualifying Shareholders who will only be able to elect the Cash Alternative, for election of the Cash Alternative or the Share Alternative (but not, for the avoidance of doubt, a combination of the two save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners), which is despatched to Shareholders together with this Scheme Document
“Election Time”	4:30 p.m. on Thursday, 15 August 2019, being the latest time by which the holder of Scheme Shares may lodge the Election Form with the Share Registrar at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong with effect from 11 July 2019)
“Estimates of Value”	the estimates of value of the Offeror Shares set out in Appendix V to this Scheme Document
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate thereof
“exempt fund managers”	has the meaning ascribed to it in the Takeovers Code
“exempt principal traders”	has the meaning ascribed to it in the Takeovers Code

“Explanatory Statement”	the explanatory statement set out in Part VII of this Scheme Document
“Form(s) of Acceptance”	the form(s) of acceptance and cancellation in respect of the Option Offer accompanying this Scheme Document despatched to Optionholders in connection with the Option Offer
“General Meeting”	the general meeting of the Company to be held at 11:00 a.m. (or immediately after the conclusion or adjournment of the Court Meeting) on Friday, 12 July 2019 at Tianshan & Lushan Rooms, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong, notice of which is set out in Appendix VIII to this Scheme Document, or any adjournment thereof, for the purposes of approving the reduction of the share capital of the Company as part of the Scheme
“Group”	the Company and its subsidiaries
“High Court”	the High Court of Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising Mr. Zhou Jiong, Mr. Chu Kar Wing, Dr. Li Fang, Mr. Wong Kwok Tai and Ms. Ng Yi Kum, established by the Board to make a recommendation to the Independent Shareholders and the Optionholders in respect of the Proposal, the Scheme and the Option Offer, respectively
“Independent Financial Adviser” or “Sommerley”	Sommerley Capital Limited, the independent financial adviser to the Independent Board Committee in connection with the Proposal, the Scheme and the Option Offer. Sommerley is a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and the Offeror Concert Parties. For the avoidance of doubt, Independent Shareholders include any member of the UBS group acting in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code
“Irrevocable Undertaking”	the irrevocable undertaking given by the IU Shareholder, dated 28 March 2019, in respect of 321,626,923 Shares in favour of the Offeror
“IU Shareholder”	China Three Gorges
“Last Trading Day”	21 March 2019, being the last trading day of Shares immediately before the suspension of trading in the Shares pending issuance of the Announcement, being the last full trading day prior to the publication of the Announcement
“Latest Options Exercise Date”	4:30 p.m. on Monday, 15 July 2019, being the expected latest date upon which holders must lodge notices of exercise (accompanied by full payment of the exercise price) of their Share Options in order for Optionholders to qualify for entitlements under the Scheme
“Latest Practicable Date”	Monday, 17 June 2019, being the latest practicable date for ascertaining certain information contained in this Scheme Document
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 December 2019 or such later date the Offeror and the Company may agree, subject to the consent of UBS (whose consent shall not be unreasonably withheld), or, to the extent applicable, as the High Court may direct and in all cases, as permitted by the Executive
“Meeting Record Date”	Friday, 12 July, 2019, or such other date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlement of holders of Scheme Shares to attend and vote at the Court Meeting and the entitlement of Shareholders to attend and vote at the General Meeting

“New Offeror Capitalisation Shares”	new Offeror Shares issued by the Offeror to capitalise all the Shareholder Loan
“New Offeror Share(s)”	new Offeror Shares, to be issued pursuant to the Proposal as fully paid and will rank pari passu with all the shares of the Offeror then in issue
“Non-Qualifying Shareholder(s)”	those overseas shareholder(s) or Beneficial Owner(s) in respect of whom the Directors, based on enquiries made by and legal advice obtained by the Company, consider it unduly burdensome to be offered the Share Alternative to such Shareholder(s) or Beneficial Owner(s) either because of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in such jurisdiction (for more information, please refer to the paragraph headed “21.2 Non-Qualifying Shareholders” in Part VII – Explanatory Statement of this Scheme Document)
“Offeror”	China Power New Energy Limited (中國電力新能源有限公司), a company incorporated in Hong Kong on 16 August 2006 with limited liability
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code (except in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code), including Parentco, but excluding the Offeror
“Offeror Shares”	shares in the capital of the Offeror
“Option Offer”	the offer to be made by or on behalf of the Offeror to the holders of the Outstanding Share Options
“Option Offer Letter”	the letter dated 20 June 2019 setting out the terms and conditions of the Option Offer sent separately to the Optionholders and substantially in the form set out in Appendix IX to this Scheme Document
“Optionholder(s)”	holder(s) of the Share Options
“Outstanding Share Option(s)”	the outstanding share option(s) (whether vested or not) granted under the Share Option Scheme from time to time

“Parentco”	China Power International Holding Limited (中國電力國際有限公司), a company incorporated in Hong Kong on 6 October 1994 with limited liability
“PRC”	the People’s Republic of China, but for the purpose of this Scheme Document, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Proposal”	the proposal for the delisting of the Company by the Offeror by way of the Scheme and the Option Offer and the restoration of the share capital of the Company to the amount immediately before the cancellation of the Scheme Shares pursuant to the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in this Scheme Document
“Registered Owner”	any holder of Shares (including without limitation a nominee, trustee, depositary or any other authorized custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
“Relevant Authorities”	appropriate governments and/or governmental bodies, regulatory bodies, courts or institutions
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme”	the scheme of arrangement under Section 673 of the Companies Ordinance set out in Appendix VI – Scheme of Arrangement to this Scheme Document (subject to any modifications or additions or conditions as may be approved or imposed by the High Court and agreed to by the Offeror), involving, among other matters, the cancellation of all the Scheme Shares and the restoration of the share capital of the Company to the amount immediately before cancellation of the Scheme Shares
“Scheme Document”	this composite document, including each of the letters, statements, appendices and notices in it

“Scheme Record Date”	Thursday, 8 August 2019, or such other time and date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to the Cancellation Consideration under the Scheme
“Scheme Share(s)”	Share(s) other than those directly held by the Offeror
“Scheme Shareholder(s)”	holder(s) of Scheme Shares as at the Scheme Record Date
“Securities and Futures Commission”	Securities and Futures Commission of Hong Kong
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Share Alternative”	6 New Offeror Shares, which will be credited as fully paid and ranking pari passu with other shares of the Offeror then in issue, per Scheme Share held
“Share Options”	the share option(s) granted by the Company under the Share Option Scheme from time to time
“Share Option Offer Price”	the amount by which the Cancellation Consideration exceeds the relevant exercise price of that Share Option (or, where the relevant exercise price exceeds the Cancellation Consideration, a nominal amount of HK\$1 per 10,000 Share Options), payable in cash by the Offeror to the holder of that Share Option on the terms and subject to the conditions of the Option Offer
“Share Option Record Date”	Wednesday, 7 August 2019, or such other time and date as shall have been announced to the Shareholders and the Optionholders, being the record date for the purpose of determining the entitlements of the holders of Share Options in respect of which the underlying Shares have not been registered in the name of the relevant holder, to the Option Offer
“Share Option Scheme”	the share option scheme of the Company adopted by the Company on 8 June 2017
“Share Registrar”	Tricor Tengis Limited, the Company’s share registrar and transfer office in Hong Kong

“Shareholder(s)”	registered holder(s) of Shares
“Shareholder Loan”	loan(s) and other indebtedness owed by the Offeror to Parentco
“Specified Territories”	the United States
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers in Hong Kong
“TC Disinterested Shares”	Shares in issue as at the Scheme Record Date, other than those beneficially owned by the Offeror or the Offeror Concert Parties
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“Transfer Agent”	the transfer agent for the New Offeror Shares, being Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong with effect from 11 July 2019)
“UBS”	UBS AG (acting through its Hong Kong Branch), a registered institution under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to the Offeror in relation to the Proposal
“US Exchange Act”	the US Securities Exchange Act 1934, as amended
“US\$”	US dollar(s), the lawful currency of the US
“US” or “United States”	United States of America
“US Securities Act”	United States Securities Act of 1933, as amended

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

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

ACTIONS TO BE TAKEN BY SHAREHOLDERS**Court Meeting and General Meeting**

For the purpose of determining the entitlements of holders of Scheme Shares to attend and vote at the Court Meeting and the entitlements of the Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Tuesday, 9 July 2019 to Friday, 12 July 2019 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, 8 July 2019.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the General Meeting are enclosed with this Scheme Document. Subsequent purchasers of Scheme Shares will need to obtain the relevant proxy form from the transferor if he wishes to attend or vote at the Court Meeting and/or the General Meeting.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any adjournment thereof in person, if you are a holder of Scheme Shares, we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon, and to lodge them at the office of the Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. **In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof, and the white form of proxy for use at the General Meeting should be lodged no later than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof.** The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In such event, the returned form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the General Meeting, you will still be bound by the outcome of the Court Meeting and the General Meeting if, among other things, the resolutions are passed by the requisite majorities of the holders of Scheme Shares or the holders of Shares (as the case may be). We therefore strongly urge you to attend and vote at the Court Meeting and the General Meeting in person or by proxy.

Voting at the Court Meeting and the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the General Meeting on Friday, 12 July 2019. If all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition to sanction the Scheme by the High Court and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

Election Form

An election of the Cash Alternative or the Share Alternative may be made by the holders of Scheme Shares, other than the Non-Qualifying Shareholders, in connection with their respective shareholdings in the Company, and holders of Scheme Shares, other than the Non-Qualifying Shareholders, shall make such election by properly completing and signing the Election Form in accordance with the instructions appearing thereon (and, in the case of joint holders, signed by all the joint holders to which it relates, and in the case of a holder or a joint holder which is a body corporate, signed on its behalf by one of its directors or a duly authorised signatory) in respect of their entire holdings of Scheme Shares (save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners) registered under their names at the Scheme Record Date, and deliver the duly completed and executed Election Form to the Share Registrar, on Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019), not later than 4:30 p.m. on Thursday, 15 August 2019 or such later date and time as may be notified through announcement. No such election shall be valid (and in that case the relevant Scheme Shareholder will receive the Cash Alternative) unless the Election Form is properly completed in all respects.

For the avoidance of doubt, the Election Form is not for use (as a form of proxy or otherwise) at the Court Meeting and the General Meeting, which are for the purpose of considering and, if thought fit, approving, among other things, the Scheme and Proposal respectively. The Election Form is for holders of Scheme Shares, other than the Non-Qualifying Shareholders, to elect the Cash Alternative or the Share Alternative should they wish to do so. This election may be made at any time up to the Election Time (or such later date and time as may be notified through announcement). The election is subject to the Scheme being sanctioned and becoming effective.

No acknowledgement of receipt of any Election Form will be given. An Election Form so completed and delivered shall not be capable of amendment. An Election Form shall be irrevocable and incapable of being withdrawn unless the Company expressly consents in writing to such withdrawal or revocation. The Company shall have the right to reject any or all of the Election Forms that it determines are invalid or in improper form (and in that case the relevant Scheme Shareholder will receive the Cash Alternative). In addition, the Company shall also have the right to treat any Election Form that has not been completed in accordance with the instructions thereon, or has otherwise been completed incorrectly, as being valid, provided

that the Company in its absolute discretion considers the omissions or errors to be immaterial. The Company shall not be obliged to give notice of any such defects or irregularities and will not incur any liability for failure to give any such notice.

Any Scheme Shareholder (a) who has not returned an Election Form as described above before the prescribed time or such later date and time as may be notified through announcement or, (b) who has returned an Election Form which is not duly completed or executed nor valid in accordance with the terms of the Scheme, will receive the Cash Alternative.

If you have sold or transferred all or part of your Shares, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Copies of the Election Form can also be obtained from the Share Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019).

Save as provided in relation to HKSCC Nominee Limited, any Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. Any Beneficial Owner, other than the Non-Qualifying Shareholders, should make arrangements with his, her or its nominee, trustee or Registered Owner in relation to the Scheme and the election of the Cash Alternative or the Share Alternative, and may consider whether he/she/it wishes to arrange for the registration of the relevant Scheme Shares in the name of the Beneficial Owner prior to the Scheme Record Date. The Non-Qualifying Shareholders will only be able to elect the Cash Alternative and will not be able to elect the Share Alternative.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD THROUGH TRUST OR DEPOSITED IN CCASS

The Company will not recognise any person as holding any Shares through any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide the Registered Owner with instructions and/or make arrangements with the Registered Owner in relation to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting. Such instructions and/or arrangements should be given or made in advance of the deadline in respect of the Court Meeting and the General Meeting set by the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated above. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date

or time in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the General Meeting, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be deemed to have been revoked.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are a CCASS Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Shares with other CCASS Participants, regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the General Meeting in respect of the Scheme. You should contact your broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and the General Meeting set by them, in order to provide such person with sufficient time to provide HKSCC Nominees Limited with instructions or make arrangements with HKSCC Nominees Limited in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the General Meeting. The procedure for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

HKSCC Nominees Limited may also vote for and against the Scheme in accordance with instructions received from CCASS Participants (as defined under the General Rules of CCASS).

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are a holder of Scheme Shares) and the General Meeting (as a Shareholder). You can become a Shareholder of record by withdrawing all or any of your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and the General Meeting, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

ACTIONS TO BE TAKEN BY OPTIONHOLDERS

The Option Offer Letter is being sent to each Optionholder, together with this Scheme Document and a Form of Acceptance. If you are an Optionholder and you wish to accept the Option Offer, you must complete and return the duly completed and executed Form of Acceptance so as to reach the Offeror, care of China Power Clean Energy Development Company Limited at Room 3801-05, 38/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretarial Department of the Company and marked “China Power Clean Energy Development Company Limited – Option Offer” by no later than 4:30 p.m. on Wednesday, 7 August 2019 (or such later date and time as may be notified to you by the Offeror, UBS and the Company or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange). No acknowledgement of receipt of any Form of Acceptance or other document evidencing the grant of Share Options or any other document will be given. The Offeror will offer HK\$5.45 minus the relevant exercise price for each Share Option. If the exercise price of the relevant Share Option granted to you exceeds HK\$5.45, the “see-through” price is zero and a cash offer of a nominal amount (of HK\$1 per 10,000 Share Options) will be made.

The cash will be payable by the Offeror subject to the terms and conditions of your Share Options. In return: all rights and obligations under your Share Options will be immediately cancelled by the Offeror and the Company upon your acceptance. **All Optionholders must lodge the duly completed and executed Form of Acceptance as mentioned above at or before 4:30 p.m. on Wednesday, 7 August 2019 (or such later date and time as may be notified to you by the Offeror, UBS and the Company or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange).**

You are urged to read the instructions and other terms and conditions of the Option Offer in the Option Offer Letter, substantially in the form set out in Appendix IX to this Scheme Document.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE GENERAL MEETING. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAM, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED STOCK TO VOTE.

IF YOU ARE A BENEFICIAL OWNER WHOSE SHARES ARE DEPOSITED IN CCASS, THE OFFEROR AND THE COMPANY ENCOURAGE YOU TO PROVIDE HKSCC NOMINEES LIMITED WITH INSTRUCTIONS OR MAKE ARRANGEMENTS WITH HKSCC NOMINEES LIMITED IN RELATION TO THE MANNER IN WHICH THOSE SHARES SHOULD BE VOTED AT THE COURT MEETING AND/OR AT THE GENERAL MEETING WITHOUT DELAY AND/OR WITHDRAWN FROM CCASS AND TRANSFERRED INTO YOUR NAME (AS DETAILED IN THE SECTION “ACTIONS TO BE TAKEN – ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD THROUGH TRUST OR DEPOSITED IN CCASS” ABOVE)

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, WE SHOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISOR.

Hong Kong Time

Date of despatch of this Scheme Document Thursday, 20 June 2019

Date of despatch of the Option Offer Letter
for the Option Offer Thursday, 20 June 2019

Latest time for lodging transfers of Shares in order
to become entitled to the 2018 Company Dividend Friday, 21 June 2019

Register of members of the Company closed for
determination of entitlements of Shareholders
to the 2018 Company Dividend (*Note 1*). from Monday, 24 June 2019
to Thursday, 27 June 2019
(both days inclusive)

Latest time for Optionholders to lodge notices of
exercise (accompanied by full payment of the
exercise price) of their Share Options in order to
become entitled to attend and vote at the Court
Meeting and the General Meeting (*Note 11*). 4:30 p.m. on Friday, 5 July 2019

Latest time for lodging transfers of Shares in order to
become entitled to attend and vote at the Court
Meeting and the General Meeting. 4:30 p.m. on Monday, 8 July 2019

Register of members of the Company closed for
determination of entitlements of holders of
Scheme Shares to attend and vote at the Court
Meeting and of Shareholders to attend and vote
at the General Meeting (*Note 1*) from Tuesday, 9 July 2019
to Friday, 12 July 2019
(both days inclusive)

Latest time for lodging forms of proxy in respect of (*Note 2*)

- Court Meeting 10.30 a.m. on Wednesday, 10 July 2019
- General Meeting 11.00 a.m. on Wednesday, 10 July 2019

Meeting Record Date Friday, 12 July 2019

Court Meeting (*Note 3*) 10.30 a.m. on Friday, 12 July 2019

General Meeting (<i>Note 3</i>)	11.00 a.m. on Friday, 12 July 2019 (or immediately after the conclusion or adjournment of the Court Meeting)
Announcement of the results of the Court Meeting and the General Meeting posted on the website of the Stock Exchange and the website of the Company	Friday, 12 July 2019
Latest Options Exercise Date (<i>Note 5 and Note 11</i>)	4:30 p.m. on Monday, 15 July 2019
Expected last day for trading in the Shares on the Stock Exchange	Tuesday, 16 July 2019
Latest time for lodging transfers of Shares in order to qualify for entitlements under the Scheme	4:30 p.m. on Friday, 19 July 2019
Register of members of the Company closed for determining entitlements to qualify under the Scheme (<i>Note 4 and Note 5</i>)	From Monday, 22 July 2019 onwards
Latest time and date for lodging the Form of Acceptance in relation to the Option Offer (<i>Note 7</i>)	4:30 p.m. on Wednesday, 7 August 2019
Share Option Record Date (<i>Note 5 and Note 7</i>)	Wednesday, 7 August 2019
Scheme Record Date	Thursday, 8 August 2019
Lapse of all Share Options (<i>Note 12</i>)	Thursday, 8 August 2019
Latest time for lodging the Election Form for election of the Cash Alternative or the Share Alternative (<i>Note 6</i>)	4:30 p.m. on Thursday, 15 August 2019
Court hearing of the petition to sanction the Scheme and to confirm the reduction of the share capital of the Company involved in the Scheme	Thursday, 15 August 2019
Announcement of the results of the court hearing of the petition to sanction the Scheme and to confirm the reduction of the share capital of the Company involved in the Scheme, the expected Effective Date and the expected date of withdrawal of listing of Shares on the Stock Exchange	Thursday, 15 August 2019

Effective Date (*Note 8*) Monday, 19 August 2019

Announcement of the Effective Date, the withdrawal
of the listing of the Shares on the Stock Exchange and
the results of the Option Offer Monday, 19 August 2019

Expected withdrawal of the listing of Shares on the
Stock Exchange becomes effective (*Note 9*) 4:00 p.m. on Tuesday,
20 August 2019

Latest time to despatch cheques for cash entitlements
and share certificates for share entitlements under
the Scheme, and cheques for cash payment for
acceptances under the Option Offer in respect
of Share Options that have vested as at the Share
Option Record Date but in respect of which the
underlying Shares have not been registered in
the name of the relevant holder (or its nominee) as
at the Scheme Record Date (*Note 10*) Wednesday, 28 August 2019

Shareholders and Optionholders should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any change.

Notes:

- (1) The register of members of the Company will be closed during such period for the purpose of determining (i) the entitlements of the Shareholders to the 2018 Company Dividend as announced in the 2018 Results Announcement and (ii) the entitlements of the holders of Scheme Shares to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the General Meeting. This book closure period is not for determining entitlements under the Scheme.
- (2) Forms of proxy should be lodged with the office of the Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event no later than the times and date(s) stated above. In order to be valid, the **pink** form of proxy for the Court Meeting and the **white** form of proxy for the General Meeting must be lodged no later than the latest times and date(s) stated above. Each holder of Scheme Shares is only entitled to submit one proxy form for the Court Meeting. If more than one proxy form for the Court Meeting is submitted by a holder of Scheme Shares and the voting instructions require the proxies to vote both FOR and AGAINST the Scheme, the proxy forms will not be accepted. If more than one proxy form for the Court Meeting is submitted by a holder of Scheme Shares and the voting instructions require the proxies to vote either FOR or AGAINST the Scheme but not both FOR and AGAINST the Scheme, the Chairman shall have absolute discretion as to whether or not to accept those proxy forms. Completion and return of a form of proxy for the Court Meeting or the General Meeting will not preclude a holder of Scheme Shares and a Shareholder, respectively, from attending the relevant meeting and voting in person. In the event that the member attends and votes at the relevant meeting or any adjournment thereof after having lodged his form of proxy, the returned form of proxy shall be deemed to have been revoked by operation of law.
- (3) The Court Meeting and the General Meeting will be held at Tianshan & Lushan Rooms, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong at the times and date specified above. Please see the notice of Court Meeting set out in Appendix VII to this Scheme Document and the notice of General Meeting set out in Appendix VIII to this Scheme Document for details. If a tropical cyclone warning signal No. 8 or above is or is expected to be hoisted or a black rainstorm warning signal is or is expected to be in force at any time after 7:00 a.m. on the date of the Court Meeting and the General

- Meeting, the Court Meeting and the General Meeting will be postponed. The Company will post an announcement on the respective websites of the Hong Kong Exchanges and Clearing Limited and the Company to notify the members of the date, time and venue of the rescheduled meetings.
- (4) The register of members of the Company will be closed as from such time and on such date for the purpose of determining Scheme Shareholders who are qualified for entitlements under the Scheme.
 - (5) If holders of vested Share Options wish to qualify for entitlements under the Scheme, they must exercise their Share Options and lodge their notices of exercise before the time specified above on the Latest Options Exercise Date and, subject to the customary process for allotment and issue of Shares by the Company, become registered holders of Shares by the time of the Scheme Record Date.
 - (6) The Election Form, duly completed in accordance with the instructions thereon, must be lodged with the Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019), not later than the time and date stated above (or such later time and/or date as may be notified through announcement(s)), failing which an Election Form shall not be treated as valid and the Shareholders (other than the IU Shareholder which has undertaken to elect the Share Alternative only) purporting to make the election shall not, for any purpose, be entitled to receive the Share Alternative but shall instead receive the Cash Alternative if the Scheme becomes effective.
 - (7) Forms of Acceptance, duly completed in accordance with the instructions on them, must be lodged with the Offeror, care of China Power Clean Energy Development Company Limited at Rooms 3801-05, 38/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for the attention of the Company Secretarial Department of the Company not later than 4:30 p.m. on Wednesday, 7 August 2019 (or such later date as may be notified by the Offeror, UBS and the Company or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange).
 - (8) The Scheme shall become effective upon all the Conditions set out in the paragraph headed "3. Conditions of the Proposal and the Scheme" in Part VII – Explanatory Statement of this Scheme Document having been fulfilled or (to the extent permitted) waived (as the case may be).
 - (9) If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at or before 4:00 p.m. on Tuesday, 20 August 2019.
 - (10) Cheques for cash entitlements in respect of the Cash Alternative or share certificates for Offeror Shares in respect of the Share Alternative under the Scheme and payment pursuant to the Option Offer to the Optionholders will be despatched within 7 Business Days of the Effective Date by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of the Company and to the last known addresses of the Optionholders as notified by the Optionholders to the Company on or before Wednesday, 28 August 2019.
 - (11) These denote the recommended latest dates, which are based on the time estimated by the Company to complete the required processes to issue the underlying Shares before the Meeting Record Date or the Scheme Record Date (as the case may be). For any Share Options being exercised (as the case may be) after the specified time on the Latest Options Exercise Date but before the Scheme Record Date, the Offeror and the Company may at their sole discretion issue or transfer (as the case may be) the underlying Shares to the holders so that they can qualify for entitlements under the Scheme before the Scheme Record Date.
 - (12) Pursuant to the terms of the Share Option Scheme, all Share Options shall lapse automatically on the Scheme Record Date and will no longer be exercisable as from such date.

All references to times and dates in this Scheme Document are references to Hong Kong times and dates, unless otherwise stated.



CHINA POWER CLEAN ENERGY DEVELOPMENT COMPANY LIMITED

中國電力清潔能源發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 0735)

Executive Directors:

Mr. He Hongxin

Mr. He Lianhui

Mr. Sun Guigen

Mr. Qi Tengyun

Registered office and head office:

Rooms 3801-05, 38/F

China Resources Building

26 Harbour Road

Wanchai, Hong Kong

Non-executive Directors:

Mr. Tian Jun

Mr. Zhou Jiong

Independent non-executive Directors:

Mr. Chu Kar Wing

Dr. Li Fang

Mr. Wong Kwok Tai

Ms. Ng Yi Kum

20 June 2019

To: The Shareholders and Optionholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE DELISTING OF
CHINA POWER CLEAN ENERGY DEVELOPMENT COMPANY LIMITED
BY CHINA POWER NEW ENERGY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 673 OF THE COMPANIES ORDINANCE)
(2) IRREVOCABLE UNDERTAKING BY THE IU SHAREHOLDER
TO APPROVE THE PROPOSAL**

INTRODUCTION

On 28 March 2019, the Offeror requested the Board to put forward the Proposal to the holders of Scheme Shares for the delisting of the Company by way of a scheme of arrangement under Section 673 of the Companies Ordinance. Upon completion of the Scheme, the Company will become a wholly-owned subsidiary of the Offeror and the listing of the Shares will be withdrawn from the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, the share capital of the Company will, on the Effective Date of the Scheme, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued, credited as fully paid, to the Offeror.

The Offeror will make (or procure to be made on their behalf) an appropriate offer to the Optionholders to cancel every Outstanding Share Option in accordance with Rule 13 of the Takeovers Code. Such Option Offer will be conditional upon the Scheme becoming effective.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal, the Scheme and the Option Offer and the expected timetable and to give you notice of the Court Meeting and the General Meeting (together with proxy forms in relation thereto). Your attention is also drawn to the letter from the Independent Board Committee set out in Part V of this Scheme Document, the letter from Somerley Capital Limited, being the Independent Financial Adviser, set out in Part VI of this Scheme Document, the Explanatory Statement set out in Part VII of this Scheme Document and the terms of the Scheme set out in Appendix VI to this Scheme Document.

TERMS OF THE PROPOSAL

The Scheme

Subject to the fulfilment or waiver (as applicable) of the Conditions as described in the section headed "3. Conditions of the Proposal and the Scheme" in the Explanatory Statement set out in Part VII of this Scheme Document, the Proposal will be implemented by way of the Scheme and the Option Offer. Subject to the Scheme becoming effective, all the Scheme Shares will be cancelled in exchange for either:

- (a) the **Cash Alternative**: cash of HK\$5.45 for every Scheme Share; or
- (b) the **Share Alternative**: 6 New Offeror Shares for every Scheme Share held.

The Non-Qualifying Shareholders will only be able to elect the Cash Alternative and will not be able to elect the Share Alternative. The holders of Scheme Shares, other than the Non-Qualifying Shareholders, may elect either the Cash Alternative or the Share Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners) held as at the Scheme Record Date. Those holders of Scheme Shares who validly elect to receive the Cash Alternative will receive the Cash Alternative and those holders of Scheme Shares, other than the Non-Qualifying Shareholders, who validly elect to receive the Share Alternative will receive the Share Alternative provided that, if a holder of Scheme Shares

does not elect to receive its entitlement under the Cash Alternative or the Share Alternative or if its election is unclear or invalid, such holder of Scheme Shares will be deemed to have elected to receive its entitlement under the Cash Alternative, in each case subject to the Scheme having become effective.

As at the Latest Practicable Date, the Offeror has aggregate equity of HK\$2,324,399,741.45, representing share capital of HK\$1,770,082,397.00, capital reserves of HK\$249,467,780.05 and accumulated undistributed profits of HK\$304,849,564.40. Such accumulated undistributed profits arose from a gain in value due to the accounting reclassification of its interest in China Power New Energy Development Company Limited (“CPNE”, the holding company of the Group prior to the completion of the Reorganisation Proposal (as defined in the scheme document dated 14 June 2017 issued by CPNE)) by the Offeror from “Available-for-sale financial assets” to “investment in an associated company” in 2008, and are currently classified as unrealised profits of the Offeror.

As at the Latest Practicable Date, save for (i) its 26.42% shareholding in the Company, (ii) cash and cash equivalents of HK\$17,589.95, and (iii) dividend receivable of HK\$20,001,486.49 from the Company as the Offeror’s entitlement under the 2018 Company Dividend, being assets of the Offeror, and (iv) dividends declared and payable to Parentco (which has been declared prior to the Latest Practicable Date) in the aggregate amount of HK\$93,735,790.99, being liabilities of the Offeror, the Offeror does not have any other assets or liabilities. It is expected that the above amount of dividend receivable will be reduced to zero upon the receipt of the same amount in cash as the Offeror’s entitlement under the 2018 Company Dividend by the Offeror from the Company on Thursday, 11 July 2019, and the amount of dividend payable will be reduced by HK\$20,001,486.49 upon the payment of the same amount to Parentco to settle part of the dividend payable to Parentco before the Effective Date.

The Tianhan Loan (as defined in the Announcement) has been repaid by the Offeror prior to the Latest Practicable Date, and the Shareholder Loan in the aggregate amount of HK\$103,441,397 has been discharged by way of capitalisation through the allotment and issue of 214,376,538 New Offeror Capitalisation Shares by the Offeror to Parentco for the aggregate consideration equivalent to the amount of the then outstanding Shareholder Loan on 14 June 2019. Fees and expenses incurred by the Offeror in connection with the Proposal will be borne by Parentco, and thus the Offeror is currently not expected to incur any indebtedness in connection with implementing the Proposal. For further details of the estimates of the value of an Offeror Share, please refer to “Appendix V – Estimates of Value of Offeror Shares” to this Scheme Document.

Whilst a loan facility up to the extent of HK\$3,140,000,000 was made available to the Offeror by Bank of China (Hong Kong) Limited for the implementation of the Proposal, Parentco intends to subscribe for new Offeror Shares conditional on the taking effect of the Scheme, in order to provide funding to the Offeror to satisfy the amount required for the Scheme and the Option Offer (the “**Parentco Subscription**”). The amount of new Offeror Shares under the Parentco Subscription shall be equivalent to six times (being the exchange

ratio under the Share Alternative) such number of Shares in respect of which the holders thereof have elected or are deemed to have elected for the Cash Alternative under the Scheme (the “**Cash Alternative Shares**”). In this respect, the directors of the Offeror have resolved to issue up to 3,191,589,432 new Offeror Shares at the aggregate consideration representing the Cancellation Consideration payable to all holders of the Cash Alternative Shares (which, for the avoidance of doubt, exclude Parentco and China Three Gorges) plus the total consideration payable to Optionholders that has elected to accept the Option Offer. Assuming (i) all Scheme Shareholders other than Parentco and China Three Gorges have elected or deemed to have elected for the Cash Alternative and (ii) all Optionholders elect to accept the Option Offer in respect of 7,400,000 Share Options, 3,191,589,432 new Offeror Shares will be issued to Parentco under the Parentco Subscription and the aggregate consideration payable by Parentco shall be HK\$2,900,561,812.4.

As disclosed in the 2018 Results Announcement, the Board has recommended the payment of the 2018 Company Dividend (being a final dividend of RMB0.0546 (equivalent to HK\$0.0638 at the exchange rate announced by People’s Bank of China on 27 March 2019) per Share for the year ended 31 December 2018), the payment of which has been approved by the Shareholders at the annual general meeting of the Company held on Thursday, 30 May 2019. The 2018 Company Dividend will be payable on Thursday, 11 July 2019 to the Shareholders whose names appear on the register of members of the Company at close of business on Thursday, 27 June 2019, which will be before the Effective Date which is expected to be Monday, 19 August 2019 based on the Expected Timetable set out in Part III of this Scheme Document. The Company does not intend to declare any further dividend on or before the Effective Date.

Subject to the Scheme becoming effective, the Offeror will make available for allotment and issuance such number of New Offeror Shares as will be required under the Share Alternative. The actual number of New Offeror Shares to be made available for allotment and issuance under the Share Alternative will be determined as at Monday, 19 August 2019, being the second Business Day after the latest date for lodging the Election Form with the Share Registrar for election of the Cash Alternative or the Share Alternative.

Assuming no Outstanding Share Options are exercised before the Scheme Record Date, if all the Scheme Shareholders elect the Share Alternative, 5,238,782,970 New Offeror Shares will be issued, representing approximately 73.58% of the enlarged issued share capital of the Offeror post-issuance of all New Offeror Shares upon completion of the Scheme. Fractions of New Offeror Shares to be issued to the Scheme Shareholders who have elected the Share Alternative will be rounded to the nearest whole number.

On the assumption that (a) Parentco and the IU Shareholder (i.e. China Three Gorges) elect the Share Alternative, (b) all other Scheme Shareholders elect the Cash Alternative, (c) no Outstanding Share Options are exercised and no further Shares are issued before the Scheme Record Date, the amount of cash required for the Proposal (after taking into account the Option Offer to be made) is approximately HK\$2,900.6 million.

On the assumption that (a) Parentco and the IU Shareholder (i.e. China Three Gorges) elect the Share Alternative, (b) all other Scheme Shareholders elect the Cash Alternative, (c) (i) all outstanding vested Share Options as at the Scheme Record Date are exercised (and no further Share Options are granted prior to the Scheme Record Date) and all the Optionholders of such Share Options become Scheme Shareholders before the Scheme Record Date and elect the Cash Alternative, and (ii) no further Shares are issued before the Scheme Record Date, the amount of cash required for the Proposal would be approximately HK\$2,939.4 million.

Consequently, the maximum amount of cash required for the Proposal on the basis described above would be approximately HK\$2,939.4 million.

Assuming that the Scheme becomes effective on Monday, 19 August 2019, (a) cheques for cash entitlements to those who elect the Cash Alternative, and (b) share certificates for Offeror Shares to those who elect the Share Alternative will be despatched as soon as possible but in any event within 7 Business Days following the Scheme having become effective and accordingly, the cheques and the Offeror share certificates are expected to be despatched on or before Wednesday, 28 August 2019. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, UBS, Somerley or any of them or their agents will be responsible for any loss or delay in despatch.

The Cash Alternative

The cash consideration of HK\$5.45 per Scheme Share under the Cash Alternative represents:

- a premium of approximately 0.9% over the closing price of HK\$5.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 41.9% over the closing price of HK\$3.84 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 60.8% over the average closing price of approximately HK\$3.39 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 78.1% over the average closing price of approximately HK\$3.06 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 94.0% over the average closing price of approximately HK\$2.81 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

- a premium of approximately 101.9% over the average closing price of approximately HK\$2.70 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 105.7% over the average closing price of approximately HK\$2.65 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day; and
- a discount of approximately 35.1% over the audited net asset value per Share attributable to the Shareholders (after deducting minority interests) in the Company of approximately RMB7.15 as at 31 December 2018, based on RMB to HK\$ exchange rate of RMB0.85169 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the Last Trading Day).

The Cancellation Consideration has been determined on a commercial basis after taking into account, among others, the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable companies listed on the Stock Exchange and with reference to other delisting transactions in Hong Kong in recent years.

The Share Alternative

The actual number of New Offeror Shares to be made available for allotment and issuance under the Share Alternative will be determined as at Monday, 19 August 2019, being the second Business Day after the latest date for lodging the Election Form for election of the Cash Alternative or the Share Alternative. As the Latest Practicable Date, the current total number of issued shares of the Offeror is 1,881,017,538 shares (being 100% of the issued share capital) issued to Parentco.

Assuming no Outstanding Share Options are exercised before the Scheme Record Date, if all the Scheme Shareholders elect the Share Alternative, 5,238,782,970 New Offeror Shares will be issued, representing approximately 73.58% of the enlarged issued share capital of the Offeror post-issuance of New Offeror Shares upon completion of the Scheme. Fractions of New Offeror Shares to be issued to the Scheme Shareholders who have elected the Share Alternative will be rounded down to the nearest whole number.

Following the Effective Date, the Company will be a wholly-owned subsidiary of the Offeror, and the value of the Offeror Shares will primarily be determined by the value of the Company. The Company had a net asset value of RMB8,483.0 million (being approximately RMB7.15 per Share) attributable to Shareholders as at 31 December 2018 as disclosed in the audited consolidated financial results of the Group for the year ended 31 December 2018. Your attention is drawn to “Appendix V – Estimates of Value of Offeror Shares” to this Scheme Document.

The Offeror Shares are shares of an unlisted company incorporated in Hong Kong and an investment holding company. As set out in “Appendix V – Estimates of Value of Offeror Shares” to this Scheme Document, UBS has advised the Offeror board that on the basis of the assumptions and methodology outlined in “Appendix V – Estimates of Value of Offeror Shares”, an estimate of the value of an Offeror Share is within a range of approximately HK\$0.6287 to HK0.8982.

Shareholders should note that the Estimates of Value are provided to the Offeror’s directors by UBS solely for the purposes of paragraph 30 of Schedule I to the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. The Estimates of Value may not be used or relied upon by any third party for any purpose whatsoever and UBS expressly disclaims any duty or liability to any third party with respect to the contents of its letter. Further, as stated in Appendix V, each of Offeror and UBS expresses no opinion or recommendation to any person as to whether they should accept the Proposal or whether they should make any election to choose the Cash Alternative or the Share Alternative. Shareholders are recommended to seek their own independent financial advice. Further, each of Offeror and UBS expresses no opinion as to the fairness of the financial terms of the Scheme or the Option Offer.

For further details, including key assumptions and methodology adopted in respect of the Estimates of Value, please refer to “Appendix V – Estimates of Value of Offeror Shares” to this Scheme Document.

The New Offeror Shares to be issued pursuant to the Proposal will be issued free from all encumbrances, credited as fully paid up and will rank pari passu with the existing Offeror Shares at the date of issue.

Shareholders of the Offeror are entitled to receive notice of general meetings of the Offeror and shall have the right to one vote per each Offeror Share at such meetings. There is no dividend policy and no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Offeror Shares. Payment of dividends (if any) is dependent solely on whether such payment is recommended or declared by the board of the Offeror.

Shareholders of the Offeror would have their rights and obligations in relation to the Offeror governed by the provisions of the Companies Ordinance (as amended from time to time) and other applicable laws in Hong Kong. The Offeror shall, on receipt of an instrument of transfer, enter the name of the transferee of the Offeror Shares in the register of shareholders in accordance with and subject to the provisions of its articles of association.

Investors should be aware of, among other things but not limited to, the following risk factors of holding Offeror Shares:

- **transfers of Offeror Shares are subject to restrictions which are further detailed in the section “3. Information Regarding Offeror Shares” in Appendix IV – General Information on the Company and the Offeror to this Scheme Document;**
- **the Offeror Shares are not listed on any stock exchange and do not benefit from the protections afforded by the Listing Rules;**
- **Offeror Shares are illiquid, hence the Shareholders of the Offeror may find it more difficult to find a purchaser for the Offeror Shares if they intend to sell their shares, as there is less likely a ready market for Offeror Shares;**
- **there is no guarantee that any dividend payments will be paid in respect of Offeror Shares;**
- **changes in the business and economic environment could adversely affect the operating profits of Offeror or the value of Offeror’s assets. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events could contribute to Offeror’s operational risks; and**
- **general business risks associated with the energy industry.**

The Option Offer

As at the Latest Practicable Date, there are 7,400,000 Outstanding Share Options granted under the Share Option Scheme, of which 4,950,000 Share Options have an exercise price of HK\$5.14 and 2,450,000 Share Options have an exercise price of HK\$7.80. All such Share Options have vested. The Company does not intend to grant any further Share Options between the date of the Latest Practicable Date and the Effective Date. As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties do not hold any Share Options.

The Offeror is making (or procuring to be made on its behalf) an offer to all the holders of the Outstanding Share Options in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror will offer holders of Outstanding Share Options the “see-through” price (being the Cancellation Consideration minus the relevant exercise price in the case of the Outstanding Share Options) for each Outstanding Share Option they hold for the cancellation of every Outstanding Share Option in accordance with Rule 13 of the Takeovers Code.

Please see “12. Option Offer” in the Explanatory Statement for further details.

IRREVOCABLE UNDERTAKING

On 28 March 2019, the Offeror received the Irrevocable Undertaking from the IU Shareholder (i.e. China Three Gorges), pursuant to which the IU Shareholder has undertaken to, amongst other things, (i) exercise (or procure the exercise of) all voting rights attached to the Shares held or owned by it at the Court Meeting and the General Meeting to be convened by the Company in connection with the Proposal in favour of all the resolutions to approve the Proposal and any matters in connection with the Proposal (where applicable) and (ii) elect the Share Alternative only as the form of Cancellation Consideration for the cancellation of 321,626,923 Shares held by it. The 321,626,923 Shares held by the IU Shareholder which are the subject of the Irrevocable Undertaking represents approximately 27.10% of the total issued share capital of the Company as at the Latest Practicable Date.

Pursuant to the Irrevocable Undertaking and assuming each of ParentCo and the IU Shareholder elects the Share Alternative and all the other Shareholders elect the Cash Alternative, the Offeror will be owned by Parentco and the IU Shareholder as to 72.90% and 27.10%, respectively, upon completion of the Scheme.

The Irrevocable Undertaking, being a binding irrevocable undertaking, will terminate and the above obligations of the IU Shareholder under the Irrevocable Undertaking will cease to be binding if the Scheme does not become effective, lapses or is withdrawn in accordance with its terms and no new, revised or replacement Scheme is announced by the Offeror and/or the Company at the same time. As at the Latest Practicable Date, the IU Shareholder, being China Three Gorges Corporation* (中國長江三峽集團有限公司), is wholly-owned by the State-owned Assets Supervision and Administration Commission of The State Council, the PRC.

Please see the section headed “4. Irrevocable Undertaking” in the Explanatory Statement for further details.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company had 1,186,633,418 Shares in issue.

A table setting out the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Proposal (assuming that no Share Options are exercised before the Scheme Record Date and that there is no other change in shareholding) is to be found in the section headed “8. Shareholding Structure of the Company and Scheme Shares” in the Explanatory Statement.

As at the Latest Practicable Date, none of the Directors had any shareholding or any interest (within the meaning of Part XV of the SFO) in the Company.

Upon the Scheme becoming effective, the Offeror will hold 100% of the issued share capital of the Company.

As at the Latest Practicable Date, the Scheme Shares, comprising 873,130,495 Shares, represent approximately 73.58% of the issued share capital of the Company.

As at the Latest Practicable Date, Parentco, being an Offeror Concert Party, holds in aggregate 19,572,000 Shares (representing approximately 1.65% of the issued share capital of the Company). Such Shares will form part of the Scheme Shares but the relevant Offeror Concert Party will not vote on the Scheme at the Court Meeting.

As at the Latest Practicable Date, (i) the Offeror and the Offeror Concert Parties did not hold, own, control or has direction over any options, warrants or convertible securities in respect of the Shares, and (ii) there are no outstanding derivatives in respect of the Shares entered into by the Offeror or the Offeror Concert Parties. Save for the Outstanding Share Options, the Company does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into the Shares as at the Latest Practicable Date.

REASONS FOR, AND BENEFITS OF, THE PROPOSAL

You are urged to read carefully the section headed “11. Reasons for and Benefits of the Proposal” in the Explanatory Statement of this Scheme Document.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee, which comprises the following non-executive Directors, Mr. Zhou Jiong, Mr. Chu Kar Wing, Dr. Li Fang, Mr. Wong Kwok Tai and Ms. Ng Yi Kum who are not interested in the Proposal, has been established by the Board to make a recommendation: (a) to the Independent Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable, whether to vote in favour of the Scheme at the Court Meeting and the General Meeting of the Company, and whether to elect the Cash Alternative or the Share Alternative; and (b) to the Optionholders as to whether the terms of the Option Offer are, or are not, fair and reasonable and whether to accept the Option Offer.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee comprises all non-executive Directors who have no direct or indirect interest in the Proposal and the Option Offer. Mr. TIAN Jun, a non-executive Director, is also a director of each of the Offeror and Parentco, which is the holding company of the Offeror. Accordingly, he is regarded as being interested in the Proposal and the Option Offer for the purpose of Rule 2.8 of the Takeovers Code and is not a member of the Independent Board Committee. All of the other non-executive Directors (including independent non-executive Directors) are members of the Independent Board Committee.

The full text of the letter from the Independent Board Committee is set out in Part V of this Scheme Document.

INDEPENDENT FINANCIAL ADVISER

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Option Offer. The appointment of Somerley Capital Limited as the Independent Financial Adviser has been approved by the Independent Board Committee.

The full text of the letter from the Independent Financial Adviser is set out in Part VI of this Scheme Document.

INFORMATION ON THE GROUP AND THE OFFEROR**The Group**

The Company is a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange with the stock code 0735. The Group is principally engaged in the business of the development, construction, ownership, operation and management of clean energy power plants in the PRC, including but not limited to the following types of energy generation – wind power generation, hydropower generation, waste-to-energy power generation, natural gas power generation, photovoltaic power generation and other clean energy power generation projects. Its businesses are located in the major power grid regions of China. The Group is also engaged in investment holding in the clean energy power industry, property investments and securities investments.

Offeror and Parentco

The Offeror is an investment holding company incorporated in Hong Kong, which is a direct wholly-owned subsidiary of Parentco. Parentco is a company incorporated in Hong Kong and a wholly-owned subsidiary of State Power Investment Corporation Limited which is ultimately beneficially-owned by the State-owned Assets Supervision and Administration Commission. Parentco is mainly engaged in the development and operation of power projects. Currently, it owns and operates several modes of power generation and projects including coal-fired power, hydropower, natural gas, wind power, photovoltaic, biomass and waste to energy projects, power distribution and sale, and integrated smart energy projects.

INTENTIONS OF THE OFFEROR AND THE COMPANY

Your attention is drawn to the section headed “15. Intentions of the Offeror and the Company” in the Explanatory Statement.

The Board is aware of and welcomes the Offeror’s intentions as set out in the section headed “15. Intentions of the Offeror and the Company” in Part VII – Explanatory Statement of this Scheme Document that, among others, the existing businesses of the Group shall be continued, and is willing to render reasonable cooperation with the Offeror and will continue to act in the best interests of the Group and the Shareholders as a whole.

SHARE CERTIFICATES AND WITHDRAWAL OF LISTING OF SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

In that case, the Company does not intend to retain its listing on the Stock Exchange and will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from the Effective Date.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of Shares on the Stock Exchange will become effective.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with either of them in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

Shareholders and potential investors should exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

COURT MEETING AND GENERAL MEETING

For the purpose of exercising your right to vote at the Court Meeting and the General Meeting, you are requested to read carefully the section headed “24. Court Meeting and General Meeting” in the Explanatory Statement, “Part II – Actions to be taken” of this Scheme Document, and the notices of the Court Meeting and the General Meeting in Appendices VII and VIII, respectively of this Scheme Document.

OVERSEAS SHAREHOLDERS

If you are an overseas holder of Scheme Shares, your attention is drawn to the section headed “21. Overseas Shareholders and Optionholders” in the Explanatory Statement.

ACTIONS TO BE TAKEN

The actions which you are required to take in relation to the Proposal are set out in “Part II – Actions to be taken” of this Scheme Document and the section headed “26. Summary of Actions to be Taken” in the Explanatory Statement.

RECOMMENDATION

Your attention is drawn to the recommendation of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal as set out in the “Part VI – Letter from the Independent Financial Adviser” of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal as set out in the “Part V – Letter from the Independent Board Committee” of this Scheme Document.

REGISTRATION AND PAYMENT

Your attention is drawn to the section headed “20. Registration and Payment and Transfer of New Offeror Shares” in the Explanatory Statement.

TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the section headed “22. Taxation” in the Explanatory Statement.

It is emphasised that none of the Offeror, the Company, UBS and their agents or any of their respective directors, officers or associates or any other person involved in the Scheme and the Proposal accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme. All holders of Scheme Share and Optionholders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal.

FURTHER INFORMATION

You are urged to read carefully the letters from the Independent Board Committee and from Somerley Capital Limited, the Independent Financial Adviser, as set out in Parts V and VI of this Scheme Document, respectively, the Explanatory Statement as set out in Part VII of this Scheme Document, the Appendices to this Scheme Document, the Scheme as set out in Appendix VI to this Scheme Document, the notice of Court Meeting as set out in Appendix VII to this Scheme Document and the notice of General Meeting as set out in Appendix VIII to this Scheme Document. In addition, a **pink** form of proxy for the Court Meeting, a **white** form of proxy for the General Meeting and the Election Form are enclosed with this Scheme Document. Optionholders are urged to read carefully the Option Offer Letter, which is sent separately to Optionholders on the date of this Scheme Document and is substantially in the form set out in “Appendix IX – Form of Option Offer Letter” to this Scheme Document, and the Form of Acceptance in respect of the Option Offer.

Yours faithfully

For and on behalf of the board of
**China Power Clean Energy Development
Company Limited**
Sun Guigen
Executive Director

**CHINA POWER CLEAN ENERGY DEVELOPMENT COMPANY LIMITED****中國電力清潔能源發展有限公司***(incorporated in Hong Kong with limited liability)***(Stock Code: 0735)***Members of the Independent Board Committee:*

Mr. Zhou Jiong

Mr. Chu Kar Wing

Dr. Li Fang

Mr. Wong Kwok Tai

Ms. Ng Yi Kum

Registered office:

Rooms 3801-05, 38/F

China Resources Building

26 Harbour Road

Wanchai, Hong Kong

20 June 2019

To: The Independent Shareholders and Optionholders

Dear Sir or Madam,

**(1) PROPOSAL FOR THE DELISTING OF
CHINA POWER CLEAN ENERGY DEVELOPMENT COMPANY LIMITED
BY CHINA POWER NEW ENERGY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 673 OF THE COMPANIES ORDINANCE)
(2) IRREVOCABLE UNDERTAKING BY THE IU SHAREHOLDER
TO APPROVE THE PROPOSAL**

We refer to the document dated 20 June 2019 jointly issued by the Offeror and the Company in relation to the Proposal (the “**Scheme Document**”) of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to make a recommendation to the Independent Shareholders and the Optionholders in respect of the Proposal, the Scheme and the Option Offer, respectively, details of which are set out in “Part IV – Letter from the Board” and “Part VII – Explanatory Statement” of this Scheme Document.

Somerley Capital Limited, the Independent Financial Adviser, has been appointed with our approval, to advise us in connection with the Proposal, the Scheme and the Option Offer. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in “Part VI – Letter from the Independent Financial Adviser” of this Scheme Document.

In the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned and the terms of the Option Offer are fair and reasonable as far as the Optionholders are concerned, and advises the Independent Board Committee (a) to recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the General Meeting to approve and implement the Proposal and the Scheme; (b) to recommend the Independent Shareholders to elect the Cash Alternative, and not to elect the Share Alternative; and (c) to recommend the Optionholders to accept the Option Offer.

The Independent Board Committee, having considered the terms of the Proposal, the Scheme and the Option Offer, and having taken into account the opinion of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter in Part VI of this Scheme Document, considers that, as far as the Independent Shareholders are concerned, the terms of the Proposal and the Scheme are fair and reasonable, and as far as the Optionholders are concerned, the terms of the Option Offer are fair and reasonable.

Accordingly, the Independent Board Committee recommends:

- (a) at the Court Meeting, the Independent Shareholders to vote in favour of the resolution to approve the Scheme;
- (b) at the General Meeting, the Shareholders to vote in favour of the special resolution to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled;
- (c) the Independent Shareholders to elect the Cash Alternative, and not to elect the Share Alternative; and
- (d) the Optionholders to accept the Option Offer.

The Independent Board Committee draws the attention of the Independent Shareholders and the Optionholders to (i) the letter from the Board set out in Part IV of the Scheme Document; (ii) the letter from the Independent Financial Adviser, which sets out the factors and reasons taken into account in arriving at its recommendation to the Independent Board Committee, set out in Part VI of the Scheme Document; and (iii) the Explanatory Statement set out in Part VII of the Scheme Document.

Yours faithfully,
The Independent Board Committee

ZHOU, Jiong
*Non-executive
Director
of the Company*

CHU, Kar Wing
*Independent
non-executive
Director
of the Company*

LI, Fang
*Independent
non-executive
Director
of the Company*

WONG, Kwok Tai
*Independent
non-executive
Director
of the Company*

NG, Yi Kum
*Independent
non-executive
Director
of the Company*

Set out below is the letter of advice from the Independent Financial Adviser, Somerley Capital Limited, to the Independent Board Committee, which has been prepared for the purpose of inclusion in this Scheme Document.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

20 June 2019

To: the Independent Board Committee

Dear Sirs,

**(1) PROPOSAL FOR THE DELISTING OF
CHINA POWER CLEAN ENERGY DEVELOPMENT COMPANY LIMITED
BY CHINA POWER NEW ENERGY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 673 OF THE COMPANIES ORDINANCE)
(2) IRREVOCABLE UNDERTAKING BY THE IU SHAREHOLDER
TO APPROVE THE PROPOSAL**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal and the Option Offer. Details of the Proposal and the Option Offer are set out in the Scheme Document dated 20 June 2019, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 28 March 2019, the Offeror and the Company jointly announced that the Offeror requested the Board to put forward the Proposal to the holders of Scheme Shares for the delisting of the Company by way of a scheme of arrangement under Section 673 of the Companies Ordinance. Upon completion of the Scheme, the Company will become a wholly-owned subsidiary of the Offeror and the listing of the Shares will be withdrawn from the Stock Exchange.

The Independent Board Committee comprising all non-executive Directors (except Mr. Tian Jun) and independent non-executive Directors who are not interested in the Proposal, namely Mr. Zhou Jiong, Mr. Chu Kar Wing, Dr. Li Fang, Mr. Wong Kwok Tai and Ms. Ng Yi Kum, has been established to advise (i) whether the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned, and whether the terms of the Option Offer are fair and reasonable so far as the Optionholders are concerned and whether to accept the Option Offer; (ii) the action that should be taken by the Independent Shareholders as regards voting at the Court Meeting and the General Meeting of the Company; and (iii) the recommendation to the Independent Shareholders as to acceptance of the Cash Alternative or the Share Alternative. Mr. Tian Jun, a non-executive Director, is also a director of each of the Offeror and Parentco, which is the holding company of the Offeror. Accordingly, he is regarded as being interested in the Proposal and the Option Offer for the purpose of Rule 2.8 of the Takeovers Code and is not a member of the Independent Board Committee. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee on these matters.

We are not associated with the Company, the Offeror or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Proposal and the Option Offer. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have reviewed, among other things, (i) the Scheme Document; (ii) the annual reports of the Company for the three years ended 31 December 2016, 2017 and 2018; (iii) the material change statement set out in Appendix I to the Scheme Document; and (iv) the letter from UBS regarding the estimates of value of Offeror Shares as set out in Appendix V to the Scheme Document.

We have relied on the information and facts supplied by the Company and the opinions expressed by the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects as at the Latest Practicable Date. Shareholders will be informed as soon as possible if we become aware of any material change to such representations before the time of the Court Meeting and the General Meeting. We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them; nor have we carried out any independent verification of the information supplied.

We have not considered the tax and regulatory implications on the Independent Shareholders of acceptance or non-acceptance of the Proposal and the Option Offer, as the case may be, since these are particular to their individual circumstances. In particular, Independent Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on security dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE PROPOSAL AND THE OPTION OFFER

The Proposal and the Scheme

The terms set out below are summarised from the “Letter from the Board” and the Explanatory Statement of the Scheme Document. Independent Shareholders are encouraged to read the Scheme Document and the appendices in full.

The Proposal will be implemented by way of the Scheme and the Option Offer. Upon completion of the Scheme, the Company will become a wholly-owned subsidiary of the Offeror and the listing of the Shares will be withdrawn from the Stock Exchange. If the Proposal is approved and implemented, under the Scheme, the share capital of the Company will, on the Effective Date of the Scheme, be reduced by cancelling and extinguishing the Scheme Shares. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company’s books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued, credited as fully paid, to the Offeror. The Offeror will make (or procure to be made on their behalf) an appropriate offer to the Optionholders to cancel every Outstanding Share Option in accordance with Rule 13 of the Takeovers Code. Such Option Offer will be conditional upon the Scheme becoming effective.

The Cancellation Consideration

The Scheme Shares will be cancelled in exchange for either:

- (a) the Cash Alternative: cash of HK\$5.45 for every Scheme Share; or
- (b) the Share Alternative: 6 New Offeror Shares for every Scheme Share held.

The Non-Qualifying Shareholders will only be able to elect the Cash Alternative and will not be able to elect the Share Alternative. The holders of Scheme Shares, other than the Non-Qualifying Shareholders, may elect either the Cash Alternative or the Share Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners) held as at the Scheme Record Date. If a holder of Scheme Shares does not elect to receive its entitlement under the Cash Alternative or the Share Alternative or if its election is unclear or invalid, such holder of Scheme Shares will be deemed to have elected to receive its entitlement under the Cash Alternative, in each case subject to the Scheme having become effective. As disclosed in the sub-section headed “The Cash Alternative” in the “Letter

from the Board” of the Scheme Document, the Cancellation Consideration has been determined on a commercial basis after taking into account, among others, the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable companies listed on the Stock Exchange and with reference to other delisting transactions in Hong Kong in recent years.

Independent Shareholders should note that the provision of the Share Alternative is not a standard feature of a Hong Kong privatisation proposal. As disclosed in the sub-section headed “The Share Alternative” in the “Letter from the Board” of the Scheme Document, the value of the Offeror Shares will primarily be determined by the value of the Company. Details of the valuation of the Offeror Shares is set out in the sub-section headed “Information on the Offeror Shares” below of this letter and the letter from UBS regarding the estimates of value of Offeror Shares contained in Appendix V to the Scheme Document. Offeror Shares are not listed on any stock exchange and will not benefit from the protections afforded by the Listing Rules (for example, protections against dilution and related party transactions) and the Takeovers Code assuming the Offeror will not be determined by the Executive to be a “public company” in Hong Kong as defined in the Takeovers Code. They are likely to be illiquid as there is no intention to facilitate trading.

Shareholders of the Offeror would have their rights and obligations in relation to the Offeror governed by the provisions of the Companies Ordinance (as amended from time to time) and other applicable laws in Hong Kong. Further details of the rights of the shareholders are set out in the Scheme Document, and the risks associated with holding the Offeror Shares are summarised in the section headed “Risks which Independent Shareholders should bear in mind in evaluating the Share Alternative” of this letter below. **Based on our analysis below, we consider the Share Alternative has been tailored principally for large and sophisticated Shareholders, and we do not recommend other Scheme Shareholders to accept the Share Alternative.** In this regard, we note that the Offeror has received an Irrevocable Undertaking to accept the Share Alternative from the IU Shareholder (i.e. China Three Gorges).

The Option Offer

The Option Offer will be conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror will offer holders of the Outstanding Share Options the “see-through” price (being the Cancellation Consideration minus the relevant exercise price in the case of the Outstanding Share Options) for each Outstanding Share Option they hold for the cancellation of every Outstanding Share Option in accordance with Rule 13 of the Takeovers Code. Further details are set out in the section headed “The Option Offer” of this letter below and the Explanatory Statement of the Scheme Document.

Conditions of the Proposal and the Scheme

The Proposal and the Scheme will become effective and binding on the Company and all Shareholders subject to the fulfilment or waiver (as applicable) of the Conditions on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. Details of the Conditions are set out in the section headed “Conditions of the Proposal and the Scheme” in the Explanatory Statement of the Scheme Document.

As at the Latest Practicable Date, the Conditions (other than that set out in the Scheme Document) are subject to fulfilment (unless otherwise waived, where applicable) and none of the Conditions have been waived.

The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses. If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with it) may within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

The Irrevocable Undertaking

The Offeror received the Irrevocable Undertaking from the IU Shareholder (i.e. China Three Gorges), pursuant to which China Three Gorges has undertaken to, among other things, (a) exercise (or procure the exercise of) all voting rights attached to the Shares held or owned by it at the Court Meeting and the General Meeting to be convened in connection with the Proposal in favour of all the resolutions to approve the Proposal and any other matters in connection with the Proposal (where applicable); and (b) elect the Share Alternative only as the form of Cancellation Consideration for the cancellation of 321,626,923 Shares held by it. The 321,626,923 Shares held by China Three Gorges which are the subject of the Irrevocable Undertaking represents approximately 27.10% of the total issued share capital of the Company as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Information and prospects of the Group

(i) Background and information of the Company

The Company is incorporated in Hong Kong with limited liability and its shares have been listed on the Main Board of the Stock Exchange since 4 November 1999. As at the Latest Practicable Date, the Offeror and Parentco (being an Offeror Concert Party) together are interested in approximately 28.07% of the issued share capital of the Company. The Group is principally engaged in the business of the development, construction, ownership, operation and management of clean energy power plants in the PRC. The Group's power generation business mainly includes natural gas power generation and wind power generation. The Group is also engaged in other renewable power generation businesses such as hydropower, waste-to-energy, photovoltaic and other clean energy power generation projects.

(ii) Financial information of the Group

Details of the accounts of the Group are set out in Appendix I to the Scheme Document.

(a) *Financial performance*

The following is a summary of the financial results of the group for the three years ended 31 December 2016, 2017 and 2018 (2016 annual results having been extracted from the Company's 2017 annual report and both the 2017 and 2018 annual results having been extracted from the Company's 2018 annual report).

	For the year ended 31 December		
	2018	2017	2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	4,808,703	4,820,975	4,726,592
Operating profit	815,867	1,043,163	1,123,199
Profit for the year	186,101	403,846	400,650
Profit attributable to owners of the Company	185,323	401,702	404,536

(i) *Revenue*

For the three years ended 31 December 2016, 2017 and 2018, the Group's revenue amounted to approximately RMB4,727 million, RMB4,821 million and RMB4,809 million respectively. The following table sets out the breakdown of revenue by business segment extracted from the Company's 2017 and 2018 annual reports.

	For the year ended 31 December		
	2018	2017	2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<i>Type of power generation business:</i>			
Natural gas power	2,486,713	2,742,734	2,959,194
Wind power	1,035,801	870,029	663,173
Hydropower	294,090	430,737	501,742
Waste-to-energy	446,494	320,953	293,874
Photovoltaic	338,605	317,579	209,716
Other power generation business	155,007	100,083	72,060
Others	51,993	38,860	26,833
Total	4,808,703	4,820,975	4,726,592

As set out in the tables above, the revenue of the Group was generally stable from 2016 to 2018.

As disclosed in the Company's 2017 and 2018 annual reports, the Group's power generation in 2016, 2017 and 2018 was approximately 10,163,677 megawatt-hour ("MWh"), 9,940,496MWh, and 10,135,283MWh respectively. Power generation of the Group was generally stable during the above periods.

In 2018, revenue from the Group's natural gas power generation business accounted for approximately 52% of the Group's total revenue. Revenue from this segment dropped by approximately 7% year-on-year from approximately RMB2,959 million in 2016 to approximately RMB2,743 million in 2017, and decreased further by approximately 9% year-on-year to approximately RMB2,487 million in 2018. The decrease in revenue in natural gas power generation business of the Group from 2016 to 2018 was mainly driven by, (i) the reform of "West-to-East Power Transmission", which aims at bringing the power resources and transferring electricity in China's southwest and northwest region to satisfy the demand in China's eastern provinces and resulted in a gradual decrease in overall amount of power generated in Guangdong Province and therefore the Group's natural gas projects in Dongguan; and (ii) the decrease in natural gas supply. In 2018, revenue from the Group's wind power generation business accounted for approximately 22% of the Group's total revenue. Revenue from this segment rose by approximately 31% year-on-year from approximately RMB663 million in 2016 to approximately RMB870 million in 2017, and increased further by approximately 19% year-on-year to approximately RMB1,036 million in 2018. The increase in the Group's revenue in wind power generation business from 2016 to 2018 was mainly driven by (i) good wind conditions; and (ii) significant decrease in the wind power curtailment rate (the ratio of reduction in electricity output of a generator to total power generation a generator could otherwise produce, a lower curtailment rate represents higher efficiency) of the Group's wind power projects during the same period. Revenue in 2018 from the Group's hydropower, waste-to-energy and photovoltaic power generation businesses together accounted for approximately 22% of the Group's total revenue. The drop in the Group's revenue from hydropower from 2016 to 2018 was mainly attributable to the decrease in water flow volume in Fujian district during the same period. The Group's revenue from both waste-to-energy and photovoltaic power generation businesses has increased during 2016 to 2018, the growth was mainly driven by the commencement of operation of new projects which provided additional power generation capacity.

(ii) Profit attributable to owners of the Company

As set out in the table above, profit attributable to owners of the Company in 2017 of approximately RMB402 million was comparable to that of 2016 of approximately RMB405 million. In 2018, profit attributable to owners of the Company was approximately RMB185 million, representing a decline of approximately 54% compared to approximately RMB402 million in 2017.

As disclosed in the Company's 2018 annual report, the decrease in profit attributable to owners of the Company was primarily attributable to (i) the drop in natural gas tariff; (ii) the rise in unit price of natural gas resulting in the increase in production costs of natural gas projects; and (iii) the decrease in power generation resulted from the significant decrease in rainfall in Fujian where the Group's hydropower projects are located.

(iii) Dividends

The total dividends per Share for the financial years ended 31 December 2016, 2017 and 2018 were RMB0.1193, RMB0.1185 and RMB0.0546 respectively. The proposed final dividend for the year ended 31 December 2018 was declared on 27 March 2019, the record date of which will be 27 June 2019. The payment of the 2018 Company Dividend has been approved by the Shareholders at the annual general meeting of the Company held on 30 May 2019. The 2018 Company Dividend will be payable on 11 July 2019. As set out in the section headed "Terms of the Proposal" in the Explanatory Statement of the Scheme Document, under the current timetable for the Proposal, the Scheme is expected to become effective on 19 August 2019, which will be after the record date for the entitlement to the 2018 Company Dividend, as a result of which Scheme Shareholders will be entitled to the 2018 Company Dividend. The amount of dividend to be received by the Offeror from the Company is expected to be declared in favour of its parent, Parentco, prior to the Proposal and the Scheme becoming effective. The Company's implied dividend yield based on the Cash Alternative of HK\$5.45 per Scheme Share and the total dividend per Share for the financial year ended 31 December 2018 of RMB0.0546 (equivalent to HK\$0.0638 at the exchange rate announced by the People's Bank of China on 27 March 2019, the date of the Company's 2018 Results Announcement) is approximately 1.17%.

(b) *Financial position*

Set out below is a summary of the financial position of the Group as at 31 December 2016, 2017 and 2018 (2016 financial position having been extracted from the Company's 2017 annual report and both the 2017 and 2018 financial position having been extracted from the Company's 2018 annual report).

	As at 31 December		
	2018	2017	2016
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total assets	25,290,314	24,587,557	23,859,358
Total liabilities	16,658,575	16,033,861	15,585,956
Equity attributable to owners of the Company	8,483,034	8,454,428	8,202,837

As at 31 December 2018, the Group's total assets were approximately RMB25,290 million. Assets of the Group mainly include (a) property, plant and equipment of approximately RMB18,780 million, which, as advised by the Company, were mainly composed of power generators and equipment; (b) goodwill of approximately RMB1,024 million; (c) other non-current assets of approximately RMB1,448 million; and (d) accounts receivable of approximately RMB1,652 million. Cash and cash equivalents of the Group as at 31 December 2018 amounted to approximately RMB404 million. As at 31 December 2018, the Group's total liabilities amounted to approximately RMB16,659 million, which mainly consisted of (a) short term bank and other borrowings and current portion of long-term bank and other borrowings of approximately RMB3,247 million; (b) long-term bank and other borrowings of approximately RMB10,527 million; (c) long-term corporate bonds of approximately RMB800 million; and (d) construction costs payable of approximately RMB1,373 million.

As at 31 December 2018, the Group had borrowings of approximately RMB14,574 million. Taking into account the cash and cash equivalents of approximately RMB404 million, the Group had a net debt of approximately RMB14,170 million as at 31 December 2018. Capital commitment of the Group as at 31 December 2018 amounted to approximately RMB2,480 million, which was mainly comprised of capital expenditure (including construction costs) relating to property, plant and equipment. The Group's gearing ratio as at 31 December 2018, measured by net debt divided by total capital (i.e. total equity plus net debt), was approximately 62%. As set out in Appendix I to the Scheme Document, as at 30 April 2019, the Group had short term bank borrowings of RMB1,810 million, long-term bank and other borrowings of RMB12,649 million (of which RMB1,515 million is in current portion), corporate bond of RMB800 million and lease liability of RMB22.8 million.

The net asset value attributable to owners of the Company amounted to approximately RMB8,483 million as at 31 December 2018, equivalent to approximately RMB7.15 per Share. The Cash Alternative of HK\$5.45 per Scheme Share represents a discount of approximately 35% to the net asset value per Share attributable to owners of the Company as at 31 December 2018, based on RMB to HK\$ exchange rate of RMB0.85169 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the Last Trading Day).

(iii) Prospects of the Group

As discussed in the paragraph headed "Financial information of the Group" above, the Group's financial results for the year ended 31 December 2018 were adversely affected by (i) the drop in natural gas tariff; (ii) the rise in unit price of natural gas; and (iii) the significant decrease in rainfall in Fujian where the Group's hydropower projects are located. On the other hand, annual power generation of (i) wind power segment; (ii) waste-to-energy segment; and (iii) photovoltaic power segment all recorded an increase.

As set out in the Company's 2018 annual report and as advised by the executive Directors, given the influence of (a) the continued supply-side structural reform of the domestic market (to improve quality and reduce quantity of power supply) which may affect the Group's total power generation volume, and (b) the increase in competition and power volume traded in the market which may cause a decline trend to on-grid power tariff, it is expected that the power generation industry will continue to be under pressure. The Company will maintain its strategic strength, stay focused on the clean energy industry, continue to explore the electricity market according to government policies and market demands, and grow business that has stable profitability. As discussed in this sub-section above, the Group's revenue was generally stable from 2016 to 2018. In 2018, profit attributable to owners of the Company decreased by approximately 54% compared to that of 2017 primarily due to the reasons set out above. The management of the Company considers, and we concur, that the long-term prospects of the Group remain generally positive, but not without challenges.

2. Offeror's intention regarding the Company

As set out in the section headed "Intentions of the Offeror and the Company" in the Explanatory Statement of the Scheme Document, the Offeror intends to continue the existing businesses of the Group and does not have specific plans to make any major changes to the business of the Group upon the successful delisting of the Company other than developing deeper synergies with the Offeror group, exploring new development opportunities and implementing long-term growth strategies.

Further, the Offeror has no intention to discontinue the employment of the employees of the Group after the implementation of the Proposal, except for staff movements which are part of the normal conduct of business or due to personal performance or conduct issues.

Upon the Scheme becoming effective, the Offeror expects that (i) the accounts of the Offeror will consolidate the accounts of the Group (including assets, liabilities, profits and losses of the Group), and (ii) its investment in the Group will remain the principal business of the Offeror.

3. Information on the Offeror and Parentco

As set out in the sections headed "Definitions" and "Information on the Offeror and Parentco" in the Explanatory Statement of the Scheme Document, the Offeror is an investment holding company incorporated in Hong Kong on 16 August 2006, which is a direct wholly-owned subsidiary of Parentco. As stated in the section headed "Terms of the Proposal" in the "Letter from the Board" of the Scheme Document, save for (i) its 26.42% shareholding in the Company; (ii) cash and cash equivalents of HK\$17,589.95; and (iii) dividend receivable of HK\$20,001,486.49 from the Company as the Offeror's entitlement under the 2018 Company Dividend being assets of the Offeror, and (iv) dividends declared and payable to Parentco (which has been declared prior to the Latest Practicable Date) in the aggregate amount of HK\$93,735,790.99, being liabilities of the Offeror, the Offeror does not have any other assets

or liabilities as at the Latest Practicable Date. It is expected that the above amount of dividend receivable will be reduced to zero upon the receipt of the same amount in cash as the Offeror's entitlement under the 2018 Company Dividend by the Offeror from the Company on Thursday, 11 July 2019, and the amount of dividend payable will be reduced by HK\$20,001,486.49 upon the payment of the same amount to Parentco to settle part of the dividend payable to Parentco before the Effective Date. As at the Latest Practicable Date, the directors of the Offeror are Mr. Tian Jun and Ms. Xu Wei. Mr. Tian Jun is also a non-executive director of the Company. Parentco is a company incorporated in Hong Kong and a wholly-owned subsidiary of State Power Investment Corporation Limited which is ultimately beneficially-owned by the State-owned Assets Supervision and Administration Commission. Parentco is mainly engaged in the development and operation of power projects. Currently, it owns and operates several modes of power generation and projects including coal-fired power, hydropower, natural gas, wind power, photovoltaic, biomass and waste to energy projects, power distribution and sale, and integrated smart energy projects. Further details with respect to the financial information of the Parentco and general information on the Offeror is contained in Appendix II and IV to the Scheme Document respectively.

As at the Latest Practicable Date, the Offeror has 1,881,017,538 shares in issue. The actual number of New Offeror Shares to be made available for allotment and issuance under the Share Alternative will be determined as at 19 August 2019, being the second Business Day after the latest date for lodging the Election Form with the Share Registrar for election of the Cash Alternative or the Share Alternative. Assuming no Outstanding Share Options are exercised before the Scheme Record Date, if all the Scheme Shareholders elect the Share Alternative, 5,238,782,970 New Offeror Shares will be issued, representing approximately 73.58% of the enlarged issued share capital of the Offeror post-issuance of all New Offeror Shares upon completion of the Scheme. Fractions of New Offeror Shares to be issued to the Scheme Shareholders who have elected the Share Alternative will be rounded down to the nearest whole number.

As at the Latest Practicable Date, a total of 333,074,923 Shares, representing approximately 28.07% of the issued share capital of the Company, are held by the Parentco and the Offeror as to 19,572,000 and 313,502,923 Shares, respectively, representing approximately 1.65% and 26.42% of the issued share capital of the Company, respectively. Further details regarding the shareholding structure of the Company are set out in the section headed "Shareholding structure of the Company and Scheme Shares" in the Explanatory Statement of the Scheme Document.

4. Information on the Offeror Shares

(i) Restrictions and rights of the Offeror Shares

The Offeror Shares are shares of an unlisted company in Hong Kong, and will not benefit from the protections afforded by the Listing Rules and/or the Takeovers Code, and are illiquid with no ready market. The Offeror Shares are subject to certain transfer restrictions set out in the section headed "Information Regarding Offeror Shares"

contained in Appendix IV to the Scheme Document. Further details relating to the Offeror Shares are set out in the “Letter from the Board”, Explanatory Statement and relevant appendices to the Scheme Document. If Independent Shareholders wish to consider the Share Alternative, they are recommended to read this information carefully, particularly the sub-section headed “The Share Alternative” as set out in the “Letter from the Board” of the Scheme Document. Risks which Independent Shareholders should bear in mind in evaluating the Share Alternative are set out below.

(ii) Valuation of the Offeror Shares

On the basis of, and subject to, the assumptions and methodology set out in the letter issued by UBS contained in Appendix V to the Scheme Document headed “Estimates of Value of Offeror Shares”, an estimate of the value of the Offeror Shares would be a range between HK\$0.6287 and HK\$0.8982 for each Offeror Share. Under the Share Alternative, each Scheme Shareholder is entitled to receive 6 New Offeror Shares for every Scheme Share held. This implies a consideration of each Scheme Share of approximately HK\$3.77 to HK\$5.39 (i.e. HK\$0.6287 x 6 New Offeror Shares and HK\$0.8982 x 6 New Offeror Shares respectively).

The main difference between the bottom range and the top range is the assumption on discount for lack of marketability and shareholders’ rights, of an unlisted share, particularly around the fact that independent shareholders will not be able to nominate a director or approve reserved matters until certain ownership thresholds are reached. For the bottom range, a 30% discount on the value of the shares is assumed, while for the top range it is nil. We consider it is reasonable to apply some discount to the value of an illiquid share with limited shareholders’ rights from the independent shareholders’ perspective. This point is discussed further below.

We have reviewed and discussed with UBS the methodology used, and the bases and assumptions adopted, for the estimates of value of the Offeror Shares as set out in Appendix V to the Scheme Document. It is assumed by UBS that Offeror was established for the sole purpose of the Proposal and as such, at the time of the Proposal is assumed to have become effective, the Offeror’s turnover, profits, assets and liabilities on a consolidated basis will be the same as the Company, save for any cash balance that may remain in the Offeror that was not required to finance the amount payable in cash to the Scheme Shareholders under the Proposal. On this basis and based on the assumptions as set out in UBS’s letter, the estimate of the value of the Offeror Shares is based on (a) the estimated value of all of the outstanding Shares (including the Options, assuming a “see-through” value); (b) any dividend payable by the Offeror to Parentco that may remain in the Offeror following the implementation of the Proposal; and (c) any excess cash that may remain in the Offeror following the implementation of the Proposal. The estimated value of all of the outstanding Shares (i.e. item (a) above) has been based on (i) the value per Share under the Cash Alternative of HK\$5.45; (ii) a value of HK\$0.31 for every Share Option with an exercise price of HK\$5.14 which is equivalent to the “see-through” value per Share Option under the Option Offer to the Optionholders; and

(iii) a nominal amount of HK\$1 for every 10,000 Share Options with exercise prices of HK\$7.80, which the “see-through” price is zero. In deriving a value for item (b) above, UBS has deducted a dividend payable assumed to be paid out and settled in cash to the Parentco prior to the Effective Date from the existing dividend payable by the Offeror to Parentco as at the Latest Practicable Date based on the assumptions set out in its letter. UBS has assumed a range of discounts of 0-30% to an equivalent listed security to reflect, among other things, the lack of marketability and shareholders’ rights. UBS believes that such a discount range is an appropriate assumption to use for this purpose as it is consistent with (i) the approach taken in recent market privatisation precedents in Hong Kong which involves unlisted offeror shares being offered as an alternative transaction consideration and which adopts an illiquidity discount methodology to assess the value of the unlisted offeror shares; and (ii) findings in the relevant academic studies and researches in relation to the illiquidity/marketability discount and valuation of private company shares. Based on the above, the estimates of the values of the Offeror Shares would be a range of between HK\$0.6287 and HK\$0.8982 for each Offeror Share.

We identified the following general offer/privatisation cases since 2010 which involved valuation of unlisted shares, and noted that a lack of marketability/shareholders’ rights discount of 25% to 30% was applied to derive the low-end value of the unlisted shares under the share alternative in the respective case (save for Denway Motors):

Name of the listed company	Stock code	Date of scheme/composite document	Discount applied
Nirvana Asia Ltd	1438	5 September 2016	30%
Yashili International Holdings Ltd	1230	23 July 2013	30%
China Resources Microelectronics Limited	597	5 September 2011	25%
Termbray Industries International (Holdings) Limited	93	10 March 2010	25%
Denway Motors Limited (“Denway Motors”)	203	18 June 2010	Alternative approach

In the case of Denway Motors, the top and low-end value of the unlisted shares (which however were to be listed shortly after the scheme became effective) were calculated with reference to, among others, the median prospective price earnings multiples of comparable listed companies and the forecast profit of the unlisted company, where such profit forecast figure with bases and assumptions were available from the listing document to form an appropriate basis for deriving the estimated value. In view of the above and given the nature of the Offeror Shares (unlisted) under the Share Alternative, the methodology set out in UBS’s letter in Appendix V to the Scheme Document is, in our opinion, a reasonable approach in establishing the estimates of the

values of the Offeror Shares and is in line with commonly adopted approaches in similar cases in Hong Kong. We are of the view that it is not practicable to estimate a discount to reflect lack of marketability and limited shareholders' rights (from the independent shareholders' perspective) very precisely, as it depends on differing circumstances. We have reviewed the information considered by UBS (which primarily consisted of the recent market privatisation precedents in Hong Kong which involves unlisted offeror shares being offered as an alternative transaction consideration and which adopts an illiquidity discount methodology to assess the value of the unlisted offeror shares). This was supplemented by extracts in relation to illiquidity/marketability discounts and valuation of private company shares from academic studies and researches. On this basis, we consider a range of 0% and 30% adopted by UBS in its estimates to be acceptable.

For further details of methodology, basis, assumptions and computations of the estimates of the value of the Offeror Shares, please refer to Appendix V to the Scheme Document which should be read in its entirety.

5. Risks which Independent Shareholders should bear in mind in evaluating the Share Alternative

Independent Shareholders should bear in mind the risk factors of holding the Offeror Shares as set out in the "Letter from the Board" in the Scheme Document, in particular the following:

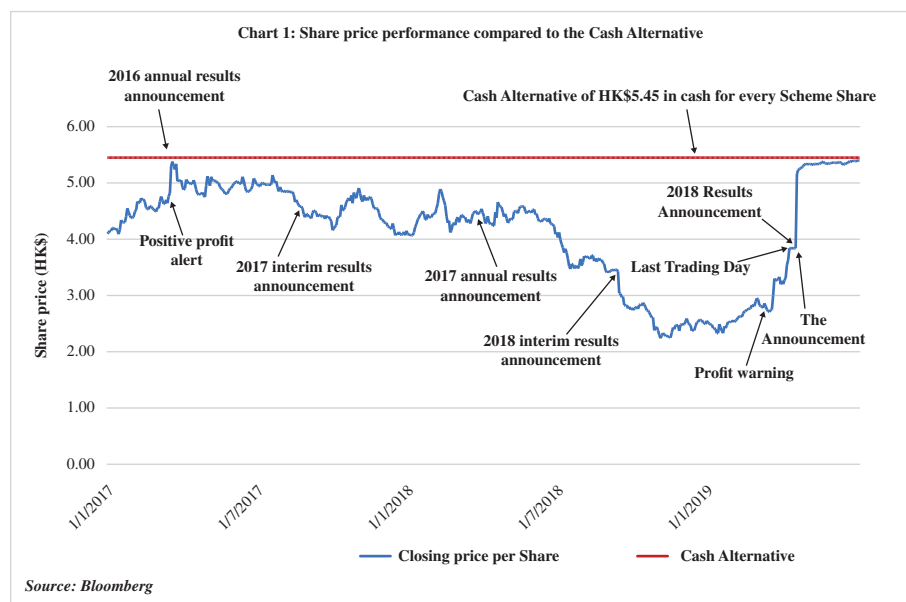
- (i) **Transfers of the Offeror Shares are subject to restrictions set out in the section headed "Information Regarding Offeror Shares" contained in Appendix IV to the Scheme Document;**
- (ii) **Offeror Shares are not listed on any stock exchange and do not benefit from the protections afforded by the Listing Rules and the Takeovers Code (assuming the Offeror will not be determined by the Executive to be a "public company" in Hong Kong as defined in the Takeovers Code) (for example, the requirement of appointing independent non-executive directors, approval by independent shareholders for certain connected transactions, anti-dilution provisions and other protections and rights offered to minority shareholders);**
- (iii) **Offeror Shares are illiquid, hence the Shareholders of the Offeror may find it more difficult to find a purchaser for the Offeror Shares if they intend to sell their shares, as there is less likely a ready market for the Offeror Shares;**
- (iv) Independent Shareholders should also be aware that no dividend policy nor any dividend payment schedule has been established in respect of the Offeror Shares. **There is no guarantee that any dividend payments will be paid in respect of the Offeror Shares.**

Independent Shareholders should note that the two parties (both are sophisticated substantial Shareholders) assumed or committed to accept the Share Alternative are (a) Parentco, which is a party acting in concert with the Offeror for the purpose of the Takeovers Code as a result of Offeror being wholly-owned by it; and (b) the IU Shareholder (i.e. China Three Gorges), which is the largest single Shareholder of the Company (except for the Offeror Concert Parties). In view of the nature of the Offeror Shares, the risks and restrictions associated with them as set out in the section headed “Information Regarding Offeror Shares” contained in Appendix IV to the Scheme Document and this sub-section, we consider the Share Alternative has been tailored principally for large and sophisticated Shareholders and consequently we do not consider it suitable for other Scheme Shareholders.

6. Analysis of price performance and trading liquidity of the Shares

(i) Historical price performance of the Shares

Chart 1 below illustrates the daily closing price per Share from 1 January 2017 up to and including the Latest Practicable Date (the “**Review Period**”), and the comparison of the Share price performance with the Cash Alternative. The Review Period, which covers at least two full financial years of the Company, is considered to represent a sufficient period of time to provide a general overview on the recent market performance of the Shares for the purpose of this analysis.



The Cash Alternative of HK\$5.45 per Scheme Share is above the closing Share prices throughout the Review Period. From the beginning of 2017 to mid-March 2017, the Share prices showed an upward trend and following a positive profit alert announcement on 14 March 2017, closed at HK\$5.38 as at 20 March 2017. Afterwards, the Share prices showed a general downward trend and closed at HK\$4.07 on 28 December 2017. During 2018 and up to the Last Trading Day, the Shares were traded in a downward direction,

from about HK\$4.50 in the early part of the year towards about HK\$2.50 near the end of the year. From the beginning of 2019, the Share price started to pick up but the Company published a profit warning announcement with respect to its 2018 annual results on 22 February 2019.

The Shares closed at HK\$3.84 on 21 March 2019 (i.e. the Last Trading Day) and trading in the Shares was suspended from 9:00 a.m. on 22 March 2019. On 27 March 2019, the 2018 annual results announcement was published. The Announcement was published after trading hours on 28 March 2019 and trading in the Shares resumed on 29 March 2019. The Shares closed at HK\$5.16 on 29 March 2019, representing an increase of approximately 34.4% compared to the closing Share price of HK\$3.84 on the Last Trading Day.

Following the Announcement, we consider the price of the Shares has been largely determined by the Cash Alternative of HK\$5.45 per Scheme Share. The Shares closed at HK\$5.40 as at the Latest Practicable Date and the Cash Alternative of HK\$5.45 represents a premium of approximately 0.9% over the closing Share price on the Latest Practicable Date.

(ii) Trading liquidity

Set out in the table below are the monthly total trading volumes of the Shares and the percentages of such monthly total trading volumes to the total issued share capital and the public float of the Company during the Review Period:

	Monthly total trading volume of the Shares <i>(Note 1)</i>	Percentage of the monthly total trading volume of the Shares to the total issued share capital <i>(Note 2)</i>	Percentage of the monthly total trading volume of the Shares to the public float of the Company <i>(Note 2 & 3)</i>
2017			
January	15,670,257	1.32%	2.95%
February	34,028,108	2.87%	6.40%
March	55,321,541	4.66%	10.40%
April	19,094,700	1.61%	3.59%
May	19,886,015	1.68%	3.74%
June	13,857,300	1.17%	2.61%
July	12,795,246	1.08%	2.41%
August	20,458,200	1.72%	3.85%
September	14,500,500	1.22%	2.73%
October	20,407,500	1.72%	3.84%
November	18,226,000	1.54%	3.43%
December	11,428,742	0.96%	2.15%

	Monthly total trading volume of the Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to the total issued share capital (Note 2)	Percentage of the monthly total trading volume of the Shares to public float of the Company (Note 2 & 3)
2018			
January	27,858,000	2.35%	5.24%
February	17,550,317	1.48%	3.30%
March	10,222,200	0.86%	1.92%
April	17,612,196	1.48%	3.31%
May	15,506,954	1.31%	2.92%
June	17,641,183	1.49%	3.32%
July	17,897,000	1.51%	3.36%
August	15,950,500	1.34%	3.00%
September	29,350,000	2.47%	5.52%
October	11,033,940	0.93%	2.07%
November	12,861,111	1.08%	2.42%
December	7,074,333	0.60%	1.33%
2019			
January	18,303,100	1.54%	3.44%
February	17,322,000	1.46%	3.26%
March	88,368,600	7.45%	16.61%
April	93,814,960	7.91%	17.64%
May	35,470,425	2.99%	6.67%
From 1 June 2019 to the Latest Practicable Date	6,590,100	0.56%	1.24%

Notes:

1. Source: Bloomberg
2. The calculation is based on the monthly total trading volume of the Shares divided by the total issued share capital of the Company or the total number of the Shares in public float at the end of each month (or at the Latest Practicable Date for June 2019).
3. The total number of Shares in public float is calculated based on the number of total issued Shares excluding the Shares held by the Offeror, Parentco and China Three Gorges at the end of each month (or at the Latest Practicable Date for June 2019).

From January 2017 to February 2019, except for March 2017, the percentages of the monthly total trading volume of the Shares to the total issued share capital were within the range of approximately 0.6% to 2.9%, and the percentages of the monthly total trading volume of the Shares to the public float of the Company were within the range of approximately 1.3% to 6.4%, which we regard as generally low. The percentage of the monthly total trading volume of the Shares to the total issued share capital and the public

float of the Company for March 2017 was approximately 4.7% and 10.4% respectively. The management of the Company advised us that they are not aware of any reasons for the higher trading volume in March 2017. In our opinion, the publication of the Announcement on 28 March 2019 heightened the trading activity, with the total trading volume of Shares increasing to approximately 188,137,585 Shares (representing approximately 15.9% of the total issued share capital and approximately 35.4% of the public float of the Company) in the period after the publication of the Announcement to the Latest Practicable Date.

Given the above, if Scheme Shareholders wish to sell a significant number of Shares within a short period in the market, it is possible that a downward pressure would be exerted on the market price of the Shares. The higher level of trading volume subsequent to the Announcement will not, in our view, be sustained if the Proposal and the Scheme lapse. Therefore, the Proposal provides a valuable opportunity for the Scheme Shareholders to dispose of their holdings at a fixed consideration for cash under the Cash Alternative if they so wish.

(iii) Cancellation Consideration (Cash Alternative) comparisons

The cash consideration of HK\$5.45 per Scheme Share under the Cash Alternative represents:

- (a) a premium of approximately 0.9% over the closing price of HK\$5.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 41.9% over the closing price of HK\$3.84 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 60.8% over the average closing price of approximately HK\$3.39 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 78.1% over the average closing price of approximately HK\$3.06 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 94.0% over the average closing price of approximately HK\$2.81 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;

- (f) a premium of approximately 101.9% over the average closing price of approximately HK\$2.70 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 105.7% over the average closing price of approximately HK\$2.65 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day; and
- (h) a discount of approximately 35.1% to the audited net asset value per Share attributable to the Shareholders (after deducting minority interests) in the Company of approximately RMB7.15 as at 31 December 2018, based on RMB to HK\$ exchange rate of RMB0.85169 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the Last Trading Day).

In summary, the Cash Alternative of HK\$5.45 per Scheme Share represents (a) premiums in a range of approximately 41.9% to 105.7% over the closing Share prices for different periods before the suspension of trading in the Shares pending publication of the Announcement; and (b) a discount of approximately 35.1% to the net asset value per Share attributable to the Shareholders (after deducting minority interests) as at 31 December 2018.

7. Comparable companies

As mentioned in the sub-section headed "Information and prospects of the Group" of this letter, the Group is principally engaged in the business of the development, construction, ownership, operation and management of clean energy power plants in the PRC, the two largest activities being in natural gas power generation and wind power generation. The Group is also engaged in other renewable power generation businesses such as hydro, waste-to-energy, photovoltaic and other power generation business. As set out in the abovementioned sub-section, approximately 52% of the Group's total revenue was generated from its natural gas power generation business, whereas approximately 44% of the Group's total revenue was generated from renewable power generation businesses (comprising of wind power, hydropower, waste-to-energy, and photovoltaic) in 2018. The Group's natural gas power generation business and renewable power generation business together accounted for approximately 96% of the Group's 2018 total revenue. Based on the closing price of HK\$3.84 per Share and the number of issued Shares of 1,186,633,418 on the Last Trading Day, the market capitalisation of the Company was approximately HK\$4.6 billion. Accordingly, we have conducted a search on Bloomberg for companies (the "**Comparable Companies**") listed on the Main Board of the Stock Exchange with closing market capitalisation as at the date immediately prior to the Latest Practicable Date between HK\$1 billion to HK\$25 billion, which, based on their latest published annual reports and prospectus (where applicable) available as at the date immediately prior to the Latest Practicable Date, over 90% of the group's revenue was generated from natural gas and/or renewable power generation business.

We consider such range of market capitalisation to be reasonable for this purpose. Considering the above, we are of the view that the selection of the Comparable Companies in the table below based on the abovementioned criteria is fair and representative while allowing a sufficient number of Comparable Companies to be obtained for the purpose of this analysis.

The Comparable Companies set out below represent an exhaustive list of companies comparable to the Company based on the above criteria.

Comparable Companies	Closing market capitalisation as at the date immediately prior to the Latest Practicable Date	Historical P/E	Historical P/B
	(Approximate HK\$ million) (Note 1)	(Approximate times) (Note 1)	(Approximate times) (Note 1)
Huaneng Renewables Corporation Limited (stock code: 958)	23,035	6.60	0.74
Beijing Jingneng Clean Energy Co., Limited (stock code: 579)	11,542	4.56	0.48
China Datang Corporation Renewable Power Co., Limited (stock code: 1798)	5,601	4.30	0.48
GCL New Energy Holdings Limited (stock code: 451)	5,531	10.42	0.60
Panda Green Energy Group Limited (stock code: 686)	4,347	N/A (Note 2)	0.45
Kong Sun Holdings Limited (stock code: 295)	1,257	71.81 (Note 3)	0.17 (Note 3)
	Mean (simple average)	6.47	0.55
	Median	5.58	0.48
	Maximum	10.42	0.74
	Minimum	4.30	0.45
	The Company	30.73 (Note 4)	0.67 (Note 5)

Notes:

1. Closing market capitalisations, historical P/Es and P/Bs of the Comparable Companies are sourced from Bloomberg as at the date immediately prior to the Latest Practicable Date.
2. P/E ratios are not applicable as the computed figures are negative.
3. Excluded in the calculation of the mean/median/maximum/minimum historical P/E and P/B of the Comparable Companies as an outlier.

4. The implied P/E of the Company is calculated based on the Cash Alternative of HK\$5.45 per Scheme Share, the issued share capital of the Company of 1,186,633,418 Shares, and the profit attributable to owners of the Company for the year ended 31 December 2018 of approximately RMB185,323,000, which is translated to HK\$ at a rate of RMB0.88046 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the Last Trading Day).
5. The implied P/B of the Company is calculated based on the Cash Alternative of HK\$5.45 per Scheme Share, the issued share capital of the Company of 1,186,633,418 Shares, and the equity attributable to owners of the Company of approximately RMB8,483,034,000 as at 31 December 2018, which is translated to HK\$ at a rate of RMB0.88046 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the Last Trading Day).
6. Shares of Xinyi Energy Holdings Limited (stock code: 3868) was listed on the Main Board of the Stock Exchange on 28 May 2019 and remain subject to price stabilisation as at the Latest Practicable Date. The current pricing may therefore not be representative of the long-term trend and hence it is excluded in our analysis.

As set out in the table above, the implied P/E of the Company at the Cash Alternative of HK\$5.45 per Scheme Share of approximately 31 times is above the range of the historical P/Es of the Comparable Companies (with outlier excluded), which we consider a favourable factor to the Independent Shareholders. The implied P/B of the Company at the Cash Alternative of HK\$5.45 per Scheme Share of approximately 0.67 times is above the mean and median and close to the top end of the range of the historical P/Bs of the Comparable Companies (with outlier excluded), which we consider favourable to the Independent Shareholders.

As set out in the sub-section headed "Information and prospects of the Group" of this letter above, the Group recorded significant profits attributable to owners of the Company in each of the past three financial years ended 31 December 2018. In our analysis, we have placed considerable weight on the P/E ratio and its comparison with peer companies, which is a favourable factor as mentioned above. As at 31 December 2018, the assets of the Group included property, plant and equipment of RMB18,780 million representing dams (for hydropower business), power generators and equipment, construction in progress, buildings and others (include miscellaneous non-property assets such as power transmission lines). These are specialised assets used by the Group for its power generation business and could not be readily moved or realised for cash individually. As set out in the section headed "Intentions of the Offeror and the Company" in the Explanatory Statement of the Scheme Document, the Offeror intends to continue the existing businesses of the Group. On this basis, we do not consider a valuation of such property, plant and equipment would provide useful information to Scheme Shareholders or affect our overall view on the fairness and reasonableness of the Proposal. Our opinion as expressed in this letter depends principally on the premiums which the consideration under the Cash Alternative represents over recently prevailing market prices, the generally low liquidity of the Shares, the comparison with peers (particularly on the basis of P/E ratio) and the Privatisation Precedents. We understand from the management of the Company that it has no intention to dispose of any asset classified under the categories of "Dam" or "Others" in the audited consolidated financial statements of the Group in the five years after the Effective Date, subject to certain quantitative criteria and conditions.

8. Privatisation precedents

We have compared the Proposal to privatisation proposals of other companies listed on the Stock Exchange announced since 1 January 2017 and up to the Latest Practicable Date, excluding privatisation proposals which were not/yet to be approved (or, where applicable, required acceptance level were not/yet to be achieved) or without a cash cancellation consideration (the “**Privatisation Precedents**”), which represents an exhaustive list of privatisation proposals we were able to identify from the Stock Exchange’s website satisfying the above selection criteria. The table below illustrates the premiums/discounts represented by the cancellation consideration over/to the respective last trading day and respective last 10 trading days, last 30 trading days, last 60 trading days, last 90 trading days, and last 120 trading days average share prices in respect of such privatisation proposals:

Date of the announcement	Company (stock code)	Cancellation consideration <i>HK (\$)</i>	Premium/(discount) of the cancellation consideration over/(to)					closing price per share on the last trading day (%)	closing price per share for the last 120 trading days up to and including the last trading day (%)
			average closing price per share for the last 10 trading days up to and including the last trading day (%)	average closing price per share for the last 30 trading days up to and including the last trading day (%)	average closing price per share for the last 60 trading days up to and including the last trading day (%)	average closing price per share for the last 90 trading days up to and including the last trading day (%)	average closing price per share for the last 120 trading days up to and including the last trading day (%)		
5 December 2018	Hopewell Holdings Limited (54)	38.8	46.7	51.6	55.5	54.1	49.6	48.2	
30 October 2018	Advanced Semiconductor Manufacturing Corporation Limited (3355)	1.5	66.7	97.4	99.3	93.4	90.2	87.4	
27 September 2018	Sinotrans Shipping Limited (368)	2.70	50.0	54.3	42.9	37.8	32.4	32.4	
10 June 2018	Hong Kong Aircraft Engineering Company Limited (0044)	71.81	63.2	65.1	62.4	60.3	57.0	54.2	
7 June 2018	Portico International Holdings Limited (0589)	4.10	50.2	53.2	49.2	45.2	45.8	48.1	
10 November 2017	Welling Holding Limited (0382)	2.06	30.4	30.4	33.8	35.5	28.8	24.8	
3 July 2017	China Assets (Holdings) Limited (0170)	6.80	61.5	73.9	76.6	77.1	76.6	75.3	
19 June 2017	Bloomage BioTechnology Corporation Limited (0963)	16.30	16.8	24.8	24.8	30.8	34.0	35.4	

Date of the announcement	Company (stock code)	Cancellation consideration HK (\$)	Premium/(discount) of the cancellation consideration over/(to)					
			closing price per share on the last trading day (%)	10 trading days up to and including the last trading day (%)	30 trading days up to and including the last trading day (%)	60 trading days up to and including the last trading day (%)	90 trading days up to and including the last trading day (%)	120 trading days up to and including the last trading day (%)
29 May 2017	China Metal International Holdings Inc. (0319)	3.01	27.5	26.5	25.9	22.9	24.4	23.4
28 April 2017	Belle International Holdings Limited (1880)	6.30	19.5	23.6	21.5	22.9	28.4	30.2
20 April 2017	TCC International Holdings Limited (1136) (Note 1)	3.60	38.5	43.1	51.3	66.7	74.3	78.3
29 March 2017	Goldin Properties Holdings Limited (0283)	9.00	14.2	31.4	33.7	31.4	33.2	39.0
13 March 2017	Shandong Luoxin Pharmaceutical Group Stock Co., Ltd. (8058)	17.00	31.8	33.4	39.7	48.6	54.6	55.3
7 March 2017	Yingde Gases Group Company Limited (2168)	6.00	(3.5)	8.8	21.2	47.1	58.7	63.6
10 January 2017	Intime Retail (Group) Company Limited (1833)	10.00	42.3	47.9	51.8	53.6	52.6	54.1
		<i>Mean (simple average)</i>	37.0	44.4	46.0	48.5	49.4	50.0
		<i>Median</i>	38.5	43.1	42.9	47.1	49.6	48.2
		<i>Maximum</i>	66.7	97.4	99.3	93.4	90.2	87.4
		<i>Minimum</i>	(3.5)	8.8	21.2	22.9	24.4	23.4
28 March 2019	The Company	5.45	41.9	60.8	78.1	94.0	101.9	105.7

Source: Bloomberg and website of the Stock Exchange

Notes:

- The cash alternative of HK\$3.60 for each ordinary scheme share had been used for the purpose of this comparison. The reference value for the share alternative, for eligible investors based on the ratio of 0.42 on the applicable last trading date (being 17 April 2017) was HK\$3.93.
- For the purpose of this table, the last trading day represents the last full trading day in the respective shares immediately before the publication of the respective announcement.

The terms of the privatisation proposals set out above provide, in our view, a general guide to the premium over market prices needed in Hong Kong to secure a successful privatisation. The business nature and scale of each company vary and some aspects of pricing are likely to be industry-specific.

Based on the table above, the average premiums of the Privatisation Precedents over the last trading day share price, 10 trading days, 30 trading days, 60 trading days, 90 trading days and 120 trading days share price averages were approximately 37%, 44%, 46%, 49%, 49% and 50% respectively. The premiums represented by the Cash Alternative of HK\$5.45 per Scheme Share over the (average) closing price(s) of the Shares on each of the Last Trading Day, last 10 trading days and last 30 trading days were above the corresponding mean and median of premiums of the Privatisation Precedents. For the premiums represented by the Cash Alternative of HK\$5.45 per Scheme Share over the average closing prices of the Shares on each of the last 60 trading days, last 90 trading days, and last 120 trading days, they were all above the corresponding range of premiums of the Privatisation Precedents. Based on the above, we consider the premiums represented by the Cash Alternative of HK\$5.45 per Scheme Share are favourable to the Independent Shareholders.

THE OPTION OFFER

The Offeror is making (or procuring to be made on its behalf) an offer to all the holders of the Outstanding Share Options in accordance with Rule 13 of the Takeovers Code, which is conditional upon the Scheme becoming effective. As at the Latest Practicable Date, there were 7,400,000 Outstanding Share Options granted under the Share Option Scheme, of which 4,950,000 Share Options have an exercise price of HK\$5.14 and 2,450,000 Share Options have an exercise price of HK\$7.80. All such Share Options have vested. The Company does not intend to grant any further Share Options between the Latest Practicable Date and the Effective Date. As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties did not hold any Share Options.

As set out in the Explanatory Statement of the Scheme Document, under the Option Offer, the Offeror will offer holders of the Outstanding Share Options the “see-through” price (being the Cancellation Consideration of HK\$5.45 (under the Cash Alternative) minus the relevant exercise price of the Outstanding Share Options) for each Outstanding Share Option they hold for the cancellation of every Outstanding Share Option in accordance with Rule 13 of the Takeovers Code. For 4,950,000 Share Options with exercise prices of HK\$5.14, the “see-through” price is HK\$0.31. For the other 2,450,000 Share Options which have an exercise price of HK\$7.80, the “see-through” price is zero and a cash offer of a nominal amount of HK\$1 for every 10,000 Share Options (or part thereof) will be made. The “see-through” principle is normally adopted in Hong Kong for pricing option offers which form part of general offers and privatisation proposals.

Any Shares registered in the name of the relevant Optionholder prior to or on the Scheme Record Date as a result of the vesting and exercise of such Share Option, will be subject to and eligible to participate in the Scheme. As set out in the Option Offer Letter of the Scheme

Document, pursuant to the terms of the Share Option Scheme, if the Scheme has been approved in the General Meeting and the Court Meeting, any Outstanding Share Options, to the extent not exercised, will lapse automatically on the Scheme Record Date and will no longer be exercisable as from such date. If Optionholders (i) choose to do nothing (including not returning a Form of Acceptance) or (ii) fail to tick either an “Accept” or “Reject” box on a returned Form of Acceptance, and the Scheme becomes effective, Optionholders will be treated as if not having accepted the Option Offer in respect of all Share Options held as at the Share Option Record Date, his/her Outstanding Share Options will lapse automatically on the Scheme Record Date and he/she will receive neither the Share Option Offer Price nor the Cancellation Consideration. Further details in relation to the Option Offer are set out in the “Letter from the Board” and the Explanatory Statement of the Scheme Document, and the Option Offer Letter to the Optionholders in Appendix IX to the Scheme Document.

DISCUSSION

(i) The Proposal

As set out above, we consider the Share Alternative has been chiefly designed for large and sophisticated Shareholders and consequently we do not consider it suitable for other Scheme Shareholders. Consequently, the discussion below relates to the Cash Alternative except for the final sub-paragraph on the Share Alternative.

Historical price compared to the Cash Alternative

The Scheme Shares will be cancelled at HK\$5.45 each under the Cash Alternative. We have assessed the fairness of the Cash Alternative by reviewing the Share prices of the Company during the Review Period. During the Review Period, the Shares have consistently traded below the Cash Alternative. The Cash Alternative represents premiums in a range of approximately 42% to 106% over the closing Share prices for different periods set out above before the Last Trading Day which we consider favourable to the Independent Shareholders. The Shares closed at HK\$5.40 per Share on the Latest Practicable Date.

Trading volume

Trading liquidity of the Shares has been at a generally low level during the Review Period. Accordingly, Scheme Shareholders as a whole might not be able to dispose of their Shares without causing downward pressure on the market price. In our view, the relatively high level of trading recently may not be sustainable if the Proposal and the Scheme lapse. Consequently, we consider the Proposal and the Scheme provide a valuable opportunity for the Scheme Shareholders to dispose of their entire holdings at a fixed consideration for cash under the Cash Alternative, which is at a premium to historical Share prices and to the closing market price of the Shares as at the Latest Practicable Date.

Comparable Companies

The implied P/E of the Company at the consideration under the Cash Alternative is above the range of the historical P/Es of the Comparable Companies, which we consider a favourable factor to the Independent Shareholders (with considerable weight placed). The implied P/B of the Company at the consideration under the Cash Alternative is above the mean and median and close to the top end of the range of the historical P/Bs of the Comparable Companies, which we consider favourable to the Independent Shareholders.

Privatisation precedents

As set out in the sub-section headed “Privatisation Precedents” of this letter above, the premiums represented by the consideration under the Cash Alternative over different periods were all above the corresponding mean and median of premiums of the Privatisation Precedents, while the premiums represented by the consideration under the Cash Alternative over the average closing prices of the Shares on each of the last 60 trading days, last 90 trading days, and last 120 trading days were all above the corresponding range of premiums of the Privatisation Precedents.

The Share Alternative

Based on the analysis of UBS, with which we concur, the Share Alternative is valued at between HK\$3.77 to HK\$5.39 (i.e. HK\$0.6287 x 6 New Offeror Shares and HK\$0.8982 x 6 New Offeror Shares respectively), representing a slight discount of approximately 1% to the Cash Alternative at the top end and a discount of approximately 31% to the Cash Alternative at the low end. Independent Shareholders who are attracted by the prospects of the Company may consider accepting the Share Alternative. However, as explained in this letter above, we do not think the Share Alternative is suitable for other Scheme Shareholders (who are not large sophisticated investors) who will have a sharply decreased level of liquidity and shareholder protection. Independent Shareholders are advised to study the associated risks in holding of Offeror Shares by referring to (i) the sub-section headed “Risks which Independent Shareholders should bear in mind in evaluating the Share Alternative” of this letter; and (ii) the sub-section headed “The Share Alternative” in the “Letter from the Board” and relevant disclosure in the Explanatory Statement of the Scheme Document if they are considering accepting the Share Alternative.

(ii) The Option Offer

The Option Offer for the Outstanding Share Options is determined by reference to the Cash Alternative of HK\$5.45 and the exercise price of the Share Options of HK\$5.14 or HK\$7.80. This is the “see-through” principle which is normally adopted in Hong Kong in such circumstances. Any Shares registered in the name of the relevant Optionholder prior to or on

the Scheme Record Date as a result of the vesting and exercise of such Share Option, will be subject to and eligible to participate in the Scheme. Upon the Scheme becoming effective, all Outstanding Share Options will be cancelled under the Option Offer.

OPINION AND RECOMMENDATIONS

(i) The Proposal

Based on the above principal factors and reasons and as summarised in the section headed “Discussion” above, we consider the terms of the Proposal and the Scheme are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Board Committee advises the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the Court Meeting to approve the Proposal and the Scheme and at the General Meeting to approve the matters as set out in the “Notice of General Meeting” contained in Appendix VIII to the Scheme Document.

Independent Shareholders should note that the Cash Alternative of HK\$5.45 represents a slight premium of approximately 0.9% compared to the closing price of the Shares of HK\$5.40 as at the Latest Practicable Date. If the market price of the Shares exceeds HK\$5.45 (which however we consider unlikely given the factors discussed above as to share price), Independent Shareholders should consider selling their Shares in the market if the sales proceeds, net of transaction costs, exceed HK\$5.45 per Share. The expected last day for trading in the Shares on the Stock Exchange is 16 July 2019 and upon the Scheme becoming effective, the listing of the Shares will be withdrawn.

Independent Shareholders who are particularly attracted by the prospects of the Company (which will become a wholly-owned subsidiary of the Offeror on the Effective Date) may consider accepting the Share Alternative. However, in that case, they should bear in mind the comments on lack of liquidity and the associated risks mentioned above and our recommendation below.

Whether to accept the Cash Alternative or the Share Alternative under the Proposal

We recommend Independent Shareholders **to accept the Cash Alternative of HK\$5.45 and not to take the Share Alternative**, which we consider has been tailored principally for large and sophisticated Shareholders and is not suitable for other Scheme Shareholders. In our opinion, only those Independent Shareholders who are particularly attracted by the prospects of the Company as described in the sub-section above headed “Information and prospects of the Group” under the section headed “Principal factors and reasons considered” above and have carefully studied the specific features of the Share Alternative and the associated risks of holding the Offeror Shares (discussed in the sub-section above headed “Risks which Independent Shareholders should bear in mind in evaluating the Share Alternative” above), should consider taking the Share Alternative.

(ii) The Option Offer

We consider the terms of the Option Offer, which are based on the “see through” principle, to be fair and reasonable so far as the Optionholders are concerned. Accordingly, we recommend the Independent Board Committee to advise the Optionholders to accept the Option Offer.

Should the market price of the Shares exceed HK\$5.45, holders of options with an exercise price of HK\$5.41 per Share should consider exercising their Outstanding Share Options in accordance with the relevant scheme and selling in the market the Shares issued to them, if the net proceeds after deducting the expenses from such sale would exceed HK\$5.45 per Share. However, as discussed above, we consider the chance of such an opportunity arising is unlikely.

(iii) Procedures

Further details regarding the procedures of the Proposal and the Scheme, and acceptance of the Option Offer are set out in the Explanatory Statement and Option Offer Letter of the Scheme Document. Independent Shareholders and Optionholders are urged to act according to the timetable set out in the Scheme Document if they wish to qualify for entitlements under the Scheme.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine
Chairman

Mr. M. N. Sabine is a licensed person registered with the SFC and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over thirty years' experience in the corporate finance industry.

This Explanatory Statement constitutes the statement required under section 671 of the Companies Ordinance.

**SCHEME OF ARRANGEMENT
TO CANCEL ALL THE SCHEME SHARES
IN CONSIDERATION OF THE OFFEROR AGREEING
TO PAY THE CANCELLATION CONSIDERATION
FOR EACH SCHEME SHARE AND OPTION OFFER**

1. INTRODUCTION

On 28 March 2019, the Offeror and the Company jointly announced that on 28 March 2019, the Offeror had requested the Board to put forward the Proposal to the holders of Scheme Shares for the delisting of the Company by way of the Scheme. Upon completion of the Scheme, the Company will become a wholly-owned subsidiary of the Offeror and the listing of the Shares will be withdrawn from the Stock Exchange.

The Offeror is making the Option Offer to the Optionholders to cancel all the Outstanding Share Options. The Option Offer will be conditional on the Scheme becoming effective.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal, the Scheme and the Option Offer, which are to be implemented by the Scheme and the Option Offer Letter, and to provide the holders of Scheme Shares and Optionholders with other relevant information in relation to the Scheme and the Option Offer, in particular, to provide the intentions of the Offeror with regard to the Company and the shareholding structure of the Company before and after the Scheme.

The particular attention of the holders of Scheme Shares and Optionholders is drawn to the following sections of this Scheme Document: (a) a letter from the Board set out in Part IV of this Scheme Document; (b) a letter from the Independent Board Committee set out in Part V of this Scheme Document; (c) a letter from Somerley, the Independent Financial Adviser, set out in Part VI of this Scheme Document; and (d) the terms of the Scheme set out in Appendix VI to this Scheme Document.

2. TERMS OF THE PROPOSAL

The Proposal is to be implemented by way of a scheme of arrangement under section 673 of the Companies Ordinance.

Under the Scheme, the Scheme Shares will be cancelled and, in consideration thereof, each Scheme Shareholder, other than the Non-Qualifying Shareholders, whose name appears in the register of members of the Company as at the Scheme Record Date will be entitled to receive either:

- (a) the Cash Alternative: cash of HK\$5.45 for every Scheme Share; or
- (b) the Share Alternative: 6 New Offeror Shares for every Scheme Share held.

The Non-Qualifying Shareholders will only be able to elect the Cash Alternative and will not be able to elect the Share Alternative. The holders of Scheme Shares, other than the Non-Qualifying Shareholders, may elect either the Cash Alternative or the Share Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two, save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners). Holders of Scheme Shares who validly elect to receive the Cash Alternative will receive the Cash Alternative and holders of Scheme Shares, other than the Non-Qualifying Shareholders, who validly elect to receive the Share Alternative will receive the Share Alternative provided that, if a holder of Scheme Shares does not elect to receive its entitlement under the Cash Alternative or the Share Alternative or if its election is unclear or invalid, such holder of Scheme Shares will be deemed to have elected to receive its entitlement under the Cash Alternative, in each case subject to the Scheme having become effective.

Scheme Shareholders whose names appear in the register of members of the Company as at the record date for entitlement to a dividend (if any) declared by the Company on or before the Effective Date will be entitled to receive such dividend (if any).

As disclosed in the 2018 Results Announcement, the Board has recommended the payment of the 2018 Company Dividend, the payment of which has been approved by the Shareholders at the annual general meeting of the Company held on Thursday, 30 May 2019. The 2018 Company Dividend will be payable on 11 July 2019 to the Shareholders whose name appears on register of members of the Company at close of business on 27 June 2019.

Under the current timetable for the Proposal, the Scheme is expected to become effective on Monday, 19 August 2019, which will be after the record date (which is proposed by the Company to be 27 June 2019) for the entitlement to the 2018 Company Dividend, as a result of which Scheme Shareholders will be entitled to the 2018 Company Dividend. The amount of dividend to be received by the Offeror from the Company is expected to be declared in favour of its parent, Parentco prior to the Scheme becoming effective.

As at the Latest Practicable Date, the Company had 1,186,633,418 Shares in issue. All of the Shares rank equally in all respects as regards to rights to capital, dividends and voting. As at the Latest Practicable Date, the Scheme Shares, comprising 873,130,495 Shares, represented approximately 73.58% of the issued share capital of the Company.

As at the Latest Practicable Date, there were 7,400,000 Outstanding Share Options granted under the Share Option Scheme, of which 4,950,000 Share Options have an exercise price of HK\$5.14 and 2,450,000 Share Options have an exercise price of HK\$7.80, details are set out in the table below. All such Share Options have vested.

Share Option exercise price (HK\$)	“See-through” price (HK\$) (Note)	Total outstanding options (vested)	Exercise period (MM/DD/YYYY)
5.14	0.31	4,950,000	07/18/2017-01/15/2023
7.80	0	2,450,000	07/18/2017-10/31/2020

Note: If the exercise price of the relevant Share Option under the Option Offer exceeds HK\$5.45, the “see-through” price is zero and a cash offer of a nominal amount of HK\$1 for every 10,000 Share Options (or part thereof) will be made.

In the event that any Share Option vests or has vested and is exercised: (i) any Shares registered in the name of the relevant Optionholder prior to or on the Scheme Record Date as a result of the vesting and exercise of such Share Option, will be subject to and eligible to participate in the Scheme; and (ii) in addition, the holder of any Shares which are registered in the name of the relevant Optionholder prior to or on the Meeting Record Date as a result of the vesting and exercise of such Share Option, will be entitled to attend and vote at the Court Meeting and General Meeting in respect of such Shares.

Any Optionholder of vested Share Options in respect of which the underlying Shares have not been registered in the name of the relevant Optionholder, as at the Scheme Record Date and/or the Meeting Record Date as the case may be, will not be eligible to participate in the Scheme in respect of such Share Option, and will not be entitled to attend and vote at the Court Meeting and the General Meeting in respect of such Share Option, respectively. Such Optionholder is nevertheless entitled to the Option Offer on and subject to its terms.

Details of the Option Offer to be made in respect of the above Share Options are set out in the section headed “12. Option Offer” below, and in the Option Offer Letter set out in Appendix IX to this Scheme Document.

Save for the Outstanding Share Options, the Company does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into the Shares as at the Latest Practicable Date. After the Scheme becomes effective, the listing of the Shares on the Stock Exchange will be withdrawn and the Company will be wholly owned by the Offeror. The Proposal is conditional upon the fulfillment or waiver, as applicable, of the Conditions as described in the section headed “3. Conditions of the Proposal and the Scheme” below. All the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will not proceed and will lapse. Further announcements on any changes regarding the timetable of the Scheme will be made as and when necessary.

If the Proposal does not become unconditional, the Company has no intention to seek the immediate withdrawal of the listing of the Shares on the Stock Exchange.

Settlement of the Cancellation Consideration and the Option Offer will be implemented in full in accordance with the terms of the Scheme and the Option Offer, respectively, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholder or Optionholder.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

The implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all Shareholders subject to the fulfilment or waiver (as applicable) of the following:

- (1) the approval of the Scheme at the Court Meeting (by way of a poll) by holders of the Scheme Shares representing at least 75% of the voting rights of such holders present and voting, in person or by proxy, at the Court Meeting, and the votes cast (by way of poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all CO Disinterested Shares, provided that:
 - (a) the Scheme is approved (by way of poll) by at least 75% of the votes attaching to the TC Disinterested Shares held by the Shareholders of the TC Disinterested Shares that are cast either in person or by proxy at the Court Meeting; and
 - (b) the number of votes cast (by way of poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the TC Disinterested Shares held by the Shareholders of the TC Disinterested Shares;
- (2) the passing of a special resolution by at least 75% of the votes cast by the Shareholders present and voting in person or by proxy at the General Meeting of the Company (and otherwise in accordance with the procedural requirements of section 564 of the Companies Ordinance) to approve and give effect to the Scheme, including the approval of the reduction of the issued share capital of the Company by cancelling and extinguishing the Scheme Shares and the issue to the Offeror of such number of new Shares as is equal to the number of Scheme Shares cancelled;
- (3) the sanction of the Scheme (with or without modification) and the confirmation of the reduction of the issued share capital of the Company involved in the Scheme by the High Court in Hong Kong and the registration of a copy of the order of the High Court by the Registrar of Companies under Part 2 of the Companies Ordinance;

- (4) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in so far as they relate to the effectiveness of the reduction of the issued share capital of the Company and the Scheme, respectively;
- (5) all authorisations, approvals, permissions, waivers and consents and all registrations and filings (including without limitation any which are required or desirable under or in connection with any applicable laws or regulations or any licences, permits or contractual obligations of the Company) in connection with the Proposal or its implementation and the withdrawal of Listing of the Shares from the Stock Exchange in accordance with its terms having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification;
- (6) no government, quasi-governmental, statutory or regulatory body, court or agency in any jurisdiction having taken or instituted any action, proceeding or suit (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order) that would make the Proposal or its implementation in accordance with its terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or its implementation in accordance with its terms), other than such actions, proceedings or suits as would not have a material adverse effect on the legal ability of the Offeror to proceed with the Proposal or the Scheme;
- (7) since the Announcement Date, there having been no adverse change in the business, assets, financial or trading positions, profits or prospects of any member of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal);
- (8) since the Announcement Date, there not having been any instituted or remaining outstanding litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no such proceedings will be threatened in writing against any such member (and no investigation by any government or quasi-governmental, supranational, regulatory or investigative body or court against or in respect of any such member or the business carried on by any such member will be threatened in writing, announced, instituted or remain outstanding by, against or in respect of any such member), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal; and
- (9) no dividend or other distribution (whether in cash or in kind) having been declared, made or paid by the Company to the Shareholders between the date of the Announcement and the Effective Date (other than the dividend declared by the Company to the Shareholders on 27 March 2019), and any further dividend or distribution shall be subject to the consent of the Offeror.

With reference to the condition referred to in paragraph (5) above, as at the Latest Practicable Date, the Company is not aware of any necessary authorisations, approvals, permissions, waivers, consents or registrations in connection with the Proposal, save for the Company having to seek prior consent from lenders in connection with its loan agreements, which consents have now been obtained. The Offeror reserves the right to waive conditions (5) to (9) either in whole or in part, either generally or in respect of any particular matter. Conditions (1), (2), (3) and (4) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to a right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. All of the Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse. The Company has no right to waive any of the Conditions.

As at the Latest Practicable Date, the Conditions (other than the lenders' consent as stated in the preceding paragraph) are subject to fulfilment (unless otherwise waived, where applicable) and none of the Conditions have been waived.

Assuming that the above Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or about Monday, 19 August 2019. Further announcements will be made including in particular in relation to (i) the results of the Court Meeting and the General Meeting and, if all the resolutions are passed at those meetings, (ii) the result of the hearing of the petition for the sanction of the Scheme by the High Court, (iii) the Scheme Record Date, (iv) the Effective Date and (v) the date of withdrawal of the listing of the Shares on the Stock Exchange as further set out in "Part III – Expected Timetable" of this Scheme Document.

If approved, the Scheme will be binding on all of the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the general meeting of the Company. If the Scheme is not approved or the Proposal otherwise lapses, an announcement will be made by the Offeror and the Company.

Shareholders and potential investors should be aware that the implementation of the Scheme and the Proposal is subject to the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Shareholders and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their licensed securities dealer or registered institution in securities, bank manager, solicitor and/or other professional advisers.

4. IRREVOCABLE UNDERTAKING

On 28 March 2019, the Offeror received the Irrevocable Undertaking from the IU Shareholder (i.e. China Three Gorges), pursuant to which the IU Shareholder has undertaken to, amongst other things, (i) exercise (or procure the exercise of) all voting rights attached to the Shares held or owned by it at the Court Meeting and the General Meeting to be convened by the Company in connection with the Proposal in favour of all the resolutions to approve the Proposal and any matters in connection with the Proposal (where applicable) and (ii) elect the Share Alternative only as the form of Cancellation Consideration for the cancellation of 321,626,923 Shares held by it. The 321,626,923 Shares held by the IU Shareholder which are the subject of the Irrevocable Undertaking represents approximately 27.10% of the total issued share capital of the Company as at the Latest Practicable Date.

Pursuant to the Irrevocable Undertaking and assuming each of Parentco and the IU Shareholder elects the Share Alternative and all the other Shareholders elect the Cash Alternative, the Offeror will be owned by Parentco and the IU Shareholder as to 72.90% and 27.10%, respectively, upon completion of the Scheme.

The Irrevocable Undertaking, being a binding irrevocable undertaking, will terminate and the above obligations of the IU Shareholder under the Irrevocable Undertaking will cease to be binding if the Scheme does not become effective, lapses or is withdrawn in accordance with its terms and no new, revised or replacement Scheme is announced by the Offeror and/or the Company at the same time. As at the Latest Practicable Date, the IU Shareholder, being China Three Gorges Corporation* (中國長江三峽集團有限公司), is wholly-owned by the State-owned Assets Supervision and Administration Commission of The State Council, the PRC.

5. SCHEME OF ARRANGEMENT UNDER SECTION 673 OF THE COMPANIES ORDINANCE AND THE COURT MEETING

Under section 670 of the Companies Ordinance, where an arrangement is proposed to be entered into by a company with the members, or any class of the members, of the company, the High Court may, on an application made by the company, any of the members or any member of that class, order a meeting of those members or of that class of members, as the case may be, to be summoned in any manner that the High Court directs.

Under section 673 of the Companies Ordinance, if the members or the class of members with whom the arrangement is proposed to be entered into agree or agrees to the arrangement, the High Court may, on application by the company, any of the members or any member of that class, as the case may be, sanction the arrangement. An arrangement sanctioned by the High Court as aforesaid is binding on the members or the class of members with whom the arrangement is proposed to be entered into.

The Scheme is a takeover offer under section 674 of the Companies Ordinance. Under section 674 of the Companies Ordinance, where the arrangement involves a takeover offer, the members or the class of members agree or agrees to the arrangement if, at a meeting summoned as directed by the High Court as aforesaid, members representing at least 75% of the voting rights of the members or the class of members, as the case may be, present and voting, in person or by proxy, agree to the arrangement and the votes cast against the arrangement at the meeting do not exceed 10% of the total voting rights attached to all CO Disinterested Shares in the company or of the class in the company, as the case may be.

6. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements under the Companies Ordinance as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

- (a) the Scheme is approved by at least 75% of the votes attaching to the TC Disinterested Shares held by the Shareholders of the TC Disinterested Shares that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the TC Disinterested Shares held by all the Shareholders of the TC Disinterested Shares.

For the purpose of counting the votes for (a) and (b) above, Independent Shareholders comprise all Shareholders as at the Meeting Record Date other than the Offeror and the Offeror Concert Parties. For the avoidance of doubt, Independent Shareholders include any member of the UBS group acting in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code.

As at the Latest Practicable Date, the Independent Shareholders held in aggregate 853,558,495 Scheme Shares. On that basis, and assuming no Share Options are exercised and/or vested (as applicable) before the Meeting Record Date, 10% of the votes attached to all the TC Disinterested Shares referred to in (b) above therefore represent approximately 85,355,850 Shares as at the Latest Practicable Date.

7. BINDING EFFECT OF THE SCHEME

Upon the Scheme becoming effective it will be binding on the Company and all Scheme Shareholders, regardless of how they voted (or whether they voted) at the Court Meeting and General Meeting.

8. SHAREHOLDING STRUCTURE OF THE COMPANY AND SCHEME SHARES

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Proposal, assuming that no Share Options are exercised before the Scheme Record Date and that there is no other change in shareholding:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate %</i> <i>(Note 3)</i>	<i>Number of Shares</i> <i>(Note 4)</i>	<i>Approximate %</i> <i>(Note 3)</i>
Offeror <i>(Note 1)</i>	<u>313,502,923</u>	<u>26.42</u>	<u>1,186,633,418</u>	<u>100</u>
Offeror Concert Parties subject to the Scheme				
Parentco <i>(Note 2)</i>	19,572,000	1.65	–	–
Aggregate number of Shares held by the Offeror and Offeror Concert Parties	<u>333,074,923</u>	<u>28.07</u>	<u>1,186,633,418</u>	<u>100</u>
China Three Gorges <i>(Note 5)</i>	321,626,923	27.10	–	–
Other Independent Shareholders	531,931,572	44.83	–	–
Total number of Shares	1,186,633,418	100.00	1,186,633,418	100.00
Total number of Scheme Shares	873,130,495	73.58	–	–

Notes:

- Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled.
- Parentco is a party acting in concert with the Offeror for the purposes of the Takeovers Code as a result of Offeror being wholly-owned by Parentco. The Shares held by Parentco were acquired prior to the period beginning on the date that is six months prior to the Announcement Date.
- All percentages in the above table are approximations.
- Under the Scheme, part of the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that no Share Options are exercised before the Effective Date and the assumption that there is no other change in shareholding of the Company before completion of the Proposal, forthwith upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue to the Offeror, credited as fully paid, of the same number of new Shares as the number of the Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued to the Offeror.
- As disclosed in the Announcement, China Three Gorges was presumed to be acting in concert with the Offeror under class (1) of the definition of acting in concert in the Takeovers Code as a result of their respective shareholdings in the Company. The Offeror has since sought the Executive's view and China Three Gorges is not considered as an Offeror Concert Party for the purpose of the Proposal.

On the assumption that all the Share Options are exercised before the Scheme Record Date and that there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	Number of Shares	Approximate % (Note 3)	Number of Shares (Note 4)	Approximate % (Note 3)
Offeror (Note 1)	<u>313,502,923</u>	<u>26.26</u>	<u>1,194,033,418</u>	<u>100</u>
Offeror Concert Parties subject to the Scheme				
Parentco (Note 2)	19,572,000	1.64	–	–
Aggregate number of Shares held by the Offeror and Offeror Concert Parties	<u>333,074,923</u>	<u>27.89</u>	<u>1,194,033,418</u>	<u>100</u>
China Three Gorges (Note 5)	321,626,923	26.94	–	–
Other Independent Shareholders	531,931,572	44.55	–	–
Optionholders (assuming all Share Options exercised) (Note 6)	7,400,000	0.62	–	–
Total number of Shares	1,194,033,418	100.00	1,194,033,418	100
Total number of Scheme Shares	880,530,495	73.74	–	–

Notes:

- Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled.
- Parentco is a party acting in concert with the Offeror for the purposes of the Takeovers Code as a result of Offeror being wholly-owned by Parentco. The Shares held by Parentco were acquired prior to the period beginning on the date that is six months prior to the Announcement Date.
- All percentages in the above table are approximations.
- Under the Scheme, the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that all the Share Options are exercised before the Scheme Record Date and the assumption that there is no other change in shareholding of the Company before completion of the Proposal, forthwith upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation of the Scheme Shares by the issue to the Offeror, credited as fully paid, of the same number of new Shares as the number of the Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued to the Offeror.
- As disclosed in the Announcement, China Three Gorges was presumed to be acting in concert with the Offeror under class (1) of the definition of acting in concert in the Takeovers Code as a result of their respective shareholdings in the Company. The Offeror has since sought the Executive's view and China Three Gorges is not considered as an Offeror Concert Party for the purpose of the Proposal.
- As at the Latest Practicable Date, there are 7,400,000 outstanding Share Options granted under the Share Option Scheme, all of which have been vested.

On the assumption that all the Share Options with the exercise price of HK\$5.14 are exercised before the Scheme Record Date, that no Share Options with the exercise price of HK\$7.80 are exercised before the Scheme Record Date and that there is no other change in shareholding of the Company before completion of the Proposal, the table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon completion of the Proposal:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal	
	<i>Number of Shares</i>	<i>Approximate %</i> <i>(Note 3)</i>	<i>Number of Shares</i> <i>(Note 4)</i>	<i>Approximate %</i> <i>(Note 3)</i>
Offeror <i>(Note 1)</i>	313,502,923	26.31	1,191,583,418	100
Offeror Concert Parties subject to the Scheme				
Parentco <i>(Note 2)</i>	19,572,000	1.64	–	–
Aggregate number of Shares held by the Offeror and Offeror Concert Parties	333,074,923	27.95	1,191,583,418	100
China Three Gorges <i>(Note 5)</i>	321,626,923	26.99	–	–
Other Independent Shareholders	531,931,572	44.64	–	–
Optionholders (assuming all Share Options with exercise price of HK\$5.14 exercised) <i>(Note 6)</i>	4,950,000	0.42	–	–
Total number of Shares	1,191,583,418	100.00	1,191,583,418	100.00
Total number of Scheme Shares	878,080,495	73.69	–	–

Notes:

- Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled.
- Parentco is a party acting in concert with the Offeror for the purposes of the Takeovers Code as a result of Offeror being wholly-owned by Parentco. The Shares held by Parentco were acquired prior to the period beginning on the date that is six months prior to the Announcement Date.
- All percentages in the above table are approximations.
- Under the Scheme, part of the issued share capital of the Company will, on the Effective Date, be reduced by cancelling the Scheme Shares. On the assumption that all the Share Options with the exercise price of HK\$5.14 are exercised before the Scheme Record Date, that no Share Options with the exercise price of HK\$7.80 are exercised before the Scheme Record Date and that there is no other change in shareholding of the Company before completion of the Proposal, forthwith upon such reduction, the issued share capital of the Company will be increased to its former amount prior to the cancellation of

the Scheme Shares by the issue to the Offeror, credited as fully paid, of the same number of new Shares as the number of the Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the capital reduction will be applied in paying up in full the new Shares so issued to the Offeror.

5. As disclosed in the Announcement, China Three Gorges was presumed to be acting in concert with the Offeror under class (1) of the definition of acting in concert in the Takeovers Code as a result of their respective shareholdings in the Company. The Offeror has since sought the Executive's view and China Three Gorges is not considered as an Offeror Concert Party for the purpose of the Proposal.
6. As at the Latest Practicable Date, there are 4,950,000 outstanding Share Options granted under the Share Option Scheme with an exercise price of HK\$5.14, all of which have been vested.

As at the Latest Practicable Date, none of the Directors was interested within the meaning of Part XV of the SFO in any Shares or any options, warrants or convertible securities in respect of any Shares.

Following the Effective Date and the withdrawal of listing of the Shares on the Stock Exchange, the Offeror will hold 100% of the issued share capital of the Company, on the assumption that there is no other change in shareholding in the Company before completion of the Proposal.

As at the Latest Practicable Date, the Company had 1,186,633,418 Shares in issue. As at the Latest Practicable Date, the Scheme Shares, comprising 873,130,495 Shares, represent approximately 73.58% of the issued share capital of the Company.

As at the Latest Practicable Date, Parentco, being an Offeror Concert Party, holds an aggregate 19,572,000 Shares (representing approximately 1.65% of the issued share capital of the Company). Such Shares will form part of the Scheme Shares but the relevant Offeror Concert Party will not vote on the Scheme at the Court Meeting.

As at the Latest Practicable Date, (i) the Offeror and the Offeror Concert Parties did not hold, own, control or has direction over any options, warrants or convertible securities in respect of the Shares, and (ii) there are no outstanding derivatives in respect of the Shares entered into by the Offeror or the Offeror Concert Parties. Save for the Outstanding Share Options, the Company does not have in issue any warrants, options, derivatives, convertible securities or other securities convertible into the Shares as at the Latest Practicable Date.

9. TOTAL CONSIDERATION AND FINANCIAL RESOURCES CONFIRMATION

On the assumption that (a) Parentco and the IU Shareholder (i.e. China Three Gorges) elect the Share Alternative, (b) all other Scheme Shareholders elect the Cash Alternative, (c) no Outstanding Share Options are exercised and no further Shares are issued before the Scheme Record Date, the amount of cash required for the Proposal (after taking into account the Option Offer to be made) is approximately HK\$2,900.6 million.

On the assumption that (a) Parentco and the IU Shareholder (i.e. China Three Gorges) elect the Share Alternative, (b) all other Scheme Shareholders elect the Cash Alternative, (c) (i) all outstanding vested Share Options as at the Scheme Record Date are exercised (and no further Share Options are granted prior to the Scheme Record Date) and all the Optionholders of such Options become Scheme Shareholders before the Scheme Record Date and elect the Cash Alternative, and (ii) no further Shares are issued before the Scheme Record Date, the amount of cash required for the Proposal would be approximately HK\$2,939.4 million.

Consequently, the maximum amount of cash required for the Proposal on the basis described above would be approximately HK\$2,939.4 million.

Given the total number of Scheme Shares will not be determined until the Scheme Record Date, for illustration purpose only, assuming that (i) there is no change in the number of Shares in issue as at the Scheme Record Date, (ii) the Offeror will comply with its financial obligation in full under the Scheme and based on the confirmed financial resources of the Offeror and (iii) no Share Option has been exercised as at the Scheme Record Date, the number of new Shares to be issued to the Offeror upon cancellation of the Scheme Shares will be 873,130,495. As at the Latest Practicable Date, the Offeror is financing the entire cash amount required for the Scheme and the Option Offer from internal cash resources (which may include proceeds from the Parentco Subscription) and/or other financing (including the loan facility up to the extent of HK\$3,140,000,000 provided by Bank of China (Hong Kong) Limited) for the Certain Funds Period. To the extent the loan facility has been drawn down for the financing of the Proposal, after the Effective Date, such amount of profits generated from the Group and distributed to the Offeror, if any, may be used to pay the interests and repay the loan amount under the loan facility.

UBS, the financial adviser to the Offeror in connection with the Proposal, is satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal in accordance with their respective terms.

10. COMPARISON OF VALUE

The Cash Alternative

The cash consideration of HK\$5.45 per Scheme Share under the Cash Alternative represents:

- a premium of approximately 0.9% over the closing price of HK\$5.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- a premium of approximately 41.9% over the closing price of HK\$3.84 per Share as quoted on the Stock Exchange on the Last Trading Day;

- a premium of approximately 60.8% over the average closing price of approximately HK\$3.39 per Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- a premium of approximately 78.1% over the average closing price of approximately HK\$3.06 per Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- a premium of approximately 94.0% over the average closing price of approximately HK\$2.81 per Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- a premium of approximately 101.9% over the average closing price of approximately HK\$2.70 per Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- a premium of approximately 105.7% over the average closing price of approximately HK\$2.65 per Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day; and
- a discount of approximately 35.1% over the audited net asset value per Share attributable to the Shareholders (after deducting minority interests) in the Company of approximately RMB7.15 as at 31 December 2018, based on RMB to HK\$ exchange rate of RMB0.85169 to HK\$1 (being the exchange rate as quoted by the People's Bank of China on the Last Trading Day).

The Cancellation Consideration has been determined on a commercial basis after taking into account, among others, the prices of the Shares traded on the Stock Exchange, the trading multiples of comparable companies listed on the Stock Exchange and with reference to other delisting transactions in Hong Kong in recent years.

The Share Alternative

The actual number of New Offeror Shares to be made available for allotment and issuance under the Share Alternative will be determined as at Monday, 19 August 2019, being the second Business Day after the latest date for lodging the Election Form for election of the Cash Alternative or the Share Alternative. As the Latest Practicable Date, the current total number of issued shares of the Offeror is 1,881,017,538 shares (being 100% of the issued share capital) issued to Parentco.

Assuming no Outstanding Share Options are exercised before the Scheme Record Date, if all the Scheme Shareholders elect the Share Alternative, 5,238,782,970 New Offeror Shares will be issued, representing approximately 73.58% of the enlarged issued share capital of the

Offeror post-issuance of New Offer Shares upon completion of the Scheme. Fractions of New Offeror Shares to be issued to the Scheme Shareholders who have elected the Share Alternative will be rounded down to the nearest whole number.

Following the Effective Date, the Company will be a wholly-owned subsidiary of the Offeror, and the value of the Offeror Shares will primarily be determined by the value of the Company. The Company had a net asset value of RMB8,483.0 million (being approximately RMB7.15 per Share) attributable to Shareholders as at 31 December 2018 as disclosed in the audited consolidated financial results of the Group for the year ended 31 December 2018. Details of the valuation of the Offeror Shares will be set out in “Appendix V – Estimates of Value of Offeror Shares” to the Scheme Document.

The Offeror Shares are shares of an unlisted company incorporated in Hong Kong and an investment holding company. As set out in “Appendix V – Estimates of Value of Offeror Shares” to this Scheme Document, UBS has advised the Offeror board that on the basis of the assumptions and methodology outlined in “Appendix V – Estimates of Value of Offeror Shares”, an estimate of the value of an Offeror Share is within a range of approximately HK\$0.6287 to HK0.8982.

Shareholders should note that the Estimates of Value are provided to the Offeror’s directors by UBS solely for the purposes of paragraph 30 of Schedule I to the Takeovers Code and shall not be used or relied upon for any other purpose whatsoever. The Estimates of Value may not be used or relied upon by any third party for any purpose whatsoever and UBS expressly disclaims any duty or liability to any third party with respect to the contents of its letter. Further, as stated in Appendix V, each of Offeror and UBS expresses no opinion or recommendation to any person as to whether they should accept the Proposal or whether they should make any election to choose the Cash Alternative or the Share Alternative. Shareholders are recommended to seek their own independent financial advice. Further, each of Offeror and UBS expresses no opinion as to the fairness of the financial terms of the Scheme or the Option Offer.

For further details, including key assumptions and methodology adopted in respect of the Estimates of Value, please refer to “Appendix V – Estimates of Value of Offeror Shares” to this Scheme Document.

The New Offeror Shares to be issued pursuant to the Proposal will be issued free from all encumbrances, credited as fully paid up and will rank pari passu with the existing Offeror Shares at the date of issue.

Shareholders of the Offeror are entitled to receive notice of general meetings of the Offeror and shall have the right to one vote per each Offeror Share at such meetings. There is no dividend policy and no guarantee that any dividends will be paid nor is there any dividend payment schedule in respect of the Offeror Shares. Payment of dividends (if any) is dependent solely on whether such payment is recommended or declared by the board of the Offeror.

Shareholders of the Offeror would have their rights and obligations in relation to the Offeror governed by the provisions of the Companies Ordinance (as amended from time to time) and other applicable laws in Hong Kong. The Offeror shall, on receipt of an instrument of transfer, enter the name of the transferee of the Offeror Shares in the register of shareholders in accordance with and subject to the provisions of its articles of association.

The Offeror is a private company (as defined in the Companies Ordinance) and its articles of association limit the number of holders of Offeror Shares to 50. If, as a result of the acceptances under the Share Alternative, there would be more than 50 holders of Offeror Shares, the articles of association of the Offeror will be amended after the Effective Date to remove the restriction on the number of holders of Offeror Shares, after which the Offeror will become a public company under the Companies Ordinance and subject to provisions relating to public company under Companies Ordinance. Furthermore, section 4.1 of the Introduction to the Takeovers Code provides that the Takeovers Code applies to takeovers, mergers and share buy-backs affecting, among others, public companies in Hong Kong and section 4.2 of the Introduction to Takeovers Code provides that in order to determine whether a company is a public company in Hong Kong, the Executive will take into account the number of Hong Kong shareholders and the extent of share trading in Hong Kong and other factors. If the Offeror is determined by the Executive to be a “public company in Hong Kong”, the Offeror will be subject to the Takeovers Code.

Investors should be aware of, among other things but not limited to, the following risk factors of holding Offeror Shares:

- **transfers of Offeror Shares are subject to restrictions which are further detailed in the section “3. Information Regarding Offeror Shares” in Appendix IV – General Information on the Company and the Offeror to this Scheme Document;**
- **Offeror Shares are not listed on any stock exchange and do not benefit from the protections afforded by the Listing Rules;**
- **Offeror Shares are illiquid, hence the Shareholders of the Offeror may find it more difficult to find a purchaser for the Offeror Shares if they intend to sell their shares, as there is less likely a ready market for Offeror Shares;**
- **there is no guarantee that any dividend payments will be paid in respect of Offeror Shares;**
- **changes in the business and economic environment could adversely affect the operating profits of Offeror or the value of Offeror’s assets. For example, financial factors such as currency controls, devaluation or regulatory changes, or stability factors such as mass riots, civil war and other potential events could contribute to Offeror’s operational risks; and**
- **general business risks associated with the energy industry.**

11. REASONS FOR AND BENEFITS OF THE PROPOSAL**For holders of Scheme Shares: an opportunity to realise their investment at a compelling premium**

- The trading liquidity of the Shares has been at a low level over a period of time. The average daily trading volume of the Shares for the 3 months up to and including the Last Trading Day was approximately 1,000,696 shares per day, representing only approximately 0.08% of the issued shares as at the Last Trading Day. Such low trading liquidity are also caused in part by the lack of analyst coverage in respect of the Company, and the low trading liquidity of the Shares could make it difficult for the holders of Scheme Shares to execute on-market disposals without adversely affecting the share price;
- The Offeror accordingly considers that the Proposal provides the holders of Scheme Shares with an opportunity to realise their investment in the Company at a compelling premium over the prevailing share price. The cash consideration of HK\$5.45 per Scheme Share under the Cash Alternative represents a premium of approximately 41.9% and 78.1% over the closing price of HK\$3.84 on the Last Trading Day and the average closing prices of HK\$3.06 for the 30 trading days up to and including the Last Trading Day, respectively;

The Proposal will provide the holders of Scheme Shares, through the election of Share Alternative, with an opportunity to remain invested in the Company's portfolio of clean energy power projects, subject to the risks relating to holding the Offeror Shares as specified in the section above headed "10. Comparison of Value – The Share Alternative".

For the Offeror group: to deepen the reforms of Chinese central state-owned enterprises and enhance Chinese state-owned assets management efficiency

- In the context of deepening reforms of Chinese central state-owned enterprises and the adoption of a capital management-based approach, the Offeror, as a Chinese state-owned investment holding company, is proactively exploring new initiatives to reform Chinese state-owned capital invested companies and enhance the management efficiency of Chinese state-owned assets;
- The Offeror considers that due to the low liquidity and the relative underperformance in the trading of the Shares, there will be difficulties to a certain extent for the Company to raise funds from public equity markets, which the Offeror believes is unlikely to see any significant improvement in the near term. As such, the Offeror believes that the administrative costs and management resources associated with maintaining the Company's listing status are no longer justified.

12. OPTION OFFER

The Offeror is making (or procure to be made on its behalf) an offer to all the holders of the Outstanding Share Options in accordance with Rule 13 of the Takeovers Code. The Option Offer will be conditional upon the Scheme becoming effective. Under the Option Offer, the Offeror will offer holders of Outstanding Share Options the “see-through” price (being the Cancellation Consideration minus the relevant exercise price in the case of the Outstanding Share Options) for each Outstanding Share Option they hold for the cancellation of every Outstanding Share Option in accordance with Rule 13 of the Takeovers Code.

Further information on the Option Offer is set out in the form of Option Offer Letter which is set out in Appendix IX to this Scheme Document.

In the event that any Share Option vests and is exercised: (i) any Shares which are registered in the name of the relevant Optionholder prior to or on the Scheme Record Date as a result of the vesting and, to the extent applicable, exercise of such Share Option, will be subject to and eligible to participate in the Scheme; and (ii) in addition, the holder of any Shares registered in the name of the relevant Optionholder prior to or on the Meeting Record Date as a result of the vesting and, to the extent applicable, exercise of such Share Option, will be entitled to attend and vote at the Court Meeting and General Meeting in respect of such Shares.

Any Optionholder of vested Share Options in respect of which the underlying Shares have not been registered in the name of the relevant Optionholder, as at the Scheme Record Date and/or the Meeting Record Date as the case may be, will not be eligible to participate in the Scheme in respect of such Share Option, and will not be entitled to attend and vote at the Court Meeting and the General Meeting in respect of such Share Option, respectively. Such Optionholder is nevertheless entitled to the Option Offer on and subject to its terms.

Pursuant to the terms of the Share Option Scheme, all Share Options shall lapse automatically on the Scheme Record Date and will no longer be exercisable as from such date.

Share Options

Pursuant to the Company’s Share Option Scheme adopted by the Company on 8 June 2017, the Company was entitled to grant options to any employee, management member or director of the Company or any of the Company’s subsidiaries, and any entity in which the Group holds any equity interest. Despite the fact that no further Share Options is intended to be granted under the Share Option Scheme, all other provisions remain in force to govern all the Outstanding Share Options previously granted until the end of their respective exercise periods.

As at the Latest Practicable Date, there were 7,400,000 Outstanding Share Options granted under the Share Option Scheme, of which 4,950,000 Share Options have an exercise price of HK\$5.14 and 2,450,000 Share Options have an exercise price of HK\$7.80, details are set out in the table below. All such Share Options have vested.

As part of the Option Offer, the Offeror will offer the Share Option Offer Price for each Share Option in return for the acquisition of all rights and obligations under the Share Options and the immediate cancellation of the Share Options. Under the Option Offer, the cash due to the holders of Outstanding Share Options will be paid in accordance with the existing terms of each of the Outstanding Share Options.

The Option Offer Letter to holders of Share Options setting out the terms and conditions of the Option Offer is being despatched separately to holders of Share Options and is substantially in the form set out in Appendix IX – Form of Option Offer Letter to this Scheme Document.

The Option Offer is conditional upon the Scheme becoming effective and binding.

Each holder of Share Options as at the Share Option Record Date who accepts the Option Offer and lodges a completed Form of Acceptance by the prescribed deadline set out in “Part III – Expected Timetable” of this Scheme Document will be entitled to receive the Share Option Offer Price as set out in the relevant Share Option Offer Letter that is sent to each holder of Share Options individually. The Share Option Offer Price will represent the “see-through” price of that Share Option, being the amount by which the Cancellation Consideration exceeds the relevant exercise price of that Share Option. If the exercise price of a holder’s Share Option exceeds HK\$5.45, the “see-through” price is zero and a cash offer of a nominal amount (of HK\$1 per 10,000 Share Options) will be made.

All payments in respect of the Share Option Offer Price will be made in Hong Kong dollars. Settlement of the Share Option Offer Price to which the holders of Share Options are entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer and subject to the terms of the Share Option Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right which the Offeror may otherwise be, or claim to be, entitled against any such holder of Share Options.

Below is a table setting out all the exercise prices and the corresponding “see-through” price for all of the Share Options granted under the Share Option Scheme:

Share Option exercise price <i>(HK\$)</i>	“See-through” price <i>(HK\$)</i> <i>(Note)</i>	Total outstanding options <i>(vested)</i>	Exercise period <i>(MM/DD/YYYY)</i>
5.14	0.31	4,950,000	07/18/2017-01/15/2023
7.80	0	2,450,000	07/18/2017-10/31/2020

Note: If the exercise price of the relevant Share Option under the Option Offer exceeds HK\$5.45, the “see-through” price is zero and a cash offer of a nominal amount of HK\$1 for every 10,000 Share Options (or part thereof) will be made.

13. INFORMATION ON THE GROUP

The Company is a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Stock Exchange with the stock code 0735. The Group is principally engaged in the business of the development, construction, ownership, operation and management of clean energy power plants in the PRC, including but not limited to the following types of energy generation – wind power generation, hydropower generation, waste-to-energy power generation, natural gas power generation, photovoltaic power generation and other clean energy power generation projects. Its businesses are located in the major power grid regions of China. The Group is also engaged in investment holding in the clean energy power industry, property investments and securities investments.

14. INFORMATION ON THE OFFEROR AND PARENTCO

The Offeror is an investment holding company incorporated in Hong Kong, which is a direct wholly-owned subsidiary of Parentco. Parentco is a company incorporated in Hong Kong and a wholly-owned subsidiary of State Power Investment Corporation Limited which is ultimately beneficially-owned by the State-owned Assets Supervision and Administration Commission. Parentco is mainly engaged in the development and operation of power projects. Currently, it owns and operates several modes of power generation and projects including coal-fired power, hydropower, natural gas, wind power, photovoltaic, biomass and waste to energy projects, power distribution and sale, and integrated smart energy projects.

15. INTENTIONS OF THE OFFEROR AND THE COMPANY

The Offeror intends to continue the existing businesses of the Group and do not have specific plans to make any major changes to the business of the Group upon the successful delisting of the Company other than developing deeper synergies with the Offeror group, exploring new development opportunities and implementing long-term growth strategies.

Further, the Offeror has no intention to discontinue the employment of the employees of the Group after the implementation of the Proposal, except for staff movements which are part of the normal conduct of business or due to personal performance or conduct issues.

Upon the Scheme becoming effective, the Offeror expects that (i) the accounts of the Offeror will consolidate the accounts of the Group (including assets, liabilities, profits and losses of the Group), and (ii) its investment in the Group will remain the principal business of the Offeror.

16. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title.

In that case, the Company does not intend to maintain its listing on the Stock Exchange and will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules, with effect from the Effective Date.

The holders of Scheme Shares will be notified by way of announcement of, among other things, the exact dates of the last day for dealing in the Shares and on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. An indicative, or expected timetable of the Scheme is included in Part III of this Scheme Document.

17. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

The Scheme will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. The listing of the Shares on the Stock Exchange will not be withdrawn if the Scheme does not become effective or the Proposal otherwise lapses.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may within 12 months from the date on which the Proposal lapses announce an offer or possible offer for the Company, except with the consent of the Executive.

18. COSTS OF THE SCHEME

All costs, charges and expenses incurred by the Company and/or its advisers and counsels, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses incurred by the Offeror or Parentco and/or their advisers and counsels will be borne by the Offeror or Parentco, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror or Parentco and the Company equally.

19. GENERAL

The Offeror has appointed UBS as its financial adviser in connection with the Proposal.

The Board comprises ten directors, four of whom (namely, Mr. HE Hongxin, Mr. HE Lianhui, Mr. SUN Guigen and Mr. QI Tengyun) are the executive Directors, two of whom (namely, Mr. TIAN Jun and Mr. ZHOU Jiong) are non-executive Directors and the remaining four of whom (namely, Mr. CHU Kar Wing, Dr. LI Fang, Mr. WONG Kwok Tai and Ms. NG Yi Kum) are independent non-executive Directors.

An Independent Board Committee, which comprises the following non-executive Directors, Mr. Zhou Jiong, Mr. Chu Kar Wing, Dr. Li Fang, Mr. Wong Kwok Tai and Ms. Ng Yi Kum who are not interested in the Proposal, has been established by the Board to make a recommendation: (a) to the Independent Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable, whether to vote in favour of the Scheme at the Court Meeting and the General Meeting of the Company and whether to elect the Cash Alternative or the Share Alternative; and (b) to the Optionholders as to whether the terms of the Option Offer are, or are not, fair and reasonable and whether to accept the Option Offer.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee comprises all non-executive Directors who have no direct or indirect interest in the Proposal and the Option Offer. Mr. TIAN Jun, a non-executive Director, is also a director of each of the Offeror and Parentco, which is the holding company of the Offeror. Accordingly, he is regarded as being interested in the Proposal and the Option Offer for the purpose of Rule 2.8 of the Takeovers Code and is not a member of the Independent Board Committee. All of the other non-executive Directors (including Independent non-executive Directors) are members of the Independent Board Committee.

In addition, Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Proposal, the Scheme and the Option Offer. The appointment of Somerley as the Independent Financial Adviser has been approved by the Independent Board Committee.

The Directors (excluding members of the Independent Board Committee) believe that the terms of the Proposal are fair and reasonable and in the interests of the Shareholders as a whole.

Save for the Proposal and the Irrevocable Undertaking, there are no arrangements (whether by way of option, indemnity or otherwise) relating to relevant securities which may be an inducement to deal or refrain from dealing as described in Note 8 to Rule 22 of the Takeovers Code between the Offeror or any of the Offeror Concert Parties and any other person in relation to shares of the Offeror or the Shares which might be material to the Proposal.

As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.

The Offeror and the Offeror Concert Parties have not borrowed or lent any Shares or any other securities of the Company as at the Latest Practicable Date.

Save for the Irrevocable Undertaking, no irrevocable commitment to vote for or against the Scheme has been received by the Offeror or the Offeror Concert Parties, as at the Latest Practicable Date.

Associates of the Company or the Offeror (as defined in the Takeovers Code, including shareholders holding 5% or more of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Offeror) are hereby reminded to disclose their dealings in any securities of the Company under Rule 22 of the Takeovers Code.

Having made reasonable enquiries prior to the Latest Practicable Date, the Offeror confirms that there is no understanding, arrangement or agreement which has been determined to constitute a special deal (as defined under Rule 25 of the Takeover Code) between (i) any shareholder of the Company; and (ii)(a) the Offeror and any Offeror Concert Parties or (b) the Company, its subsidiaries or associated companies. Further disclosures will be made by the Offeror and the Company as and when necessary.

20. REGISTRATION AND PAYMENT AND TRANSFER OF NEW OFFEROR SHARES

Assuming that the Scheme Record Date falls on Thursday, 8 August 2019, it is proposed that the register of members of the Company will be closed from Monday, 22 July 2019 (or such other date as Shareholders may be notified by announcement) in order to establish entitlements under the Scheme. In order to qualify for entitlements under the Scheme, holders of Scheme Shares should ensure that their Shares are lodged with the Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) for registration in their names or in the names of their nominees before the closure of the register of members of the Company.

Payment of Cancellation Consideration to Scheme Shareholders and despatch of Offeror Share certificates

Upon the Scheme becoming effective, payment of the Cancellation Consideration for the Scheme Shares will be made to the Scheme Shareholders whose names appear on the register of members of the Company as at the Scheme Record Date. Assuming that the Scheme becomes effective on Monday, 19 August 2019, (a) cheques for cash entitlements to those who elect the Cash Alternative, and (b) share certificates for Offeror Shares to those who elect the Share Alternative will be despatched as soon as possible but in any event within 7 Business Days following the Scheme having become effective and accordingly, the cheques and the Offeror share certificates are expected to be despatched on or before Wednesday, 28 August 2019.

In the absence of any specific instructions to the contrary received in writing by the Share Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019), cheques and share certificates for Offeror Shares will be sent by posting the same in pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses or, in the case of joint holders, to the registered address of that joint holder whose name stands first in such registers in respect of the joint holding. All such cheques and share certificates will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, UBS, Somerley or any of them will be responsible for any loss or delay in despatch.

Beneficial Owners should note if you hold Shares through a nominee (including but not limited to HKSCC Nominees Limited) and elect to receive the Share Alternative, the Offeror Shares to be issued to you as Cancellation Consideration will be issued in the name of the Registered Owner for subsequent transfer to you. **As Offeror Shares will not become eligible securities in CCASS, you are required to instruct your securities dealer/custodian bank to withdraw the Offeror Shares from CCASS and arrange for the transfer of those shares into your own name, or some other nominee on your behalf, as soon as possible thereafter. Please see the sub-sections headed “Withdrawal from CCASS” and “Procedures for Transfer of the New Offeror Shares” below for further details.**

Shareholders are recommended to consult their professional advisors if they are in doubt as to the above procedures.

On or after the day being six calendar months after the posting of such cheques, the Offeror (or its nominee) shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee).

The Offeror (or its nominee) shall hold such monies until the expiry of six years from the Effective Date and shall prior to such date, make payments therefrom of the sums to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto. On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under the Scheme.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation of all the Scheme Shares and all existing certificates representing the Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on or about Monday, 19 August 2019.

Any certificates of Offeror Shares posted to the Scheme Shareholders pursuant to the Scheme which have been returned or undelivered will be cancelled. The share registrar of the Offeror may at any time thereafter issue new share certificates in respect of such Offeror Shares to those Scheme Shareholders who can establish their entitlements to its satisfaction and transfer to them all accrued entitlements from the original date of allotment or transfer, as the case may be, in respect of such Offeror Shares, subject to the payment of any expenses incurred.

Settlement of the Cancellation Consideration to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

Payment in respect of the Share Option Offer Price to Optionholders

On the basis that the Scheme becomes effective, cheques for payment of the Share Option Offer Price payable under the Option Offer are expected to be despatched as soon as possible but in any event within 7 Business Days following the Scheme having become effective and accordingly, the cheques are expected to be despatched on or before Wednesday, 28 August 2019. Cheques will be sent by posting the same in pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses. All such cheques will be sent at the risk of the person(s) entitled thereto and none of the Offeror, the Company, UBS or any of them will be responsible for any loss or delay in despatch.

On or after the day being six calendar months after the posting of such cheques, the Offeror (or its nominee) shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee).

The Offeror (or its nominee) shall hold such monies for those entitled under the terms of the Option Offer until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums, together with interest thereon, to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that such cheques referred to in the paragraph above of which they are payees have not been cashed. On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under the Option Offer.

Settlement of the consideration to which the Optionholders are entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Optionholders.

Payment in respect of Share Options that have vested but in respect of which the underlying Shares have not been registered in the name of the relevant holder, as at the Share Option Record Date and for which valid acceptances have been tendered, shall be made as soon as possible and in any event within 7 Business Days of the Effective Date.

As at the Latest Practicable Date, all Outstanding Share Options have vested and there are no Outstanding Share Options which are unvested.

Settlement of the consideration to which the Optionholders are entitled under the Option Offer will be implemented in full in accordance with the terms of the Option Offer and subject to the terms of the Share Option Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Optionholders.

Withdrawal from CCASS

The New Offeror Shares will not be listed on the Stock Exchange (or any other stock exchange). Accordingly, the New Offeror Shares will not be accepted as eligible securities by HKSCC for deposit, clearance or settlement in CCASS. The New Offeror Shares received by any persons holding their New Offeror Shares through CCASS will initially be held in the name of HKSCC Nominees Limited. HKSCC will not however provide any transfer services in respect of any New Offeror Shares. Any person holding any New Offeror Shares through HKSCC Nominees Limited wishing to transfer New Offeror Shares must first arrange for withdrawal of such New Offeror Shares from CCASS and the registration of the New Offeror Shares in his own name.

A fee of HK\$1.00 will be charged by HKSCC for each withdrawal.

Procedures for transfer of the New Offeror Shares

The Transfer Agent will maintain a register of holders of New Offeror Shares in Hong Kong and is appointed as the transfer agent to handle the splitting and registration of transfer of the New Offeror Shares.

A transfer of the New Offeror Shares shall be effected by completing and signing an instrument of transfer and, if applicable, bought and sold notes by both the transferor and transferee under the hand of their officers duly authorised in writing or otherwise by a duly authorised person. The instrument of transfer and, if applicable, bought and sold notes can be obtained at the office of the Transfer Agent at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) and the signed instruments of transfer must be delivered for registration at the aforesaid office of the Transfer Agent from 9:00 a.m. to 4:30 p.m. on any Business Day.

The board of the Offeror may decline to recognise any instrument of transfer and, if applicable, bought and sold notes unless:

- (i) a fee of HK\$2.50 per certificate (or such higher amount as may from time to time be permitted in accordance with rules prescribed by the Stock Exchange) or such lesser sum as the directors of the Offeror may from time to time determine is paid to the Transfer Agent in respect thereof;
- (ii) the instrument of transfer and, if applicable, bought and sold notes is accompanied by the certificate of the New Offeror Shares to which it relates, and such other evidence as the board of the Offeror may reasonably require to show the right of the transferor to make the transfer;
- (iii) the instrument of transfer and, if applicable, bought and sold notes is in respect of only one class of shares;

- (iv) the instrument of transfer and, if applicable, bought and sold notes is properly stamped (if necessary); and
- (v) any additional information as might be reasonably requested by the board of the Offeror or the Transfer Agent is provided to it.

Each new certificate to be issued upon a transfer of the New Offeror Shares will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any Business Day at the aforesaid office of the Transfer Agent from the tenth Business Day onwards following receipt of the documents specified above by the Transfer Agent and upon production of such identification papers as may be reasonably requested by Offeror or the Transfer Agent.

Where some but not all of the New Offeror Shares in respect of which a certificate is issued are to be transferred, a new certificate in respect of the balance of the New Offeror Shares not so transferred will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any Business Day at the aforesaid office of the Transfer Agent from the tenth Business Day onwards following receipt of the documents specified above by the Transfer Agent and upon production of such identification papers as may be reasonably requested by Offeror or the Transfer Agent.

Any holder of New Offeror Shares wishing to split his holding of New Offeror Shares into two or more share certificates must lodge his request with the Transfer Agent. A fee will be charged by the Transfer Agent for the splitting of the New Offeror Share certificate, currently being HK\$2.50 per certificate cancelled or issued, whichever is higher, using the 10 Business Days' service. New share certificate(s) issued in respect of the splitting of the New Offeror Share certificate will be made available for personal collection by the holder entitled thereto during normal business hours (from 9:00 a.m. to 4:30 p.m.) on any Business Day at the aforesaid office of the Transfer Agent from the tenth Business Day onwards following receipt of such request together with the original share certificate by the Transfer Agent and upon presentation of such identification papers as may be reasonably requested by the Offeror or the Transfer Agent.

21. OVERSEAS SHAREHOLDERS AND OPTIONHOLDERS

21.1 General

The making of the Proposal to the holders of Scheme Shares and the Option Offer to Optionholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such holders of Scheme Shares and Optionholders are located.

Such holders of Scheme Shares and Optionholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas holders of Scheme Shares and overseas Optionholders, wishing to take an action in relation to the Proposal and Option Offer, respectively, to satisfy themselves as to the full

observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction.

Any acceptance by such holders of Scheme Shares and Optionholders will be deemed to constitute a representation and warranty from such persons to the Company, the Offeror and their respective advisers, that those laws and regulatory requirements have been complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited is subject to any of the representations and warranties above. If you are in doubt as to your position, you should consult your professional advisers.

21.2 Non-Qualifying Shareholders

The Company has made enquiries with overseas legal advisers regarding the legal restrictions under the laws of the US and the requirements of the relevant regulatory body or stock exchange in the US in relation to extending the Share Alternative to such Shareholders (there being no such Shareholder as at the Latest Practicable Date) and Beneficial Owners with addresses located in the US. The Company, based on the results of such enquiries made, considers it unduly burdensome to offer the Share Alternative to any such Shareholder or Beneficial Owner with an address located in the United States.

Accordingly, for the purposes of electing the Share Alternative, the Non-Qualifying Shareholders are Shareholders (if any) and Beneficial Owners whose address(es) is/are in the US, except for those Shareholders or Beneficial Owners, as the case may be, who fulfil, to the satisfaction of the Company, the relevant requirements as set out in the section headed “21.3 Limited Categories of Persons in the US Who May Be Able to Elect the Share Alternative” of this Explanatory Statement.

21.3 Limited Categories of Persons in the US Who May Be Able to Elect the Share Alternative

Notwithstanding any other provision in this Scheme Document (including what is said in the section headed “21.2 Non-Qualifying Shareholders” of this Explanatory Statement), the Company reserves the right to permit any Shareholder or Beneficial Owner to participate in the Share Alternative and take up his, her or its entitlement to the New Offeror Shares if the Company, in its absolute discretion, is satisfied that the Share Alternative is exempt from or not subject to or can otherwise be lawfully made to them without contravention of any relevant legal or regulatory requirements. The Company reserves the absolute discretion in determining whether to allow any person, as well as the identity of such persons, who may be allowed to receive this Scheme Document or to elect to receive the New Offeror Shares in the US. Shareholders and Beneficial Owners in the US may still be able to receive this Scheme Document or to elect to receive the New Offeror Shares, subject to the Company’s absolute discretion, provided that such Shareholders and Beneficial Owners are able to provide the

Company with evidence, to the Company's satisfaction, that they fulfil the relevant requirements in the US. For Shareholders (if any) or Beneficial Owners in the US who want to elect the Shares Alternative, please contact your intermediary to make the necessary arrangements.

21.4 Overseas Shareholders in the US

The Scheme relates to the shares of a Hong Kong company and is proposed to be made by means of a scheme of arrangement provided for under the laws of Hong Kong. The Share Alternative relates to the shares of a Hong Kong company. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules of the United States Securities Exchange Act of 1934, as amended. Accordingly, the Scheme is subject to the disclosure requirements and practices applicable in Hong Kong to schemes of arrangement, which differ from the disclosure and other requirements of the US tender offer rules. Financial information included in the relevant documentation will have been prepared in accordance with accounting standards applicable in Hong Kong that may not be comparable to the financial statements of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US.

US Shareholders and Beneficial Owners may encounter difficulty enforcing their rights and any claim arising out of the US federal securities laws, as the Offeror and the Company are located in a country outside the US, and some or all of their officers and directors may be residents of a country other than the US.

US Shareholders and Beneficial Owners may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, US Shareholders may encounter difficulty compelling a non-US company and its affiliates to subject themselves to a US court's judgement.

The receipt of cash pursuant to the Scheme or the Cash Alternative, and the receipt of the New Offeror Shares, by Shareholders or Beneficial Owners who are US taxpayers may be a taxable transaction for US federal income tax purposes and under applicable US state and local laws, as well as foreign and other tax laws. Each Shareholder is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of his/her/its approval of the Scheme and acceptance of the Cash Alternative or the Share Alternative.

The New Offeror Shares have not been and will not be registered under the US Securities Act or securities laws of any state or other jurisdiction of the US and may not be offered, sold, allotted, taken up, exercised, resold, renounced, pledged, transferred or delivered, directly or indirectly, in or into the US, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the US. There will be no public offer of the New Offeror Shares in the US.

The New Offeror Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the US or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Proposal, the New Offeror Shares or the accuracy or adequacy of this Scheme Document. Any representation to the contrary is a criminal offence in the US.

Subject to certain exceptions, this Scheme Document does not constitute or will not constitute, or does not form or will not form, part of any offer or invitation to issue, purchase or acquire the New Offeror Shares to any person with a registered address, or who is located, in the US. The New Offeror Shares are being distributed outside the US in reliance on Regulation S under the US Securities Act.

In addition, until 40 days after the commencement of the offering of the New Offeror Shares, any offer, sale or transfer of the New Offeror Shares in or into the United States by a dealer (whether or not participating in the Scheme) may violate the registration requirements of the US Securities Act.

Notwithstanding the foregoing, in certain limited circumstances, the Company may allow persons in the US whom it reasonably believes to be qualified institutional buyers (as defined in Rule 144A of the US Securities Act) to take up the New Offeror Shares in transactions that are exempt from the registration requirements under the US Securities Act, as determined by the Company in its absolute discretion. Shareholders and Beneficial Owners in the United States should contact the Company's investor relations department for further details on whether they would be allowed to participate in the Proposal in these limited circumstances.

22. TAXATION

Hong Kong stamp duty and tax consequences

As the Scheme does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective.

Similarly, as the acceptance of the Option Offer and the payment of the cash consideration for the cancellation of the Outstanding Share Options does not involve the sale and purchase of Hong Kong stock, no Hong Kong stamp duty will be payable pursuant to the Stamp Duty Ordinance upon the acceptance the Option Offer or the payment of the cash consideration under the Option Offer.

The Scheme Shareholders and Optionholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting the Scheme or the Option Offer and, in particular, whether the receipt of the Cancellation Consideration or of cash consideration under the Option Offer would make such Scheme Shareholder or Optionholder liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, the Company, UBS and their agents or any of their respective directors, officers or associates or any other person involved in the Scheme or the Option Offer accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme or the Option Offer. All Scheme Shareholders and/or Beneficial Owners shall be solely responsible for their liabilities (including tax liabilities) in relation to the Scheme and/or the Option Offer.

23. SCHEME SHARES

As at the Latest Practicable Date, the Offeror holds 313,502,923 Shares (representing approximately 26.42% of the issued share capital of the Company). Such Shares will not form part of the Scheme Shares and the Offeror will not vote on the Scheme at the Court Meeting.

As at the Latest Practicable Date, Parentco, being an Offeror Concert Party, holds in aggregate 19,572,000 Shares (representing approximately 1.65% of the issued share capital of the Company). Such Shares will form part of the Scheme Shares but the relevant Offeror Concert Party will not vote on the Scheme at the Court Meeting.

As regards the voting requirements of holders of Scheme Shares and Shareholders at the Court Meeting and the General Meeting respectively, see the section headed “24. Court Meeting and General Meeting” of this Explanatory Statement.

24. COURT MEETING AND GENERAL MEETING

The High Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification). Only the Independent Shareholders will be entitled to attend and vote at the Court Meeting under Rule 2.10 of the Takeovers Code. The Scheme will be subject to the approval by holders of Scheme Shares and Independent Shareholders, whose names appear in the register of members of the Company as at the Meeting Record Date, at the Court Meeting in the manner referred to in the section headed “3. Conditions of the Proposal and the Scheme” above in this Explanatory Statement. The Shares owned by the Offeror will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. The Shares owned by Parentco, being an Offeror Concert Party, will form part of the Scheme Shares but will not be voted at the Court Meeting.

As at the Latest Practicable Date, none of the Directors had any shareholding or was interested (within the meaning of Part XV of the SFO) in the Offeror or the Company.

Immediately following the conclusion of the Court Meeting, the General Meeting will be held for the purpose of considering and, if thought fit, passing the special resolution to give effect to the Scheme, including the reduction of the share capital of the Company. All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote in respect of the special resolution at the General Meeting. The Offeror and Parentco indicated that, if the Scheme is approved at the Court Meeting, they will vote in favour of the special resolution to be proposed at the General Meeting to approve and give effect to the Scheme, including the approval of the reduction of the share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of new Shares as is equal to the number of the Scheme Shares cancelled.

Notice of the Court Meeting is set out in Appendix VII to this Scheme Document. The Court Meeting will be held at 10:30 a.m. on Friday, 12 July 2019 at Tianshan & Lushan Rooms, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong.

Notice of the General Meeting is set out in Appendix VIII to this Scheme Document. The General Meeting will be held at 11:00 a.m. (or immediately after the Court Meeting convened for the same day and place shall have been concluded or adjourned) on Friday, 12 July 2019 at Tianshan & Lushan Rooms, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong.

Pursuant to the Irrevocable Undertaking, the IU Shareholder has irrevocably undertaken to the Offeror to exercise or procure the exercise of all voting rights attached to its Shares held by it at the Court Meeting and the General Meeting in favour of all the resolutions which are necessary to implement or otherwise relate to the Proposal.

Assuming that the Conditions are fulfilled (or, as applicable, waived in whole or in part), it is expected that the Scheme will become effective on or about Monday, 19 August 2019. Further announcements will be made giving details of the results of the Court Meeting and General Meeting and, if all the resolutions are passed at those meetings, the result of the hearing of the petition for, among other things, the sanction of the Scheme by the High Court, the Scheme Record Date, the Effective Date, and the date of withdrawal of the listing of Shares on the Stock Exchange.

25. BENEFICIAL OWNERS

Beneficial Owners are urged to have their names entered in the register of members of the Company as soon as possible and in any event according to the timing stated below for the following reasons:

- (a) (i) to enable the Beneficial Owners to become holders of Scheme Shares so that they can attend the Court Meeting in the capacity as members of the Company or to be represented by proxies to be appointed by them and (ii) to enable the Company to

properly classify members of the Company as holders of Scheme Shares who are entitled to attend and vote at the Court Meeting, the names of the Beneficial Owners would need to have been entered into the register of members of the Company by the Meeting Record Date and appear on the register of members of the Company on the Meeting Record Date; and

- (b) to enable the Company and the Offeror to make arrangements to effect payments by way of the delivery of cheques or (to the extent valid Forms of Election have been submitted by such Beneficial Owners as holders of Scheme Shares) share certificates to the Beneficial Owners directly when the Scheme becomes effective, the names of the Beneficial Owners would need to have been entered into the register of members of the Company by the Scheme Record Date and appear on the register of members of the Company on the Scheme Record Date.

No person shall be recognised by the Company as holding any Shares upon any trust. In the case of any Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), such Beneficial Owner should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the General Meeting. Such instructions and/or arrangements should be given or made in advance of the deadline in respect of the Court Meeting and the General Meeting set by the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the latest time for the lodgment of forms of proxy in respect of the Court Meeting and the General Meeting. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the latest time for the lodgment of forms of proxy in respect of the Court Meeting and the General Meeting, then any such Beneficial Owner should comply with the requirements of the Registered Owner.

Any Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as a CCASS Investor Participant, contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such Shares with, another CCASS Participant regarding voting instructions to be given to such persons if they wish to vote in respect of the Scheme. Beneficial Owners should contact their broker, custodian, nominee or other relevant person in advance of the deadline in respect of the Court Meeting and the General Meeting set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC Nominees Limited with instructions or make arrangements with HKSCC Nominees Limited in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the General Meeting. The procedure for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

26. SUMMARY OF ACTIONS TO BE TAKEN**Action to be taken by Shareholders***Court Meeting and General Meeting*

For the purpose of determining the entitlements of holders of Scheme Shares to attend and vote at the Court Meeting and Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Tuesday, 9 July 2019 to Friday, 12 July 2019 (both days inclusive) and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Court Meeting and the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Monday, 8 July 2019.

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the General Meeting are enclosed with this Scheme Document. Subsequent purchasers of Scheme Shares will need to obtain the relevant proxy form from the transferor if he wishes to attend or vote at the Court Meeting and/or the General Meeting.

Whether or not you are able to attend the Court Meeting and/or the General Meeting or any subsequent adjournment thereof in person, holders of Scheme Shares are strongly urged to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and Shareholders are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the General Meeting, in accordance with the instructions printed thereon, and to lodge them at the office of the Share Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

At the Court Meeting, each holder of Scheme Shares (other than HKSCC Nominees Limited) is entitled to vote either FOR or AGAINST the Scheme, but not both FOR and AGAINST the Scheme.

Each holder of Scheme Shares is only entitled to submit one proxy form for the Court Meeting. If more than one proxy form for the Court Meeting is submitted by a holder of Scheme Shares and the voting instructions require the proxies to vote both FOR and AGAINST the Scheme, the proxy forms will not be accepted. If more than one proxy form for the Court Meeting is submitted by a holder of Scheme Shares and the voting instructions require the proxies to vote either FOR or AGAINST the Scheme but not both FOR and AGAINST the Scheme, the Chairman shall have absolute discretion as to whether or not to accept those proxy forms.

In order to be valid, the pink form of proxy for use at the Court Meeting should be lodged no later than 48 hours before the time appointed for holding the Court Meeting or any adjournment thereof and the white form of proxy for use at the General Meeting should be lodged no later than 48 hours before the time appointed for holding the General

Meeting or any adjournment thereof. The completion and return of a form of proxy for the Court Meeting or the General Meeting will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In such event, the returned form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or General Meeting, you will still be bound by the outcome of such Court Meeting and/or General Meeting if, among other things, the resolutions are passed by the requisite majorities at the Court Meeting and General Meeting. You are therefore strongly urged to attend and vote at the Court Meeting and/or the General Meeting in person or by proxy.

Voting at the Court Meeting and the General Meeting will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Company and the Offeror will make an announcement in relation to the results of the Court Meeting and the General Meeting on Friday, 12 July 2019. If all the resolutions are passed at those meetings, further announcement(s) will be made in relation to, among other things, the results of the High Court hearing of the petition to sanction the Scheme and, if the Scheme is sanctioned, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange as required under the Takeovers Code and the Listing Rules.

Election form

An election of the Cash Alternative or the Share Alternative may be made by Scheme Shareholders in connection with their respective shareholdings in the Company, and Scheme Shareholders shall make such election by properly completing and signing the Election Form in accordance with the instructions appearing thereon (and, in the case of joint holders, signed by all the joint holders to which it relates, and in the case of a holder or a joint holder which is a body corporate, signed on its behalf by one of its directors or a duly authorised signatory) in respect of their entire holdings of Scheme Shares (save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners) registered under their names at the Scheme Record Date, and deliver the duly completed and executed Election Form to the Share Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019) not later than 4:30 p.m. on Thursday, 15 August 2019 or such later date and time as may be notified through announcement. No such election shall be valid (and in that case the relevant Scheme Shareholder will receive the Cash Alternative) unless the Election Form is properly completed in all respects.

For the avoidance of doubt, the Election Form is not for use (as a form of proxy or otherwise) at the Court Meeting and the General Meeting, which are for the purpose of considering and, if thought fit, approving, among other things, the Scheme and Proposal respectively. The Election Form is for holders of Scheme Shares, other than the Non-Qualifying Shareholders, to elect the Cash Alternative or the Share Alternative

should they wish to do so. This election may be made at any time up to the Election Time (or such later date and time as may be notified through announcement). The election is subject to the Scheme being sanctioned and becoming effective.

No acknowledgement of receipt of any Election Form will be given. An Election Form so completed and delivered shall not be capable of amendment. **An Election Form shall be irrevocable and incapable of being withdrawn unless the Company expressly consents in writing to such withdrawal or revocation.** The Company shall have the right to reject any or all of the Election Forms that it determines are invalid or in improper form (and in that case the relevant Scheme Shareholder will receive the Cash Alternative). In addition, the Company shall also have the right to treat any Election Form that has not been completed in accordance with the instructions thereon, or has otherwise been completed incorrectly, as being valid, provided that the Company in its absolute discretion considers the omissions or errors to be immaterial. The Company shall not be obliged to give notice of any such defects or irregularities and will not incur any liability for failure to give any such notice.

Any Scheme Shareholder (a) who has not returned an Election Form as described above before the prescribed time or such later date and time as may be notified through announcement or, (b) who has returned an Election Form which is not duly completed or executed nor valid in accordance with the terms of the Scheme, will receive the Cash Alternative.

If you have sold or transferred all or part of your Shares, you should at once hand this Scheme Document and the accompanying forms of proxy and the Election Form to the purchaser or the transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee. Copies of the Election Form can also be obtained from the Share Registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019).

Save as provided in relation to HKSCC Nominees Limited, any Shareholder who holds Scheme Shares as a nominee, trustee or registered owner in any other capacity will not be treated differently from any other Registered Owner. Any Beneficial Owner should make arrangements with his, her or its nominee, trustee or Registered Owner in relation to the Scheme and the election of the Cash Alternative or the Share Alternative, and may consider whether he/she/it wishes to arrange for the registration of the relevant Scheme Shares in the name of the Beneficial Owner prior to the Scheme Record Date.

Actions to be taken by Beneficial Owners whose Shares are held through Trust or deposited in CCASS

The Company will not recognise any person as holding any Shares upon any trust. If you are a Beneficial Owner whose Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered

Owner and provide the Registered Owner with instructions and/or make arrangements with the Registered Owner in relation to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the General Meeting. Such instructions and/or arrangements should be given or made in advance of the deadline in respect of the Court Meeting and the General Meeting set by the Registered Owner in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the deadline stated in “Part II – Actions to be Taken” of this Scheme Document. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the General Meeting, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the General Meeting personally, you should:

- (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the General Meeting and, for such purpose, the Registered Owner may appoint you as its proxy; or
- (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the General Meeting shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant forms of proxy shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant forms of proxy as more particularly set out in this Scheme Document.

The completion and return of a form of proxy for the Court Meeting and/or the General Meeting will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his forms of proxy, the returned form of proxy will be deemed to have been revoked.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are a CCASS Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such Shares with, other CCASS Participants regarding voting instructions to be given to such persons if you wish to vote at the Court Meeting and/or at the General Meeting in respect of the Scheme. You should contact your broker, custodian, nominee or other relevant

person in advance of the deadline in respect of the Court Meeting and the General Meeting set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC Nominees Limited with instructions or make arrangements with HKSCC Nominees Limited in relation to the manner in which the Shares of the Beneficial Owner should be voted at the Court Meeting and/or the General Meeting. The procedure for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

HKSCC Nominees Limited may also vote for and against the Scheme in accordance with instructions received from CCASS Participants (as defined under the General Rules of CCASS).

If you are a Beneficial Owner whose Shares are deposited in CCASS, you may also elect to become a Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (if you are a holder of Scheme Shares) and the General Meeting (as a Shareholder). You can become a Shareholder of record by withdrawing all or any of your Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the Shares into your name so as to qualify to attend and vote at the Court Meeting and the General Meeting, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the Shares from CCASS and register them in your name.

SHAREHOLDERS (INCLUDING ANY BENEFICIAL OWNERS OF SUCH SHARES THAT GAVE VOTING INSTRUCTIONS TO A CUSTODIAN OR CLEARING HOUSE THAT SUBSEQUENTLY VOTED AT THE COURT MEETING) SHOULD NOTE THAT THEY ARE ENTITLED TO APPEAR AT THE HIGH COURT HEARING EXPECTED TO BE ON THURSDAY, 15 AUGUST 2019, AT WHICH THE COMPANY WILL SEEK, AMONG OTHER THINGS, THE SANCTION OF THE SCHEME.

Actions to be taken by Optionholders

The Option Offer Letter is being sent to each Optionholder separately. Optionholders should refer to those letters, the form of which is set out in Appendix IX to this Scheme Document. **Any Optionholder who wishes to accept the Option Offer must complete and return the duly completed and executed Form of Acceptance by 4:30 p.m. on Wednesday, 7 August 2019 (or such later date and time as may be notified to the Optionholders by the Offeror, UBS and the Company or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange), delivered to the Offeror, care of China Power Clean Energy Development Company Limited at Rooms 3801-05, 38/F, China**

Resources Building, 26 Harbour Road, Wanchai, Hong Kong for the attention of the Company Secretarial Department of the Company and marked “China Power Clean Energy Development Company Limited – Option Offer”. No acknowledgement of receipt of any Form of Acceptance or any other document will be given.

The Optionholders should also note the instructions and other terms and conditions of the Option Offer printed on the Option Offer Letter and the Form of Acceptance.

27. RECOMMENDATION

Your attention is drawn to the following:

- (i) the paragraph headed “Recommendation” in the “Letter from the Board” set out in Part IV of this Scheme Document;
- (ii) the letter from the Independent Board Committee set out in Part V of this Scheme Document; and
- (iii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document.

28. FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Statement.

Shareholders and Scheme Shareholders should rely only on the information contained in this Scheme Document. None of the Company, the Offeror, UBS or Somerley or any of their respective affiliates has authorised anyone to provide you with information that is different from what is contained in this Scheme Document.

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated financial results of the Group for each of the years ended 31 December 2016, 31 December 2017 and 31 December 2018, as extracted from the annual report of China Power New Energy Development Company Limited (“CPNE”) (the holding company of the Group prior to the completion of the Reorganisation Proposal (as defined in the scheme document dated 14 June 2017 issued by CPNE)) for the year ended 31 December 2016 and the Company’s annual reports for each of the years ended 31 December 2017 and 31 December 2018:

	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018
	<i>RMB' 000</i>	<i>RMB' 000</i>	<i>RMB' 000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
REVENUE AND TARIFF ADJUSTMENT¹	4,726,592	4,820,975	4,808,703
Other income	66,130	65,458	56,739
Other gains and losses, net	72,914	12,688	2,163
Fuel costs	(2,147,329)	(2,215,299)	(2,193,456)
Staff costs	(239,938)	(252,130)	(293,068)
Depreciation and amortisation	(835,980)	(884,502)	(943,872)
Repairs and maintenance	(93,899)	(112,838)	(158,125)
Other operating expenses	(425,291)	(391,189)	(463,217)
OPERATING PROFIT	<u>1,123,199</u>	<u>1,043,163</u>	<u>815,867</u>
Finance income	46,515	11,367	14,297
Finance costs	(550,322)	(526,522)	(621,865)
Finance costs, net	<u>(503,807)</u>	<u>(515,155)</u>	<u>(607,568)</u>
Share of profits of associates	<u>9,366</u>	<u>12,752</u>	<u>16,451</u>
Share of profits of joint ventures	<u>36,396</u>	<u>19,946</u>	<u>13,862</u>
PROFIT BEFORE TAX	665,154	560,706	238,612
Income tax expense	(264,504)	(156,860)	(52,511)
PROFIT FOR THE YEAR	<u><u>400,650</u></u>	<u><u>403,846</u></u>	<u><u>186,101</u></u>
Attributable to:			
Equity holders of the Company	404,536	401,702	185,323
Non-controlling interests	(3,886)	2,144	778
	<u><u>400,650</u></u>	<u><u>403,846</u></u>	<u><u>186,101</u></u>

1 For the year ended 31 December 2018, this represents the aggregate of revenue from Goods and services and Rental revenue of approximately RMB4,752,260,000 and RMB56,443,000, respectively.

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	For the year ended 31 December 2016 <i>RMB' 000</i> <i>(audited)</i>	For the year ended 31 December 2017 <i>RMB' 000</i> <i>(audited)</i>	For the year ended 31 December 2018 <i>RMB' 000</i> <i>(audited)</i>
DIVIDENDS	141,588	140,616	64,790
Dividends per share	RMB0.1193	RMB0.1185	RMB0.0546
EARNINGS PER SHARE FOR PROFITS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic (in RMB per Share)	RMB0.3409	RMB0.3385	RMB0.1562
Diluted (in RMB per Share)	RMB0.3409	RMB0.3385	RMB0.1562
PROFIT FOR THE YEAR	400,650	403,846	186,101
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that will not be reclassified to profit or loss:			
Fair value loss on equity investment at fair value through other comprehensive income, net of tax	–	–	(18,750)
Other comprehensive income/(loss) that may be reclassified to consolidated income statement:			
Currency translation differences	2,088	(273)	2,649
Fair value change on available-for-sale investment net of tax	–	(8,250)	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	2,088	(8,523)	(16,101)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	402,738	395,323	170,000
Attributable to:			
Equity holders of the Company	406,624	393,179	169,222
Non-controlling interests	(3,886)	2,144	778
	402,738	395,323	170,000

The auditors of the Company, PricewaterhouseCoopers (for the years ended 31 December 2016 and 31 December 2017) and Deloitte Touche Tohmatsu (for the year ended 31 December 2018), did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the respective audited consolidated financial statements of the Group for the years ended 31 December 2016, 31 December 2017 and 31 December 2018.

2. CONSOLIDATED FINANCIAL RESULTS OF THE GROUP

The full text of the consolidated financial results of the Group for the year ended 31 December 2018 (the “**2018 Financial Results**”) are set out on pages 96 to 242 of the annual report of the Company for the year ended 31 December 2018 (the “**2018 Company Annual Report**”), which was published on 17 April 2019. The 2018 Company Annual Report is posted on the Company’s website (<http://www.cpne.com.hk/>) and the website of the Stock Exchange (www.hkexnews.hk). Please also see below a direct link to the 2018 Company Annual Report:

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2019/0417/LTN20190417577.pdf>

The 2018 Financial Results (but not any other part of the 2018 Company Annual Report in which it appears) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

Please also see below direct links to:

- (a) annual report of the Company for the year ended 31 December 2017

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2018/0418/LTN20180418575.pdf>

- (b) annual report of CPNE (the holding company of the Group prior to the completion of the Reorganisation Proposal (as defined in the scheme document dated 14 June 2017 issued by CPNE)) for the year ended 31 December 2016

<http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0413/LTN20170413823.pdf>

3. INDEBTEDNESS STATEMENT

As at the close of business on 30 April 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Group had short term bank borrowings of RMB1,810 million, long-term bank and other borrowings of RMB12,649 million (of which RMB1,515 million is in current portion), corporate bond of RMB800 million and lease liability of RMB22.8 million. As at 30 April 2019, the Group is also authorised to further issue corporate bonds of RMB2.5 billion.

Save as aforesaid and apart from intra-group liabilities, intra-group guarantees, and normal trade payables, the Group did not, as at 30 April 2019, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

4. MATERIAL CHANGE

Except for the Proposal for, among others, the delisting of the Company by way of the Scheme (details of which have been set out in this Scheme Document), the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated accounts of Parentco for each of the years ended 31 December 2016, 31 December 2017 and 31 December 2018 as extracted from the audit report of Parentco for each of the years ended 31 December 2016, 31 December 2017 and 31 December 2018 respectively:

	For the year ended 31 December 2016 RMB (audited)	For the year ended 31 December 2017 RMB (audited)	For the year ended 31 December 2018 RMB (audited)
I. TOTAL OPERATING INCOME	31,429,944,720.32	32,606,786,570.70	40,473,881,517.05
Including: Operating income	31,429,944,720.32	32,606,786,570.70	40,473,881,517.05
II. TOTAL OPERATING COSTS	26,876,113,002.68	30,813,543,290.99	38,243,666,485.45
Including: Operating costs	22,619,290,685.97	26,934,386,389.03	32,999,275,444.17
Taxes and surcharge	563,338,287.74	359,223,309.02	494,297,379.86
Selling expenses	8,912,937.16	8,031,471.44	3,771,838.96
Administrative expenses	504,134,002.39	499,977,445.68	644,740,719.05
Including: Research and development expenses	3,294,269.99	6,796,152.47	–
Funds of party development	123,538.24	496,834.13	216,842.48
Research and development expenses	–	–	23,042,030.34
Financial costs	3,174,407,638.92	2,882,254,357.83	4,015,754,071.91
Including: Interest expenses	3,006,413,457.71	3,023,415,868.42	4,044,335,855.10
Interest income	161,254,669.60	70,062,235.38	177,836,118.80
Exchange net gain/losses (“-” denotes net gain)	248,281,002.60	-134,903,068.15	114,480,714.19
Impairment losses on assets	6,029,450.50	129,670,317.99	62,288,880.41
Impairment losses on credit	–	–	496,120.75
Add: Gain from changes in fair values (“-” denotes net loss)	101,432,870.25	-106,401,339.98	-401,008.94
Investment income	345,284,337.30	209,241,721.08	190,772,393.50
Including: investment income from associates and joint ventures	214,437,410.70	91,383,840.21	35,113,010.61
Gain on disposal of assets	–	–	107,901,661.10
Other income	–	152,610,743.93	107,444,417.08
III. OPERATING PROFIT	5,000,548,925.19	2,048,694,404.74	2,635,932,494.34
Add: Non-operating income	412,614,486.97	108,303,103.65	110,847,018.11
Including: Gain arising from disposal of non-current assets	15,650,792.45	–	–
Government grants	283,273,388.75	54,010,660.44	25,312,532.60
Gain from debt restructuring	–	2,127,738.00	–
Less: Non-operating expenses	99,595,878.85	75,148,804.65	138,821,041.49
Including: Loss arising from disposal of non-current assets	79,916,509.03	–	–

	For the year ended 31 December 2016 RMB (audited)	For the year ended 31 December 2017 RMB (audited)	For the year ended 31 December 2018 RMB (audited)
IV. TOTAL PROFIT	5,313,567,533.31	2,081,848,703.74	2,607,958,470.96
Less: Income tax expenses	1,284,966,750.30	716,694,324.62	682,731,490.21
V. NET PROFIT	4,028,600,783.01	1,365,154,379.12	1,925,226,980.75
Net profit attributable to owners of the parent company	1,288,102,378.46	218,803,346.17	567,465,749.58
Profit or loss of minority interests	2,740,498,404.55	1,146,351,032.95	1,357,761,231.17
VI. NET AFTER-TAX VALUE OF OTHER COMPREHENSIVE INCOME	-651,202,264.15	-963,063,369.29	-346,028,989.47
Other comprehensive income items that cannot be reclassified to profit or loss	-	-	-184,780,410.70
Including: Change in fair value of other equity investments	-	-	-184,780,410.70
Other comprehensive income that will be reclassified to profit or loss	-651,202,264.15	-602,695,587.32	-40,816,736.92
Including: Fair value changes of available-for-sale investments	-702,970,339.26	-454,560,239.16	-
Exchange differences on translation of foreign currency financial statements	51,768,075.11	-148,135,348.16	-40,816,736.92
VII. TOTAL COMPREHENSIVE INCOME	3,377,398,518.86	402,091,009.83	1,579,197,991.28
Total comprehensive income attributable to owners of the parent company	949,662,246.69	-383,892,241.15	341,868,601.96
Total comprehensive income attributable to minority shareholders	2,427,736,272.17	785,983,250.98	1,237,329,389.32

The auditors of the Parentco, Ruihua Certified Public Accountants, LLP, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the respective audited accounts of the Parentco for the years ended 31 December 2016, 31 December 2017 and 31 December 2018.

2. CONSOLIDATED FINANCIAL RESULTS OF THE PARENTCO

Set out below is the full text of the audited consolidated financial results of the Parentco for each of the years ended 31 December 2017 and 31 December 2018 as extracted from the audited accounts of the Parentco for the year ended 31 December 2018:

Combined Balance Sheet**31 December 2018**

Prepared by: China Power International Holding Limited		<i>Unit: RMB</i>		
Item	Note	31 December 2018	1 January 2018	31 December 2017
Current assets:		–	–	–
□ Monetary assets	VIII.1	5,572,800,273.29	7,206,776,865.29	7,206,776,865.29
△ Clearing settlement funds				
△ Placements with banks and other financial institutions				
☆ Financial assets held for trading	VIII. 2	5,403,630.54	7,347,113.91	–
Financial assets at fair value through current profit or loss	VIII. 3	27,479,524.57	25,937,050.14	33,284,164.05
Derivative financial assets				
Bills receivable and accounts receivable	VIII. 4	5,382,167,167.38	4,527,631,065.16	5,201,684,890.98
Prepayments	VIII. 5	2,953,891,543.58	2,028,127,936.66	2,028,127,936.66
△ Premiums receivable				
△ Receivables from reinsurers				
△ Reinsurers' share of premium reserves				
Other receivables	VIII. 6	3,467,012,509.18	3,535,945,324.05	3,535,945,324.05
△ Financial assets purchased under agreements to resell				
Inventories	VIII. 7	1,385,819,616.22	995,200,786.06	995,200,786.06
Including: Raw material	VIII. 7	1,381,587,642.27	990,577,427.41	990,577,427.41
Inventories (finished goods)	VIII. 7	1,078,558.97	1,834,584.16	
☆ Contract assets	VIII. 8	2,816,419,993.15	674,053,825.82	–
Held-for-sale assets	VIII. 9	5,356,535,593.30	565,772,722.00	565,772,722.00
Non-current assets due within one year				
Other current assets	VIII. 10	1,206,020,673.50	1,159,757,863.87	1,159,757,863.87
Total current assets		28,173,550,524.71	20,726,550,552.96	20,726,550,552.96
Non-current assets:		–	–	–
△ Grant of loans and advanced payment				
☆ Debt investment				–
Available-for-sales financial assets	VIII. 11	436,753,083.87	436,753,083.87	4,133,606,549.87
☆ Other debt investment				–
Held-to-maturity investments				

APPENDIX II
FINANCIAL INFORMATION OF PARENTCO

Item	Note	31 December 2018	1 January 2018	31 December 2017
Long-term receivables	VIII. 12	81,813,000.00	71,580,000.00	71,580,000.00
Long-term equity investments	VIII. 13	2,263,465,580.79	1,942,875,515.36	2,197,875,515.36
☆ Other equity instrument investments	VIII. 14	3,548,640,148.78	3,951,853,466.00	–
☆ Other non-current financial assets				–
Investment properties	VIII. 15	146,907,192.46	150,818,536.48	150,818,536.48
Fixed assets	VIII. 16	111,781,904,648.58	105,586,162,520.74	105,586,162,520.74
Construction-in-progress	VIII. 17	27,144,375,021.93	21,728,391,168.05	21,728,391,168.05
Biological assets for production				
Oil and gas assets				
Intangible assets	VIII. 18	1,849,836,978.49	1,679,155,176.94	1,679,155,176.94
Development expenses	VIII. 19	18,408,534.82	11,390,785.05	11,390,785.05
Goodwill	VIII. 20	2,385,569,027.59	2,355,829,232.41	2,355,829,232.41
Long-term deferred expenses	VIII. 21	220,410,355.88	224,060,622.19	224,060,622.19
Deferred income tax assets	VIII. 22	362,593,202.31	510,616,267.15	510,616,267.15
Other non-current assets	VIII. 23	3,222,432,632.23	2,016,568,811.37	2,016,568,811.37
Including: Approved reserve materials				
Total non-current assets		153,463,109,407.73	140,666,055,185.61	140,666,055,185.61
Total assets		181,636,659,932.44	161,392,605,738.57	161,392,605,738.57
Current liabilities:		–	–	–
Short-term borrowings	VIII. 24	13,763,441,640.80	23,733,518,372.21	23,733,518,372.21
△ Borrowings from the central bank				
△ Customer and interbank deposits				
△ Borrowing from interbank				
☆ Financial liabilities held for trading				–
Financial liabilities at fair value through current profit or loss				
Derivative financial liabilities				
Bills payable and accounts payable	VIII. 25	10,133,122,412.07	8,929,390,590.01	8,929,390,590.01
Receipt in advance	VIII. 26	145,124,769.25	10,647,817.05	58,582,629.98
☆ Contract liabilities	VIII. 27	138,505,779.34	47,934,812.93	–
△ Amount from sales of repurchased financial assets				
△ Bank charges and commissions due				
Employee benefits payable	VIII. 28	152,512,374.81	164,445,389.60	164,445,389.60
Including: Salary payable	VIII. 28	84,981,482.75	65,043,507.75	65,043,507.75
Welfare expenses payable				
Including: # Employees' bonus and welfare fund				
Taxes and surcharges payable	VIII. 29	621,633,146.96	648,156,418.15	648,156,418.15
Including: Taxes payable	VIII. 29	541,333,228.31	573,233,124.89	573,233,124.89
Other payables	VIII. 30	8,721,927,324.49	2,754,736,846.13	2,754,736,846.13

APPENDIX II
FINANCIAL INFORMATION OF PARENTCO

Item	Note	31 December 2018	1 January 2018	31 December 2017
△ Reinsurance account payable				
△ Provisions for insurance contracts				
△ Amounts due to securities brokerage services				
△ Amounts due to securities underwriting services				
Held-for-sale liabilities	VIII. 31	5,125,352,167.24		
Non-current liabilities due within one year	VIII. 32	7,641,176,919.22	13,224,931,856.44	13,224,931,856.44
Other current liabilities	VIII. 33	1,074,268,753.39	1,064,973,614.91	1,064,973,614.91
Total current liabilities		47,517,065,287.57	50,578,735,717.43	50,578,735,717.43
Non-current liabilities:		–	–	–
Long-term borrowings	VIII. 31	69,596,050,922.51	48,986,875,938.12	48,986,875,938.12
Bonds payable	VIII. 35	4,218,998,550.21	2,876,729,787.13	2,876,729,787.13
Including: preference shares				
Perpetual bonds				
Long-term payables	VIII. 37	7,730,577,338.89	7,175,211,386.91	7,175,211,386.91
Long-term salaries payable to employees				
Accrued liabilities	VIII. 38	3,909,502.84	65,460,255.28	65,460,255.28
Deferred income	VIII. 39	405,436,554.90	462,859,279.47	462,859,279.47
Deferred income tax liabilities	VIII. 22	484,841,643.63	575,624,484.02	575,624,484.02
Other non-current liabilities	VIII. 40	87,497,264.78		
Including: Special reserve fund				
Total non-current liabilities		82,527,311,777.76	60,142,761,130.93	60,142,761,130.93
Total liabilities		130,044,377,065.33	110,721,496,848.36	110,721,496,848.36
Owners' equity (or shareholders' equity)		–	–	–
Paid-in capital (Share capital)	VIII. 41	7,640,790,881.30	7,640,790,881.30	7,640,790,881.30
State-owned capital	VIII. 41	7,640,790,881.30	7,640,790,881.30	7,640,790,881.30
Including: Capital attributable to state-owned legal persons	VIII. 41	7,640,790,881.30	7,640,790,881.30	7,640,790,881.30
Collectively-owned capital				
Private Capital				
Including: Capital attributable to individuals				
Capital attributable to foreign investors				
# Less: Reverted investment				
Net paid-in capital (or share capital)	VIII. 41	7,640,790,881.30	7,640,790,881.30	7,640,790,881.30
Other equity instruments				
Including: preference shares				
Perpetual bonds				
Capital reserve	VIII. 42	34,048,043.42	3,789,293,150.18	3,789,293,150.18
Less: Inventory shares				

Item	Note	31 December 2018	1 January 2018	31 December 2017
Other comprehensive income	VIII. 51	1,079,633,433.57	1,305,230,581.19	1,305,230,581.19
Including: Differences in translation of financial statements in foreign currency	VIII. 51	-182,860,123.25	-142,043,386.33	-142,043,386.33
Special reserve				
Surplus reserves	VIII. 43	105,343,371.84	105,343,371.84	105,343,371.84
Including: Statutory reserve	VIII. 43	104,852,745.72	104,852,745.72	104,852,745.72
Discretionary reserve	VIII. 43	490,626.12	490,626.12	490,626.12
# Reserve fund				
# Enterprise expansion fund				
# Transfer of profit to investment				
△ General risk reserve				
Undistributed profits	VIII. 41	6,991,589,420.08	7,501,096,384.56	7,501,096,384.56
Total equity attributable to owners (or shareholders' equity) of the parent company		15,851,405,150.21	20,341,754,369.07	20,341,754,369.07
*Minority interests		35,740,877,716.90	30,329,354,521.14	30,329,354,521.14
Total owners' equity (or shareholders' equity)		51,592,282,867.11	50,671,108,890.21	50,671,108,890.21
Total liabilities and owners' equity (or shareholders' equity)		181,636,659,932.44	161,392,605,738.57	161,392,605,738.57

The notes on pages II-37 to II-177 are an integral part of these financial statements.

The financial statements on pages II-3 to II-36 are signed by:

Person in charge of
the Unit:

Principal in charge of
accounting work:
He Lianhui

Person in charge of the
Accounting Department:
Wang Ning

Combined Profit Statement

For the year 2018

Prepared by: China Power International Holding Limited

Unit: RMB

Item	Notes	Amount for the year	Amount for last year
I. Total operating income		40,473,881,517.05	36,223,938,189.74
Including: Operating income	VIII. 46	40,473,881,517.05	36,223,938,189.74
△ Interest income			
△ Premiums earned			
△ Income from bank charges and commissions			
II. Total operating costs		38,243,666,485.45	34,014,898,290.43
Including: Operating costs	VIII. 46	32,999,275,444.17	29,641,612,068.94
△ Interest expenses			
△ Bank charges and commissions expenses			
△ Payments on surrenders			
△ Net expenditure for compensation payment			
△ Net provisions for insurance contracts			
△ Expenditure for insurance policy dividend			
△ Reinsurance cost			
Taxes and surcharge		494,297,379.86	411,155,944.21
Selling expenses	VIII. 46	3,771,838.96	8,031,471.44
Administrative expenses	VIII. 46	644,740,719.05	599,117,723.15
Including: Funds of party development	VIII. 46	216,842.48	654,995.02
Research and development expenses		23,042,030.34	1,513,288.37
Finance costs	VIII. 46	4,015,754,071.91	3,215,971,611.37
Including: Interest expenses	VIII. 46	4,044,335,855.10	3,378,597,174.75
Interest income	VIII. 46	177,836,118.80	96,277,072.80
Net foreign exchange gain			
Net foreign exchange loss		114,480,714.19	-136,469,978.86
Impairment loss on assets	VIII. 47	62,288,880.41	137,153,572.20
☆ Impairment loss on credit		496,120.75	342,610.75
Others			
Add: Other income	VIII. 48	107,444,417.08	166,603,885.83
Investment income (loss is represented by “-”)	VIII. 49	190,772,393.50	191,946,837.30
Including: Investment income from associates and joint ventures	VIII. 49	35,113,010.61	91,231,308.48
☆ Foreign exchange gain (loss is represented by “-”)			
☆ Net gains from hedging exposure (loss is represented by “-”)			-
Gain from changes in fair value (loss is represented by “-”)		-401,008.94	-106,401,339.98
Gain on disposal of assets (loss is represented by “-”)	VIII. 50	107,901,661.10	-1,871,679.78

Item	<i>Notes</i>	Amount for the year	Amount for last year
III. Operating profit (loss is represented by “-”)		2,635,932,494.34	2,459,317,602.68
Add: Non-operating income	<i>VIII. 51</i>	110,847,018.11	110,373,061.43
Including: Government grants	<i>VIII. 51</i>	25,312,532.60	50,324,526.52
Gain from debt restructuring	<i>VIII. 51</i>		2,127,738.00
Less: Non-operating expenses	<i>VIII. 52</i>	138,821,041.49	115,190,023.91
Including: Loss from debt restructuring			
IV. Total profit (total loss is represented by “-”)		2,607,958,470.96	2,454,500,640.20
Less: Income tax expenses	<i>VIII. 53</i>	682,731,490.21	773,610,085.88
V. Net profits (net losses is represented by “-”)		1,925,226,980.75	1,680,890,554.32
(1) Classified by ownership:		-	-
Net profit attributable to owners of the parent company		567,465,749.58	554,684,785.45
*Profit or loss of minority interests		1,357,761,231.17	1,126,205,768.87
(2) Classified by continuity of operations:		-	-
Net profit from continuing operations		1,925,226,980.75	1,680,890,554.32
Net profit from discontinued operations			
VI. Net other comprehensive income after tax		-346,028,989.47	-963,063,369.29
Net other comprehensive income after tax attributable to owners of the parent company		-225,597,147.62	-602,695,587.32
(I) Other comprehensive income that cannot be reclassified to profit or loss		-184,780,410.70	-454,560,239.16
1. Changes arising from re-measurement of defined benefit plans			
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
☆ 3. Changes in fair value of other equity instrument investments		-184,780,410.70	-454,560,239.16
☆ 4. Changes in fair value of the enterprise’s own credit risk			-
5. Others			
(II) Other comprehensive income that will be reclassified to profit or loss		-40,816,736.92	-148,135,348.16
1. Other comprehensive income that can be transferred to profit or loss under the equity method			
☆ 2. Changes in fair value of other debt investments			-
3. Gains or losses from changes in fair value of available-for-sale financial assets			

Item	<i>Notes</i>	Amount for the year	Amount for last year
☆ 4. Financial assets reclassified to other comprehensive income			-
5. Gains or losses from held-to-maturity investment reclassified as available-for-sale financial assets			
☆ 6. Credit impairment provision for other debt investments			-
7. Cash flow hedging reserve (Effective portion of cash flow adjusted for hedging gains or losses)			
8. Exchange differences from translation of foreign-currency financial statements		-40,816,736.92	-148,135,348.16
9. Others			
* Net other comprehensive income after tax attributable to minority shareholders		-120,431,841.85	-360,367,781.97
VII. Total comprehensive income		1,579,197,991.28	717,827,185.03
Total comprehensive income attributable to owners of the parent company		341,868,601.96	-48,010,801.87
* Total comprehensive income attributable to minority shareholders		1,237,329,389.32	765,837,986.90
VIII. Earnings per share:		-	-
Basic earnings per share			
Diluted earnings per share			

The notes on pages II-37 to II-177 are an integral part of these financial statements.

The financial statements on pages II-3 to II-36 are signed by:

Person in charge of
the Unit:

Principal in charge of
accounting work:
He Lianhui

Person in charge of the
Accounting Department:
Wang Ning

Combined Cash Flow Statement*For the year 2018*

Prepared by: China Power International Holding Limited

Unit: RMB

Item	<i>Note</i>	Amount for current year	Amount for last year
I. Cash flows from operating activities:		–	–
Cash received from sale of goods and rendering of services		48,208,538,743.02	40,753,598,581.55
△ Net increase in customer and interbank deposits			
△ Net increase in borrowings from the central bank			
△ Net increase in borrowing from other financial institutions			
△ Cash received from premiums under original insurance contract			
△ Net cash received from reinsurance business			
△ Net increase in deposits of policy holders and investment			
△ Net increase in disposal of financial assets at fair value through current profit or loss			
△ Cash received from interest, bank charges and commissions			
△ Net increase in borrowing from interbank			
△ Net increase in cash received from repurchase business			
Refund of taxes and surcharges		62,309,243.16	188,158,775.84
Other cash received relating to operating activities		1,577,405,821.64	948,561,113.95
Sub-total of cash inflows from operating activities		49,848,253,807.82	41,890,318,471.34
Cash paid for goods and services		31,363,351,079.95	24,519,811,156.97
△ Net increase in customer loans and advances			
△ Net increase in deposits in the central bank and interbank			
△ Cash paid for compensation payments under original insurance contract			
△ Cash paid for interest, fees and commissions			
△ Cash paid for insurance policy dividend			
Cash paid to and on behalf of employees		3,144,149,013.67	2,889,756,712.80
Payments of taxes and surcharges		3,475,190,128.80	3,449,331,730.99
Other cash paid relating to operating activities		1,886,222,191.56	1,309,343,141.84
Sub-total of cash outflows from operating activities		39,868,912,413.98	32,168,242,742.60
Net cash flows from operating activities	<i>VIII. 59</i>	9,979,341,393.84	9,722,075,728.74

Item	Note	Amount for current year	Amount for last year
II. Cash flows from investing activities:		–	–
Cash received from disposal of investments		150,734,543.71	219,374,911.11
Cash received from return on investments		153,434,304.44	114,655,542.39
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		889,759,699.38	13,688,290.83
Net cash received from disposal of subsidiaries and other business units		7,809,090.77	573,583.45
Other cash received relating to investing activities		385,826,524.89	484,093,257.00
Sub-total of cash inflows from investing activities		1,587,564,163.19	832,385,584.78
Cash paid to acquire fixed assets, intangible assets and other long-term assets		21,547,428,284.07	17,525,937,882.37
Cash paid for investments		1,687,251,898.02	468,597,589.20
△ Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units		297,414,001.96	1,872,868.66
Other cash paid relating to investing activities		272,154,450.52	4,794,585,502.80
Sub-total of cash outflows from investing activities		23,804,248,634.57	22,790,993,843.03
Net cash flows from investing activities		-22,216,684,471.38	-21,958,608,258.25
III. Cash flows from financing activities:		–	–
Cash received from capital contributions		5,002,329,370.68	6,224,810,240.76
Including: cash received from capital contributions by minority shareholders to subsidiaries		5,002,329,370.68	5,560,792,453.75
Cash received from borrowings		86,475,872,263.07	51,672,650,129.68
△ Cash received from bond issuance			
Other cash received relating to financing activities		826,471,922.82	852,914,648.96
Sub-total of cash inflows from financing activities		92,304,673,556.57	58,750,375,019.40
Cash repayments of borrowings		76,941,042,170.50	36,888,527,043.95
Cash paid for dividends, profit distributions or interest payment		4,705,961,810.73	3,989,589,638.24
Including: Cash payments for dividends and profit to minority shareholders by subsidiaries		1,060,817,760.05	1,520,991,453.25
Other cash paid relating to financing activities		55,679,053.64	3,331,492,204.70
Sub-total of cash outflows from financing activities		81,702,683,034.87	44,209,608,886.89
Net cash flows from financing activities		10,601,990,521.70	14,540,766,132.51
IV. Effect of fluctuations in exchange rates on cash and cash equivalents		-3,608,463.22	85,494,540.44

Item	<i>Note</i>	Amount for current year	Amount for last year
V. Net increase in cash and cash equivalents	<i>VIII. 59</i>	-1,638,961,019.06	2,389,728,143.44
Add: Cash and cash equivalents balance at the beginning of the period	<i>VIII. 59</i>	7,185,753,679.58	4,796,025,536.14
VI. Cash and cash equivalents balance at the end of the period	<i>VIII. 59</i>	5,546,792,660.52	7,185,753,679.58

The notes on pages II-37 to II-177 are an integral part of these financial statements.

The financial statements on pages II-3 to II-36 are signed by:

Person in charge of
the Unit:

Principal in charge of
accounting work:
He Lianhui

Person in charge of the
Accounting Department:
Wang Ning

Combined Statement of Changes in Owners' Equity

For the year 2018

Prepared by: China Power International Holding Limited

Unit: RMB

Item	Amount for the year										Total owners' equity				
	Paid-in capital (or share capital)	Preference shares	Other equity instruments	Other equity instruments	Capital reserve	Less: inventory shares	Equity attributable to owners of the parent company	Special reserve	Surplus reserve	△ General risk reserve		Undistributed profits	Other	Sub-total	Minority interests
I. Balance at the end of last year	7,640,790,881.30	-	-	-	3,789,293,150.18	-	1,305,230,581.19	105,343,371.84	7,501,096,384.56	-	-	-	20,341,754,369.07	30,329,354,521.14	50,671,108,890.21
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of previous errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of the year	7,640,790,881.30	-	-	-	3,789,293,150.18	-	1,305,230,581.19	105,343,371.84	7,501,096,384.56	-	-	-	20,341,754,369.07	30,329,354,521.14	50,671,108,890.21
III. Increase/decrease in amount for the year (decrease is represented by "-")	-	-	-	-	-3,755,245,106.76	-	-225,597,147.62	-	-509,506,964.48	-	-	-	-4,490,349,218.86	5,411,523,195.76	921,173,976.90
(I) Total comprehensive income	-	-	-	-	-	-	-225,597,147.62	-	567,465,749.58	-	-	-	341,868,601.96	1,237,329,389.32	1,579,197,991.28
(II) Capital injection and reduction by owners	-	-	-	-	-3,755,245,106.76	-	-	-	-866,557,310.59	-	-	-	-4,621,802,417.35	5,235,011,566.49	613,209,149.14
1. Ordinary shares injected by owners	-	-	-	-	-	-	-	-	-	-	-	-	-	4,981,777,467.13	4,981,777,467.13
2. Share capital injected by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment credited to owner's equity	-	-	-	-	-3,755,245,106.76	-	-	-	-866,557,310.59	-	-	-	-4,621,802,417.35	253,234,099.36	-4,368,568,317.99
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Appropriation and utilization of special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilization of special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Profit distribution	-	-	-	-	-	-	-	-	-210,415,403.47	-	-	-	-210,415,403.47	-1,060,817,760.05	-1,271,233,163.52
1. Appropriation of surplus reserve Including: Statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Discretionary reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
# Reserve fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Item	Amount for the year													
	Paid-in capital (or share capital)			Other equity instruments			Equity attributable to owners of the parent company				Total owners' equity			
	Preference shares	Perpetual bonds	Others	Capital reserve	inventory shares	Other comprehensive income	Special reserve	Surplus reserve	△ General risk reserve	Undistributed profits	Other	Sub-total	Minority interests	Total owners' equity
# Enterprise expansion fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
# Transfer of profit to investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-210,415,403.47	-	-210,415,403.47	-1,060,817,760.05	-1,271,233,163.52
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Internal transfer of owner's equity														
1. Transfer of capital reserve into capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve into capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used for remedying losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer re-measurement changes in net liabilities or net assets of defined benefit scheme	-	-	-	-	-	-	-	-	-	-	-	-	-	-
☆ 5. Other comprehensive income carry-over retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of the year	7,640,790,881.30			34,048,043.42		1,079,633,433.57		105,343,371.84		6,991,589,420.08		15,851,405,150.21	35,740,877,716.90	51,592,282,867.11

The notes on pages II-37 to II-177 are an integral part of these financial statements.

The financial statements on pages II-3 to II-36 are signed by:

Person in charge of the Unit:

He Lianhui

Principal in charge of accounting work:

Wang Ning

Person in charge of the Accounting Department:

Wang Ning

Combined Statement of Provision for Assets Impairment

31 December 2018

Prepared by: China Power International Holding Limited

Unit: RMB

Item	Remaining carrying amount at the beginning of the year	Increase for the year		Provision for the period	Reversal due to appreciation of assets	Decrease for the year		Total	Remaining carrying amount at the end of the year	Item	Amount
		Increase due to mergers	Increase due to other reasons			Write-back	Decrease due to mergers				
I. Provision for bad debts	70,318,111.56	115,246.46		1,011,045.11	1,126,291.57	19,115,535.63	49,186.00	19,164,721.63	52,279,681.50	Supplemental information:	
II. Provision for inventory impairment	8,609,726.65			11,384,249.39	11,384,249.39			2,231,727.64	17,762,248.40	I. Political credits	
☆ III. Provision for impairment of contract assets										II. Dealing with the losses and credits of the previous year during the year	
IV. Provision for impairment of held-for-sale assets	8,996,199.21							8,996,199.21	8,996,199.21	Including: Losses and credits of the previous year charged to profit or loss of the year	
☆ V. Provision for impairment of debt investments											
VI. Provision for impairment of available-for-sale financial assets									18,415,601.10		18,415,601.10

Item	Remaining carrying amount at the beginning of the year	Provision for the period		Increase for the year		Reversal due to appreciation of assets	Write-back	Decrease for the year		Total	Remaining carrying amount at the end of the year	Item	Amount
		Increase due to mergers	Increase due to other reasons	Increase due to mergers	Increase due to other reasons			Decrease due to mergers	Decrease due to other reasons				
VII. Provision for impairment of held-to-maturity investment	230,349,524.67	-	-	-	-	-	-	-	-	-	230,349,524.67		
VIII. Provision for impairment of long-term equity investments													
IX. Provision for impairment of investment properties													
X. Provision for impairment of fixed assets	824,390,113.01	42,129,970.53	9,761,899.33	51,891,869.86			34,387,121.65	7,421,840.80	41,808,962.45		834,473,020.42		
XI. Provision for impairment of construction-in-progress	134,925,349.93	20,897,380.05		20,897,380.05							155,822,729.98		
XII. Provision for impairment of productive biological assets													
XIII. Provision for impairment of oil and gas assets													
XIV. Provision for impairment of intangible assets		1,976,790.13		1,976,790.13							1,976,790.13		
XV. Provision for goodwill impairment	31,791,000.00										31,791,000.00		
☆ XVI. Provision for impairment of costs of contract acquisition													

Item	Remaining carrying amount at the beginning of the year	Increase for the year		Reversal due to appreciation of assets	Decrease for the year		Remaining carrying amount at the end of the year	Item	Amount
		Provision for the period	Increase due to mergers		Increase due to other reasons	Decrease due to mergers			
☆ XVII. Provision for impairment of costs of contract fulfillment									
XVIII. Provision for other impairment		4,501,101.58					4,501,101.58		
Total	1,327,795,626.13	81,900,536.79	9,877,145.79	19,115,535.63	45,615,048.50	7,471,026.80	1,347,371,697.78		

The notes on pages II-37 to II-177 are an integral part of these financial statements.

The financial statements on pages II-3 to II-36 are signed by:

Person in charge of the Unit:

He Lianhui

Principal in charge of accounting work:

Wang Ning

Person in charge of the Accounting Department:

Balance Sheet**31 December 2018**

Prepared by: China Power International Holding Limited

Unit: RMB

Item	Note	31 December 2018	1 January 2018	31 December 2017
Current assets:		–	–	–
Monetary assets		2,344,300,900.98	595,572,972.68	595,572,972.68
△ Clearing settlement funds				
△ Placements with banks and other financial institutions				
☆ Financial assets held for trading				–
Financial assets at fair value through current profit or loss		27,479,524.57	25,937,050.14	25,937,050.14
Derivative financial assets				
Bills receivable and accounts receivable				
Prepayments		24,295,454.43	33,953,089.21	33,953,089.21
△ Premiums receivable				
△ Receivables from reinsurers				
△ Reinsurers' share of premium reserves				
Other receivables	XII. 1	344,980,199.46	3,913,200,321.50	3,913,200,321.50
△ Financial assets purchased under agreements to resell				
Inventories				
Including: Raw material				
Inventories (finished goods)				
☆ Contract assets				–
Held-for-sale assets				
Non-current assets due within one year				
Other current assets		2,317,327,743.49	487,329,129.67	487,329,129.67
Total current assets		5,058,383,822.93	5,055,992,563.20	5,055,992,563.20
Non-current assets:		–	–	–
△ Grant of loans and advanced payment				
☆ Debt investment				–
Available-for-sales financial assets		375,369,232.35	387,390,286.22	387,390,286.22
☆ Other debt investment				–
Held-to-maturity investments				
Long-term receivables				
Long-term equity investments	XII. 2	17,308,190,517.13	14,124,670,390.32	14,124,670,390.32
☆ Other equity instrument investments				–
☆ Other non-current financial assets				–
Investment properties				
Fixed assets		172,501,809.71	182,848,924.25	182,848,924.25

APPENDIX II
FINANCIAL INFORMATION OF PARENTCO

Item	Note	31 December 2018	1 January 2018	31 December 2017
Construction-in-progress				
Biological assets for production				
Oil and gas assets				
Intangible assets				
Development expenses				
Goodwill				
Long-term deferred expenses			11,279,236.50	11,279,236.50
Deferred income tax assets				
Other non-current assets				
Including: Special reserve fund				
Total non-current assets		17,856,061,559.19	14,706,188,837.29	14,706,188,837.29
Total assets		22,914,445,382.12	19,762,181,400.49	19,762,181,400.49
Current liabilities:		–	–	–
Short-term borrowings		1,606,902,400.00	6,333,740,168.80	6,333,740,168.80
△ Borrowings from the central bank				
△ Customer and interbank deposits				
△ Borrowing from interbank				
☆ Financial liabilities held for trading				–
Financial liabilities at fair value through current profit or loss				
Derivative financial liabilities				
Bills payable and accounts payable		3,761,005.92		
Receipt in advance				
☆ Contract liabilities				–
△ Amount from sales of repurchased financial assets				
△ Bank charges and commissions due				
Employee benefits payable		64,568,088.21	64,578,392.07	64,578,392.07
Including: Salary payable		65,043,507.75	65,043,507.75	65,043,507.75
Welfare expenses payable				
Including: # Employees' bonus and welfare fund				
Taxes and surcharges payable		1,496,477.17	484,963.70	484,963.70
Including: Taxes payable		1,496,477.17	484,963.70	484,963.70
Other payables		5,351,515,587.70	513,416,203.48	513,416,203.48
△ Reinsurance account payable				
△ Provisions for insurance contracts				
△ Amounts due to securities brokerage services				
△ Amounts due to securities underwriting services				

APPENDIX II
FINANCIAL INFORMATION OF PARENTCO

Item	Note	31 December 2018	1 January 2018	31 December 2017
Held-for-sale liabilities				
Non-current liabilities due within one year				
Other current liabilities				
Total current liabilities		7,028,243,559.00	6,912,219,728.05	6,912,219,728.05
Non-current liabilities:		–	–	–
Long-term borrowings		3,682,792,000.00	750,773,000.00	750,773,000.00
Bonds payable				
Including: preference shares				
Perpetual bonds				
Long-term payables				
Long-term salaries payable to employees				
Accrued liabilities				
Deferred income				
Deferred income tax liabilities				
Other non-current liabilities				
Including: Special reserve fund				
Total non-current liabilities		3,682,792,000.00	750,773,000.00	750,773,000.00
Total liabilities		10,711,035,559.00	7,662,992,728.05	7,662,992,728.05
Owners' equity (or shareholders' equity)		–	–	–
Paid-in capital (Share capital)		7,640,790,881.30	7,640,790,881.30	7,640,790,881.30
State-owned capital		7,640,790,881.30	7,640,790,881.30	7,640,790,881.30
Including: Capital attributable to state-owned				
legal persons		7,640,790,881.30	7,640,790,881.30	7,640,790,881.30
Collectively-owned capital				
Private Capital				
Including: Capital attributable to individuals				
Capital attributable to foreign investors				
# Less: Reverted investment				
Net paid-in capital (or share capital)		7,640,790,881.30	7,640,790,881.30	7,640,790,881.30
Other equity instruments				
Including: preference shares				
Perpetual bonds				
Capital reserve		1,788,422,859.98	1,924,936,181.47	1,924,936,181.47
Less: Inventory shares				
Other comprehensive income		8,054,581.42	8,054,581.42	8,054,581.42
Including: Differences in translation of				
financial statements in foreign currency		8,054,581.42	8,054,581.42	8,054,581.42
Special reserve				
Surplus reserves		105,343,371.84	105,343,371.84	105,343,371.84
Including: Statutory reserve		104,852,745.72	104,852,745.72	104,852,745.72
Discretionary reserve		490,626.12	490,626.12	490,626.12
# Reserve fund				

Item	<i>Note</i>	31 December 2018	1 January 2018	31 December 2017
# Enterprise expansion fund				
# Transfer of profit to investment				
△ General risk reserve				
Undistributed profits		2,660,798,128.58	2,420,063,656.41	2,420,063,656.41
Total equity attributable to owners (or shareholders' equity) of the parent company		12,203,409,823.12	12,099,188,672.44	12,099,188,672.44
* Minority interests				
Total owners' equity (or shareholders' equity)		12,203,409,823.12	12,099,188,672.44	12,099,188,672.44
Total liabilities and owners' equity (or shareholders' equity)		22,914,445,382.12	19,762,181,400.49	19,762,181,400.49

The notes on pages II-37 to II-177 are an integral part of these financial statements.

The financial statements on pages II-3 to II-36 are signed by:

Person in charge of
the Unit:

Principal in charge of
accounting work:
He Lianhui

Person in charge of the
Accounting Department:
Wang Ning

Profit Statement*For the year 2018*

Prepared by: China Power International Holding Limited

Unit: RMB

Item	<i>Notes</i>	Amount for the year	Amount for last year
I. Total operating income		30,158,606.90	18,836,756.76
Including: Operating income	<i>XII. 3</i>	30,158,606.90	18,836,756.76
△ Interest income			
△ Premium earned			
△ Income from bank charges and commissions			
II. Total operating costs		406,393,980.64	23,435,698.45
Including: Operating costs			
△ Interest expenses			
△ Bank charges and commissions expenses			
△ Payments on surrenders			
△ Net expenditure for compensation payment			
△ Net provisions for insurance contracts			
△ Expenditure for insurance policy dividend			
△ Reinsurance cost			
Taxes and surcharge		8,553,514.28	3,419,037.14
Selling expenses			
Administrative expenses		100,814,422.29	69,748,691.22
Including: Funds of party development			
Research and development expenses			
Finance costs		297,026,044.07	-49,732,029.91
Including: Interest expenses		204,876,571.01	96,854,183.42
Interest income		3,604,102.64	62,371,810.71
Net foreign exchange gain			
Net foreign exchange loss		92,931,184.55	-84,723,763.85
Impairment loss on assets			
☆ Impairment loss on credit			–
Others			
Add: Other income			
Investment income (loss is represented by “-”)	<i>XII. 4</i>	674,294,507.28	700,976,972.71
Including: Investment income from associates and joint ventures	<i>XII. 4</i>	49,895,558.04	
△ Foreign exchange gain (loss is represented by “-”)			
☆ Net gains from hedging exposure (loss is represented by “-”)			–
Gain from changes in fair value (loss is represented by “-”)		1,542,474.43	4,747,503.68
Gain on disposal of assets (loss is represented by “-”)		209,767.67	

Item	<i>Notes</i>	Amount for the year	Amount for last year
III. Operating profit (loss is represented by “-”)		299,811,375.64	701,125,534.70
Add: Non-operating income			1,198,900.23
Including: Government grants			
Gain from debt restructuring			
Less: Non-operating expenses			
Including: Loss from debt restructuring			
IV. Total profit (total loss is represented by “-”)		299,811,375.64	702,324,434.93
Less: Income tax expenses			
V. Net profits (net losses is represented by “-”)		299,811,375.64	702,324,434.93
(1) Classified by ownership:		-	-
Net profit attributable to owners of the parent company		299,811,375.64	702,324,434.93
* Profit or loss of minority interests			
(2) Classified by continuity of operations:		-	-
Net profit from continuing operations		299,811,375.64	702,324,434.93
Net profit from discontinued operations			
VI. Net other comprehensive income after tax			
Net other comprehensive income after tax attributable to owners of the parent company			
(I) Other comprehensive income that cannot be reclassified to profit or loss			
1. Changes arising from re-measurement of defined benefit plans			
2. Other comprehensive income that cannot be reclassified to profit or loss under the equity method			
☆ 3. Changes in fair value of other equity instrument investments			-
☆ 4. Changes in fair value of the enterprise’s own credit risk			-
5. Others			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that can be transferred to profit or loss under the equity method			
☆ 2. Changes in fair value of other debt investments			-
3. Gains or losses from changes in fair value of available-for-sale financial assets			

Item	<i>Notes</i>	Amount for the year	Amount for last year
☆ 4. Financial assets reclassified to other comprehensive income			-
5. Gains or losses from held-to-maturity investment reclassified as available-for-sale financial assets			
☆ 6. Credit impairment provision for other debt investments			-
7. Cash flow hedging reserve (Effective portion of cash flow adjusted for hedging gains or losses)			
8. Exchange differences from translation of foreign-currency financial statements			
9. Others			
* Net other comprehensive income after tax attributable to minority shareholders			
VII. Total comprehensive income		299,811,375.64	702,324,434.93
Total comprehensive income attributable to owners of the parent company		299,811,375.64	702,324,434.93
* Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share:		-	-
Basic earnings per share			
Diluted earnings per share			

The notes on pages II-37 to II-177 are an integral part of these financial statements.

The financial statements on pages II-3 to II-36 are signed by:

Person in charge of
the Unit:

Principal in charge of
accounting work:
He Lianhui

Person in charge of the
Accounting Department:
Wang Ning

Cash Flow Statement*For the year 2018*

Prepared by: China Power International Holding Limited

Unit: RMB

Item	Note	Amount for current year	Amount for last year
I. Cash flows from operating activities:		–	–
Cash received from sale of goods and rendering of services		31,968,123.31	21,513,562.05
△ Net increase in customer and interbank deposits			
△ Net increase in borrowings from the central bank			
△ Net increase in borrowing from other financial institutions			
△ Cash received from premiums under original insurance contract			
△ Net cash received from reinsurance business			
△ Net increase in deposits of policy holders and investment			
△ Net increase in disposal of financial assets at fair value through current profit or loss			
△ Cash received from interest, bank charges and commissions			
△ Net increase in borrowing from interbank			
△ Net increase in cash received from repurchase business			
Refund of taxes and surcharges			
Other cash received relating to operating activities		1,137,175,882.45	258,185,503.91
Sub-total of cash inflows from operating activities		1,169,144,005.76	279,699,065.96
Cash paid for goods and services			
△ Net increase in customer loans and advances			
△ Net increase in deposits in the central bank and interbank			
△ Cash paid for compensation payments under original insurance contract			
△ Cash paid for interest, fees and commissions			
△ Cash paid for insurance policy dividend			
Cash paid to and on behalf of employees		12,351,860.63	1,198,894.34
Payments of taxes and surcharges		8,667,477.52	280,254.47
Other cash paid relating to operating activities		176,794,227.36	406,366,438.56

Item	Note	Amount for current year	Amount for last year
Sub-total of cash outflows from			
operating activities		197,813,565.51	407,845,587.37
Net cash flows from operating activities	XII. 5	971,330,440.25	-128,146,521.41
II. Cash flows from investing activities:			
Cash received from disposal of investments		942,233.52	18,258,663.00
Cash received from return on investments		589,832,123.29	700,976,972.71
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities		7,585,825,007.07	586,948,517.04
Sub-total of cash inflows from			
investing activities		8,176,599,363.88	1,306,184,152.75
Cash paid to acquire fixed assets, intangible assets and other long-term assets			7,247,647.66
Cash paid for investments		2,030,172,751.03	1,977,257,481.30
△ Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities		3,360,634,900.00	3,742,105,800.00
Sub-total of cash outflows from			
investing activities		5,390,807,651.03	5,726,610,928.96
Net cash flows from investing activities		2,785,791,712.85	-4,420,426,776.21
III. Cash flows from financing activities:			
Cash received from capital contributions Including: cash received from capital contributions by minority shareholders to subsidiaries			
Cash received from borrowings		13,900,052,800.00	13,337,362,505.80
△ Cash received from bond issuance			
Other cash received relating to financing activities			
Sub-total of cash inflows from			
financing activities		13,900,052,800.00	13,337,362,505.80
Cash repayments of borrowings		15,694,871,568.80	8,155,220,337.00
Cash paid for dividends, profit distributions or interest payment		204,293,212.27	436,375,553.89
Including: Cash payments for dividends and profit to minority shareholders by subsidiaries			
Other cash paid relating to financing activities		9,282,243.73	19,545,508.21

Item	<i>Note</i>	Amount for current year	Amount for last year
Sub-total of cash outflows from financing activities		15,908,447,024.80	8,611,141,399.10
Net cash flows from financing activities		-2,008,394,224.80	4,726,221,106.70
IV. Effect of fluctuations in exchange rates on cash and cash equivalents			
V. Net increase in cash and cash equivalents	<i>XII. 5</i>	1,748,727,928.30	177,647,809.08
Add: Cash and cash equivalents balance at the beginning of the period	<i>XII. 5</i>	595,572,972.68	417,925,163.60
VI. Cash and cash equivalents balance at the end of the period	<i>XII. 5</i>	2,344,300,900.98	595,572,972.68

The notes on pages II-37 to II-177 are an integral part of these financial statements.

The financial statements on pages II-3 to II-36 are signed by:

Person in charge of
the Unit:

Principal in charge of
accounting work:
He Lianhui

Person in charge of the
Accounting Department:
Wang Ning

Statement of Changes in Owners' Equity

For the year 2018

Prepared by: China Power International Holding Limited

Unit: RMB

Item	Paid-in capital (or share capital)	Preference shares	Other equity instruments		Capital reserve	Equity attributable to owners of the parent company		Amount for the year				Sub-total	Minority interests	Total owners' equity
			Perpetual bonds	Others		Less: inventory shares	Other comprehensive income	Special reserve	Surplus reserve	△ General risk reserve	Undistributed profits			
I. Balance at the end of last year	7,640,790,881.30	-	-	-	1,924,936,181.47	-	8,054,581.42	105,343,371.84	2,420,063,656.41	-	-	12,099,188,672.44	-	12,099,188,672.44
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Correction of previous errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of the year	7,640,790,881.30	-	-	-	1,924,936,181.47	-	8,054,581.42	105,343,371.84	2,420,063,656.41	-	-	12,099,188,672.44	-	12,099,188,672.44
III. Increase/decrease in amount for the year (decrease is represented by "-")	-	-	-	-	-136,513,321.49	-	-	-	240,734,472.17	-	-	104,221,150.68	-	104,221,150.68
(I) Total comprehensive income	-	-	-	-	-	-	-	-	299,811,375.64	-	-	299,811,375.64	-	299,811,375.64
(II) Capital injection and reduction by owners	-	-	-	-	-136,513,321.49	-	-	-	-	-	-136,513,321.49	-	-136,513,321.49	
1. Ordinary shares injected by owners	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Share capital injected by holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Amount of share-based payment credited to owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-136,513,321.49	-	-	-	-	-	-136,513,321.49	-	-136,513,321.49	
(III) Appropriation and utilization of special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation of special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Utilization of special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Profit distribution	-	-	-	-	-	-	-	-	-59,076,903.47	-	-	-59,076,903.47	-	-59,076,903.47
1. Appropriation of surplus reserve Including: Statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Item	Paid-in capital (or share capital)		Other equity instruments		Equity attributable to owners of the parent company				Amount for the year				Total owners' equity	
	Preference shares	Perpetual bonds	Other shares	Capital reserve	Less: inventory shares	Other comprehensive income	Special reserve	Surplus reserve	△ General risk reserve	Undistributed profits	Other	Sub-total		Minority interests
Discretionary reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
# Reserve fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
# Enterprise expansion fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-
# Transfer of profit to investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Appropriation of general risk reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-59,076,903.47	-	-59,076,903.47	-	-59,076,903.47
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Internal transfer of owner's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve into capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve into capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used for remedying losses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer re-measurement changes in net liabilities or net assets of defined benefit scheme	-	-	-	-	-	-	-	-	-	-	-	-	-	-
☆ 5. Other comprehensive income carry-over retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of the year	7,640,790,881.30			1,788,422,859.98		8,054,581.42	105,343,371.84		2,660,798,128.58	12,203,409,823.12		12,203,409,823.12		12,203,409,823.12

The notes on pages II-37 to II-177 are an integral part of these financial statements.

The financial statements on pages II-3 to II-36 are signed by:

Person in charge of the Unit:

He Lianhui

Principal in charge of accounting work:

Wang Ning

Person in charge of the Accounting Department:

Item	Paid-in capital (or share capital)	Other equity instruments	Capital reserve	Less: inventory shares	Amount for last year					Sub-total	Minority interests	Total owners' equity
					Equity attributable to owners of the parent company	Other comprehensive income	Special reserve	Surplus reserve	△ General risk reserve			
3. Distribution to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-347,787,642.18	-	-347,787,642.18
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Internal transfer of owner's equity												
1. Transfer of capital reserve into capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve into capital (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserve used for remedying losses	-	-	-	-	-	-	-	-	-	-	-	-
4. Transfer re-measurement changes in net liabilities or net assets of defined benefit scheme	-	-	-	-	-	-	-	-	-	-	-	-
☆ 5. Other comprehensive income carry-over retained earnings	-	-	-	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of the year	7,640,790,881.30		1,924,936,181.47		8,054,581.42		105,343,371.84		2,420,063,656.41		12,099,188,672.44	12,099,188,672.44

The notes on pages II-37 to II-177 are an integral part of these financial statements.

The financial statements on pages II-3 to II-36 are signed by:

Person in charge of the Unit:	Principal in charge of accounting work:	Person in charge of the Accounting Department:
	He Lianhui	Wang Ning

Statement of Provision for Assets Impairment

31 December 2018

Prepared by: China Power International Holding Limited

Unit: RMB

Item	Remaining carrying amount at the beginning of the year	Increase for the year		Reversal due to appreciation of assets	Decrease for the year		Remaining carrying amount at the end of the year	Item	Amount
		Provision for the period	Increase due to mergers		Increase due to other reasons	Write-back			
I. Provision for bad debts	8,412,815.11						8,412,815.11	Supplemental information:	
II. Provision for inventory impairment								I. Political credits	
☆ III. Provision for impairment of contract assets								II. Dealing with the losses and credits of the previous year during the year	
IV. Provision for impairment of held-for-sale assets								Including : Losses and credits of the previous year charged to profit or loss of the year	
☆ V. Provision for impairment of debt investments									
VI. Provision for impairment of available-for-sale financial assets	18,415,601.10						18,415,601.10		

Item	Remaining carrying amount at the beginning of the year	Increase for the year		Reversal due to appreciation of assets	Decrease for the year		Remaining carrying amount at the end of the year	Item	Amount
		Provision for the period	Increase due to mergers		Increase due to other reasons	Write-back			
VII. Provision for impairment of held-to-maturity investment				-					
VIII. Provision for impairment of long-term equity investments				-					
IX. Provision for impairment of investment properties				-					
X. Provision for impairment of fixed assets				-					
XI. Provision for impairment of construction-in-progress				-					
XII. Provision for impairment of productive biological assets				-					
XIII. Provision for impairment of oil and gas assets				-					
XIV. Provision for impairment of intangible assets				-					
XV. Provision for goodwill impairment				-					
☆ XVI. Provision for impairment of costs of contract acquisition				-					

Item	Remaining carrying amount at the beginning of the year	Increase for the year		Reversal due to appreciation of assets	Decrease for the year		Remaining carrying amount at the end of the year	Item	Amount
		Provision for the period	Increase due to mergers		Increase due to other reasons	Decrease due to mergers			
☆ XVII. Provision for impairment of costs of contract fulfillment									
XVIII. Provision for other impairment									
Total	26,828,416.21						26,828,416.21		

The notes on pages II-37 to II-177 are an integral part of these financial statements.

The financial statements on pages II-3 to II-36 are signed by:

Person in charge of the Unit:

He Lianhui

Principal in charge of accounting work:

Wang Ning

Person in charge of the Accounting Department:

CHINA POWER INTERNATIONAL HOLDING LIMITED**NOTES TO FINANCIAL STATEMENTS 2018****I. CORPORATE PROFILE**

China Power International Holding Limited (hereinafter referred to as the “Company”) was incorporated in 1994 in Hong Kong and became a wholly-owned subsidiary of China Power Investment Corporation (now State Power Investment Corporation Limited) upon restructuring of State Power Corporation in 2003. It mainly engages in the development, construction and operation of power projects and is committed to overseas financing and capital operation. It’s legal representative is Tian Jun, paid-in capital is RMB7.641 billion and registered address is located at Room 6301, Building 63, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

Since its establishment, the Company has proactively explored new ways to use foreign capital to run electricity and actively developed large units with high efficiency, high parameters and improved environmental protection capabilities. Shares of two controlling subsidiaries of the Company, namely China Power International Development Limited (Stock Code: 2380, “China Power” for short) and China Power Clean Energy Development Company Limited (Stock Code: 0735, “China Power Clean Energy” for short), were listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The parent company of the Company is State Power Investment Corporation Limited.

These financial statements were approved for publication by the general manager’s office meeting of the Company on 15 March 2019.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Company have been prepared based on the actual transactions and events on a going concern basis and in accordance with the Accounting Standard for Business Enterprises – Basic Standards (issued by the Ministry of Finance Order No. 33 and amended by the Ministry of Finance Order No. 76), the 42 specific accounting standards issued and amended on 15 February 2006 and thereafter, the Guideline for the Application of the Accounting Standards for Business Enterprises, the Interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (collectively the “**Accounting Standards for Business Enterprises**”).

III. STATEMENT OF COMPLIANCE ON THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements of the Company are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the financial positions on 31 December 2018, operating results, cash flows and other relevant information for the year 2018 of the Company.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Ministry of Finance issued the Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Revised in 2017) (Cai Kuai [2017] No. 7), Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets (Revised in 2017) (Cai Kuai [2017] No. 8) and Accounting Standard for Business Enterprises No. 24 – Hedge Accounting (Revised in 2017) (Cai Kuai [2017] No. 9) on 31 March 2017 and the Accounting Standard for Business Enterprises No. 37 – Presentation and Reporting of Financial Instruments (Revised in 2017) (Cai Kuai [2017] No. 14) on 2 May 2017 (collectively the “New FI Standard”); and issued the Accounting Standard for Business Enterprises No. 14 – Revenue (Revised in 2017) (Cai Kuai [2017] No. 22) on 5 July 2017 (the “New Revenue Standard”).

Affiliates of the Company, China Power International Development Limited and China Power Clean Energy Development Company Limited, started to apply the New FI Standard and the New Revenue Standard since 1 January 2018 and other companies have not yet adopted such standards. In describing accounting policies and accounting estimates, the Company has made a difference between “companies that have adopted New FI Standard” and “companies that have not yet adopted New FI Standard”, as well as “companies that have adopted New Revenue Standard” and “companies that have not yet adopted New Revenue Standard”.

1. Accounting period

Accounting periods of the Company are divided into annual periods and interim periods. Interim periods refer to reporting periods that are shorter than a full fiscal year. The fiscal year of the Company is from 1 January to 31 December of each calendar year.

2. Reporting currency

The Company and its domestic subsidiaries recognise RMB as their reporting currency according to the primary economic environment in which they operate. The reporting currency of the Company and its domestic subsidiaries is Renminbi (“RMB”). Overseas subsidiaries of the Company usually recognise Deutsch Mark and Vietnamese Dong as their reporting currency according to the primary economic environment in which these subsidiaries operate, while overseas subsidiary China Power International (Pakistan) Investment Co., Ltd.* (中國電力國際(巴基斯坦)投資有限公司) recognize RMB as its reporting currency in consideration of scope of business, sources of capital and convenience of exchange. The Company prepares its financial statements in RMB.

3. Book-keeping bases and measurement principles

In accordance with the applicable provisions under the Accounting Standards for Business Enterprises, the Company uses the accrual method as its basis of accounting. Except certain financial instruments, accounting items are generally measured at historical cost in the financial statements. The held-for-sale non-current assets are measured at the fair value less the estimated expense or the original carrying amount existing when the sale conditions are satisfied, whichever is the lower. In case of impairment, the impairment loss shall be determined in accordance with applicable provisions.

4. Business combination

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

(1) Business combination under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties before and after the combination, and that control is not transitory. The party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

Assets and liabilities obtained by the absorbing party are measured at their carrying amount at the combination date as recorded by the party being merged. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate nominal value of shares issued as consideration) is charged to the capital reserve (share capital premium). If the capital reserve (share capital premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Cost incurred by the absorbing party that is directly attributable to the business combination shall be charged to profit or loss in the period in which they are incurred.

(2) Business combination not under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination. For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For business combination involving entities not under common control, the cost of a business combination is the aggregate of the fair values, on the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer to be paid by the acquirer, in exchange for control of the acquiree plus agency fee such as audit, legal service and evaluation consultation and other management fees charged to the profit or loss for the period when incurred. As equity or bond securities are issued by the acquirer as consideration, any attributable transaction cost is included their initial costs. Involved contingent consideration charged to the combination cost according to its fair value on the acquisition date, the combined goodwill will be adjusted if new or addition evidence existed about the condition in the acquisition date within twelve months after the acquisition date, which is required to adjust the contingent consideration. The combination cost incurred by the acquirer and the identifiable net assets acquired from the combination are measured at their fair values. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets on the acquisition date, the difference is recognised as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall first reassess the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after such reassessment the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is charged to profit or loss for the period.

In relation to the deductible temporary difference acquired from the acquiree, which was not recognised as deferred tax assets due to non-fulfilment of the recognition criteria at the date of the acquisition, if new or further information that is obtained within 12 months after the acquisition date indicates that related conditions at the acquisition date already existed, and that the implementation of the economic benefits brought by the deductible temporary difference of the acquiree can be expected, the relevant deferred tax assets shall be recognised and goodwill shall be deducted. When the amount of goodwill is less than the deferred tax assets that shall be recognised, the difference shall be recognised in the profit or loss of the period. Except for the above circumstances, deferred tax assets in relation to business combination are recognised in the profit or loss of the period.

For combination of business not under common control achieved by several transactions, these several transactions will be judged whether they belong to "transactions in a basket" in accordance with the judgement standards on "transactions in a basket" as set out in the Notice of the Ministry of Finance on Issuing Accounting Standards for Business Enterprises Interpretation No. 5 (Cai Kuai [2012] No. 19) and Rule of 51 to "Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements" (see Note IV. 5(2)). If they belong to "transactions in a basket", they are accounted for with reference to the descriptions as set out in the previous paragraphs of this section and Note IV. 12 "Long-term equity investments", and if they do not belong to "transactions in a basket", they are accounted for in separate financial statements and consolidated financial reports:

In separate financial statements, the initial equity investment cost is the aggregate of the carrying amount of the equity investment in the acquiree held prior to the acquisition date and the investment cost newly added as at the acquisition date. In respect of any other comprehensive income attributable to the equity interest in the acquiree prior to the acquisition date, other comprehensive income is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree at the time of disposal (i.e. to be transferred to investment income for the period, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan using the equity method attributable to the acquiree).

In consolidated financial statements, the equity interest in the acquiree held prior to the acquisition date is remeasured at fair value as at the acquisition date, and the difference between the fair value and the carrying amount is recognised as investment income for the current period. In respect of any other comprehensive income attributable to the equity interest in the acquiree held prior to the acquisition date, other comprehensive income is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree (i.e. to be transferred to investment income at the acquisition date, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan using the equity method attributable to the acquiree) is transferred to investment income in the period of the acquisition date.

If there is an increase or decrease in subsidiaries due to a purchase or sale of equity interests not under common control, the date of purchase or disposal will be determined after overall consideration of whether the internal approval procedure and the external supervision substantive examination have passed, whether the amount of payment has resulted in a large cost of default, the transfer of the management of the Company, and the availability of financial information and the degree of control. The method for determining the fair value of the relevant transaction is usually agreed by related parties upon assessment by an independent third party.

5. Preparation of combined financial statements***(1) Basis for principle of determining the scope of consolidated financial statements***

The scope of consolidation of the consolidated financial statements is determined on the basis of control. The term “control” refers to the fact that the Company has power over the investee and is entitled to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns. The scope of consolidation includes the Company and all of its subsidiaries. A subsidiary is an entity controlled by the Company.

The Company will conduct reassessment in the event there are changes in actual condition and situation causing changes in relevant elements involved in the definition of control above.

(2) Basis for preparation of the consolidated financial statements

Subsidiaries are consolidated from the date on which the Company obtains net assets and the effective control of decision making of production and operation and are deconsolidated from the date that such control ceases. For disposal of subsidiaries, the operating results and cash flows of such subsidiaries before the date of disposal are properly included into the consolidated income statement and consolidated cash flow statements; for disposal of subsidiaries during the reporting period, no adjustment shall be made to the opening balance of the consolidated balance sheet. For those subsidiaries acquired through business combination not under common control, the operating results and cash flows after the acquisition date have been properly included in the consolidated income statements and consolidated cash flow statements. No adjustments shall be made to the opening balance of the consolidated balance sheet and the comparative consolidated financial statements amount. For those subsidiaries acquired through business combinations under common control and the party being absorbed under merger by absorption, the operating results and cash flows from the beginning of the consolidation period to the consolidation date are also presented in the consolidated income statement and the consolidated cash flow statements. The comparative amounts presented in the consolidated financial statements are also adjusted accordingly.

The financial statements of the subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company in the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and the subsidiaries. For acquisition of subsidiaries arising from merger of entities not under same control, the financial statements of the subsidiaries will be adjusted according to the fair value of the identifiable net assets at the acquisition date.

All intra-company significant balances, transactions and unrealised profit are eliminated in the consolidated financial statements.

The shareholders’ equity and the portion of the profit or loss for the period of the subsidiaries that are not attributable to the Company are presented under shareholders’ equity and net profit in the consolidated financial statements as minority interests and net profit of minority interest respectively. The portion of net profit or loss of subsidiaries for the period attributable to minority interest is presented in the consolidated income statement under the “profit or loss of minority interest”. When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders’ portion of the opening balance of owners’ equity of the subsidiary, the excess amount shall be allocated against minority interest.

For the loss of control over a subsidiary due to disposal of a portion of the equity investment or other reasons, the remaining equity is measured at fair value on the date when the control is lost. The difference arising from the sum of consideration received for disposal of equity interest and the fair value of remaining equity interest over the share of net assets of the former subsidiary calculated continuously since the purchase date based on the shareholding percentage before disposal are recognised as investment income in the period when the control is lost. Other comprehensive income related to equity investment in the subsidiary is accounted for on the same accounting treatment as direct disposal of relevant asset or liability by the acquiree at the time when the control is lost (i.e. to be transferred to investment income, except for the changes arising from re-measuring net assets or net liabilities of defined benefit plan of the subsidiary using the equity method). The remaining equity interests are measured subsequently according to “Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments” or “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”. See Note IV. 12 “Long-term equity investments” or Note IV. 9 “Financial instruments” for details.

When the Company disposes of equity investment in a subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost, it shall determine whether these several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to “transactions in a basket”. Usually, these several transactions related to the disposal of equity investment in a subsidiary are accounted for as transactions in a basket when the terms, conditions and economic impacts of these several transactions meet the following one or more conditions: ① these transactions are entered into at the same time or after considering their impacts on each other; ② these transactions as a whole can reach complete business results; ③ the occurrence of a transaction depends on at least the occurrence of another transaction; ④ an individual transaction is not deemed as economic, but is deemed as economic when considered with other transactions. If they are not transactions in a basket, each of which are accounted for in accordance with applicable rules in “partial disposal of long-term equity investment of a subsidiary without losing control over a subsidiary” (see Note IV. 12 (2) ④) separately, and “the control over a subsidiary is lost due to partial disposal of equity investment or other reasons” (see the preceding paragraph). When several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost belong to transactions in a basket, each of which is accounted for as disposal of a subsidiary with a transaction until the control over a subsidiary is lost; however, the different between the amount of disposal prior to the loss of control and the net assets of a subsidiary attributable to the disposal investment shall be recognised as other comprehensive income in consolidated financial statements and transferred to profit or loss at the time when the control is lost.

6. Classification of joint arrangements and accounting treatment for joint ventures

A joint arrangement refers to an arrangement of two or more parties have joint control. In accordance with the Company’s rights and obligations under a joint arrangement, the Company classifies joint arrangements into: joint ventures and joint operations. Joint operations refer to a joint arrangement during which the Company is entitled to relevant assets and obligations of this arrangement. Joint ventures refer to a joint arrangement during which the Company only is entitled to net assets of this arrangement.

The Company treats investments in joint ventures by using the equity method of accounting in accordance with accounting policies as set out in Note IV. 12 (2) ② “long-term equity investments by using equity method of accounting”.

The Company shall, as a joint venture, recognise the assets held and obligations assumed solely by the Company, and recognise assets held and obligations assumed jointly by the Company in appropriation to the share of the Company; recognise revenue from disposal of the share of joint operations of the Company; recognise fees solely occurred by Company and recognise fees from joint operations in appropriation to the share of the Company.

When the Company, as a joint venture, invests or sells assets (the assets does not constitute a business, the same below) to or purchase assets from joint operations, the Company shall only recognise the part of profit or loss from this transaction attributable to other parties of joint operations before these assets are sold to the third party. If the occurrence of these assets meet the impairment loss of asset as set out in “Accounting Standard for Business Enterprises No. 8 – Asset Impairment”, the Company shall recognise the full amount of this loss in relation to the Company invests in or sells assets to joint operations; the Company recognise the loss according to the Company’s share of commitment in relation to the Company purchase assets from joint operations.

7. Standards for recognising cash and cash equivalents

Cash and cash equivalents of the Company include cash on hand, deposits readily available for payment purpose and short-term (normally fall due within three months from the date of acquisition) and highly liquid investments held the Company which are readily convertible into known amount of cash and which are subject to insignificant risk of value change.

8. Foreign currency operations and translation of statements denominated in foreign currency

(1) Basis for translation of foreign currency transactions

The foreign currency transactions of the Company, when initially recognised, are translated into the functional currency at the prevailing spot exchange rate on the date of exchange, i.e. the middle price of RMB exchange rate published by the People’s Bank of China on that date in general and the same hereinafter, while the foreign currency exchange operations and transactions in connection with foreign currency exchange shall be translated into the functional currency at the exchange rate actually adopted.

(2) Basis for translation of foreign currency monetary items and foreign currency non-monetary items

On the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. All differences are included in the profit or loss in the period, except for: ① the differences arising from foreign currency borrowings related to the acquisition or construction of fixed assets that are qualified for capitalisation will be accounted for according to the principle of capitalisation; and ② exchange difference arising from change in balance of carrying amount other than amortised cost of available for sale foreign monetary items will be included in other comprehensive income.

Exchange differences arising from change in exchange rate where the preparation of consolidated financial statements relates to foreign operations and foreign currency monetary items materially constitute net investment in foreign operations shall be recorded into “other comprehensive income”; disposal of foreign operations shall be included into profits and losses on disposal in the current period.

The foreign currency non-monetary items measured at historical cost shall still be measured by the functional currency translated at the spot exchange rate on the date of the transaction. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date of determination of the fair value. The difference between the amounts of the functional currency before and after the translation will be treated as changes in fair value (including changes in foreign exchange rates) and recognised in profit or loss for the period or recognised as other comprehensive income.

(3) Basis for translation of foreign currency financial statements

Exchange differences arising from change in exchange rate where the preparation of consolidated financial statements relates to foreign operations and foreign currency monetary items materially constitute net investment in foreign operations shall be recorded into “other comprehensive income” under “translation reserve”; disposal of foreign operations shall be included into profits and losses on disposal in the current period.

The financial statements denominated in foreign currency of a foreign operation are translated to RMB in compliance with the following requirements: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; owner’s equity items except for “retained profit” are translated at the spot exchange rates at the dates on which such items arose; income and expenses items in the income statement are translated at the spot exchange rate at the date of transaction. The retained profit brought forward are reported at the prior year’s closing balance; the retained profit as at the end of the year are presented after translated the profit appropriation items; differences between the aggregate of asset and liability items and owners’ equity items are recognised as “translation differences arising on the translation of financial statements denominated in foreign currencies” in other comprehensive income. On disposal of foreign operations and loss of control, exchange differences arising from the translation of financial statements denominated in foreign currencies related to the disposed foreign operations which has been included in owners’ equity in the balance sheet, shall be transferred to profit or loss in whole or in proportionate share in the period in which the disposal took place.

Cash flow dominated in foreign currency or from foreign subsidiaries shall be translated at the spot exchange rate when it incurs. Effects arising from changes of exchange rate of cash shall be presented separately in the cash flow statements.

The opening balance and the prior year’s figures are presented according to the translated amounts of the prior year.

On disposal of the entire owners’ equity in a foreign operation of the Company, or upon a loss of control over a foreign operation due to disposal of certain equity investment or other reasons, the Company transfers the exchange differences arising on translation of financial statements of this foreign operation attributable to owners’ equity of parent company presented under owners’ equity in the balance sheet, to profit or loss in the period in which the disposal took place.

In case of partial disposal of equity investment or other reason that result in reduction in shareholding in a foreign operation without losing control over it, the proportionate share of exchange differences arising from the translation of financial statements will be attributable to minority interests and will not recognised in profit or loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the exchange differences arising from the translation of financial statements of foreign operations is reclassified to profit or loss.

9. Financial instruments

Relevant accounting policies of “companies that have not yet adopted New FI Standard” are as follows:

Financial asset or financial liability will be recognised when the Company became one of the parties under a financial instrument contract. Financial assets and financial liabilities are initially recognised at fair value. For financial assets and financial liabilities measured at fair value and whose changes are carried through profit or loss, relevant transaction costs are directly recognised in profit or loss for the period. For financial assets and financial liabilities classified as other categories, relevant transaction costs are included in the amount initially recognised.

(1) *Determination of fair values for financial assets and financial liabilities*

The fair value refers to the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. Financial instruments exist in an active market. Fair value is determined based on the quoted price in such market. An active market refers to where pricing is easily and regularly obtained from exchanges, brokers, industrial organisations and price fixing service organisations, representing the actual price of a market transaction that takes place in a fair deal. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques. Valuation technologies include reference to be familiar with situation and prices reached in recent market transactions entered into by both willing parties, reference to present fair values of similar other financial instruments, cash flow discounting method and option pricing models.

(2) *Classification, recognition and measurement of financial assets*

Conventionally traded financial assets shall be recognised and derecognised at the trading date. Financial assets shall be classified into financial assets at fair value through current profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets for initial recognition.

① *Financial assets at fair value through current profit or loss*

Financial assets at fair value through current profit or loss include financial assets held for trading and financial assets specified to be measured at fair value through current profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: A. it has been acquired principally for the purpose of selling in the near term; B. it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Company has a recent actual pattern of short-term profit-taking; C. it is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

The financial assets satisfying any of the following conditions may be designated as financial assets at fair value through current profit or loss upon initial recognition: A. such designation may eliminate or apparently reduce the inconsistency in the recognition or measurement of the relevant gains or losses caused by the different basis of measurement of the financial asset; B. it has been specified in the official written documents of the Company on risk management or investment strategies that the financial assets portfolio or the portfolio of financial assets and financial liabilities to which the financial asset belongs is managed and evaluated and reported to key managers at the fair value.

The financial assets at fair value through current profit or loss are subsequently measured at the fair value. The gains or losses arising from the change in fair value and the dividends and interests income related to the financial instruments are recognised in the profit or loss for the period.

② *Held-to-maturity investments*

Held-to-maturity investments refer to the non-derivative financial assets with fixed maturity date and fixed or identifiable recovery amount and which the Company explicitly intends and is capable to hold to maturity.

Held-to-maturity investments are subsequently measured at the amortised cost using the effective interest rate method. The gains or losses arising from de-recognition, impairment or amortisation are recognised in profit or loss for the period.

The effective interest rate method refers to the method by which the amortised cost and interest income or expenses in different periods of the financial assets or financial liabilities (including a portfolio of financial assets or financial liabilities) are calculated at the effective interest rate. The effective interest rate is the interest rate adopted to transfer the future cash flow derived from the financial assets or financial liabilities in the expected existence period or an applicable shorter period to the current carrying value of the financial assets or financial liabilities.

In calculating the effective interest rate, the Company considers the estimated future cash flow based on all the contractual terms applicable to the financial assets or financial liabilities (not taking future credit loss into consideration) and considers the various charges, transactions costs and discounts or premium paid or received between the parties to the contracts applicable to the financial assets or financial liabilities and constituting a part of the effective interest rate.

③ *Loans and receivables*

Loans and receivables refer to the non-derivative financial assets without quoted price in the active market and fixed or identifiable recoverable amount. The financial assets classified by the Company as loans and receivables include bills receivables, accounts receivables, interest receivables, dividends receivables and other receivables.

Loans and receivables are subsequently measured at the amortised cost using the effective interest rate method. The gains or losses arising from de-recognition, impairment or amortisation are recognised in profit or loss for the period.

④ *Available-for-sale financial assets*

Available-for-sale financial assets refer to the non-derivative financial assets designated as available for sale at the time of initiation recognition and the financial assets other than financial assets at fair value through profit or loss, loans and receivables and held-to-maturity investments.

The ending cost of available-for-sale debt instrument investments is recognised at amortised cost, i.e. the initially recognised amount less the repaid principal, and then plus or less the accumulated amortisation amount arising from the amortisation of the difference between the initially recognised amount and the amount on the maturity date using the effective interest rate method, and then further less the impairment loss already incurred. The ending cost of available-for-sale equity instrument investments is the initial acquisition cost.

Available-for-sale financial assets are subsequently measured at fair value. The gains or losses arising from the change in fair value are recognised as other comprehensive income and carried forward to the profit or loss for the period upon de-recognition except for impairment loss, and exchange differences of monetary financial assets in foreign currency related to amortised cost which are recognised in the profit or loss for the period. However, for derivatives that are linked to equity instruments for which there are no quoted price in active market or the fair value of the underlying equity instruments cannot be measured reliably and the derivative have to be settled by delivering the underlying equity instrument are subsequently measured by costs.

For the available-for-sale financial assets, the interests acquired during the holding period and the cash dividends declared by the investee are recognised in the investment income.

(3) *Impairment of financial assets*

At the End of the Reporting Period, the Company inspects the carrying value of the other financial assets other than the financial assets at fair value through profit or loss on each balance sheet, and if there is objective evidence of impairment in relation to the financial assets, impairment loss is determined by the excess of the carrying value of the financial asset over the estimated present value of future cash flow.

The Company carries out individual impairment test on the financial assets with significant amount on individual basis; and carries out individual impairment test or impairment test together with the portfolio of the financial assets with similar credit risks on the financial assets without significant amount on individual basis. For those not impaired in individual impairment test (including the financial assets with and without significant amount on individual basis), the Company carries out impairment test on such assets together with the portfolio of the financial assets with similar credit risks. The financial assets impaired in individual impairment test are not subject to the impairment test together with the portfolio of the financial assets with similar credit risks.

① *Impairment of held-to-maturity investments, loans and receivables*

The carrying value of the financial assets measured at cost or amortised cost is written down to the present value of the estimated future cash flow and the written-down amount is recognised as the impairment loss in the profit or loss for the period. The originally recognised impairment loss is reversed if there is objective evidence that the value of the financial assets has been recovered and the recovery can be linked objectively to an event occurring after the impairment loss was recognised. The carrying value of the financial assets upon the reversal of the impairment loss will not exceed the amortised cost of the financial assets on the reversal date as if no impairment loss provision had been made.

② *Impairment of available-for-sale financial assets*

If there is a significant or prolonged decline in the fair value of available-for-sale financial assets based on relevant factors, the available-for-sale equity instrument investment is impaired. “Significant fall” means the aggregated shrinkage of fair value is over 20% of its purchasing cost, and “non-temporary fall” means continuous fall over 12 months.

When an available-for-sale financial asset is impaired, the accumulated loss arising from the decline in fair value that had been recognised directly in other comprehensive income is reclassified to profit or loss for the period. The reclassified accumulated loss is the balance of the initial acquisition cost less the recovered principal, the amortisation amount, the current fair value and the impairment loss originally recognised in the profit or loss.

An impairment loss is reversed and the impairment loss in the available-for-sale equity instrument investment is reversed as the other comprehensive income and the impairment loss in the available-for-sale debt instrument is reversed in the profit or loss for the period if there is any objective evidence that there is a favourable change in the estimates used to determine the recoverable amount and the change can be linked objectively to an event occurring after the impairment loss was recognised.

The impairment loss of the equity instrument investments that are not quoted in an active market and their fair value cannot be reliably measured or the derivative financial assets linked to such equity instrument and to be settled through the delivery of such equity instrument will not be reversed.

(4) *Recognition basis and measurement methods of transfer of financial assets*

The financial assets satisfying any of the following conditions are de-recognised: ① The contractual right to receive the cash flow of the financial assets is terminated; ② The financial assets have been transferred and almost all of the risks and rewards of ownership of the financial assets have been transferred to the transferee; ③ The financial assets have been transferred and the enterprise waives the control over the financial assets although it has neither transferred nor reserved almost all of the risks and rewards of ownership of the financial assets.

Where the enterprise has neither transferred nor reserved almost all of the risks and rewards of ownership of the financial assets and not waived the control over the financial assets, the relevant financial assets and the relevant liabilities are recognised based on the extent of the financial assets continuing to be involved. The extent of the financial assets continuing to be involved is the level of the risks to be encountered by the enterprise due to the change in the value of the financial assets.

Where the overall transfer of the financial assets satisfies the conditions of de-recognition, the carrying value of the transferred financial assets and the difference between the consideration received from the transfer and the sum of the accumulated changes in the fair value of the originally recognised other comprehensive income are recognised in the profit or loss for the period.

Where the partial transfer of the financial assets satisfies the conditions of de-recognition, the carrying value of the transferred financial assets is allocated between the de-recognised portion and the not de-recognised portion at the corresponding fair value, and the difference between the consideration received from the transfer and the sum of the accumulated changes in the fair value of the originally recognised other comprehensive income allocated to the de-recognised portion and the above mentioned allocated carrying value are recognised in the profit or loss for the period.

Where the Company transfers by endorsement the financial assets sold with the right of recourse or the financial assets held by it, it shall be determined that whether almost all the risks and rewards of ownership of the financial assets have been transferred. Where almost all the risks and rewards of ownership of the financial assets have been transferred to the transferee, the financial assets are de-recognised; where almost all the risks and rewards of ownership of the financial assets have been reserved, the financial assets are not de-recognised; and where almost all the risks and rewards of ownership of the financial assets have been neither transferred nor reserved, it shall be determined whether the enterprise reserves control over the assets and the accounting treatment will be carried out based on the above mentioned principles.

(5) Classification and measurement of financial liabilities

Upon initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. Upon initial recognition, financial liabilities are measured at fair value. For the financial liabilities at fair value through profit or loss, the relevant transaction costs are directly recognised in profit or loss for the period; and for the other financial liabilities, the relevant transactions are included in initial recognition.

① *Financial liabilities at fair value through current profit or loss*

The classification and conditions for financial liabilities classified as held for trading and designated as financial liabilities at fair value through profit or loss for the current period at initial recognition is the same as financial assets classified as held for trading and designated as financial asset at fair value through profit or loss for the current period at initial recognition.

Financial liabilities at fair value through profit or loss for the current period are subsequently measured at fair value. The gain or loss arising from fair value changes, dividend income and interest expenses arising from such financial liabilities are recognised in profit or loss for the current period.

② *Other financial liabilities*

Financial liabilities for derivatives which have no quoted price in active market or the fair value of the underlying equity instruments cannot be measured reliably and the derivative financial liabilities which have to be settled by delivering the underlying equity instrument are subsequent measured at cost. Other financial liabilities are subsequently measured on amortised cost using effective interest rate method, the gain or loss on de-recognition and amortisation is recognised in current profit or loss.

③ *Financial guarantee contract and loan commitments*

For the financial guarantee contract not classified as financial liability measured by its fair value and taken into the current profit or loss, or for the commitments to grant loans which are not designated to be measured at fair value through profit or loss and which will enjoy an interest rate lower than that of the market, it is recognised initially by its fair value, and is measured subsequently with the higher value between its initial recognised amount and the amount calculated by the regulations in "Accounting Standard for Business Enterprises No. 13 – Contingencies" less accumulated amortisation stipulated in "Accounting Standard for Business Enterprises No. 14 – Revenue".

(6) De-recognition of financial liabilities

A financial liability shall be derecognised or partly derecognised when the current obligation is discharged or partly discharged. When the Company (debtor) and the creditor have signed a contract, which uses a new financial liability to replace the existing financial liability, and the contract terms of the new financial liability are substantially different with the existing financial liability, the existing financial liability shall be de-recognised, and the new financial liability shall be recognised at the same time.

When financial liability is derecognised or partly derecognised, the difference between the carrying amount of the derecognised portion of the financial liability and the consideration paid (include transfer of non-monetary assets or undertaking of new financial liabilities) shall be recognised in the current profit or loss.

(7) *Derivatives and embedded derivatives*

Derivatives are measured at fair value at the signing date of underlying contract on initial recognition, and are subsequently measured at fair value. Except for derivative instruments that are designated as hedging instruments and which are highly effective in hedging, gains or losses arising from changes in their fair value are taken to the profit or loss for the period in accordance with the hedge accounting requirement based on the nature of hedging relationships, and changes in the fair value of the remaining derivatives are accounted into the profit or loss for the period.

For combined instruments with embedded derivatives, where the combined instruments are not designated as financial assets or financial liabilities at fair value through profit or loss for the current period, and the embedded derivative and the main contract do not have a material relation in terms of risk and economic attributes, and when an individual instrument which is the same as the embedded derivative can be defined as derivative, the embedded derivative shall be separated from the combined instrument and treated as an individual derivative. If the embedded derivative cannot be separately measured at acquisition or at a subsequent balance sheet date, the combined instrument shall be designated as financial assets or financial liabilities at fair value through profit or loss for the current period.

(8) *Offsetting financial assets and financial liabilities*

When the Company has the legal right to offset recognised financial assets and financial liabilities, and the legal right can be executed at present, and the Company has a plan to settle the financial assets and financial liabilities at the same time or at net amount, the financial assets and financial liabilities can be presented on the balance sheet after offsetting. Except for the above circumstances, financial assets and financial liabilities cannot be offset and shall be presented separately on the balance sheet.

(9) *Equity instruments*

An equity instrument is a contract that proves the residual interest of the assets after deducting all liabilities in the Company. Change to share equity is accounted when the Company issue (including refinance), buyback, sell or cancel equity instrument. Relative change to fair value of the equity instrument is not recognised. Transaction expenses relating to such transaction is deducted from share equity.

The distributions made by the Company to the owner of equity instrument (except for dividend) shall be deducted from shareholders' equity. Fair value change of equity instruments shall not be recognised by the Company.

Relevant accounting policies of “companies that have adopted New FI Standard” are as follows:

A financial asset or financial liability is recognised when the Company becomes a party in the relative financial instrument contract.

(1) *Classification, recognition and measurement of financial assets*

The Company classifies financial assets into three categories based on the business model under which the financial asset is managed and its contractual cash flow characteristics: financial assets measured at amortised cost; financial assets measured at fair value through other comprehensive income; financial assets measured at fair value through profit or loss.

The financial asset is measured by fair value when it's initially recognized. Transaction expenses of such financial asset are accounted directly into Profit & Loss, when expenses of other types of financial instrument are classified in its initial recognised amount. For the accounts receivable or bills receivable arising from the sale of products or the provision of services that do not contain or consider the significant financing components, the Company shall use the consideration amount that is expected to be received as the initial recognised amount.

① *Financial assets measured at amortised cost*

The Company's business model for managing financial assets measured at amortised cost is to collect contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements, i.e. the cash flows generated on a specific date, are solely payments of principal and interest on the principal amounts outstanding. The Company's financial assets are subsequently measured at amortised cost using the effective interest method. The gains or losses arising from amortisation or impairment are recognised in profit or loss.

② *Financial assets measured at fair value through other comprehensive income*

The Company's business model for managing such financial assets is to target both the collection of contractual cash flows and the sale, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. Such financial assets are measured at fair value through other comprehensive income by the Company. The impairment losses or gains, exchange differences and interest income calculated using the effective interest method are recognised in profit or loss.

In addition, the Company has designated certain non-trading equity instrument investments as financial assets measured at fair value through other comprehensive income. The Company includes the related dividend income of such financial assets in the current profit and loss, and changes in fair value in other comprehensive income. When the financial assets are derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred from other comprehensive income to retained earnings, which are not recognised in the current profit or loss.

③ *Financial assets measured at fair value through current profit or loss*

The financial assets which are neither measured at amortised cost nor measured at fair value through other comprehensive income are classified as financial assets measured at fair value through current profit or loss. In addition, at the time of initial recognition, the Company designated certain financial assets as financial assets measured at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatch. For such financial assets, the Company adopts fair value for subsequent measurement, and changes in fair value are included in current profit and loss.

(2) *Classification, recognition and measurement of financial liabilities*

Financial liabilities at initial recognition are classified into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, the relevant transaction costs are recognised in current profit or loss, for other financial liabilities, the relevant transaction costs are recognised in the amount of initial recognition.

① *Financial liabilities at fair value through profit or loss*

Financial liabilities measured at fair value through profit or loss include the transactional financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at fair value through profit or loss at inception.

Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. Except for relating to hedge accounting, changes in fair value are recognised in current profit or loss.

For financial liabilities measured at fair value through profit or loss, the changes in fair value of the liabilities arising from changes in the Company's own credit risk are included in other comprehensive income, and when the liabilities are derecognised, the accumulated changes in fair value caused by changes in its own credit risk are transferred to retained earnings. The remaining changes in fair value are included in the current profit and loss. If the effects of changes in the credit risk of these financial liabilities are treated as described above, which may cause or expand the accounting mismatch in the profit or loss, the Company will include the entire gain or loss of financial liabilities (including the amount affected by changes in the Company's credit risk) in the current profit and loss.

② *Other financial liabilities*

Financial liabilities other than financial liabilities and financial guarantee contracts formed by the transfer of financial assets that do not meet the conditions for termination of recognition or continue to be involved in the transferred financial assets are classified as financial liabilities measured at amortised cost, which are subsequently measured at amortised cost, and the gains or losses resulting from termination of recognition or amortization are included in current profit and loss.

(3) *Impairment of financial assets*

On the basis of expected credit losses, the Company makes provisions for impairment and recognises the credit impairment loss for financial assets at amortised cost, debt instruments at fair value through other comprehensive income and lease receivables, contract assets and financial guarantee contract.

Credit loss refers to the difference between all contractual cash flows receivable from contracts and all cash flows expected to be received by the Company at the original effective interest rate, that is, the present value of all cash shortages. Among them, credit-impaired financial assets that purchased or originated by the Company shall be discounted at the financial assets' effective interest rate after credit adjustment.

At each balance sheet date, the Company assesses whether the credit risk on a financial asset has increased significantly since the initial recognition. If the credit risk has increased significantly since the initial recognition, the Company measures the loss allowance at an amount equal to lifetime ECLs; if the credit risk has not increased significantly since the initial recognition, the Company measures the loss allowance at an amount equal to 12-month ECLs. When assessing expected credit losses The Company considers all reasonable and evidenced information, including forward-looking information.

For receivables that do not contain a significant financing component, the loss allowance is measured at an amount equal to lifetime ECLs by the Company by using a simplification approach. For financial instruments with low credit risk at the balance sheet date, the Company assumes that its credit risk has not increased significantly since initial recognition and measures the loss allowance at an amount equal to 12-month ECLs.

(4) *Others*

Accounting policy of recognition basis and measurement methods of transfer of financial assets, de-recognition of financial liabilities, offsetting financial assets and financial liabilities and equity instruments of "companies that have adopted New FI Standard" are consistent with that of "companies that have not yet adopted New FI Standard".

10. Receivables

Receivables include accounts receivable and other receivables.

(1) *Method for making bad debt provision*

① *Basis for recognition and measurement of bad debt provision for individually significant receivables*

Receivables of more than RMB10 million is recognised as individually significant accounts receivable by the Company.

For accounts receivable that is individually significant, the Company assesses such accounts receivable individually for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Accounts receivable for which an impairment loss is individually recognised are not included in a group of accounts receivable with similar credit risk characteristics and collectively assessed for impairment.

For “companies that have adopted New FI Standard”, credit risk is assessed separately and impairment loss is provided for individually significant receivables based on 12-month or lifetime expected credit loss. Such receivables are no longer included in the credit risk portfolio after a separate credit risk assessment.

② *Basis for recognition and measurement of bad debt provision for receivables individually insignificant but significant based on credit risk characteristics*

A. Basis for determining the credit risk portfolio

The Company classifies its individually insignificant accounts receivable and individually significant but not impaired accounts receivable in accordance with their credit risk characteristics and relevance of financial assets. These credit risks usually reflect the ability of debtor in repaying all debts due based on the contracted terms of relevant assets, and are related to the forecast on future cash flows of asset under assessment.

Basic for determining the credit risk portfolio:

Item	Basis for determining the portfolio
Portfolio 1: make bad debt provision by ageing analysis	The age of the receivables
Portfolio 2: similarity of expected credit losses	Similarity of expected credit losses
Portfolio 3: related party portfolio	Counterparty
Portfolio 4: portfolio without impairment after individual impairment test	The result of an individual impairment test

B. Method for making bad debt provision according to credit risk characteristics

When an impairment test is performed by means of a group, bad debt provision will be assessed and ascertained according to the structure of the group of accounts receivable and similar credit risk characteristics (debtors’ ability to settle outstanding amounts based on contracted terms), taking into account historical experience of losses, prevailing economic condition and losses that are expected to incur in the group of accounts receivable.

For “companies that have adopted New FI Standard”, credit risk assessment shall be conducted and provision for impairment be made in consideration of forward-looking information and based on 12-month or lifetime expected credit loss.

Method for bad debt provision of different portfolios:

Item	Method for provision
Companies that have not yet adopted New FI Standard:	
Portfolio 1: make bad debt provision by ageing analysis	Ageing analysis
Portfolio 2: related party portfolio	No bad debt provision
Portfolio 3: portfolio without impairment after individual impairment test	No bad debt provision
Companies that have adopted New FI Standard:	
Portfolio 1: similarity of expected credit losses	Similarity of expected credit losses
Portfolio 2: related party portfolio	Counterparty

Percentage of making bad debt provision by ageing analysis:

Ageing	Percentage of accounts receivable provision (%)	Percentage of other accounts receivable provision (%)
Within 1 year (including 1 year)	0.00	10.00
1-2 years	10.00	30.00
2-3 years	20.00	50.00
3-5 years	50.00	80.00
Over 5 years	100.00	100.00

③ *Methods for making provision for receivables individually insignificant but provided for bad debt separately*

Receivables which are individually insignificant but there are obvious evidences that the debtor is likely to be unable to fulfill the repayment obligations are subject to impairment tests separately by the Company. If there is objective evidence indicating that the receivables are impaired, then impairment loss will be recognised and bad debts will be provided according to the difference when the present value of future estimated cash flow is lower than its carrying amounts.

Receivables which are individually insignificant but have the following features are subject to impairment tests separately by the Company. If there is objective evidence indicating that the receivables are impaired, then impairment loss will be recognised and bad debts will be provided according to the difference when the present value of future cash flow is lower than its carrying amounts: amounts due from connected parties; accounts receivable with dispute against counterparties or involved in litigation or arbitration; there is obvious objective of the receivables indicated that the debtor is likely to fail to comply with the repayment obligation, etc.

(2) *Reversal of provision for bad debts*

If there are evidences indicating that the value of the receivable is recovered and that recovery is connected to the event after the recognition of the loss, the impairment loss previously recognized will be reversed and recorded into profit or loss for the period. However, the carrying amount so reversed shall not exceed the amortized cost of the receivable on the date of reversal on the assumption that no impairment loss has been made.

For “companies that have adopted New FI Standard”, if the expected credit losses of the accounts receivable on the balance sheet date is smaller than the book value of provision for loss on the accounts receivable, the difference shall be recognised as an impairment gain.

Should the Company transfer of receivables to financial institutions without recourses, the difference between the trade amount excluding written off the book value of accounts receivable and relevant taxes is recognized in the current profit or loss.

11. Inventories

(1) *Classification of inventories*

Inventories mainly include raw materials, parts and accessories, low value consumables and others, etc.

(2) *Costing of inventories*

Inventories are recorded at actual costs on acquisition. Cost of inventories comprises purchase cost, overhead and other costs. Cost for consuming and delivery of inventories is determined using the weighted average method.

(3) *Basis for determining net realizable values of inventories and method for making provision for decline in the value of inventories*

Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale and related taxes. The assessment on the net realizable value of inventories shall be made based on concrete evidence obtained, the purpose of holding inventories and the effect of subsequent events.

At balance sheet date, inventories are stated at the lower of cost or net realizable value. Provision for decline in the value of inventories is made when the carrying amounts of the inventories are over their net realizable value. Amount of provision for is determined at the excess amount of the carrying amounts of an inventory item over its net realizable value.

For inventories with large quantity and low unit price, the provision is made by categories; inventories of products that are produced and sold in the same region or with the same or similar purpose or usage and are difficult to be measured separately are combined for provision for impairment.

When an inventory is impaired, if the factors that give rise to the provision previously do not exist anymore which result in a net realizable value of the inventory higher than its cost, the original provision should be reversed and recognized in current profit or loss.

(4) *The Company adopts the perpetual inventory system.*

(5) *Amortisation of low-value consumables and packaging materials*

Low-value consumables are amortised on a lump-sum basis at the time of collection.

12. Long-term equity investments

Long-term equity investments in this section refers to those with which the Company exercise single or joint control over the invested entity, or has significant influence on its operation. Long-term equity investments fall out of this category are classified either as available-for-sale financial asset or as financial asset at fair value through current profit or loss. For detailed accounting policy see Note IV.9 “Financial Instruments”.

Joint control refers to the shared control over an invested entity by the relative arrangement, and agreement must be reached by the control sharing parties before any activity under the arrangement. Significant influence refers to the right the Company has to join in the decision making process for financial and business operation policies of the invested entity, while unable to control or sharing joint control with other parties over such decision makings.

(1) *Recognition of cost of investment*

For long-term equity investment resulting from merger of enterprises under the same control, the Company regards the share of the book value of the equity of the merged enterprise as the initial cost of such investment. The difference between the initial cost of the long-term equity investment, non-cash assets transferred and the total book value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is by issuing equity securities, on the date of merger, the Company regards the share of the book value of the controlling party’s equity of the merged enterprise as the initial cost of the long-term equity investment. Total face value of the stocks issued are regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. For a business combination realized by two or more transactions of exchange and ultimately under the same control, different accounting methods are adopted by the criteria of whether those transactions are classified as “a bundle of transactions” or not. If yes, all exchange transactions are deemed as one transaction getting control of the invested entity and are dealt with the relative accounting method. If no, the Company regards the share of the book value of the controlling party’s equity of the merged enterprise as the initial cost of the long-term equity investment on the date of merger. Difference between the initial cost of the long-term equity investment and the sum of book value of long-term equity investment plus new consideration paid for the share in the invested entity on the date of merger shall offset capital reserve. If the capital reserve is insufficient, the retained earnings shall be adjusted. Equity investment acquired before the date of merger are not accounted for the period due to they are accounted by method of equity or are classified as financial assets held for trading.

For a long-term equity investment obtained through a business combination involving entities not under common control, the cost of business combination includes the sum of assets paid by the acquirer, liabilities paid or undertaken and the fair value of equity securities issued. For a business combination realized by two or more transactions of exchange and ultimately not under the same control, different accounting methods are adopted by the criteria of whether those transactions are classified as “a bundle of transactions” or not. If yes, all exchange transactions are deemed as one transaction getting control of the invested entity and are dealt with the relative accounting method. If no, the Company regards the sum of book value of the equity investment of the invested entity plus added cost of investment as the initial cost of investment. For such book value of the equity investment, if it is accounted by method of equity, the relative other comprehensive income is not accounted for the period; if it is classified as available-for-sale financial asset, the difference between its fair value and book value, together with the accumulated change to fair value which was originally accounted as other comprehensive income will be taken into profit and loss for the current period.

Transaction costs such as audit fee, legal service fee, consultancy fee and other relevant overheads incurred by the acquirer for the purpose of business combination are recognized in current profit or loss as incurred.

For long-term equity investments acquired other than through a business combination, the investment shall be initially recognized at cost, the cost of investment varies between different ways of acquisition, which is recognized based on the actual amount of cash consideration paid by the Company, fair value of equity instruments issued by the Company, value of investment contracts or agreement made, fair value or original carrying amount of non-monetary assets transferred or the fair value of the long-term equity investments, etc. The costs directly attributable to the acquisition of long-term equity investments, taxes or other necessary expenses are also included in the cost of investment. For long-term equity investment with significant influences, or enjoys joint control over the invested entity without constituting control by adding investment, its cost of investment is the sum of fair value of equity investment plus newly added cost of investment, according to the regulations in “Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of financial instruments”.

(2) *Methods for subsequent measurement and profit and loss recognition*

The Company use equity method for accounting of the long-term equity investment which enjoys joint control or significant control over the invested entity, excepting co-undertakings. In addition, the financial statements on company level use cost method to account for long-term investments which the Company has control over the investee.

① *Long-term equity investment accounted for using cost method*

Long-term equity investments accounted for using the cost method are measured at the initial investment costs, and the cost of such investment shall be adjusted when investment are added or discontinued. Apart from the consideration paid for the acquisition of investment or cash dividend declared but not yet paid or appropriated profits which included in the consideration, investment income for the period shall include cash dividend declared by the investee or appropriated profit recognized.

② *Long-term equity investment accounted for using equity method*

For long-term equity investment accounted for using equity method, where the initial investment cost exceeds the Company’s share of the fair value of the investee’s identifiable net assets at the time of acquisition, the initial investment cost of the long-term equity investment will not be adjusted; where the initial investment cost is less than the Company’s share of the fair value of the investee’s identifiable net assets at the time of acquisition, the difference is included in current profit or loss and the cost of the long-term equity investment is adjusted accordingly.

For long-term equity investment accounted for using equity method, return on investment and other comprehensive income are recognized separately according to the share in the invested entity’s net profit/or loss and its other comprehensive income, with the book value adjusted for the long-term equity investment by the Company. Book value of the long-term equity investment will be deducted according to the announced profit to be distributed by the invested entity or the share of cash dividend. Changes to shareholders’ equity other than net profit/or loss, other comprehensive and profit distribution cause book value of long-term equity investment to be adjusted, and taken into capital reserve. Net profit of the invested entity is recognized after adjustment on the basis of fair value of all recognizable assets of

the invested entity on acquisition. Accounting policies and accounting period of the invested entity will be adjusted according to the Company's relative regulations if that entity adopted different policies. Meanwhile return on investment and other comprehensive income are adjusted accordingly. For transactions between the Company and its associates and joint ventures not constituting business transactions by transferring or selling assets, relative unrealized profit/or loss on internal transactions attributable to the Company pro rata will be offset, and return on investment will be recognized on such basis. However if such realized loss on internal transactions are classified as loss on decline in value of asset, then the relative loss are not to be offset. Furthermore, if such assets transfer are classified as business transactions, fair value of the asset transferred are recognized as initial cost of investment, and the difference between initial cost of investment and book value of asset transferred are taken in full amount into current profit or loss, if the investing party obtain long-term equity investment but not control over the invested entity. The difference between consideration of assets sold to associate or joint venture and book value of the asset are taken in full amount into current profit or loss, if the transaction is classified as a business transaction. If the assets purchased from associate and joint venture are classified as business transactions, then full amount of current profit or loss relating to the transaction are recognized, according to the regulations in "Accounting Standard for Business Enterprise No. 20 – Business Combination".

The Company discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the company's net investment in the investee is reduced to zero, except to the extent that the company has an obligation to assume additional losses. Where net profits are subsequently made by the investee, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

③ *Acquisition of minority interest*

When preparing consolidated financial statements, the difference between the increased in long-term equity investment due to acquisition of minority interest of a subsidiary and the share of net asset of the subsidiary since the acquisition date (or combination date) calculated under the new ownership ratio shall be adjusted to the capital surplus, when capital surplus is insufficient, the excess shall be adjusted to retained profits.

④ *Disposal of long-term equity investment*

When preparing consolidated financial statements, when the parent company disposes part of its subsidiary without loss of control, the difference between the consideration received and the share of net asset for the disposed portion of long-term equity investment shall be recognized in shareholders' equity; when the parent company disposes part of its subsidiary with loss of control, the accounting treatment should be in accordance with the accounting policies stated at Note IV 5 (2) "Preparation of consolidated financial statements".

For disposal of long-term equity investment in other situations, the difference between the considerations received and the carrying amount of the disposed investment shall be recognized in current profit or loss.

For long-term equity investment accounted for using equity method, the other comprehensive income originally accounted into shareholders' equity will be accounted on the same basis as the invested entity while disposing relative asset or liability according to its proportion. Shareholders' equity recognized by the invested entity due to change to such item other than net profit/or loss, other comprehensive income or profit distribution, will be accounted into current profit or loss.

For the remaining equity accounted with cost method after partial disposal, the same basis as the invested entity while disposing relative asset or liability will be used for the other comprehensive income recognized using equity method before the investment, or recognized by the regulations of financial instrument recognition and measurement, and such income will be transferred to current profit or loss proportionately. Changes to shareholders' equity other than those caused by net profit/or loss, other comprehensive income or profit distribution will be taken into current profit or loss.

For the remaining share equity after partial disposal which cause the Company to lose control over the invested entity, equity method will be used to account and adjust for the remaining share equity as if they are accounted by the same method upon acquisition, if such equity enable the Company exercise joint control or significant influences over the invested entity. If not, the difference between fair value on the date of losing control and book value will be taken into current profit or loss, according to the regulations of financial instrument recognition and measurement. For the other comprehensive income recognized by equity method or by financial instruments recognition and measurement before the Company took control of the invested entity, the same basis the invested entity while disposing relative asset or liability will be adopted for accounting when the Company lose control over the investee, changes to shareholders' equity in the net asset of invested entity recognized by equity method, other than net profit/or loss, other comprehensive income and profit distribution will be carried forward to current profit or loss. Meanwhile, other comprehensive income and other shareholders' equity will be carried proportionately if the remaining share equity is accounted by equity method; and will be carried in full amount if the remaining share equity is accounted by financial instrument recognition and measurement.

The remaining share equity after partial disposal that cause the Company to lose joint control or significant influences over the invested entity are accounted by financial instrument recognition and measurement, difference between fair value of such equity on the date of losing control or significant influence and book value will be taken into the current profit or loss. Other comprehensive income recognized using equity method for the previous share equity investment will be accounted using the same basis as the invested entity while disposing the relative asset or liability, full amount of shareholders' equity recognized by other change to shareholders' equity other than net profit or loss, other comprehensive income or profit distribution will be taken into return on investment for the period when equity method stops being adopted.

When the Company lose control over the invested entity through two or more disposing transactions, if such transactions are classified as "a bundle of transactions", then they will be accounted as one transaction of control-losing asset disposal, difference between each amount of disposal and book value of relative share equity will be recognized as other comprehensive income first, and altogether will be taken into current profit or loss when the control is lost.

(3) *Determination and provision on the impairment of long-term equity investment*

The determination and provision on the impairment of long-term equity investment are detailed at Note IV. 19 "Impairment of non-current non-financial asset".

13. Investment Property

Investment property refer to real estate held to earn rentals or for capital appreciation, or both including the land use right that have been leased out; the land use right that held and will be transferred after appreciation; and the building that have been leased out. In addition, for the vacant buildings that the Company holds for operating leases, if the board of directors (or similar units) makes a written decision that it is explicitly used for operating leases and that the holdings do not change in the short term, they are also presented as investment property.

The Company adopts a cost model for subsequent measurement of investment property.

Investment property is initially measured at cost. Subsequent expenditures related to an investment property shall be included in cost of investment property only when the economic benefits associated with the asset will likely flow to the Company and its cost can be measured reliably. All other expenditures on investment property shall be included in profit or loss for the current period when incurred.

The Company adopts cost method for subsequent measurement of investment property, which is depreciated or amortised using the same policy as that for buildings and land use rights.

The method for impaired test of investment property and measurement of impairment provision are detailed in Note IV. 20 "Impairment of non-current non-monetary financial asset".

In the event that an owner-occupied property or inventories is converted to an investment property (or vice versa), upon the conversion, the property shall be stated at the carrying amount prior to the conversion.

In the event that an investment property is converted to an owner-occupied property, such property shall become fixed assets or intangible assets since the date of its conversion. In the event that an owner-occupied property is converted to real estate held to earn rentals or for capital appreciation, such fixed assets or intangible assets shall become an investment property since the date of its conversion. Investment property is measured at cost during its conversion. Upon the conversion, the property shall be stated at the carrying amount prior to the conversion.

If an investment property is disposed of or if it withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment property shall be terminated. When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related tax and surcharges is recognised in profit or loss for the current period.

14. Fixed assets

(1) Recognition criteria for fixed asset

Fixed assets are tangible assets that are held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one year. Fixed assets are recognized when future economic benefits that are associated with the fixed asset probably will flow to the company and its cost can be measured reliably. The fixed assets are initially measured at cost by taking account into the effect of factors such as the expected disposal expenses.

(2) Classification, measurement and depreciation for fixed assets

Depreciation starts from the month following the fixed asset is available for its intended use and is made in the lifetime. The expected useful life and estimated residual value, the annual depreciation rates and depreciation methods of different categories of fixed asset are as following:

Category of fixed assets	Useful life (year)	Estimated net residual value rate (%)	Annual depreciation rate (%)	Depreciation method
Land				Straight-line method
Buildings and structures	8-45	0.00~10.00	2.00~12.50	Straight-line method
Machinery and equipment	5-20	0.00~10.00	4.50~20.00	Straight-line method
Motor vehicles	6-10	10.00	9.00~15.00	Straight-line method
Electronic device and others	5-18	0.00~10.00	5.00~20.00	Straight-line method

Residual value represents the proceeds from disposal less cost of disposal of a fixed asset the Company can receive when fixed asset is fully depreciated.

(3) Impairment loss assessment and provision for fixed assets

The impairment loss assessment method and provision method of fixed asset is detailed at Note IV.19 "Impairment on non-current non-financial assets".

(4) Basis for identification of fixed assets held under a finance lease and its measurement

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease, the ownership of the asset may or may not transferred. Fixed assets leased under finance lease are depreciated using the same policy as that those fixed assets owned by the company. For those leased assets that the ownership of the assets can be ascertained by the expiration date, the assets should be depreciated within estimated useful lives. Otherwise, the assets should be depreciated within the shorter period of the leasing period and estimated useful lives.

(5) Other explanations

Subsequent expenditure relating to any fixed asset is taken as cost of such asset if there is probable economic interest inflow from it and its cost may be measured. Meanwhile the recognition of the replaced portion's book value is terminated. Other subsequent expenditure is taken into current profit or loss.

Fixed asset is ceased to be recognized when it's in the process of disposing, or no longer yields economic interest. Income resulting from disposal, such as sale, transfer, discard or damage, is taken into current profit or loss by deducting such income with its book value and relating taxes and expenses.

The Company reviews life, estimated scrap value and method of depreciation of fixed asset at least once by end of the year, any change in these issues are considered as changes to accounting estimates.

15. Construction in progress

Construction in progress is measured at actual cost, including various construction costs, borrowing costs capitalized before it is ready for intended use and other related expenses. Construction in progress is transferred to fixed assets when the assets are ready for their intended use.

The impairment loss assessment method and provision method of construction in progress is detailed at Note IV.19 "Impairment loss on non-current non-financial assets".

16. Borrowing costs

Borrowing costs include loan interests, discount or premium amortization, other supplementary costs and certain foreign exchange differences that occurred from the borrowings in foreign currencies. Borrowing costs incurred directly attributable to the acquisition and construction of a qualifying asset is capitalized as part of the cost of the asset, borrowing costs are started to be capitalized when expenditures for the qualifying asset have been incurred, borrowing costs have been incurred and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalization ceases when the qualifying assets are ready for its intended use or at a state that is saleable. Other borrowing costs are recognized in current profit or loss.

Borrowing costs arising from specific borrowings is capitalized after deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings. For general borrowings, the amount of borrowing costs eligible for capitalization is determined by applying the capitalization rate of general borrowings to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The capitalization rate is calculated based on the weighted average effective interest rate.

During the capitalization period, all exchange differences related to specific borrowings denominated in foreign currency are capitalized. Exchange differences related to general borrowings denominated in foreign currency are recognized in current profit or loss.

Qualifying assets represent fixed assets, investment properties, inventories and other assets that are required to be constructed or produced for a substantial period of time to get ready for their intended use or sale.

Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

17. Intangible assets

(1) Recognition and measurement of Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company.

Intangible assets are initially stated at cost. Outgoings related to intangible assets are recognized as cost of intangible assets if it is probable that future economic benefits attributable to the asset will flow to the Company and the amount of outgoings can be measured reliably. Otherwise, the outgoings are expensed in current profit or loss as incurred.

Land use rights acquired are usually accounted for as intangible assets. Cost of self-constructed buildings and structures and the relevant land use rights are separately accounted for as fixed assets and intangible assets. If the buildings and structures are acquired, the consideration for acquisition shall be apportioned between land use rights and buildings, if the consideration cannot be apportioned reasonably; both the land use rights and buildings are accounted for as fixed assets.

(2) Amortisation of intangible assets

Intangible assets with finite useful lives are amortized at cost less residual value and accumulated impairment using the straight-line method over their useful lives since it is ready for use. Intangible assets with infinite useful life would not be amortized.

For an intangible asset with a finite useful life, the useful life and amortization method are reviewed at each year-end, relevant adjustments will be regarded as a change in accounting estimates. In addition, intangible asset with an infinite useful life are reviewed, if there are objective evidence that the economic benefit derived from the intangible asset is finite, then the life of that intangible asset would be estimated and it would be amortized in accordance with the accounting policies in relation to intangible assets with finite useful life.

(3) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase. In particular, research refers to original and planned investigations undertaken with the prospect of gaining new scientific or technical knowledge and understanding for further development activities, such as activities intended to acquire knowledge, applied research, evaluation and final selection of research results or other knowledge, research on materials, equipment, products, processes, systems or service alternatives, formulation, design, evaluation and final selection for possible substitutes of new or improved materials, equipment, products, processes, systems or services; development refers to the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products or processes before the start of commercial production or use, such as design, construction and testing of prototypes and models before production or use, and design, construction and operation of pilot production facilities without commercial production economies.

Expenditure on the research phase is recognized in current profit or loss in the period in which it is incurred.

Expenditure on the development phase is recognized as intangible assets only if all of the following conditions are satisfied, expenditure on the development phase which cannot met all of the following conditions are recognized in current profit or loss:

- ① it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- ② management intends to complete the intangible asset, and to use or sell it;
- ③ it can be demonstrated how the intangible asset will generate economic benefits, including demonstrating that there is an existing market for products produced by the intangible asset or there is an existing market for the intangible asset itself, if the intangible asset is to be used internally, the usage or it can be demonstrated;
- ④ there are adequate technical, financial and other resources to complete the development and the ability to use of sell the intangible assets; and
- ⑤ The expenditure attributable to the intangible asset during its development phase can be reliably measured. Expenditures on research and development which cannot be distinguished between the research phase and development phase are recognized in current profit or loss as incurred.

(4) Impairment loss assessment and provision for intangible assets

The impairment loss assessment method and provision method of intangible asset is detailed at Note IV.19 "Impairment on non-current non-financial assets".

18. Long-term deferred expenses

Long-term deferred expenses are expenditures and other expenses which have incurred but that shall be amortised over the current period and subsequent periods of more than one year. The contents, amortisation method and amortisation period of each major long-term deferred expense project of the Company are shown in the table below.

Content	Amortisation method	Amortisation period
Leased fixed asset improvements	By stages	5 years
Denitration material	Useful lives	2-5 years

19. Impairment of non-current non-financial assets

The Group will judge if there is any indication of impairment as at the balance sheet date in respect of non-current non-financial assets such as fixed assets, construction in progress, intangible assets with a finite useful life, investment properties measured at cost, and long-term equity investments in subsidiaries, joint controlled entities and associates and goodwill. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill, intangible assets with an indefinite useful life and intangible assets beyond working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognised as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognised for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

For the purpose of impairment testing, the carrying amount of goodwill presented separately in the financial statements shall be allocated to the asset groups or group of assets benefiting from synergy of business combination. If the recoverable amount is less than the carrying amount, the Group shall recognise an impairment loss. The amount of impairment loss shall first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of other assets (other than goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

An impairment loss recognised on the aforesaid assets shall not be reversed in a subsequent period.

20. Employee compensation

Employee compensation of the Company mainly comprises short-term employee compensation, post-employment benefits, termination benefits, and other long-term employee compensation, including:

Short-term employee compensation includes wage, bonus, allowances and subsidies, employee welfare, medical insurance premium, maternity insurance premium, work injury insurance premium, housing provident funds, labor union expenditures and employee education expenses, non-monetary welfare, etc. Short-term employee compensation incurred during the accounting period in which the employee renders services to the Company is recognized as liability and included in the profit or loss for the period or related asset costs. Non-monetary welfare is measured at fair value.

Post-employment benefits mainly comprise of basic endowment insurance, unemployment insurance and annuity, while post-employment benefits program include defined contribution plan. The relevant contribution amount is included in the related asset costs or the profit or loss for the period during which the expenses incurred.

The Group provides compensation for terminating the employment relationship with employees before the end of the employment contracts or as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Group recognizes a liability of employee compensation arising from compensation for termination benefits, with a corresponding charge to profit or loss for the current period, on the date when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal and when the Company recognizes costs related to the restructuring that involves the payment of termination benefits, whichever is earlier. However, termination benefits shall be recognized as other long-term employee compensation if the benefits cannot be settled within 12 months after the annual reporting date.

Internal retirement plan adopts the same principle as the above mentioned compensation for the termination of employment relationship with the employee. The Company accounts for the wage and social insurance contributions to be paid incurred from the date on which the employee cease rendering services to the Company to the scheduled retirement date into termination benefits in profit or loss for the period, when requirements for recognition of provisions are met.

Where other long-term employee benefit provided by the Company for its employees falls in defined contribution plans, it shall be accounted for as a defined contribution plan, or otherwise as a defined benefit plan.

21. Share-based payments

(1) *Category of share-based payments*

Share-based payments are transactions that grant equity instruments or assume equity-instrument based liabilities for receiving services rendered by employees or other parties. As of 31 December 2018, the Company's share-based payments under execution are equity-settled share-based payments.

① *Equity-settled share-based payments*

Equity-settled share-based payments made in exchange for services rendered by employees are measured at the fair value on the date of grant of equity instruments granted to employees. If vesting is conditional upon completion of services in the pending period or fulfillment of performance conditions, the amount of such fair value, based on the best estimates of the number of equity instruments that can be vested during the pending period, is charged to relevant costs or expenses (computed using the straight-line method). Instruments which are vested immediately upon the grant are charged to relevant costs or expenses on the date of grant and the capital reserve is credited accordingly.

Equity-settled share-based payments in exchange for services rendered by other parties are measured at the fair value of the services rendered by other parties on the receiving date if such fair value can be reliably measured. If the fair value of the services rendered by other parties cannot be reliably measured, equity-settled share-based payments in exchange for services rendered by other parties are measured at the fair value of equity instruments on the date of receiving services and charged to relevant costs or expenses and shareholders' equity is credited accordingly, provided that the fair value of equity instruments can be reliably measured.

(2) *Determination of fair value of equity instruments*

Share options granted by the Company are priced by adopting Black-Scholes-Merton option pricing model. Please refer to Note VIII 54 "Share-based payments" for details.

(3) *Recognition basis for the best estimate of exercisable equity instruments*

On each balance sheet date within the vesting period, the estimated number of exercisable equity instruments is amended based on the best estimate made by the Company according to the latest available subsequent information as to changes in the number of employees with exercisable rights.

(4) Accounting treatment in relation to share-based payment plan modification and termination

When the Company modifies the share-based payment plan, and if such modification increases the fair value of the equity instruments granted, the increase in services received will be recognised accordingly following the increase in fair value of the equity instruments. The increase in fair value of the equity instruments refers to the difference in fair value on the date of modification before and after the modification in respect of the equity instruments. If the modification reduces the total fair value of the share-based payments or adopts any form that is unfavorable to employees, accounting treatment will be continued to be conducted in respect of the services received and the modification will be deemed to have never occurred, unless the Company had cancelled part or all of the equity instruments granted.

During the pending period, if the equity instruments granted are cancelled (except for those being cancelled due to failure to fulfill the vesting conditions), the Company will undertake an accelerated vesting in respect of the cancelled equity instruments that had been granted, include the remaining amount that shall be recognised during the pending period in the profit and loss for the period immediately and recognise capital reserve accordingly. Where employees or other parties are permitted to choose to fulfill non-vesting conditions but have not fulfilled during the pending period, the Company will treat the granted equity instruments as cancelled.

(5) Accounting treatment for share-based payments involving the Company and the shareholders of the Company or the actual controller

For share-based payment transactions involving the Company and the shareholders of the Company or the actual controller, the settlement enterprise and the enterprise receiving services (one under the Company while another external to the Company) shall follow the requirements below to conduct accounting treatment in the Company's consolidated financial statements:

- ① For settlement enterprises settling through their own equity instruments, such share-based payment transaction will be treated as equity-settled share-based payment; except for this, such share-based payment transaction will be treated as cash-settled share-based payment.

Where a settlement enterprise is an investor of an enterprise receiving services, the fair value of the equity instruments on the date of grant or the fair value of the liabilities that shall be assumed are recognised as long-term equity investment in the enterprise receiving services, at the same time, capital reserve (other capital reserve) or liabilities are recognised.

- ② Where an enterprise receiving services has no settlement obligations or grants its own equity instruments to employees, such share-based payment transaction will be treated as equity-settled share-based payment; where an enterprise receiving services has settlement obligations and grants equity instruments (other than its own) to employees, such share-based payment transaction will be treated as cash-settled share-based payment.

For a share-based payment transaction occurring between each enterprise under the Company where the enterprise receiving services and the settlement enterprise are not the same enterprise, such share-based payment transaction shall be recognised and measured in each of the respective financial statements of the enterprise receiving services and the settlement enterprise (as compared with the above principles).

22. Bonds payable

The non-convertible corporate bonds issued by the Company shall be treated as liabilities based on the actual amount received (net of related transaction costs); the difference between the amount actually received from the bond issue and the total par value of the bonds is recognized as premium or discount and amortised according to the effective interest rate method over the life of the bonds along with the interest, and treated according to the accounting principle of borrowing costs.

The convertible corporate bonds issued by the Company will be disposed of separately based on the liability component and equity component at the initial recognition. The fair value of the liability component is recognized at first and used as the initial recognition amount. Then the initial recognition amount of the equity component is determined according to the total issue price of the convertible corporate bond (net of related transaction costs) after deducting the initial recognition amount of the liability component.

23. Accrued liabilities

Obligations pertinent to the contingencies which satisfy the following conditions are recognised as accrued liabilities: (1) The obligation is a current obligation borne by the Company; (2) it is likely that an outflow of economic benefits will be resulted from the performance of the obligation; and (3) the amount of the obligation can be reliably measured.

At the balance sheet date, accrued liabilities shall be measured at the best estimate of the necessary expenses required for the performance of existing obligations, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies.

If all or some expenses incurred for settlement of accrued liabilities are expected to be borne by the third party, the compensation amount shall, on a recoverable basis, be recognised as asset separately, and compensation amount recognised shall not be more than the carrying amount of accrued liabilities.

24. Preference shares, perpetual bonds and other financial instruments***(1) Classification of perpetual bonds and preference shares***

Perpetual bonds, preference shares and other financial instruments issued by the Company are classified as equity instruments when all of the following conditions are satisfied:

- ① The financial instruments have no contractual obligation to pay in cash or other financial assets to other parties nor to exchange financial assets or financial liabilities under potential adverse condition with other parties;
- ② If the financial instrument will or may be settled in the entity's own equity instruments, it is a non-derivative instrument that includes no contractual obligations to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Company exchanging a fixed amount of cash or other financial asset for a fixed number of its own equity instruments.

Other than financial instruments classified as equity instruments according to the above conditions, other financial instruments issued by the Company shall be classified as financial liabilities.

The financial instruments issued by the Company which are compound financial instruments are recognised as a liability based on the fair value of the liability component, and the amount net of the fair value of the liability component from the actual amount received is recognised as "other equity instruments". Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of gross proceeds.

(2) Accounting treatment of perpetual bonds and preference shares

For financial instruments classified as financial liabilities (such as perpetual bonds and preference shares), except borrowing costs qualifying for capitalisation (please refer to this Note IV. 16 "Borrowing costs"), its related interest, dividends, gains or losses, and gains or losses arising from redemption or refinancing are credited to profit or loss for the current period.

For financial instruments classified as equity instruments (such as perpetual bonds and preference shares), its issue (including refinancing), repurchase, sale or cancellation are treated by the Company as changes in equity, with related transaction costs deducted from equity. The Company's distribution to holders of equity instruments are treated as a distribution of profits.

Changes in the fair value of equity instruments are not recognised by the Company.

25. Revenue

Relevant accounting policies of “companies that have not yet adopted New Revenue Standard” are as follows:

(1) Revenue from sales of goods

Revenue is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, will receive the economic benefits associated with the transaction, and can reliably measure the relevant amount of revenue and costs.

- ① Recognition of revenue from electricity: at the end of a month, the power generation enterprise recognises the sales revenue of the power products based on the on-grid electricity and electricity price jointly confirmed by the seller and the buyer
- ② Recognition of revenue from other business

Revenue from other businesses is recognized in accordance with the relevant contract and agreement when it is likely that the economic benefits associated with the transaction flow into the Company, the amount of revenue can be reliably measured, and the costs related to the revenue incurred or to be incurred can be reliably measured.

(2) Revenue from the rendering of services

When the outcome of a transaction involving the rendering of services can be reliably estimated, it shall, on the balance sheet date, recognise the revenue from the rendering of services employing the percentage of completion method. The completion schedule of transaction concerning the rendering of services shall be ascertained according to the proportion of service costs incurred to the estimated total costs.

The outcome of a transaction concerning the rendering of services can be reliably estimated, which shall concurrently satisfy: ① The relevant amount of revenue can be reliably measured; ② it is probable that the economic benefits will flow into the Company; ③ the completion schedule of the transaction can be reliably ascertained; and ④ transaction costs incurred and to be incurred can be reliably measured.

When the outcome of a transaction involving the rendering of services cannot be reliably estimated, it shall recognise the revenue from the rendering of services based on the cost of rendering services already incurred and expected to be compensated, and the cost of rendering services incurred shall be recognised as an expense for the current period. If the cost of rendering services is expected not to be compensated, it shall be recognised as an expense.

(3) Revenue from rendering of services

Revenue from rendering of services is recognised as income on the accrual basis in accordance with the underlying contracts or agreements.

(4) Interest income

Interest income is calculated based on the time during which the Company’s monetary fund, and the effective interest rates.

Relevant accounting policies of “companies that have adopted New Revenue Standard” are as follows:

Revenue is recognized when the customer obtains control of the relevant commodity, and the contract between the Company and the customer meets the following conditions: the parties have approved the contract and have committed to perform their respective obligations; the contract identifies the rights and obligations of the parties relating to the goods transferred or the provision of services; the contract has a clear payment terms associated with the transferred goods; the contract has commercial substance, which means that the fulfillment of the contract will result in changes in risk, time distribution or amount of the future cash flows of the Company; the consideration that the Company is entitled to for the transfer of goods to customers is likely to be recovered.

From the effective date of the contract, the Company identifies each individual performance obligation under the contract and allocates the transaction price to each individual performance obligation based on the relative proportion of the individual selling price of the commodities promised by each individual performance obligation. When determining the transaction price, the impact of variable consideration, major financing components in the contract, non-cash consideration, consideration payable to customers and other factors are considered.

For each individual performance obligation in the contract, the Company recognizes the transaction price allocated to the individual performance obligation as revenue in accordance with the performance progress period during the relevant performance period, if one of the following conditions is met: the customer obtains and consumes the economic benefits of the Company's performance as the Company performs it; the customer can control the commodities in progress in the course of the Company's performance; the commodities produced during the performance of the Company have irreplaceable uses and the Company has the right to receive payments for the portion of the performance that has been completed to date. In addition, the performance of the contract is determined by the input method or the output method according to the nature of the transferred goods. When the performance of the contract cannot be reasonably determined, if the costs incurred by the Company are expected to be compensated, the revenue will be recognized according to the amount of costs incurred until the performance of the contract can be reasonably determined.

If one of the above conditions is not met, the Company will recognize the transaction price which was allocated to each of the individual performance obligation as revenue when the customer obtains control of the relevant commodity. When determining whether the customer has obtained control of the commodity, the Company will consider the following indications: the Company has the current right to receive payment for the goods, which means that the customer has a current payment obligation for the goods; the Company has transferred the legal title of the item to the customer, which means that the customer has already own the legal title of the item; the Company has transferred the goods in kind to the customer, which means the customer has possessed the goods in kind; the Company has transferred the main risks and rewards of ownership of the goods to the customer, which means the customer has obtained the main risks and rewards of ownership of the goods; and the customer has accepted the goods; other indications that the customer has obtained control of the goods.

26. Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Company at nil consideration, except for the investment made to the Company by the government at a capacity of an owner. Government grant can be classified as asset-related government grant and income-related government grant.

The Company considers any government grant that funds purchase or construction of fixed assets, or in other means resulting in fixed assets as asset-related government grant; other government grants are considered revenue-related. If beneficiary of grant is not specified, then the following steps are taken to decide whether it's asset-related or revenue-related: (1) For those that specific project is specified, it is judged according to proportion of expenditure to form assets and expenditure that charged into expense, such ratio is reviewed at least once on each balance sheet date, and should change if necessary; (2) For those of general purpose without any specific project specified, it is considered revenue-related grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

The government grant of the Company are normally recognized and measured at the moment they are actually received, but are measured at the amount receivable when there is conclusive evidence at the end of the accounting period that the Company will meet related requirements of the financial support policies and will be able to receive the grants. Government grants are measured according to the amount receivable shall also comply with the following conditions: (1) grants receivable be confirmed with competent authorities in written form or reasonably deduced from related requirements under financial fund management measures officially released without material uncertainties; (2) the grants be given based on the local financial projects and fund management policies officially released and voluntarily disclosed by local financial authorities in accordance with the provisions under Regulations on Disclosure Government Information, where such policies should be open to any company satisfying conditions required and not specifically for certain companies; (3) the date of payment be specified in related documents and the payment thereof is financed by corresponding budget as a guarantee to ensure such grants will be paid within the prescribed period with the a reasonable assurance; (4) other conditions shall be satisfied according to the specific circumstances of the Company and the subsidy matter.

Asset-related government grant is recognized as deferred income and is amortized evenly in profit or loss over the useful lives of related assets. For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Company in the subsequent periods, the grant shall be recognized as deferred income, and recognized in profit or loss for the period in which the related costs are recognized; where the grant is a compensation for related expenses or loss already incurred by the Company, the grant shall direct write-off of related costs and expenses.

Any government grants that relate both asset and revenue at the same time should be treated separately depending on the different parts. If it is difficult to separate, then such government grant as a whole will be classified as revenue-related.

The government grants related to the daily activities of the Company are included in other income or offset the related costs according to the essence of the economic business. The government grants unrelated to the daily activities are included in the non-operating income or expenses.

For the repayment of government grant previously recognized, if there is any related deferred income, the repayment shall be offset against the carrying amount of the deferred income, and the excess shall be recognized in profit or loss for the period. If there is no deferred income, the repayment shall be directly recognized in profit or loss for the period.

27. Deferred income tax assets and deferred income tax liabilities

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, and the difference between the tax base and the carrying amount of those items that are not recognised as assets or liabilities but have a tax base that can be determined according to tax laws, shall be recognised as deferred income tax assets and deferred income tax liabilities using the balance sheet liability method.

Deferred income tax liabilities are not recognised for taxable temporary differences related to: the initial recognition of goodwill; and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group recognises the corresponding deferred income tax liability for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except when both of the following conditions are satisfied: the Group able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are not recognised for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group recognises the corresponding deferred income tax asset for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, except when both of the following conditions are satisfied: it is not probable that the temporary difference will reverse in the foreseeable future; and it is not probable that taxable profits will be available in the future, against which the temporary difference can be utilised.

The Company recognises a deferred income tax asset for the carry forward of deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws.

At the balance sheet date, The Company shall review the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred income tax asset to be utilised, the carrying amount of the deferred income tax asset shall be reduced. Any such reduction in amount shall be reversed when it becomes probable that sufficient taxable profits will be available.

28. Leases

Finance leases are leases that substantially all the risks and rewards of asset ownership are transferred, the ownership may or may not be transferred eventually. All other leases are operating leases.

Finance lease is determined when one or a combination of the following conditions are satisfied: ① The ownership of the leased asset will be transferred to the lessee upon expiry of the lease term. ② The lessee has the option to acquire the leased asset, and the acquisition consideration is expected to be much lower than the fair value of the leased asset at the time when the right of option is exercised. Therefore, it can be reasonably confirmed from the commencement date of the lease term that the lessee will exercise the right of option. ③ Even if the ownership of the leased asset will not be transferred, the lease term accounts for the most of useful life of the leased asset. ④ The present value of the minimum lease payment made by the lessee at the commencement date of the lease almost equals to the fair value of the leased asset at the commencement date of the lease, or the present value of the minimum amount of rent that the lessor collects at the commencement date of the lease almost equals to the fair value of the leased asset at the commencement date of the lease. ⑤ The leased asset is of a specialized nature that only the lessee can use it without making major modifications.

(1) The Company as a lessee under operating leases

Rental expenses under operating lease are recognized on straight line basis as relevant asset costs or in profit or loss for the period over the lease term. Initial direct costs are recognized in profit or loss for the period. Contingent rentals are recognized in profit or loss for the period based on actual occurrence.

(2) The Company as a lessor under operating leases

Rental incomes under operating lease are recognized in profit or loss for the period on straight line basis over the lease term. Initial direct cost where the amount is larger is capitalized when incurred, and are amortized in profit or loss on the same basis as rental income over the entire lease term. Other initial direct costs where the amount is fewer are charged to profit or loss for the period in which they are incurred. Contingent rentals are recognized in profit or loss based on actual occurrence.

(3) The Company as a lessee under finance leases

For assets rented-in under finance lease, at the leasing commencement date, the Company records the leased asset at the amount of the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognizes the minimum lease payments as the present value of long-term payables. The difference between the two recorded amounts is accounted for as unrecognized finance expenses. In addition, direct cost in relation to the negotiation of the lease and signing of lease contract can be capitalized to the recorded amount of the leased asset. Minimum lease payments less unrecognized finance expenses are presented in the balance sheet separately as long-term liability or long-term liability due within one year.

Unrecognized finance expenses are recognized as finance expenses for the period using the effective interest method over the lease term. Contingent rentals are credited to the current profit or loss based on actual occurrence.

(4) *The Company as a lessor under finance leases*

For assets rented-in under finance lease, at the leasing commencement date, the Company records the finance lease receivable at the amount of the sum of the minimum lease receipts and initial direct costs at the inception of the lease, at the same time records the unguaranteed residual value; the difference between the sum of minimum lease receipts, initial direct costs and unguaranteed residual value and the sum of their present values are recognized as unrealized finance income. Finance lease receivable less unrealized finance income is presented in the balance sheet separately as long-term receivables and long-term receivables due within one year.

Unrealized finance income is recognized as finance income for the period using the effective interest method over the lease term. Contingent rentals are credited to the current profit or loss based on actual occurrence.

29. Held-for-sale

The Company shall classify a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction (including a non-monetary asset exchange of commercial substance, the same below) rather than through continuous use, and when all of the following conditions are met: according to the practice of disposing of this type of assets or disposal groups in a similar transaction, a non-current asset or disposal group is available for immediate sale in its present condition; the Company has made a resolution in respect of a disposal plan and obtained a firm purchase commitment from a buyer; and the sale is probable to be completed within one year. A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Where goodwill acquired in a business combination has been allocated to the asset group or groups to which a disposal group belongs in accordance with the Accounting Standard for Business Enterprises No. 8 – Impairment of Assets, the disposal group shall include the goodwill allocated to it.

When the Company measures initially or remeasures the non-current assets and disposal group classified as held for sale on the balance sheet date, its carrying amount is written down to its fair value less selling costs if its carrying amount is higher than its fair value less selling costs. The decreased amount is recognised as asset impairment loss and charged to current profit or loss, with provision made for the impairment of the assets held-for-sale. With regard to the disposal group, the asset impairment loss recognised is offset by the carrying amount of the goodwill in the disposal group first, and then by the carrying amount of each of the non-current assets in the disposal group which are applicable to the measure requirements under the Accounting Standard for Business Enterprises No. 42 – Non-current Assets Held For Sale, Disposal Groups and Discontinued Operations (hereinafter referred to as “Held-For-Sale Standard”) pro rata. If on a subsequent balance sheet date, the net amount of the fair value of a held-for-sale disposal group less its selling costs increases, the amount decreased previously shall be recovered, and reversed in the asset impairment loss recognised on the non-current asset which is applicable to the measurement requirements of the Held-For-Sale Standard after the non-current asset is classified as held for sale. The reversed amount is credited to current profit or loss, and the carrying amount of each non-current asset (other than goodwill) which is applicable to the measurement requirements of the Held-For-Sale Standard is increased pro rata according to the percentage of each non-current asset’s carrying amount. Neither the carrying amount of goodwill which has been offset nor the asset impairment loss recognised before the non-current asset to which the measurement requirements of the Held-For-Sale Standard is applicable is classified as held for sale can be reversed.

No depreciation or amortisation is provided for a non-current asset in the non-current assets or disposal groups held for sale. Interest and other expenses attributable to the liabilities of a disposal group held for sale shall continue to be recognised.

When a non-current asset or a disposal group does not meet the condition to be classified as held for sale, the Company ceases to classify it as held for sale or removes the non-current asset from the disposal group held for sale, and measures it at the lower of: (1) the carrying amount before it was classified as held for sale, adjusted for any depreciation, amortisation or impairment that would have been recognised had it not been classified as held for sale, and (2) its recoverable amount.

30. Measured at fair value

Fair value is the price that would be received to sell 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 valuation technique. Fair value measurement and/or disclosure purposes in the financial statements are determined on such a basis.

(1) Assets and liabilities measured at fair value

The assets measured at fair value by the Company during the year mainly include equity instrument investment.

(2) Valuation technique

In measuring the relevant assets or liabilities at fair value, the Company uses a valuation technique with enough available data and other information to support in current situation. Valuation techniques used mainly include market approach, income approach and cost approach. The Company measures the fair value using one or more of the valuation techniques, and takes into account the reasonableness of each valuation result, and selects the amount that is most representative of fair value in the current situation as the fair value.

Fair value measurements are categorized into Level 1, 2 and 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. Active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. 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. Level 2 inputs includes: ① quotations for similar assets or liabilities in an active market; ② quotations for identical or similar assets or liabilities in an inactive market; ③ observable inputs other than quotations, including observable interest rate, yield curves, implied volatility and credit spreads during the interval of normal quotations; ④ market-proven input. Level 3 inputs are unobservable inputs, the Company uses the Level 3 inputs only if there is no or little market activity in the relevant assets or liabilities causes the relevant observable inputs not available or not practicable.

In measuring the assets and liabilities at fair value, the Company would use the inputs by the order of Level 1, Level 2 and Level 3.

(3) Accounting treatment

The accounting treatment of the Company such as the related assets and liabilities measured at fair value, and changes in fair value shall be included in the current profit or loss or other comprehensive income shall be conducted according to other related accounting standards that require or allow the Company to measure or disclose using fair value, please refer to related contents of Other Part of note IV.

31. Asset securitization business

When applying the accounting policy of securitisation of financial assets, the Company has already taken into account the extent of transfer of the risks and rewards of those assets transferred to the other entity, as well as the extent of control over such entity by the Company:

- When the Company has transferred substantially all the risks and rewards of ownership of a financial asset, it shall derecognise the relevant financial asset;
- When the Company has retained substantially all the risks and rewards of ownership of a financial asset, it shall continue to recognise the relevant financial asset;
- When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset transferred. If the Company has not retained control, it shall derecognise the financial asset and recognise the rights retained or obligations arising from the transfer as an asset or a liability respectively. If the Company has retained control, it shall recognise the financial asset to the extent of its continuing involvement in the transferred financial asset.

V. STATEMENT OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND CORRECTION TO ERRORS

1. Changes in Accounting Policies

(1) *Changes in accounting policies due to implementation of New Accounting Standards for Business Enterprises*

Upon approval by the resolutions of the Board meetings, China Power International Development Limited and China Power Clean Energy Development Company Limited, the subsidiaries of the Company have implemented the New Financial Instrument Standards and New Revenue Standards since 1 January 2018. For the changed accounting policies, please refer to the relevant part of “Significant Accounting Policies and Accounting Estimates” in Note 4.

① *Changes in accounting policies due to implementation of New Financial Instrument Standards*

China Power International Development Limited and China Power Clean Energy Development Company Limited adopted the New Financial Instrument Standards on a retrospective basis, and did not conduct the restatement on the inconsistency between the previous comparative financial statement data involved in the classification and measurement (including the impairment) and the New Financial Instrument Standards.

Table of Financial Instrument Classification and Carrying Amount Adjustment on the First Implementation Date

Item	31 December 2017 (prior to change)	Reclassification	1 January 2018 (after change)
Assets:			
Financial assets at fair value			
through profit or loss	7,347,113.91	-7,347,113.9	
Financial assets held for trading			
(applicable to implementation of			
New Financial Instrument Standards)		7,347,113.91	7,347,113.91
Available-for-sale financial assets	3,696,853,466.00	-3,696,853,466.00	
Other equity instrument investments			
(applicable to implementation of			
New Financial Instrument Standards)		3,951,853,466.00	3,951,853,466.00
Long-term equity investments	1,561,544,090.50	-255,000,000.00	1,306,544,090.50

② *Changes in accounting policies due to implementation of New Revenue Standards*

In order to implement the New Revenue Standards, China Power International Development Limited and China Power Clean Energy Development Company Limited reassessed the recognition, measurement, accounting and presentation of major contract incomes. According to the requirements of the New Revenue Standards, China Power International Development Limited and China Power Clean Energy Development Company Limited only adjusts the cumulative effect of contracts that have not been completed on 1 January 2018. For changes to contracts occurred at the beginning of the earliest comparable period (i.e. 1 January 2017) or before 1 January 2018, China Power International Development Limited and China Power Clean Energy Development Company Limited adopted a simplified treatment method, namely, China Power International Development Limited and China Power Clean Energy Development Company Limited would identify the performance obligations that have been and have not been fulfilled, determine the transaction price, and apportion the transaction price between the fulfilled and outstanding performance obligations according to the final arrangement of contract changes. The retained income and the amounts of relevant items in the financial statement as at the beginning of the first implementation period (i.e. 1 January 2018) are adjusted with the cumulative impact of the first implementation, and no adjustment has been made to the financial statements for 2017.

Impact of Implementation of the New Revenue Standards on the Company:

Changes	Statement item	1 January 2018 Amount (after change)	31 December 2017 Amount (prior to change)
Revenues recognized by new energy subsidies such as photovoltaics and wind power that have not been included in the National Energy Administration Catalogue, and super-net incomes that have not been publicized in the fourth quarter of coal-fired power project	Notes receivable and accounts receivable	4,174,334,460.60	4,848,388,286.42
Revenues recognized by new energy subsidies such as photovoltaics and wind power that have not been included in the National Energy Administration Catalogue, and super-net incomes that have not been publicized in the fourth quarter of coal-fired power project	Including: accounts receivable	3,948,902,745.41	4,622,956,571.23
Revenues recognized by new energy subsidies such as photovoltaics and wind power that have not been included in the National Energy Administration Catalogue, and super-net incomes that have not been publicized in the fourth quarter of coal-fired power project	Contract assets (applicable to implementation of New Revenue Standards)	674,053,825.82	
The amount that not reach the payment terms or the provision of labour products previously calculated in the advance receipts adjusted and included in the contract liabilities according to the New Revenue Standards	Contract liabilities (applicable to implementation of New Revenue Standards)	47,934,812.93	
The amount that not reach the payment terms or the provision of labour products previously calculated in the advance receipts adjusted and included in the contract liabilities according to the New Revenue Standards	Advance receipts		47,934,812.93

Note: The amount impacted referred in the above table shall be the statement data of China Power International Development Limited and China Power Clean Energy Development Company Limited, which have implemented the New Revenue Standards.

2. Changes in Accounting Estimates

The 7th meeting in 2018 of the Executive Committee of China Power International Development Limited resolved to approve that Wu Ling Power to adjust the depreciable lives of wind turbine generator from 15 years to 18 years, which shall be implemented from 1 January 2018. The impact of changes in depreciable lives of wind turbine generator on the profit of the Company in 2018 shall be RMB29,320,621.69.

3. Corrections to the important errors of the previous period

Item	Corrections to the important errors of the previous period
Items of balance sheet:	
Notes receivable and accounts receivable	4,753,495.03
Including: accounts receivable	4,753,495.03
Contract assets	-13,888,487.39
Other current assets	1,327,306.58
Accrued liabilities	22,304,446.73
Retained profit	-12,116,975.40
Minority interest	-17,995,157.11
Items of income statements:	
Revenue from principal business	-7,807,685.78
Non-operating expenditures	22,304,446.73
Minority shareholders' profit and loss	-17,995,157.11
Net profit attributable to the owners of parent company	-12,116,975.40

Notes:

- Civil litigation in respect of damage to aquaculture cages caused by flood discharge by Guizhou Qingshuijiang Hydropower Co., Ltd. (貴州清水江水電有限公司) on 18 June 2015

On 1 August 2017, the judgement of the first trial on the civil litigation case in respect of damage to aquaculture cages caused by flood discharge by Guizhou Qingshuijiang Hydropower Co., Ltd. (貴州清水江水電有限公司) (hereinafter referred to as "Qingshuijiang Company"), the subsidiary of the Company on 18 June 2015 made by the court of Tianzhu County, which ordered Qingshuijiang Company to compensate for the property loss of the farmers whose aquaculture cages were damaged for an aggregate of approximately RMB33.11 million at the base of RMB55.11 million of property loss upon judicial authentication (including assets damaged of RMB32.20 million and loss for net growth of fingerling of RMB22.91 million).

Qingshuijiang Company subsequently instituted an appeal and consulted domestic senior scheduling and legal experts, they believed that Qingshuijiang Company shall be not required to make compensation in principle, and as a humanitarian act, certain compensation may be given for the original investment costs (excluding the net growth loss of the fingerling) of farmers at discretion.

In December 2017, the SPIC Group and Wu Ling Power Corporation made a special report on this case to the Bureau of Policies, Laws and Regulations of SASAC, the Bureau of Policies, Laws and Regulations send an official communication to the SASAC of Guizhou Province, which considered that the flood discharge of Qingshuijiang Company was not subjective fault, and the treatment for similar events in Guizhou Province was shared by the government, enterprises and farmers. In addition, in July 2017, the Industry and Information Technology Commission of the Southeastern Guizhou issued the Minutes of the Coordination Work to clarify that the reasonable losses of the aquaculture farmer shall be shared by the three parties through consultation.

Above all, prior to the judgement of the second trial, Qingshuijiang Company considered that only the original investment cost of the farmers shall be compensated, and the accrued liabilities of RMB10 million were accrued at the end of 2017 according to the principle of three-party sharing. In 2018, took the advantage of national "Two Sessions", the farmers made repeat petitions, which brought great pressure for maintaining stability, and the government of Southeastern Guizhou hoped that Qingshuijiang Company would resolve the case by medication from the perspective of maintaining stability. In March, a mediation agreement was reached under the direction of the court of the second trial, which granted subsidies and legal fees for a total of RMB32.30 million to the farmers. At the end of June, all amounts have been paid.

In 2018, the CNAO considered that under provision of accrued liabilities made by Qingshuijiang Company at the end of 2017 was RMB22,304,446.73, and the accounting accounts and financial statements for the respective years shall be adjusted in accordance with the Accounting Standards for Business Enterprises.

In December 2018, Wu Ling Power Corporation communicated with the finance and accounting division of the SPIC Group in accordance with the audit opinion of the CNAO. In accordance with the Accounting Standards for Business Enterprises, the opening accrued liabilities shall be increased by RMB22,304,446.73, the retained profit shall be decreased by RMB21,927,501.58, and minority interests shall be decreased by RMB376,945.15.

2. Tariff adjustment of Fengyang Project of SPIC Anhui New Energy Development Co., Ltd. (國家電力投資集團安徽新能源有限公司) (hereinafter referred to as “Anhui Branch”)

The entire assets of Anhui Branch were integrated by Yanhuang Project (China Power) and consolidated the financial statements in December 2018, as Fengyang Project has not obtained the official competitive bidding tariff, the Audit Firm for Delivery of Yanhuang Project clearly stated that the tariff shall be based on the requirements for calculating the revenue at local benchmark tariff for coal-fired power. Through communication with China Power, the Finance Department of SPIC, Anhui Branch offset the renewable energy subsidies of Fengyang Project at coal-fired power benchmark tariff of RMB0.3844/kWh of the province on the principle of prudence.

According to the requirements of SPIC, in the final statement of 2018, the state subsidies in the opening accounts receivable shall be reclassified into contract assets according to the new accounting standards, and the accounts receivable was accumulatively increased by RMB41,672,614.58, and the amount of contract assets in the statement was increased by RMB41,672,614.58, the offset amount of opening notes receivable and accounts receivable recognised for income from trial operation was RMB9,134,992.36, the offset operating income for 2017 was RMB7,807,685.78, and the offset tax payable for 2017 was RMB1,327,306.58. The total opening notes receivable and accounts receivable adjusted was RMB50,807,606.94.

In accordance with the requirements of accounting standards, the offset amount of RMB1,327,306.58 of tax payable for 2017 was reclassified to the item of other current assets, and other current assets were increased by RMB1,327,306.58.

The adjustment to this error impacted that the accounts receivable increased by RMB4,753,495.03, the other current assets increased by RMB1,327,306.58 and the contract assets decreased by RMB13,888,487.39.

4. Restate of other items

Other adjustments to the figures in the income statement for the previous year: SPIC Guangdong Power Company Limited (國家電投集團廣東電力有限公司) (combined) – research and development expenses increased by RMB1,513,288.37, and administrative expenses decreased by RMB1,513,288.37. Revenue from asset disposal increased by RMB37,742.46, and non-operating revenue decreased by RMB37,742.46.

The other income of Guizhou Qiangong Power Corporation (貴州黔東電力有限公司) was increased by 7,127,168.40, and the non-operating revenue was decreased by RMB7,127,168.40.

The other income of Wu Ling Power Corporation was increased by RMB615,493.37, the income of other businesses was decreased by RMB342,575.00, and the non-operating revenue was decreased by RMB272,918.37.

VI. TAXES

1. Main taxes categories and tax rates

Tax category	Tax basis
Value-added tax	Output tax calculated at 16%, 11% and 6% of taxable income, and the VAT shall be paid after deducting the amount of taxes on purchases from the current period.
Business tax	Payable at 3%-6% of taxable turnover.
City construction and maintenance tax	Payable at 7% of the turnover tax paid actually.
Enterprise income tax	Payable at 25% of taxable income.

Hunan Wuhua Hotel Co., Ltd. (湖南五華酒店有限公司), a subsidiary of the Company, is engaged in accommodation and catering businesses, with tax rates for income and sales of goods, parking charge, catering and accommodation service industry, real estate rental, and sales of tap water of 16%, 11%, 6%, 5% and 3%, respectively. (for the general taxpayers who rent out their real estate acquired prior to 30 April 2016, the tax rate on taxes payable will be levied at 5% by choosing applicable simplified tax calculation method by the Company.)

Hunan Wuling Engineering Co., Ltd. (湖南五凌電力工程有限公司), a subsidiary of the Company, is engaged in the construction and installation business, with a VAT rate of 10%. (document Cai Shui [2018] No. 32 in respect of the "Notice on Adjusting the Value-Added Tax Rate", which was implemented since 1 May 2018.)

2. Tax preferential and approval documents

(1) Enterprise income tax

According to the Circular Regarding Policy and Measures on Developing Western Regions (《國務院辦公廳轉發國務院西部開發辦關於西部大開發若干政策措施實施意見的通知》) issued by the State Council (Guo Wu Yuan Guo Fa [2000] No. 33), the domestic enterprises and foreign investment enterprises located at western regions under the category of encouraged industry of the State shall be entitled to a reduction of enterprise income tax at a reduced rate of 15% during the period from 2001 to 2010. After 2010, the central government decided to impose an enterprise income tax at a reduced rate of 15% on the enterprises located at western regions under the category of encouraged industry of the State. The transportation, electric power, water conservancy, postal and radio and television enterprises newly-established in the western regions shall be granted incentives policies for reduction and exemption of enterprise income tax. In particular, domestic enterprises shall be exempted from the enterprise income tax for the first two years commencing from the date of production and operation, and following by a 50% reduction for the next three years.

According to the document Tong Guo Shui Zhi Tong [2016] No. 60068 issued by the State Administration of Taxation of the PRC, the newly established subsidiaries of the Company in 2018 shall enjoy the preferential enterprise income tax policy in accordance with the relevant provisions of the Enterprise Income Tax Law, that is, the subsidiaries shall be entitled to full exemption from the enterprise income tax for the first three years starting from its profit-making year, following by a 50% reduction for the next three years.

According to the document Cai Shui [2008] No. 46 Notice on the Implementation of Catalogue of Preferential Enterprise Income Tax Treatment for Public Infrastructure Projects issued by the MOF and the State Administration of Taxation (《財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知》), and the document Guo Shui Fa [2009] No. 80 Notice on the implementation of Preferential tax on Key State-Supported Public Infrastructure Projects issued by State Administration of Taxation (《國家稅務總局關於實施國家重點扶持的公共基礎設施項目企業所得稅優惠問題的通知》), the income tax of Hean Project of the Company shall be entitled to a tax rate under a three-year full exemption followed by a three-year 50% reduction of income tax rate from the first profit-making year.

According to Cai Shui [2012] No. 115 Approval of the Enjoyment of Enterprise Income Tax Preferential Policies for Developing Western Regions by Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司) issued by the Taxation Bureau of Gaoxian County (《高縣稅務局關於同意四川中電福溪電力開發有限公司享受西部大開發企業所得稅優惠政策的批覆》), it may pay the tax at a rate of 15% from 1 January 2011 to 31 December 2020, and shall be entitled to a tax rate under a two-year full exemption followed by a three-year 50% reduction of income tax rate from the first profit-making year. 2018 is period of 50% reduction of income tax rate.

(2) Value-Added Tax

According to Zi Yuan Guo Shui Mian Zhun Zi (2012) No. 18, the subsidiaries of the Company shall enjoy the value-added tax preferential policy in accordance with the relevant provisions of the Notice on Policies Relating to Value-Added Tax on Products Made Through Comprehensive Utilization of Resources and Other Products promulgated by the Ministry of Finance and the State Administration of Taxation (財政部、國家稅務總局關於資源綜合利用及其他產品增值稅政策的通知) (Cai Shui [2008] No. 156), that is, the value-added tax reduction will be implemented from 1 July 2012, with a reduction of 50.00%. Upon the expiration of preferential period, the tax shall be payable in a timely manner. However, the preferential period was not stipulated in the tax relief document, and it shall continue to enjoy the instant value-added tax refund of 50% for the year.

According to Cai Shui [2015] No. 74 Notice on the Value-added Tax Policy for Wind Power Generation, the wind power generation subsidies of the Company shall implement the tax preferential policy of instant value-added tax refund of 50% on power generated with wind power.

VII. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. Information about Subsidiaries

No.	Company name	Level	Type of company	Place of registration	Nature of business	Paid-up capital (RMB'000)	Shareholding percentage (%)	Proportion of voting right (%)	Amount of investment (RMB'000)	Way of acquisition
1	China Power International Development Limited	2	Overseas subsidiary	Hong Kong	Power	902,060	56.04	56.04	1,018,105	Establishment via investment
2	Huainan Pingwei Electric Power Industry Company Limited (淮南平圩電力實業有限責任公司)	2	Domestic non-financial subsidiary	Anhui	Others	12,840	100	100	9,100	Establishment via investment
3	Pingdingshan Yaomeng Power Industrial Co., Ltd. (平頂山姚孟電力實業有限責任公司)	2	Domestic non-financial subsidiary	Henan	Others	12,000	100	100	6,000	Establishment via investment
4	Shanxi Shentou Electric Industry Company Limited (山西神頭電力實業有限責任公司)	2	Domestic non-financial subsidiary	Shanxi	Others	9,431	100	100	9,431	Establishment via investment
5	China Power New Energy Limited	2	Overseas subsidiary	Hong Kong	Others	156,007	100	100	222,304	Establishment via investment
6	China Power International Trading Co., Ltd. (中國電力國際貿易有限公司)	2	Overseas subsidiary	Hong Kong	Others	213	100	100	213	Establishment via investment
7	Beijing China Power Environmental Engineering Company Limited (北京中電環境工程有限公司)	2	Domestic non-financial subsidiary	Beijing	Others	2,400.00	81.25	81.25	1,950	Establishment via investment
8	Winning Management Limited	2	Overseas subsidiary	Hong Kong	Others	0.8	100	100	0.8	Establishment via investment
9	Vista Alliance Limited	2	Overseas subsidiary	Hong Kong	Others	0.0008	100	100	0.0008	Establishment via investment
10	China Power Maintenance Engineering Company Limited (中電電力檢修工程有限公司)	2	Domestic non-financial subsidiary	Shanghai	Power maintenance	25,560	100	100	25,565	Establishment via investment

APPENDIX II

FINANCIAL INFORMATION OF PARENTCO

No.	Company name	Level	Type of company	Place of registration	Nature of business	Paid-up capital (RMB'000)	Shareholding percentage (%)	Proportion of voting right (%)	Amount of investment (RMB'000)	Way of acquisition
11	Guizhou Qiandong Power Corporation (貴州黔東電力有限公司)	2	Domestic non-financial	Guizhou	Coal-fired power	96,000	89.1	92	75,985	Common transfer
12	Wu Ling Power Corporation (五凌電力有限公司)	3	Domestic non-financial subsidiary	Hunan	Hydropower	825,944	63	63	311,547	Acquisition under common control
13	China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司)	3	Overseas subsidiary	Hong Kong	New energy	107,723	28.07	28.07	266,986	Acquisition under non-common control
14	China Power Huayuan Nuclear Power Engineering & Technology Co., Ltd. (中電華元核電工程技術有限公司)	2	Domestic non-financial subsidiary	Shanghai	Nuclear power maintenance	10,000	55	55	5,499	Establishment via investment
15	China Power (Sihui) Thermal Electric Company Limited (中電(四會)熱電有限公司)	2	Domestic non-financial subsidiary	Guangdong	Natural gas power	54,000	100	100	54,000	Establishment via investment
16	China Power International (Pakistan) Investment Co., Ltd. (中國電力國際(巴基斯坦)投資有限公司)	2	Overseas non-financial subsidiary	Hong Kong	Coal-fired power	176,798	100	100	176,798	Establishment via investment
17	China Power Development Limited (中國電力發展有限公司)	2	Overseas non-financial subsidiary	Hong Kong	Others	3.9	100	100	352,321	Establishment via investment
18	China Power International (Kazakhstan) Investment Co., Ltd. (中電國際(哈薩克斯坦)投資有限公司)	2	Overseas non-financial subsidiary	Kazakhstan	Wind power	8,599	100	100	8,599	Establishment via investment
19	SPIC Guangdong Power Company Limited (國家電投集團廣東電力有限公司)	2	Domestic non-financial subsidiary	Guangdong	Coal-fired power	107,271	100	100	124,289	Acquisition under common control
20	Vietnam Pingshun New Energy Company Limited (越南平順新能源有限公司)	2	Overseas non-financial subsidiary	Vietnam	Wind power	2,561	80	80	4,432	Acquisition under non-common control

Notes:

- (1) China Power International Development Limited has issued 9,806,886,321 ordinary shares in Hong Kong;
- (2) Five overseas subsidiaries, namely China Power International Trading Co., Ltd. (中國電力國際貿易有限公司), Winning Management Limited, Vista Alliance Limited, Zehnte Windparkupport GmbH & Co. KG and China Power New Energy Limited have not conducted audit. The assets, liabilities, profit, loss and equity, cash inflows and outflows of the above companies have no significant impact on the consolidated statements.

2. The reason for that the parent company holds less than half of the voting rights of the investee but still can control it

Company name	Shareholding percentage (%)	Proportion of voting right (%)	Paid-up capital (RMB'000)	Amount of investment (RMB'000)	Level	The reason for including in the scope of consolidation
China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司)①	28.07	28.07	107,723	266,986	3	The largest shareholder, which shall be able to control the board of directors and financial operations
Yangqu County Taichong New Energy Wind Power Company Limited (陽曲縣太重新能源風力發電有限公司)	49	49	205		4	Control through consensus with other shareholders

Note ①: The Company has issued 1,186,633,418 ordinary shares to China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司) in Hong Kong, as of 31 December 2018, the shareholding percentage of which was 28.07%, and was the largest shareholder. There were four executive directors in China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司), including two were assigned by the Company, key positions such as the chairman of the board of directors and the chief executive officer were appointed by the Company. The Company issued the operating and financial budget of China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司), personnel appointments for important positions are determined by the Company, major investments were also decided by the Company, and the Company could control over it.

3. Information about important non-wholly owned subsidiaries

(1) Minority shareholder

No.	Company name	Shareholding percentage of minority shareholder (%)	Profits and losses attributable to minority shareholders in the year	Dividends paid to minority shareholders in the year	Cumulative minority interests at the end of the year
1	China Power International Development Limited	43.96	527,450,966.09	490,592,549.63	11,837,460,145.88
2	China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司)	71.93	143,725,678.06	101,145,088.80	5,890,246,265.85
3	Guizhou Qiandong Power Corporation (貴州黔東電力有限公司)	8	-10,874,877.37		-109,268,823.11
4	CP Hubu Power Generation (Private) Company Limited (中電胡布發電(私營)有限公司)	26	23,501.38		621,614,894.85

(2) *Main financial information*

Item	Amount during the year	Amount during last year
Current assets	22,432,467,999.11	17,453,101,790.01
Non-current assets	142,820,342,213.18	131,203,066,219.57
Total assets	165,252,810,212.29	148,656,168,009.58
Current liabilities	39,397,616,075.59	46,385,801,926.11
Non-current liabilities	75,974,308,004.74	55,712,691,745.21
Total liabilities	115,371,924,080.33	102,098,493,671.32
Operating revenue	37,585,974,226.41	34,011,088,456.68
Net profit	1,952,579,244.92	1,603,911,599.67
Total comprehensive income	1,611,117,708.77	636,183,376.19
Cash flows from operating activities	8,842,402,054.56	9,658,343,367.24

4. Former subsidiaries that ceased to be included in the scope of consolidation during the year

(1) *Information about former subsidiaries that ceased to be included in the scope of consolidation during the year*

Name of former subsidiaries	Place of registration	Nature of business	Shareholding percentage (%)	Proportion of voting right (%)	Reasons for not being a subsidiary during the year
Wuling Huaning Electric Power Co., Ltd. (五凌華寧電力有限公司)	Hunan	Power	70.00	70.00	Liquidation and cancellation
Wuling Xinjiang Dabancheng Electric Power Co., Ltd. (五凌新疆達阪城電力有限公司)	Xinjiang	Power	100.00	100.00	Liquidation and cancellation
Zhangjiajie Tumuxi Hydropower Plant Co., Ltd. (張家界土木溪水廠有限公司)	Hunan	Power	100.00	100.00	Liquidation and cancellation
Hunan Xiangzhong Power Co., Ltd. (湖南湘中電力有限公司)	Hunan	Power	95.00	95.00	Liquidation and cancellation
Chalingxian Lianguan Hydropower Development Company Limited (茶陵縣聯冠水電開發有限公司)	Hunan	Power	100.00	100.00	Disposal and transfer
Yangzhou China Power Lvyanghu Photovoltaic Power Generating Company Limited (揚州中電綠洋湖光伏發電有限公司)	Jiangsu	Photovoltaic	100.00	100.00	Liquidation and cancellation
CPI Hengyuan Logistics (Beijing) Company Limited (中電恒源物流(北京)有限公司)	Beijing	Logistics	100.00	100.00	Liquidation and cancellation
Honghe Gejiu China Power Photovoltaic Power Company Limited (紅河州個舊市中電光伏發電有限公司)	Gejiu	Photovoltaic power	100.00	100.00	Cancelled
Honghe Mengzi China Power Photovoltaic Power Company Limited (紅河州蒙自市中電光伏發電有限公司)	Mengzi	Photovoltaic power	100.00	100.00	Cancelled

Name of former subsidiaries	Place of registration	Nature of business	Shareholding percentage (%)	Proportion of voting right (%)	Reasons for not being a subsidiary during the year
Gansu China Power Jiuquan No. 4 Wind Power Company Limited (甘肅中電酒泉第四風力發電有限公司)	Jiuquan	Wind power	100.00	100.00	Absorption and consolidation
Gansu China Power Jiuquan No. 5 Wind Power Company Limited (甘肅中電酒泉第五風力發電有限公司)	Jiuquan	Wind power	100.00	100.00	Absorption and consolidation
China Power Zhijian New Energy Technology (Shanghai) Company Limited (中電智健新能源科技(上海)有限公司)	Shanghai	Comprehensive service	100.00	100.00	Cancelled
Sichuan Yibin China Power Environmental Engineering Company Limited (四川宜賓中電環境工程有限公司)	Sichuan	Power processing	51.00	51.00	Absorption and consolidation
Shuozhou China Power Environmental Engineering Company Limited (朔州中電環境工程有限公司)	Shanxi	Power processing	100.00	100.00	Absorption and consolidation
Anhui Huainan Pingwei Electric Power Industry Company Limited (安徽淮南平圩電力實業有限責任公司)	Anhui	Maintenance	100.00	100.00	Absorption and consolidation
Pingdingshan Yaomeng Power Engineering Co., Ltd. (平頂山姚孟電力工程有限責任公司)	Henan	Maintenance	100.00	100.00	Absorption and consolidation
Shanxi Shentou Engineering Company Limited (山西神頭電力檢修有限責任公司)	Shanxi	Maintenance	100.00	100.00	Absorption and consolidation

(2) *Financial position of former subsidiaries as at the disposal date and the balance sheet date of previous accounting period*

Name of former subsidiaries	Disposal date	Disposal date		Total owner's equity
		Total assets	Total liabilities	
Wuling Huaning Electric Power Co., Ltd. (五凌華寧電力有限公司)	27 November 2018	27,019,374.26	1,078,974.26	25,940,400.00
Wuling Xinjiang Dabancheng Electric Power Co., Ltd. (五凌新疆達阪城電力有限公司)	28 May 2018	174,107.57		174,107.57
Zhangjiajie Tumuxi Hydropower Plant Co., Ltd. (張家界土木溪水廠有限公司)	1 June 2018	15,443,243.82	1,443,243.82	14,000,000.00
Hunan Xiangzhong Power Co., Ltd. (湖南湘中電力有限公司)	20 April 2018	12,684,823.08	80,000.00	12,604,823.08
Chalingxian Lianguan Hydropower Development Company Limited (茶陵縣聯冠水電開發有限公司)	29 December 2018	97,352,939.42	75,217,543.23	22,135,396.19

Name of former subsidiaries	Disposal date	Total assets	Disposal date		Total owner's equity
			Total liabilities		
Yangzhou China Power Lvyanghu Photovoltaic Power Generating Company Limited (揚州中電綠洋湖光伏發電有限公司)	31 August 2018	12,650,850.39			12,650,850.39
CPI Hengyuan Logistics (Beijing) Company Limited (中電恒源物流(北京)有限公司)	25 April 2018	4,146,100.44			4,146,100.44
Honghe Gejiu China Power Photovoltaic Power Company Limited (紅河州個舊市中電光伏發電有限公司)	31 March 2018	66,890.64	3,013,625.01		-2,946,734.37
Honghe Mengzi China Power Photovoltaic Power Company Limited (紅河州蒙自市中電光伏發電有限公司)	31 March 2018	115,994.53	3,279,363.88		-3,163,369.35
Gansu China Power Jiuquan No. 4 Wind Power Company Limited (甘肅中電酒泉第四風力發電有限公司)	1 January 2018	627,442,126.21	330,538,207.14		296,903,919.07
Gansu China Power Jiuquan No. 5 Wind Power Company Limited (甘肅中電酒泉第五風力發電有限公司)	1 January 2018	143,158,322.08	59,707,584.28		83,450,737.80
China Power Zhijian New Energy Technology (Shanghai) Company Limited (中電智健新能源科技(上海)有限公司)	31 May 2018	3,232,798.46			3,232,798.46
Sichuan Yibin China Power Environmental Engineering Company Limited (四川宜賓中電環境工程有限公司)	1 January 2018	34,797,405.51	27,210,081.63		7,587,323.88
Shuozhou China Power Environmental Engineering Company Limited (朔州中電環境工程有限公司)	1 January 2018	39,452,076.83	26,331,626.66		13,120,450.17
Anhui Huainan Pingwei Electric Power Industry Company Limited (安徽淮南平圩電力實業有限責任公司)	1 January 2018	72,436,052.25	232,356.83		72,203,695.42
Pingdingshan Yaomeng Power Engineering Co., Ltd. (平頂山姚孟電力工程有限責任公司)	1 January 2018	68,194,757.34	32,729,031.33		35,465,726.01
Shanxi Shentou Engineering Company Limited (山西神頭電力檢修有限責任公司)	1 January 2018	34,822,008.87	27,597,093.06		7,224,915.81

Name of former subsidiaries	Disposal date	31 December 2017		Total owner's equity
		Total assets	Total liabilities	
Wuling Huaning Electric Power Co., Ltd. (五凌華寧電力有限公司)	27 November 2018	26,780,157.08	839,757.08	25,940,400.00
Wuling Xinjiang Dabancheng Electric Power Co., Ltd. (五凌新疆達阪城電力有限公司)	28 May 2018	17,580.68	180,000.00	-162,419.32
Zhangjiajie Tumuxi Hydropower Plant Co., Ltd. (張家界土木溪水廠有限公司)	1 June 2018	15,445,859.76	1,445,859.76	14,000,000.00
Hunan Xiangzhong Power Co., Ltd. (湖南湘中電力有限公司)	20 April 2018	12,731,511.60	126,688.52	12,604,823.08
Chalingxian Lianguan Hydropower Development Company Limited (茶陵縣聯冠水電開發有限公司)	29 December 2018	100,976,500.26	76,215,476.62	24,761,023.64
Yangzhou China Power Lvyanghu Photovoltaic Power Generating Company Limited (揚州中電綠洋湖光伏發電有限公司)	31 August 2018	13,876,602.22		13,876,602.22
CPI Hengyuan Logistics (Beijing) Company Limited (中電恒源物流(北京)有限公司)	25 April 2018	4,146,100.44		4,146,100.44
Honghe Gejiu China Power Photovoltaic Power Company Limited (紅河州個舊市中電光伏發電有限公司)	31 March 2018	3,083,625.01	3,083,625.01	
Honghe Mengzi China Power Photovoltaic Power Company Limited (紅河州蒙自市中電光伏發電有限公司)	31 March 2018	3,563,695.01	3,563,695.01	
Gansu China Power Jiuquan No. 4 Wind Power Company Limited (甘肅中電酒泉第四風力發電有限公司)	1 January 2018	627,442,126.21	330,538,207.14	296,903,919.07
Gansu China Power Jiuquan No. 5 Wind Power Company Limited (甘肅中電酒泉第五風力發電有限公司)	1 January 2018	143,158,322.08	59,707,584.28	83,450,737.80
China Power Zhijian New Energy Technology (Shanghai) Company Limited (中電智健新能源科技(上海)有限公司)	31 May 2018	3,329,555.58		3,329,555.58

Name of former subsidiaries	Disposal date	31 December 2017		Total owner's equity
		Total assets	Total liabilities	
Sichuan Yibin China Power Environmental Engineering Company Limited (四川宜賓中電環境工程有限公司)	1 January 2018	34,797,405.51	27,210,081.63	7,587,323.88
Shuozhou China Power Environmental Engineering Company Limited (朔州中電環境工程有限公司)	1 January 2018	39,452,076.83	26,331,626.66	13,120,450.17
Anhui Huainan Pingwei Electric Power Industry Company Limited (安徽淮南平圩電力實業有限責任公司)	1 January 2018	72,436,052.25	232,356.83	72,203,695.42
Pingdingshan Yaomeng Power Engineering Co., Ltd. (平頂山姚孟電力工程有限責任公司)	1 January 2018	68,194,757.34	32,729,031.33	35,465,726.01
Shanxi Shentou Engineering Company Limited (山西神頭電力檢修有限責任公司)	1 January 2018	34,822,008.87	27,597,093.06	7,224,915.81

(3) *Operating results of former subsidiaries from the beginning of the year to the disposal date*

Name of former subsidiaries	Disposal date	From the beginning of the year to the disposal date		
		Revenue	Expense	Net profit
Wuling Huaning Electric Power Co., Ltd. (五凌華寧電力有限公司)	27 November 2018			
Wuling Xinjiang Dabancheng Electric Power Co., Ltd. (五凌新疆達阪城電力有限公司)	28 May 2018	11,688.25	-11,688.25	
Zhangjiajie Tumuxi Hydropower Plant Co., Ltd. (張家界土木溪水廠有限公司)	1 June 2018			
Hunan Xiangzhong Power Co., Ltd. (湖南湘中電力有限公司)	20 April 2018			
Chalingxian Lianguan Hydropower Development Company Limited (茶陵縣聯冠水電開發有限公司)	29 December 2018	13,011,034.77	15,655,869.12	-2,625,627.45
Yangzhou China Power Lvyanghu Photovoltaic Power Generating Company Limited (揚州中電綠洋湖光伏發電有限公司)	31 August 2018		1,250,166.00	1,250,166.00

Name of former subsidiaries	Disposal date	From the beginning of the year to the disposal date		
		Revenue	Expense	Net profit
CPI Hengyuan Logistics (Beijing) Company Limited (中電恒源物流(北京)有限公司)	25 April 2018			
Honghe Gejiu China Power Photovoltaic Power Company Limited (紅河州個舊市中電光伏發電有限公司)	31 March 2018			
Honghe Mengzi China Power Photovoltaic Power Company Limited (紅河州蒙自市中電光伏發電有限公司)	31 March 2018			
Gansu China Power Jiuquan No. 4 Wind Power Company Limited (甘肅中電酒泉第四風力發電有限公司)	1 January 2018			
Gansu China Power Jiuquan No. 5 Wind Power Company Limited (甘肅中電酒泉第五風力發電有限公司)	1 January 2018			
China Power Zhijian New Energy Technology (Shanghai) Company Limited (中電智健新能源科技(上海)有限公司)	31 May 2018		31,889.72	-97,757.12
Sichuan Yibin China Power Environmental Engineering Company Limited (四川宜賓中電環境工程有限公司)	1 January 2018			
Shuozhou China Power Environmental Engineering Company Limited (朔州中電環境工程有限公司)	1 January 2018			
Anhui Huainan Pingwei Electric Power Industry Company Limited (安徽淮南平圩電力實業有限責任公司)	1 January 2018			
Pingdingshan Yaomeng Power Engineering Co., Ltd. (平頂山姚孟電力工程有限責任公司)	1 January 2018			
Shanxi Shentou Engineering Company Limited (山西神頭電力檢修有限責任公司)	1 January 2018			

5. Entities newly included into the scope of consolidation during the year

No.	Name of entity	Net asset at the end of the year	Net profit during the year	Nature of control
1	SPIC Anhui New Energy Development Co., Ltd. (國家電力投資集團安徽新能源有限公司)	288,723,760.59	57,459,173.30	Common control
2	SPIC Huainan New Energy Co., Ltd. (淮南市國家電投新能源有限公司)	289,581,419.03	56,008,334.13	Common control
3	SPIC Fengyang New Energy Co., Ltd. (鳳陽國家電投新能源有限公司)	1,426,218.06	-10,124,218.63	Common control
4	Huaibei Guohuai New Energy Co., Ltd. (淮北國淮新能源有限公司)	3,444,518.76	1,347,998.34	Common control
5	Lujiang Hechuang New Energy Co., Ltd. (廬江和創新能源有限公司)	29,285.18	29,285.18	Common control
6	SPIC Chaohu New Energy Co., Ltd. (巢湖市國家電投新能源有限公司)	437,724.05	474,857.69	Common control
7	SPIC Hefei New Energy Co., Ltd. (合肥市國家電投新能源有限公司)	1,145,093.07	481,959.66	Common control
8	SPIC Shucheng New Energy Co., Ltd. (舒城國家電投新能源有限公司)	5,386,885.37	1,649,954.84	Common control
9	Suzhou Hechuang New Energy Co., Ltd. (蘇州和創新能源有限公司)	1,815,161.89	1,115,161.89	Common control
10	Suzhou Hechuang Jiuzhou New Energy Co., Ltd. (蘇州和創九州新能源有限公司)			Common control
11	Anhui Conch Clean Energy Co., Ltd. under SPIC	59,365,850.10	7,688,850.53	Common control
12	WH Electric Conch Clean Energy (蕪湖市國家電投海螺清潔能源有限公司)	13,059,358.41	6,059,358.41	Common control
13	Hefei Jiuge New Energy Co., Ltd. (合肥玖格新能源有限公司)	6,873,078.53	378,462.10	Non-common control
14	Tianjin Xingtaobao New Energy Technology Development Co., Ltd. (天津興泰寶新能源科技發展有限公司)	683,470.00	281,489.73	Non-common control
15	Tianjin Xingtaisheng New Energy Technology Development Co., Ltd. (天津興泰晟新能源科技發展有限公司)	1,239,038.14	600,638.45	Non-common control
16	Hefei Haihe Photovoltaic Energy Co., Ltd. (合肥海和光伏能源有限公司)	2,427,697.39		Common control
17	Hefei Youlilai New Energy Investment Co., Ltd. (合肥優利泰新能源投資有限公司)	6,419,332.67	353,662.88	Common control

No.	Name of entity	Net asset at the end of the year	Net profit during the year	Nature of control
18	SPIC Shouxian New Energy Development Co., Ltd.* (國家電力投資集團壽縣新能源有限公司)	5,300,000.00		Common control
19	SPIC Hubeilvdong New Energy Co., Ltd.* (國家電投集團湖北綠動新能源有限公司)	107,842,109.46	29,658,462.91	Common control
20	Guangshui Ludong Photovoltaic Power Co., Ltd. (廣水綠動光伏發電有限公司)	48,363,233.91	5,803,233.91	Common control
21	Suizhou Ludong Photovoltaic Power Co., Ltd. (隨州綠動光伏發電有限公司)	2,879,082.13	-27,371.66	Common control
22	SPIC Jingmenludong New Energy Co., Ltd. (國家電投集團荊門綠動新能源有限公司)	100,215,000.00	7,215,000.00	Common control
23	Macheng Yuanshengli Photovoltaic Power Co., Ltd. (麻城市源生力光伏發電有限公司)	3,585,674.84	1,983,246.77	Common control
24	Huanggang Huayuan New Energy Co., Ltd. (黃岡華源新能源有限公司)	581,228.64	360,391.68	Common control
25	Hubei Jingyixin New Energy Co., Ltd. (湖北晶億鑫新能源有限公司)	7,011,127.05	5,965,548.39	Common control
26	Laohekou Teli Photovoltaic New Energy Co., Ltd. (老河口特立光伏新能源有限公司)	562,978.76	541,655.02	Common control
27	Xiangyang Zhuiqi Photovoltaic Power Co., Ltd. (襄陽追日光伏電力有限公司)	1,011,082.58	545,042.57	Common control
28	Hanchuan Shenghe New Energy Development Co., Ltd. (漢川盛和新能源開發有限公司)	58,573,552.71	6,856,459.70	Common control
29	Wuhan Dunkouludong Energy Co., Ltd. (武漢沌口綠動新能源有限公司)			Common control
30	Hubei Dejuxiu Trading Co., Ltd. (湖北德居秀貿易有限公司)	756,561.43	713,831.26	Common control
31	Huanggang Jineng Photovoltaic Power Co., Ltd. (黃岡吉能光伏發電有限公司)	1,839,490.69	1,540,289.83	Common control
32	Shiyan Huayuan New Energy Co., Ltd. (十堰華源新能源有限公司)	-104,262.30	-60,220.60	Common control
33	Shiyan Jineng Photovoltaic Power Co., Ltd. (十堰吉能光伏發電有限公司)	709,257.63	672,981.16	Common control

No.	Name of entity	Net asset at the end of the year	Net profit during the year	Nature of control
34	Suizhou Jineng Photovoltaic Power Co., Ltd. (隨州吉能光伏發電有限公司)	5,533,364.87	4,069,936.46	Common control
35	Suizhou Luyuan New Energy Co., Ltd. (隨州綠源新能源有限公司)	1,432,450.40	481,843.86	Common control
36	Tianmen Ludong Energy Co., Ltd. (天門綠動能源有限公司)			Common control
37	Xiangyang Jinghongda New Energy Technology Co., Ltd. (襄陽晶宏達新能源科技有限公司)	-324,783.76	-145,237.49	Common control
38	Xiangyang Jingweichuang New Energy Technology Co., Ltd. (襄陽市晶偉創新能源科技有限公司)	-140,958.86	13,458.30	Common control
39	Xiangyang Ludong Energy Co., Ltd. (襄陽綠動能源有限公司)	-1,064,045.19	-3,957.58	Common control
40	Suizhou Ludong Energy Co., Ltd. (隨州綠動能源有限公司)			Common control
41	SPIC Hubei Power Sales Co., Ltd. (國家電投集團湖北售電有限公司)	76,452,993.40	5,781,868.38	Common control
42	Shayang Green Power Photovoltaic Power Generating Company Limited (沙洋綠動光伏發電有限公司)	76,510,510.89	5,839,385.87	Common control
43	SPIC Huangmeiludong Wind Power Co., Ltd. (國家電投黃梅綠動風電有限公司)			Common control
44	Xiaochang Jinfu Solar Power Co., Ltd. (孝昌縣金伏太陽能電力有限公司)	67,845,416.16	8,625,416.16	Common control
45	Wuhan Guangguludong Energy Co., Ltd. (武漢光谷綠動能源有限公司)			Common control
46	Macheng Ludong Energy Co., Ltd. (麻城綠動能源有限公司)			Common control
47	SPIC Guangxi Electric Power Co., Ltd* (國家電投集團廣西電力有限公司)	4,862,853,441.92	335,543,165.52	Common control
48	SPIC Guangxi Changzhou Hydropower Development Co., Ltd* (國家電投集團廣西長洲水電開發有限公司)	3,477,050,068.21	292,062,970.52	Common control
49	SPIC Guangxi Beibu Gulf (Qinzhou) Thermal Power Co., Ltd. (國家電投集團廣西北部灣(欽州)熱電有限公司)	14,294,415.51	-39,257,339.80	Common control

APPENDIX II

FINANCIAL INFORMATION OF PARENTCO

No.	Name of entity	Net asset at the end of the year	Net profit during the year	Nature of control
50	SPIC Guangxi Jinzishan Wind Power Ltd* (國家電投集團廣西金紫山風電有限公司)	632,896,604.53	24,036,736.22	Common control
51	SPIC Guangxi Xing'an Wind Power Co., Ltd (國家電投集團廣西興安風電有限公司)	900,031,189.93	114,441,688.95	Common control
52	SPIC Guangxi Lingchuan Wind Power Co., Ltd. (國家電投集團廣西靈川風電有限公司)	101,400,000.00		Common control
53	Guangxi Lingshan Dahuaishan New Energy Co., Ltd. (廣西靈山大懷山新能源有限公司)	103,700,000.00		Common control
54	Guangxi Zhuojie Power Engineering Maintenance Co., Ltd. (廣西卓潔電力工程檢修有限公司)	5,063,528.12	63,528.12	Common control
55	SPIC Shandong Energy Development Co., Ltd.* (國家電投集團山東能源發展有限公司)	543,045,627.44	31,736,472.62	Common control
56	Guorui Power Investment Pingyuan New Energy Co. Ltd.	2,564,000.00		Common control
57	Ningjin Guorui Power Investment New Energy Co., Ltd.	37,541,400.00		Common control
58	Shanghe Guorui Wind Power Co., Ltd.	59,682,988.00		Common control
59	Qingyun Guorui Power Investment New Energy Co. Ltd.	53,852,400.00		Common control
60	Qingdao Guorui Energy Co., Ltd.	18,555,170.00		Common control
61	Dezhou Tianrui Wind Power Co., Ltd.	57,849,350.00		Common control
62	Shandong Tianrui New Energy Co., Ltd.	144,172,325.00		Common control
63	Anqiu Hengtai New Energy Technology Co. Ltd (安丘恒泰新能源科技有限公司)	255,693,154.14	32,857,681.68	Common control
64	Yantai Fushan SPIC Sangni New Energy Co., Ltd. (煙台市福山國電投桑尼新能源有限公司)	11,772,799.16	1,453,293.73	Common control
65	SPIC Muping Energy Development Company Limited (國家電投集團牟平能源發展有限公司)	2,000,000.00		Common control
66	Shandong SPIC Energy Marketing Co., Ltd. (山東國電投能源營銷有限公司)	368,083.26	-21,690.45	Common control
67	Haiyang SPIC Sangni New Energy Co., Ltd. (海陽國電投桑尼新能源有限公司)	9,663,982.75	1,412,982.75	Common control

APPENDIX II

FINANCIAL INFORMATION OF PARENTCO

No.	Name of entity	Net asset at the end of the year	Net profit during the year	Nature of control
68	SPIC Qingdao New Energy Co., Ltd. (國電投青島新能源有限公司)	4,517,456.85	0.00	Common control
69	Shouguang Power Investment Sangni New Energy Co., Ltd. (壽光電投桑尼新能源有限公司)	11,508,338.59	982,758.59	Common control
70	Qingzhou Zhongkenuowei Photovoltaic Co., Ltd. (青州中科諾維光伏有限公司)	5,082,378.89	524,869.22	Common control
71	Dongping SPIC Sangni New Energy Co., Ltd. (東平國電投桑尼新能源有限公司)	9,236,280.00		Common control
72	Linqu SPIC Sangni New Energy Co., Ltd. (臨朐國電投桑尼新能源有限公司)	5,307,635.33	574,895.33	Common control
73	Qihe Power Investment Sangni New Energy Co., Ltd. (齊河電投桑尼新能源有限公司)	7,930,000.00		Common control
74	Ningyang SPIC New Energy Co., Ltd. (甯陽國電投新能源有限公司)	6,000,000.00		Common control
75	Heze SPIC New Energy Co., Ltd. (荷澤國電投新能源有限公司)	3,000,000.00		Common control
76	Laizhou Mingzhi New Energy Technology Co., Ltd.* (萊州市名志新能源科技有限公司)	4,856,241.18	296,241.18	Common control
77	Yinan Guanglang Photovoltaic Power Co., Ltd.* (沂南光琅光伏電力有限公司)	4,139,735.53	329,735.53	Common control
78	Wuling Yuanling Electric Power Co., Ltd. (五凌沅陵電力有限公司)	9,000,000.00		Establishment via investment
79	Zhongning Longji Photovoltaic New Energy Company Limited* (中寧縣隆基光伏新能源有限公司)	345,613,287.31	42,083,477.34	Non-common control
80	Taiyuan Lantian New Energy Company Limited (太原嵐天新能源有限公司) (consolidated)	30,517,262.39	17,262.39	Establishment via investment
81	Lan County Huyuetong Dashetou Wind Power Co.,Ltd. (嵐縣虎悅通大蛇頭風力發電有限公司)	30,500,000.00		Establishment via investment
82	Beijing Haoyu New Energy Investment Co., Ltd. (北京浩宇新能源投資有限公司)	5,000,000.00		Establishment via investment
83	Zhangzi Langqing Wind Electric Power Co., Ltd. (長子縣朗晴協合風電有限公司)	5,000,000.00		Establishment via investment

No.	Name of entity	Net asset at the end of the year	Net profit during the year	Nature of control
84	Hepu China Power New Energy Co., Ltd. (合浦中電新能源有限公司)	31,582,828.18	196,428.18	Establishment via investment
85	Hubei China Power Juxin Energy Company Limited (湖北中電聚鑫能源有限公司)	20,095,163.69	2,095,163.69	Establishment via investment
86	China Power (Shenyang) Energy Investment Company Limited (中電(瀋陽)能源投資有限公司)	358,486,003.47	51,096,291.62	Establishment via investment
87	Daqing Huiqing New Energy Company Limited	181,733,313.68	47,891,645.92	Non-common control
88	Zhaozhou Longhui New Energy Co., Ltd (肇州縣隆輝新能源有限公司)	123,675,530.44	3,318,158.70	Non-common control
89	Zuoyun China Power Photovoltaic Power Generating Co., Ltd (左雲中電光伏發電有限公司)	167,460,000.00		Establishment via investment
90	Hunyuan China Power Photovoltaic Power Generating Co., Ltd (渾源中電光伏發電有限公司)	160,930,000.00		Establishment via investment
91	China Power Suzhou Shared Service Co., Ltd (中電(蘇州)共享服務有限公司)	23,756,133.12	-3,043,866.88	Establishment via investment
92	Yangqu County Tachong New Energy Wind Power Company Limited (陽曲縣太重新能源風力發電有限公司)	1,004,500.00		Establishment via investment
93	China Power Dabieshan (Hubei) Power Sales Company Limited (中電大別山(湖北)售電有限公司)	20,130,904.80	130,904.80	Common control
94	Xiamen China Power Photovoltaic Power Company Limited* (廈門中電光伏發電有限公司)	4,400,000.00		Establishment via investment
95	Qionghai China Power Environmental Protection Power Generation Company Limited (瓊海中電環保發電有限公司)	15,000,000.00		Establishment via investment
96	Haikou China Power No. 2 Environmental Protection Power Generation Company Limited (海口中電第二環保發電有限公司)	3,000,000.00		Establishment via investment
97	Gansu China Power Qiaowan Wind Power Company Limited* (甘肅中電橋灣風力發電有限公司)	396,739,827.37	16,385,170.50	Establishment via investment
98	Handan China Power Environmental Protection Power Generation Company Limited (邯鄲中電環保發電有限公司)			Establishment via investment

No.	Name of entity	Net asset at the end of the year	Net profit during the year	Nature of control
99	Beizhen China Power Environmental Protection Power Generation Company Limited (北鎮中電環保發電有限公司)	9,500,000.00		Establishment via investment
100	Shangqiu China Power Green Power Generation Company Limited* (商丘中電環保發電有限公司)	32,000,000.00		Establishment via investment
101	Qingyuan Smart Energy Co., Ltd. (清遠智慧能源有限公司)	9,028,283.35	-471,716.65	Establishment via investment
102	Xiangyang Luneng New Energy Co., Ltd. (襄陽綠能新能源有限公司)	5,212,806.47	-287,193.53	Establishment via investment
103	Kaiping Smart Energy Co., Ltd. (開平智慧能源有限公司)	5,751,921.72	1,151,921.72	Establishment via investment
104	Taizhou Chengshizhiguang New Energy Co., Ltd. (泰州城市之光新能源有限公司)	6,451,053.16	251,053.16	Establishment via investment
105	Vietnam Pingshun New Energy Company Limited (越南平順新能源有限責任公司)	25,614,521.43		Non-common control
106	China Power International (Kazakhstan) Investment Co., Ltd. (中電國際(哈薩克斯坦)投資有限公司)	84,977,809.20	-1,012,190.80	Establishment via investment
107	Zhanatas Wind Power Company Limited (札納塔斯風電有限責任公司)	77,863,543.78		Non-common control
108	Netherlands New Energy Holdings Company Limited (荷蘭新能源控股有限公司)	81,986,504.69	-3,315,575.31	Non-common control

Note: The companies referred in 101-104 are new companies established via investment by SPIC Guangdong Power Company Limited (國家電投集團廣東電力有限公司), a controlling subsidiary of the Company in 2018. In addition, SPIC Guangdong Power Company Limited (國家電投集團廣東電力有限公司) and 12 companies, namely SPIC Xuwen Wind Power Company Limited (國家電投集團徐聞風力發電有限公司), CPI Shantou Songshan Thermal Power Company Limited (中電投汕頭松山熱電有限公司), CPI Qian Zhan Gang Dian Company Limited, CPI (Shenzhen) Power Sales Company Limited (中電投(深圳)電力銷售有限公司), CPI Zhuhai Hengqin Thermal Power Company Limited (中電投珠海橫琴熱電有限公司), Zhuhai Hengqin Energy Development Company Limited (珠海橫琴能源發展有限公司), SPIC Jiedong Energy Company Limited (國家電投集團揭東能源有限公司), SPIC Leizhou New Energy Power Company Limited (國家電投集團雷州新能源發電有限公司), SPIC Yuzhou Energy Company Limited (國家電投集團禹州能源有限公司), Wuhan Chengshizhiguang Energy Co., Ltd. (武漢城市之光能源有限公司), Wuhan CPI Integrated Energy Company Limited (武漢國電投綜合能源有限公司) and Yangjiang Smart Energy Co., Ltd. (陽江智慧能源有限公司) were consolidated under common control, please refer to SPIC Guangdong Power Company Limited (國家電投集團廣東電力有限公司) in 6 Business Combination under Common Control during the Year, and shall not be presented separately.

6. Business Combination under Common Control during the Year

Unit: RMB'000

Company name	Date of combination	Basis for determining the date of combination	Book value of net assets	Consideration	De facto controllers
SPIC Shandong Energy Development Co., Ltd.* (國家電投集團山東能源發展有限公司)	30 April 2018	Note (1)	15,809.99	6,059.80	SPIC
SPIC Hubeilvdong New Energy Co., Ltd.* (國家電投集團湖北綠動新能源有限公司)	30 November 2018	Note (1)	11,068.28	9,499.53	SPIC
SPIC Guangxi Electric Power Co., Ltd.* (國家電投集團廣西電力有限公司)	30 April 2018	Note (1)	283,912.46	359,364.90	SPIC
SPIC Shouxian New Energy Development Co., Ltd.* (國家電力投資集團壽縣新能源有限公司)	30 November 2018	Note (1)	530.00		SPIC
SPIC Anhui New Energy Development Co., Ltd. (國家電力投資集團安徽新能源有限公司)	30 November 2018	Note (1)	26,160.02	26,806.49	SPIC
SPIC Guangdong Power Company Limited (國家電投集團廣東電力有限公司)	30 November 2018	Note (2)	110,637.28	124,288.62	
Related information from the beginning of the year to the date of combination					
Company name	Date of combination	Revenue	Net profit	Net increase in cash	Net cash flow from operating activities
SPIC Shandong Energy Development Co., Ltd.* (國家電投集團山東能源發展有限公司)	30 April 2018	2,914.25	1,446.67	6,801.07	13,814.63
SPIC Hubeilvdong New Energy Co., Ltd.* (國家電投集團湖北綠動新能源有限公司)	30 November 2018	20,606.56	3,249.91	10,405.32	7,131.8
SPIC Guangxi Electric Power Co., Ltd.* (國家電投集團廣西電力有限公司)	30 April 2018	60,022.77	117,12.42	12,489.31	25,592.19
SPIC Shouxian New Energy Development Co., Ltd.* (國家電力投資集團壽縣新能源有限公司)	30 November 2018			-5.59	100

Company name	Date of combination	Related information from the beginning of the year to the date of combination			Net cash flow from operating activities
		Revenue	Net profit	Net increase in cash	
SPIC Anhui New Energy Development Co., Ltd. (國家電力投資集團安徽新能源有限公司)	30 November 2018	19,767.82	5,466.97	2,566.96	6,744.17
SPIC Guangdong Power Company Limited (國家電投集團廣東電力有限公司)	30 November 2018	185,011.94	-2,684.00	-3,794.75	37,402.06

Notes: The basis for determining the date of combination was the date of obtaining control of the subsidiary. The specific reference conditions include: SPIC agreed and approved the delivery of assets and the restructuring of the board of directors and other factors.

- (1) In order to improve the sustainable profitability of China Power, an listed company and optimize its asset structure, upon the approval of SPIC, China Power acquired the entire equity interest in five companies, namely SPIC Shandong Energy Development Co., Ltd.* (國家電投集團山東能源發展有限公司), SPIC Hubeilvdong New Energy Co., Ltd.* (國家電投集團湖北綠動新能源有限公司), SPIC Guangxi Electric Power Co., Ltd.* (國家電投集團廣西電力有限公司), SPIC Shouxian New Energy Development Co., Ltd.* (國家電力投資集團壽縣新能源有限公司) and SPIC Anhui New Energy Development Co., Ltd. (國家電力投資集團安徽新能源有限公司), the subsidiaries of SPIC in April and November 2018, respectively, which was a business combination under common control in accordance with the provisions of the domestic accounting standards. In 2018, the Company consolidated the operating profit and loss and cash flow of the newly combined subsidiaries from the beginning to the end of the year, adjusted the net assets as at the beginning of 2018, and retrospectively adjusted the relevant data for comparable periods.
- (2) In accordance with the unified strategic deployment and regional adjustment of SPIC, the Company determined and included in the consolidation scope of the Company through the determined value and upon revision by the Articles of Association on 30 November 2018, and adjusted the amount as at the beginning of the year at combination under common control.

There are cumulative increases in total assets of RMB19,740,081,879.90, liabilities of RMB15,231,351,504.53, owner's equity attributable to the parent company of RMB4,261,215,851.13, minority interest of RMB247,514,524.24, total operating revenue of RMB3,625,301,879.82, total operating cost of RMB3,201,354,999.44, total profits of RMB402,764,068.97 and net profit of RMB345,848,307.71 for the above items respectively, including: net profit attributable to the owners of parent company of RMB347, 998,414.68.

7. Business Combination under Non-common Control during the Year

Company name	Date of acquisition	Basis for determining the date of acquisition	Book value of net assets	Fair value of identifiable net assets	
				Amount	Determination method
Zhongning Longji Photovoltaic New Energy Company Limited* (中寧縣隆基光伏新能源有限公司)	1 January 2018	Obtaining control	303,529,809.97	309,626,409.39	Valuation price
Hefei Youlilai New Energy Investment Co., Ltd. (合肥優利泰新能源投資有限公司)	31 August 2018	Obtaining control	6,419,332.67	6,465,569.79	Valuation price
Tianjin Xingtaobao New Energy Technology Development Co., Ltd. (天津興泰寶新能源科技發展有限公司)	31 August 2018	Obtaining control	683,470.00	2,455,880.27	Valuation price
Tianjin Xingtaisheng New Energy Technology Development Co., Ltd. (天津興泰晟新能源科技發展有限公司)	31 August 2018	Obtaining control	1,239,038.14	4,190,499.69	Valuation price
Vietnam Pingshun New Energy Company Limited (越南平順新能源有限責任公司)	30 January 2018	Obtaining control		20,101,000.00	Valuation price
Zhanatas Wind Power Company Limited (札納塔斯風電有限責任公司)	27 September 2018	Obtaining control	77,863,543.78	77,863,543.78	Valuation price
Netherlands New Energy Holdings Company Limited (荷蘭新能源控股有限公司)	27 September 2018	Obtaining control	85,302,080.00	85,302,080.00	Valuation price
Daqing Huiqing New Energy Company Limited	1 January 2018	Obtaining control	133,841,667.76	120,457,500.00	Valuation price
Zhaozhou Longhui New Energy Co., Ltd (肇州縣隆輝新能源有限公司)	1 December 2018	Obtaining control	120,357,371.74	116,000,000.00	Valuation price
Company name	Consideration	Goodwill Amount	Determination method	Income of acquiree from the date of acquisition to the end of the year	Net profit of acquiree from the date of acquisition to the end of the year
Zhongning Longji Photovoltaic New Energy Company Limited* (中寧縣隆基光伏新能源有限公司)	212,273,991.03	-3,397,590.64	Note (1)	162,429,406.69	42,083,477.34
Hefei Youlilai New Energy Investment Co., Ltd. (合肥優利泰新能源投資有限公司)	4,550,000.00	24,101.15	Note (2)	1,356,762.44	353,662.88
Tianjin Xingtaobao New Energy Technology Development Co., Ltd. (天津興泰寶新能源科技發展有限公司)	3,150,000.00	1,430,883.81	Note (2)	627,038.69	281,489.73

Company name	Consideration	Goodwill		Income of acquiree from the date of acquisition to the end of the year	Net profit of acquiree from the date of acquisition to the end of the year
		Amount	Determination method		
Tianjin Xingtaisheng New Energy Technology Development Co., Ltd. (天津興泰晟新能源科技發展有限公司)	7,000,000.00	4,066,650.22	Note (2)	1,558,107.30	600,638.45
Vietnam Pingshun New Energy Company Limited (越南平順新能源有限責任公司)	44,319,600.00	24,218,600.00	Valuation		
Zhanatas Wind Power Company Limited (札納塔斯風電有限責任公司)	77,863,543.78		Valuation		
Netherlands New Energy Holdings Company Limited (荷蘭新能源控股有限公司)	46,641,664.00		Valuation		-3,315,575.31
Daqing Huiqing New Energy Company Limited	84,320,250.69		Valuation	99,676,904.03	47,891,645.92
Zhaozhou Longhui New Energy Co., Ltd (肇州縣隆輝新能源有限公司)	81,200,000.00		Valuation	5,712,641.37	3,318,158.70

Notes:

- (1) The Company obtained 70% equity interests in Zhongning Longji Photovoltaic New Energy Company Limited* (中寧縣隆基光伏新能源有限公司) through a transaction. The date of acquisition was the date on which the Company actually obtained control over the target company. The basis for determination was that Xi'an Longji Clean Energy Company Limited* (西安隆基清潔能源有限公司), the former shareholder assisted the Company in completing the change in shareholder and delivering the assets of target company to the Company. There was no contingent consideration and contingency for this acquisition. The basis for determining the fair value of identifiable net assets of the target company was the report Zhong Qi Hua Ping Bao Zi (2017) No. 1301 issued by Beijing China Enterprise Appraisals Co., Ltd.* (北京中企華資產評估有限責任公司) against the assets of the target company. The difference of the combination consideration paid by the Company less the fair value of identifiable net assets of the target company obtained shall be recognized as goodwill. The deferred income tax liabilities shall be recognized if an increase in value of assets and the carrying amount exceeding tax base, and adjusted the amount of goodwill recognized accordingly pursuant to the requirement of Accounting Standards for Business Enterprises.
- (2) Anhui Conch Clean Energy Co., Ltd. under SPIC acquired 70% equity interests in Hefei Youlilai New Energy Investment Co., Ltd. (合肥優利泰新能源投資有限公司), Tianjin Xingtaibao New Energy Technology Development Co., Ltd. (天津興泰寶新能源科技發展有限公司), Tianjin Xingtaisheng New Energy Technology Development Co., Ltd. (天津興泰晟新能源科技發展有限公司) on 31 August 2018, respectively. The basis for determining the date of acquisition was that having control over the acquisition on 31 August 2018. The identifiable net assets acquired shall be recognized according to the valuation price. The goodwill shall be calculated at the difference between the consideration paid by the acquirer and the identifiable net assets acquired multiply by the shareholding percentage.

8. Changes in the parent company's proportion of owners' equity in subsidiaries

The transactions that occurred during the year that caused changes in the owner's equity of the Company in subsidiaries without losing control mainly included the acquisition of 0.43% equity interest in the subsidiary of China Power International Development Limited (holding 56.04% equity interests in such company upon the transaction). The impact of such transactions on the minority interest and the owners' equity attributable to the parent company was as follows:

Item	China Power International Development Limited	Yuan Jiang Power Development Co., Ltd.* (懷化沅 江電力開發有限責 任公司)
Acquisition cost/disposal consideration	71,116,689.18	3,000,000,000.00
– Cash	71,116,689.18	3,000,000,000.00
– Fair value of non-cash assets		
Total acquisition cost/disposal consideration	71,116,689.18	3,000,000,000.00
Less: Net asset share of the subsidiary calculated according to percentage of the acquired/disposed equity	138,242,348.58	2,908,467,369.30
Differences	67,125,659.40	91,532,630.70
Including: adjustment to capital reserves	67,125,659.40	91,532,630.70
adjustment to surplus reserve		
adjustment to retained profit		

VIII. EXPLANATION TO THE SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise stated, “the beginning of the year” refers to 1 January 2018, “the end of the year” refers to 31 December 2018, “last year” refers to Year 2017, “this year” refers to Year 2018 in the following notes, and the amounts are Renminbi.

1. Monetary assets

Item	Closing balance	Opening balance
Cash on hand	222,940.48	392,556.03
Cash in banks	5,535,722,922.36	6,929,621,968.63
Other Monetary assets	36,854,410.45	276,762,340.63
Total	5,572,800,273.29	7,206,776,865.29
Including: total amount deposited overseas	3,083,733,078.79	4,890,656,576.47

Breakdown of restricted Monetary assets are as follows:

Item	Closing balance	Opening balance
Banker's acceptance margin	749,012.77	16,823,185.71
Letter of credit margin		
Performance bond	22,400,000.00	
Time deposits or call deposits for guarantee	2,000,000.00	
Overseas deposits of which remittance back to China is limited		
Others	858,600.00	4,200,000.00
Total	26,007,612.77	21,023,185.71

2. Financial assets held for trading (applicable to companies that have implemented new financial instrument standards)

Item	Fair value at the end of the year	Fair value at the beginning of the year
Classified as financial assets at fair value through profit or loss	5,403,630.54	7,347,113.91
Including: Debt instruments investment		
Equity instrument investment	5,403,630.54	7,347,113.91
Others		
Designated as financial assets at fair value through profit or loss		
Including: Debt instruments investment		
Hybrid instruments investment		
Others		
Total	5,403,630.54	7,347,113.91

3. Financial assets at fair value through profit or loss (applicable to companies that have not implemented new financial instrument standards)

Item	Fair value at the end of the year	Fair value at the beginning of the year
Financial assets held for trading		
Including: Debt instruments investment		
Equity instrument investment		
Others		
Designated as financial assets at fair value through profit or loss	27,479,524.57	25,937,050.14
Including: Debt instruments investment		
Equity instrument investment	27,479,524.57	25,937,050.14
Others		
Total	27,479,524.57	25,937,050.14

4. Notes receivable and accounts receivable

Category	Closing balance	Opening balance
Notes receivable	434,366,245.60	292,287,352.58
Accounts receivable	4,947,800,921.78	4,235,343,712.58
Total	5,382,167,167.38	4,527,631,065.16

(1) *Notes receivable*① *Category of notes receivable*

Category	Amount at the end of the year			Amount at the beginning of the year		
	Book balance	Bad debt provision	Carrying amount	Book balance	Bad debt provision	Carrying amount
Banker's acceptance bills	382,382,245.60		382,382,245.60	291,941,552.58		291,941,552.58
Commercial acceptance bills	51,984,000.00		51,984,000.00	345,800.00		345,800.00
Total	434,366,245.60		434,366,245.60	292,287,352.58		292,287,352.58

② *Notes receivable pledged at the end of the year*

Category	Amount pledged at the end of the year
Banker's acceptance bills	2,000,000.00
Commercial acceptance bills	
Total	2,000,000.00

③ *Notes receivable endorsed or discounted but yet undue on balance sheet date at the end of the year*

Category	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Banker's acceptance bills	18,200,780.00	1,253,487.14
Commercial acceptance bills	50,000,000.00	
Total	68,200,780.00	1,253,487.14

④ *Notes were reclassified to accounts receivable due to inability of the issuers to settle the notes at the end of the year*

Category	Amount reclassified to accounts receivable at the end of the year
Banker's acceptance bills	
Commercial acceptance bills	1,984,000.00
Total	1,984,000.00

(2) *Accounts receivable*

Category	Amount at the end of the year			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant individual amount and bad debt provision accrued on single item				
Accounts receivable with bad debt provision accrued on the combination of credit risk characteristics	4,948,327,863.54	99.85	709,531.60	0.01
Accounts receivable with insignificant individual amount but bad debt provision accrued on single item	7,244,118.75	0.15	7,061,528.91	97.48
Total	4,955,571,982.29	100.00	7,771,060.51	-

Category	Amount at the beginning of the year			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant individual amount and bad debt provision accrued on single item				
Accounts receivable with bad debt provision accrued on the combination of credit risk characteristics	4,236,061,058.43	99.83	717,345.85	0.02
Accounts receivable with insignificant individual amount but bad debt provision accrued on single item	7,110,714.91	0.17	7,110,714.91	100.00
Total	4,243,171,773.34	100.00	7,828,060.76	-

① *Accounts receivable with bad debt provision accrued on the combination of credit risk characteristics*

A Accounts receivable for which bad debt provision has been accrued using aging analysis approach:

Ageing	Amount at the end of the year			Amount at the beginning of the year		
	Book balance	Bad debt provision		Book balance	Bad debt provision	
Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	
Within 1 year (inclusive)	168,054,797.34	97.98		149,377,512.41	96.18	
1 to 2 years (inclusive)	1,364,200.00	0.80	136,420.00	4,689,686.09	3.02	468,968.61
2 to 3 years (inclusive)	1,575,842.50	0.92	315,168.50	1,241,886.20	0.80	248,377.24
Over 3 years	515,886.20	0.30	257,943.10			
Total	171,510,726.04	100.00	709,531.60	155,309,084.70	100.00	717,345.85

B Accounts receivable for which bad debt provision has been accrued using other portfolios

Name of portfolio	Amount at the end of the year			Amount at the beginning of the year		
	Book balance	Percentage of provision (%)	Bad debt provision	Book balance	Percentage of provision (%)	Bad debt provision
Risk free portfolio	4,776,817,137.50			4,080,751,973.73		
Total	4,776,817,137.50		-	4,080,751,973.73		-

② Accounts receivable with insignificant individual amount but bad debt provision accrued on single item at the end of the year

Name of debtor	Book balance	Bad debt provision	Ageing	Percentage of provision (%)	Reason for provision
Datang Huayin Electric Power Co., Ltd* (大唐華銀電力股份有限公司)	5,163,872.88	4,981,283.04	Over 5 years	96.46	Partly unrecoverable
Hongze Yiyuan Paper Co., Ltd. (洪澤億元紙業有限公司)	813,433.00	813,433.00	2 to 3 years	100.00	Unrecoverable
Runqiang Packing Co., Ltd. (潤強包裝有限公司)	324,972.00	324,972.00	3 to 4 years	100.00	Unrecoverable
Hongze Daren Paper Product Plant (洪澤縣達仁紙品廠)	195,240.74	195,240.74	3 to 4 years	100.00	Unrecoverable
Hongze Jiade Paper Co., Ltd. (洪澤嘉德紙業有限公司)	150,223.00	150,223.00	4 to 5 years	100.00	Unrecoverable
Hunan Haiyan Investment Management Co., Ltd. (湖南海晏投資管理有限公司)	148,590.00	148,590.00	3 to 4 years	100.00	Unrecoverable
Hunan Valin Steel Tube & Wire Company Limited	109,600.59	109,600.59	Over 5 years	100.00	Unrecoverable
Others in total less than RMB100,000	338,186.54	338,186.54	Over 5 years	100.00	Unrecoverable
Total	7,244,118.75	7,061,528.91	-	-	-

③ *Top five accounts receivable according to closing balance of debtors*

Name of debtor	Book balance	Percentage to total accounts receivable (%)	Bad debt provision
State Grid Gansu Electric Power Company* (國家電網甘肅省電力公司)	812,621,145.39	16.40	
Guangdong Power Grid Co., Ltd.	598,020,534.21	12.07	
State Grid Jiangsu Electric Power Company Limited	433,948,595.46	8.76	
State Grid Sichuan Electric Power Company* (國網四川省電力公司)	311,429,293.81	6.28	
State Grid Hubei Electric Power Company* (國網湖北省電力有限公司)	301,379,607.43	6.08	
Total	2,457,399,176.30	49.59	

5. **Prepayments**(1) *By ageing*

Ageing	Amount at the end of the year			Amount at the beginning of the year		
	Book balance	Bad debt		Book balance	Bad debt	
		Amount	Percentage (%)		Amount	Percentage (%)
Within 1 year (inclusive)	2,293,865,427.04	77.64		1,615,832,960.23	79.67	
1 to 2 years (inclusive)	563,185,809.62	19.06	373,362.00	335,509,798.89	16.54	
2 to 3 years (inclusive)	57,184,325.95	1.93	17,500.00	38,441,273.50	1.90	
Over 3 years	40,395,175.97	1.37	348,333.00	38,343,904.04	1.89	
Total	2,954,630,738.58	100.00	739,195.00	2,028,127,936.66	100.00	

(2) *Significant prepayments with ageing over one year*

Creditor Company	Debtor Company	Closing balance	Ageing	Reason for being unsettled
Ruicheng China Power Photovoltaic Power Generating Co., Ltd. (芮城中電光伏發電有限公司)	Leading Group Office of Photovoltaic Power Base Project in Ruicheng County Pilot Demonstration Zone of National Ecocivilization* (芮城縣國家生態文明先行示範區光伏基地項目領導組辦公室)	62,551,333.37	1 to 2 years	Undue
Deyang Hexin Environmental Protection Power Generation Company Limited (德陽和新環保發電有限責任公司)	Shanghai SUS Environment Co., Ltd. (上海康恒環境股份有限公司)	52,866,236.00	2 to 3 years	Undue

Creditor Company	Debtor Company	Closing balance	Ageing	Reason for being unsettled
Shanxi China Power Shentou No. 2 Power Generating Company Limited (山西中電神頭第二發電有限責任公司)	Anhui No. 1 Electric Power Construction Engineering Co., Ltd.	39,956,343.00	1 to 2 years	Uncompleted
China Power (Jiangmen) Comprehensive Energy Company Limited (中電(江門)綜合能源有限公司)	China Power (Jiangmen) Comprehensive Energy Company Limited (中電(江門)綜合能源有限公司)	37,229,700.00	1 to 2 years	Undue
Shanxi Shentou Power Generating Company Limited* (山西神頭發電有限公司)	Huaneng Energy & Communications Holding Co., Ltd.	34,453,137.37	Over 5 years	Undue
Shanxi China Power Shentou No. 2 Power Generating Company Limited (山西中電神頭第二發電有限責任公司)	Beijing Boqi Electric Power SCI-TECH Co., Ltd. (北京博奇電力科技有限公司)	31,840,537.00	1 to 2 years	Uncompleted
China Power (Chengdu) Comprehensive Energy Co., Ltd. (中電(成都)綜合能源有限公司)	Southwest Electric Power Design Institute Co., Ltd. of China Power Engineering Consulting Group	25,045,000.00	1 to 2 years	Uncompleted
Wuling Taojiang Electric Power Co., Ltd. (五凌桃江電力有限公司)	XEMC Windpower Co., Ltd*(湘電風能有限公司)	21,350,000.00	1 to 2 years	Uncompleted
Deyang Hexin Environmental Protection Power Generation Company Limited (德陽和新環保發電有限責任公司)	People's Government of Hexin Town, Jingyang District, Deyang (德陽市旌陽區和新鎮人民政府)	18,925,147.30	2 to 3 years	Earnest money for land auction
China Power (Shangqiu) Thermal Power Company Limited (中電(商丘)熱電有限公司)	China Power Complete Equipment Co., Ltd.	18,380,021.50	1 to 2 years	Undue
Dongguan China Power No. 2 Heat and Power Company Limited* (東莞中電第二熱電有限公司)	Dongguan Xinao Gas Co., Ltd. (東莞新奧燃氣有限公司)	17,202,600.00	1 to 2 years	Undue
Shanxi China Power Shentou No. 2 Power Generating Company Limited (山西中電神頭第二發電有限責任公司)	CPI Power Engineering Co., Ltd.	16,250,000.00	1 to 2 years	Uncompleted

Creditor Company	Debtor Company	Closing balance	Ageing	Reason for being unsettled
Deyang Hexin Environmental Protection Power Generation Company Limited (德陽和新環保發電有限責任公司)	Wuxi Xuelang Environment Technology Co., Ltd. (無錫雪浪環境科技股份有限公司)	14,674,160.00	2 to 3 years	Undue
Renhuai China Power Environmental Protection Power Generation Company Limited (仁懷中電環保發電有限公司)	Jiangsu Binpeng Environmental Protection Co., Ltd.	14,410,000.00	1 to 2 years	Undue
China Power Guorui Logistics Company Limited* (中電國瑞物流有限公司)	Changshu Switchgear MFG. Co., Ltd. (Former Changshu Switchgear Plant)	13,796,041.60	1 to 2 years	Undue
Shanxi China Power Shentou No. 2 Power Generating Company Limited (山西中電神頭第二發電有限責任公司)	Chimney & Tower Engineering Co., Ltd. of Northeast Power Industry Management Bureau (東北電業管理局煙塔工程公司)	12,958,164.00	1 to 2 years	Uncompleted
Guiyang China Power Environmental Protection Power Generation Company Limited (貴陽中電環保發電有限公司)	Guiyang Huaxi Urban Construction and Investment Development Co., Ltd. (貴陽花溪城市建設投資發展有限公司)	12,938,200.00	1 to 2 years	Undue
Deyang Hexin Environmental Protection Power Generation Company Limited (德陽和新環保發電有限責任公司)	Hangzhou Chinen Steam Turbine Power Co., Ltd.	11,556,358.00	1 to 2 years	Undue
Shanxi China Power Shentou No. 2 Power Generating Company Limited (山西中電神頭第二發電有限責任公司)	Shanghai Electric Power Construction Co., Ltd.* (上海電力建設有限責任公司)	11,332,756.00	1 to 2 years	Uncompleted
China Power Guorui Logistics Company Limited* (中電國瑞物流有限公司)	Jiangsu Boan Cable Co., Ltd.	10,408,457.36	1 to 2 years	Undue
Total		478,124,192.50	–	–

(3) *Top five prepayments according to closing balance of debtors*

Name of debtor	Book balance	Percentage to total prepayments (%)	Bad debt provision
China Power Construction Group Henan Electric Power Survey and Design Institute Co., Ltd. (中國電建集團河南省電力勘测設計院有限公司)	256,845,655.00	8.69	
China Energy Engineering Group Guangdong Electric Power Design Institute Co., Ltd.* (中國能源建設集團廣東省電力設計研究院有限公司)	129,566,631.36	4.39	
Power Plant EPC Offshore (電廠EPC離岸)	126,678,000.00	4.29	
Sinohydro International Engineering Co., Ltd. (中國水電建設集團國際工程有限公司)	75,790,000.00	2.57	
Guangzhou Wuchan Meitong Trading Co., Ltd. (廣州物產美通貿易有限公司)	60,432,768.00	2.05	
Total	649,313,054.36	21.98	

6. **Other receivables**

Item	Closing balance	Opening balance
Interest receivable	4,610,677.42	1,062,978.12
Dividend receivable		
Other receivables	3,462,401,831.76	3,534,882,345.93
Total	3,467,012,509.18	3,535,945,324.05

(1) *Interest receivable*

Item	Closing balance	Opening balance
Time deposit		
Entrusted loan	4,610,677.42	1,062,978.12
Bond investment		
Others		
Total	4,610,677.42	1,062,978.12

(2) *Other receivables*

Category	Amount at the end of the year			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant individual amount and bad debt provision accrued on single item	27,232,000.00	0.78	27,232,000.00	100.00
Other receivables with bad debt provision accrued on the combination of credit risk characteristics	3,467,433,913.39	98.89	7,226,007.06	0.21
Other receivables with insignificant individual amount but bad debt provision accrued on single item	11,505,344.36	0.33	9,311,418.93	80.93
Total	3,506,171,257.75	100.00	43,769,425.99	—

Category	Amount at the beginning of the year			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant individual amount and bad debt provision accrued on single item	27,232,000.00	0.76	27,232,000.00	100
Other receivables with bad debt provision accrued on the combination of credit risk characteristics	3,542,868,184.07	98.48	26,061,878.33	0.74
Other receivables with insignificant individual amount but bad debt provision accrued on single item	27,272,212.66	0.76	9,196,172.47	33.72
Total	3,597,372,396.73	100	62,490,050.80	-

① *Other receivables with significant individual amount and bad debt provision accrued on single item at the end of the year*

Name of debtor	Book balance	Bad debt provision	Ageing	Percentage of provision (%)	Reason for provision
Government of Xinhua County (新化縣政府)	27,132,000.00	27,132,000.00	Within 1 year	100.00	Unrecoverable
Total	27,132,000.00	27,132,000.00	-	-	-

② *Other receivables with bad debt provision accrued on the combination of credit risk characteristics*

A Other receivables for which bad debt provision has been accrued using aging analysis approach:

Ageing	Amount at the end of the year			Amount at the beginning of the year		
	Book balance	Bad debt provision		Book balance	Bad debt provision	
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year (inclusive)	374,274,740.21	98.11	247,466,218.10	90.47		
1 to 2 years (inclusive)						
2 to 3 years (inclusive)						
Over 3 years	7,226,007.06	1.89	7,226,007.06	26,061,878.33	9.53	26,061,878.33
Total	381,500,747.27	100.00	7,226,007.06	273,528,096.43	100.00	26,061,878.33

B Other receivables for which bad debt provision has been accrued using other portfolios

Name of portfolio	Amount at the end of the year			Amount at the beginning of the year		
	Book balance	Bad debt provision		Book balance	Bad debt provision	
	Amount	Percentage (%)		Amount	Percentage (%)	
Risk free portfolio	3,085,933,166.12	100.00		3,269,340,087.64	100.00	
Total	3,085,933,166.12	100.00		3,269,340,087.64	100.00	

③ *Other receivables with insignificant individual amount but bad debt provision accrued on single item at the end of the year*

Name of debtor	Book balance	Bad debt provision	Ageing	Percentage of provision	Reason for provision
Henan Wuzhi Thermal Power Co., Ltd. (河南武陟熱電有限公司)	8,412,815.11	8,412,815.11	Over 5 years	100.00%	Unrecoverable
Shouning Border Industrial Park Development Co., Ltd. (壽寧縣邊界工業園開發有限公司)	500,000.00	500,000.00	Over 5 years	100.00%	Unrecoverable
Shouning State Owned Assets Investment Management Co., Ltd.* (壽寧縣國有資產投資經營有限公司)	260,000.00	260,000.00	Over 5 years	100.00%	Unrecoverable
Provincial Sangganhe High Production Poplar Forest Experimental Bureau (省桑干河楊樹豐產林實驗局)	100,000.00	100,000.00	Over 5 years	100.00%	Unrecoverable
Subtotal of RMB100,000	2,232,529.25	38,603.82	1 to over 5 years	17.29%	Partly recovered
Total	11,505,344.36	9,311,418.93	–	–	–

④ *Top five other receivables according to amount of debtors at the end of the year*

Name of debtor	Nature	Book balance	Ageing	Percentage to total other receivables (%)	Bad debt provision
Hong Kong Caizhi Company Limited (香港財智有限公司)	Borrowing	2,745,280,000.00	Within 1 year	78.30	
Hongfu Company: Hong Zhen (鴻福公司:洪真)	Acquisition of equity	38,989,511.86	1 to 5 years	1.11	
CMB Leasing Co., Ltd. (招銀租賃有限公司)	Rental deposit	35,000,000.00	3 to 4 years	1.00	
Ping An International Financial Leasing Co., Ltd.	Rental deposit	15,000,000.00	4 to 5 years	0.43	
Shentou Industrial Ecological Park Project Department (神頭實業生態園項目部)	Borrowing	11,740,000.00	Within 1 year	0.33	
Total	–	2,846,009,511.86	81.17		

7. Inventories

Item	Amount at the end of the year		
	Book balance	Impairment provision	Carrying amount
Raw material	1,168,540,830.42	7,820,727.41	1,160,720,103.01
Including: Fuel	965,970,733.54		965,970,733.54
Material	202,570,096.88	7,820,727.41	194,749,369.47
Stock inventory (finished products)	2,569,537.97	1,490,979.00	1,078,558.97
Spare parts	229,318,081.25	8,450,541.99	220,867,539.26
Construction of projects	1,585,778.85		1,585,778.85
Low-cost consumables	1,112,338.06		1,112,338.06
Others	455,298.07		455,298.07
Total	1,403,581,864.62	17,762,248.40	1,385,819,616.22

Item	Amount at the beginning of the year		
	Book balance	Impairment provision	Carrying amount
Raw material	747,919,457.00	4,569,372.08	743,350,084.92
Including: Fuel	595,462,246.47		595,462,246.47
Material	152,457,210.53	4,569,372.08	147,887,838.45
Stock inventory (finished products)	3,325,563.16	1,490,979.00	1,834,584.16
Spare parts	249,776,718.06	2,549,375.57	247,227,342.49
Construction of projects			
Low-cost consumables	1,396,023.63		1,396,023.63
Others	1,392,750.86		1,392,750.86
Total	1,003,810,512.71	8,609,726.65	995,200,786.06

8. Contract assets (applicable to companies that have implemented new revenue standards)

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Revenues recognized by new energy subsidies such as photovoltaics and wind power that have not been included in the National Energy Administration Catalogue	311,539,521.13		311,539,521.13	181,225,749.14		181,225,749.14
Super-net incomes that have not been publicized in the fourth quarter of coal-fired power project	2,504,880,472.02		2,504,880,472.02	492,828,076.68		492,828,076.68
Total	2,816,419,993.15		2,816,419,993.15	674,053,825.82		674,053,825.82

9. Assets held for sale

Item	Carrying amount at the end of the year	Fair value at the end of the year	Estimated disposal expenses	Timing
CP Shentou Asset Group (中電神頭資產組)	5,356,535,593.30	565,772,722.00	Equity transfer, no disposal expense	Under consultation with the parties in respect of personnel placement
Total	5,356,535,593.30	565,772,722.00		–

Note:

1. On 5 February 2018, Shanxi Shentou Power Generating Company Limited* (山西神頭發電有限公司) (hereinafter referred to as “Shanxi Shentou”), a subsidiary of China Power entered into a joint venture contract with several companies including Jiangsu Guoxin to establish a joint venture, with registered capital of RMB6 billion, of which the first trench of RMB200 million and the second trench of RMB5.8 billion. The shareholdings of Jiangsu Guoxin, China Coal Pingshuo, Datong Coal Group, Shanxi Shentou, Datang International and Shanxi Solar were 51%, 15%, 15%, 9%, 5% and 5%, respectively. Pursuant to the joint venture agreement, Shanxi Shentou was required to contribute RMB540 million, of which the first trench of RMB18 million and the second trench of RMB522 million. Shanxi Shentou will use cash and 80% equity interests in China Power Shentou Power Generating Company Limited (hereinafter referred to as “CP Shentou”) as the capital contribution.

The joint venture will control the Yanhuai UHVDC Matching Power Points Project, and meet huge electricity demand in Jiangsu Province by excessive electricity supply in Shanxi Province through integrating the coal price and electricity advantages in Shanxi Province with the electricity market advantages in Jiangsu Province. The joint venture will collectively deal all sales and purchases of electricity of Yanhuai UHVDC channel from Shanxi Province to Jiangsu Province, and supply and distribute in a centralized manner. The joint venture also invested in Shanxi China Power Shentou No.2 Power Generating Company Limited (山西中電神頭第二發電有限責任公司) (hereinafter referred to as “Shentou Power II”).

Subsequently, Datang International withdrew due to objective factors, with the registered capital of the joint venture unchanged at RMB6 billion, and the shareholdings of Jiangsu Guoxin, China Coal Pingshuo, Datong Coal Group, Shanxi Shentou and Shanxi Solar were 51%, 15%, 15%, 9.5% and 9.5%, respectively. Upon the change, Shanxi Shentou was required to contribute RMB570 million, of which the first trench of RMB19 million and the second trench of RMB551 million, with the capital contribution method unchanged, Shanxi Shentou will use cash and 80% equity interests in CP Shentou as the capital contribution.

The joint venture agreed that if the capital contribution is not in place within six months, it is necessary to calculate the default interest at 0.05% per day for default.

The value of 80% equity interests of CP Shentou shall be determined as follows: 80% equity interests of CP Shentou shall be subscribed as the capital contribution of the joint venture at the market appraised value. If the appraised value of the equity used for capital contribution by Shanxi Shentou is more than its registered capital payable, the joint venture shall pay Shanxi Shentou the excess; if the appraised value of the equity used for capital contribution by Shanxi Shentou is lower than its registered capital payable, Shanxi Shentou shall supplement its registered capital payable in cash.

The cash-generating unit of CP Shentou was classified as disposal group held for sale on 5 February 2018, and measured at the lower of the balance of the carrying amount and the fair value less disposal expenses. The property, plant and equipment and prepaid lease payments ceased to depreciate and amortize on the date of reclassification.

One of the joint venture parties has withdrawn, but the remaining five joint venture parties including China Power, have undertook to continue to actively promote the establishment of the joint venture through their respective capital contributions. The new joint venture agreement after the withdrawal of Datang International has been signed, and the company was incorporated on 10 October 2018 with the first trench of registered capital of RMB200 million, and all the capital contributions from each contributor have been put in place. CP Shentou shall sell its 80% equity interests at fair value recognized by all parties. Under normal power operation in the current period, CP Shentou shall continue to engage in power generation business by incorporating the current conditions into the joint venture.

Therefore, the management has judged that the agreement to be updated is less likely to be significantly adjusted or cancelled than the agreement signed previously. The sale is still very likely to occur and could be sold immediately under the current conditions. The cash-generating unit of CP Shentou shall continue to meet the definition of classified as disposal group at the end of the year.

Non-current assets held for sale or non-current assets in the disposal group shall not be depreciated or amortized, and interest and other expenses on liabilities in the disposal group held for sale shall continue to be recognized. The internal approval of the above joint venture has been completed on 5 February 2018. To date, the joint venture has been established with method of capital contribution unchanged. The reduction in individual capital contributor shall have no impact on the acquisition of 80% equity interests in CP Shentou by joint venture.

Based on the judgment, the management considered that the long-term equity investments classified as disposal group held for sale of CP Shentou by the parent company of China Power on 5 February 2018 shall be measured at the lower of the balance of the carrying amount and the fair value less disposal expenses.

The reference date for the evaluation is currently under negotiation, and there is no agreement on the attribution of profits and losses of 80% equity interests in CP Shentou used for capital contribution during the transitional period in the joint venture contract. The management believes that the amount of profits and losses during the transitional period is immaterial, and larger difference is difficult to make additional monetary contribution or refund of the joint venture.

Main information about assets held for sale

Item	Closing balance
Notes receivable and accounts receivable	180,593,607.30
Other receivables	894,986,433.92
Fixed assets	3,609,806,702.60
Construction in progress	463,360,975.68
Deferred income tax assets	115,607,531.68
Total	5,264,355,251.18

10. Other current assets

Item	Closing balance	Opening balance
Entrusted loan (short-term)		119,780,000.00
Prepaid income tax	11,330,385.22	28,637,749.85
VAT payable – reclassification of the outstanding debit balance at the end of the year	1,119,692,117.97	870,660,063.44
Amount of overpaid VAT	6,478,556.58	8,619,864.68
Overpaid other taxes	47,205,901.38	2,100,735.27
Others	21,313,712.35	129,959,450.63
Total	1,206,020,673.50	1,159,757,863.87

11. Available-for-sale financial assets (applicable to companies that have not implemented new financial instrument standards)

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment Provision	Carrying amount
Available-for-sale equity instruments	436,753,083.87		436,753,083.87	436,753,083.87		436,753,083.87
Including: Measured at fair value						
Measured at cost	436,753,083.87		436,753,083.87	436,753,083.87		436,753,083.87
Total	436,753,083.87		436,753,083.87	436,753,083.87		436,753,083.87

12. Long-term receivables

Item	Closing balance			Opening balance		
	Book balance	Bad debt provision	Carrying amount	Book balance	Bad debt provision	Carrying amount
Finance lease payment	81,813,000.00		81,813,000.00	71,580,000.00		71,580,000.00
Including: Unrealized financing income						
Total	81,813,000.00		81,813,000.00	71,580,000.00		71,580,000.00

13. Long-term equity investments

(1) Classification of long-term equity investments

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Investment in subsidiaries				
Investment in joint ventures	935,934,307.95	14,814,823.78	81,678,160.23	869,070,971.50
Investment in associates	1,237,290,732.08	409,577,558.79	22,124,156.91	1,624,744,133.96
Subtotal	2,173,225,040.03	424,392,382.57	103,802,317.14	2,493,815,105.46
Less: Long-term equity investments				
Impairment provision	230,349,524.67			230,349,524.67
Total	1,942,875,515.36			2,263,465,580.79

(2) Breakdown of long-term equity investments (not applicable to the investment cost of the enterprise disposed at the end of the year)

Investee	Cost of investment	Opening balance	Changes in the year	
			Additional investment	Decrease in investment
Total	2,018,779,282.72	2,173,225,040.03	326,096,632.59	2,921,016.93
I. Joint ventures	825,099,406.98	935,934,307.95		
Zhongdian Changshu Electricity Allocation and Sale Co., Ltd.	80,004,000.00	80,119,169.55		
Hunan China Resources Power Liyujiang Company Limited (湖南華潤電力鯉魚江有限公司)	331,135,710.48	294,626,273.70		
Henan Zhongping Coal & Electricity Co., Ltd. (河南中平煤電有限責任公司)	68,319,696.50	69,540,015.14		
Guangzhou China Power Lixin Industry Company Limited (廣州中電荔新電力實業有限公司)	292,000,000.00	417,058,674.47		
Dongguan Humen Port Lifengyuan Underground Pipe Gallery Company Limited (東莞虎門港立豐源公共管廊有限公司)	10,500,000.00	10,500,000.00		
Changshu Binjiang Thermal Power Co., Ltd. (常熟濱江熱力有限公司)	42,140,000.00	63,242,706.82		
SPIC Anhui Conch Power Sales Co., Ltd. (國家電投集團安徽海螺售電有限公司)	1,000,000.00	847,468.27		

APPENDIX II
FINANCIAL INFORMATION OF PARENTCO

Investee	Cost of investment	Opening balance	Changes in the year	
			Additional investment	Decrease in investment
II. Associates	1,193,679,875.74	1,237,290,732.08	326,096,632.59	2,921,016.93
China Hong Kong Development Company Limited		2,921,016.93		2,921,016.93
Yibin Fuxi Fly Ash Development Co., Ltd. (宜賓福溪粉煤灰開發有限公司)	2,262,000.00	8,451,514.09		
Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司)	198,385,000.00	209,898,464.00		
Sichuan Guangwang Group Chuanjing Coal Industry (四川廣旺集團船景煤業)	230,349,524.67	230,349,524.67		
Shanghai Chongming Beiyan Wind Power Generation Company Limited	18,607,400.00	42,408,255.71		
Hunan Nuclear Power Company Limited (湖南核電有限公司)	57,800,000.00	58,586,005.61		
Guizhou Pu'an Digua Coal Industry Co., Ltd. (貴州普安地瓜坡煤業有限公司)	33,187,488.00	33,187,488.00		
Vinh Tan 1 Power Company Limited	628,088,463.07	628,088,463.07	324,496,632.59	
Dongguan China Power Xinao Heat Energy Company Limited (東莞中電新奧熱力有限公司)	23,000,000.00	23,000,000.00		
Shangdianpingnan New Energy Company Limited (上電平南新能源有限公司)	2,000,000.00	400,000.00	1,600,000.00	
			Changes in the year	
			Investment gain or loss recognized under equity method	Other comprehensive income adjustment
			Changes in other equity	Declaration of cash dividend or profit
Investee				
Total	35,113,010.61			37,698,560.84
I. Joint ventures	-44,964,412.84			21,898,923.61
Zhongdian Changshu Electricity Allocation and Sale Co., Ltd.	2,473,374.71			
Hunan China Resources Power Liyujiang Company Limited (湖南華潤電力鯉魚江有限公司)	-59,779,236.62			
Henan Zhongping Coal & Electricity Co., Ltd. (河南中平煤電有限責任公司)	709,040.89			

Investee	Investment gain or loss recognized under equity method	Changes in the year		Declaration of cash divided or profit
		Other comprehensive income adjustment	Changes in other equity	
Guangzhou China Power Lixin Industry Company Limited (廣州中電荔新電力實 業有限公司)	5,115,192.67			21,898,923.61
Dongguan Humen Port Lifengyuan Underground Pipe Gallery Company Limited (東莞虎門港立豐源公共管廊有限 公司)				
Changshu Binjiang Thermal Power Co., Ltd. (常熟濱江熱力有限公司)	6,111,003.83			
SPIC Anhui Conch Power Sales Co., Ltd. (國家電投集團安徽海螺售電有限公司)	406,211.68			
II. Associates	80,077,423.45			15,799,637.23
China Hong Kong Development Company Limited				
Yibin Fuxi Fly Ash Development Co., Ltd. (宜賓福溪粉煤灰開發有限公司)	3,696,054.13			5,048,011.34
Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司)	19,966,831.37			7,843,136.00
Sichuan Guangwang Group Chuanjing Coal Industry (四川廣旺集團船景煤業)				
Shanghai Chongming Beiyan Wind Power Generation Company Limited	4,033,974.06			2,908,489.89
Hunan Nuclear Power Company Limited (湖南核電有限公司)	1,353,386.74			
Guizhou Pu'an Digua Coal Industry Co., Ltd. (貴州普安地瓜果坡煤業有限公司)				
Vinh Tan 1 Power Company Limited	49,895,558.04			
Dongguan China Power Xiniao Heat Energy Company Limited (東莞中電新奧熱力有 限公司)	1,131,619.11			
Shangdianpingnan New Energy Company Limited (上電平南新能源有限公司)				

Investee	Changes in the year			Impairment provision Closing balance
	Provision for impairment	Others	Closing balance	
Total			2,493,815,105.46	230,349,524.67
I. Joint ventures			869,070,971.50	
Zhongdian Changshu Electricity Allocation and Sale Co., Ltd.			82,592,544.26	
Hunan China Resources Power Liyujiang Company Limited (湖南華潤電力鯉魚江 有限公司)			234,847,037.08	
Henan Zhongping Coal & Electricity Co., Ltd. (河南中平煤電有限責任公司)			70,249,056.03	
Guangzhou China Power Lixin Industry Company Limited (廣州中電荔新電力實 業有限公司)			400,274,943.53	
Dongguan Humen Port Lifengyuan Underground Pipe Gallery Company Limited (東莞虎門港立豐源公共管廊有 限公司)			10,500,000.00	
Changshu Binjiang Thermal Power Co., Ltd. (常熟濱江熱力有限公司)			69,353,710.65	
SPIC Anhui Conch Power Sales Co., Ltd. (國家電投集團安徽海螺售電有限公司)			1,253,679.95	
II. Associates			1,624,744,133.96	230,349,524.67
China Hong Kong Development Company Limited				
Yibin Fuxi Fly Ash Development Co., Ltd. (宜賓福溪粉煤灰開發有限公司)			7,099,556.88	
Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司)			222,022,159.37	
Sichuan Guangwang Group Chuanjing Coal Industry (四川廣旺集團船景煤業)			230,349,524.67	230,349,524.67
Shanghai Chongming Beiyan Wind Power Generation Company Limited			43,533,739.88	
Hunan Nuclear Power Company Limited (湖南核電有限公司)			59,939,392.35	
Guizhou Pu'an Digua Coal Industry Co., Ltd. (貴州普安地瓜坡煤業有限公司)			33,187,488.00	
Vinh Tan 1 Power Company Limited			1,002,480,653.70	
Dongguan China Power Xiniao Heat Energy Company Limited (東莞中電新奧熱力有 限公司)			24,131,619.11	
Shangdianpingnan New Energy Company Limited (上電平南新能源有限公司)			2,000,000.00	

14. Other equity instrument investments (applicable to companies that have implemented new financial instrument standards)

(1) Information about other equity instrument investments

Item	Closing balance	Opening balance
CPI Financial Company Limited* (中電投財務有限公司)	99,824,171.00	80,000,000.00
Shuozhou Pinglu Yellow River Water Supply Co., Ltd. (朔州市平魯區黃河供水有限責任公司)②		20,730,393.62
Shanghai Dong Hai Wind Power Electric Generating Company Limited (上海東海風力發電有限公司)	114,879,241.28	114,879,241.28
Shanghai Electric Power Co., Ltd.* (上海電力股份有限公司)	2,942,666,536.50	3,320,490,388.10
Hubei Electric Power Trading Center Co., Ltd. (湖北電力交易中心有限公司)	5,000,000.00	5,000,000.00
Hainan DaleCheng Development Holding Limited①	219,000,000.00	255,000,000.00
Guizhou Wenjiaba Mining Co., Ltd. (貴州文家壩礦業有限公司)	68,270,200.00	75,753,443.00
Gui'an New District Power Distribution and Sales Company Limited (貴安新區配售電有限公司)	80,000,000.00	80,000,000.00
Sujin Energy Holding Company Limited (蘇晉能源控股 有限公司)	19,000,000.00	
Total	3,548,640,148.78	3,951,853,466.00

(2) Information about other important equity instrument investments at the end of the year

Item	Cost of investment	Cumulative fair value changes recognised in other comprehensive income	Fair value at the end of the year
Shanghai Electric Power Co., Ltd.* (上海電力股份有限公司)	1,248,368,106.84	1,270,723,822.25	2,942,666,536.50
Hainan DaleCheng Development Holding Limited①	255,000,000.00	3,600,000.00	219,000,000.00

Note:

- ① CP Clean New Energy (中電清潔新能源), a subsidiary of the Group, holds 20% equity interests in Hainan Boao Lecheng Development Holdings Company Limited (hereinafter referred to as "Hainan Boao Lecheng Company"), with a total value of RMB255 million. In order to meet the liquidity needs of the Group and the overall development direction of the Group, the board of directors of CP Clean New Energy resolved to sell 20% equity interests in Hainan Boao Lecheng Company in 2013.

CP Clean New Energy entered into a memorandum of understanding with Shanghai Qianbo Investment Management Limited* (上海千博投资管理有限公司) (hereinafter referred to as "Shanghai Qianbo"), the substantial shareholder of Hainan Boao Lecheng Company in February 2015, and negotiated to transfer 20% equity interests in Hainan Boao Lecheng Company at the original costs of RMB255 million. In order to implement the specific transfer details, the parties entered into a framework agreement in May 2015. To integrate the development plan of Boao Lecheng Zone, the government of Hainan established the Management Committee of Hainan Boao Lecheng International Medical Tourism Pilot Zone (referred to as the Management Committee). Shanghai Qianbo actively discussed the latest development plan with the Management Committee.

In 2018, according to the specific condition of Hainan Boao Lecheng Company, CP Clean New Energy made provision for impairment of RMB36 million upon a comprehensive assessment, and included in other comprehensive income.

At the beginning of the year, Shuozhou Pinglu Yellow River Water Supply Co., Ltd. (朔州市平魯區黃河供水有限責任公司) recorded cost of investment of RMB20,730,393.62, conducted impairment test on it at the end of the year, and included provision for impairment of RMB5,213,393.62 in other comprehensive income. At the end of the year, the carrying amount of RMB15,517,000.00 was included in assets held for sale according to Note VIII. 9.

15. Investment Properties

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
I. Total original carrying amount	212,090,873.09	4,294,491.26		216,385,364.35
Including: Buildings	212,090,873.09	4,294,491.26		216,385,364.35
II. Total accumulated depreciation and amortization	61,272,336.61	8,205,835.28		69,478,171.89
Including: Buildings	61,272,336.61	8,205,835.28		69,478,171.89
III. Total net carrying amount	150,818,536.48	–	–	146,907,192.46
Including: Buildings	150,818,536.48	–	–	146,907,192.46
IV. Total accumulated impairment provision				
Including: Buildings				
V. Total carrying amount	150,818,536.48	–	–	146,907,192.46
Including: Buildings	150,818,536.48	–	–	146,907,192.46

16. Fixed assets

Item	Carrying amount at the end of the year	Carrying amount at the beginning of the year
Fixed assets	111,714,668,739.89	105,523,842,056.88
Fixed assets pending for disposal	67,235,908.69	62,320,463.86
Total	111,781,904,648.58	105,586,162,520.74

(1) Fixed assets

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
I. Total original carrying amount	160,181,729,528.26	18,522,445,179.73	7,250,898,140.66	171,453,276,567.33
Including: Land assets	17,152,683.64		5,000,758.74	12,151,924.90
Buildings	60,847,937,352.24	3,894,765,376.02	4,903,928,784.35	59,838,773,943.91
Machinery and equipment	95,968,037,152.44	14,383,918,533.13	1,105,821,998.35	109,246,133,687.22
Motor vehicles	804,857,108.66	53,355,855.86	35,119,775.46	823,093,189.06
Electronic equipment and other	2,543,745,231.28	190,405,414.72	1,201,026,823.76	1,533,123,822.24

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
II. Total accumulated depreciation	53,833,497,358.37	5,666,302,452.84	595,665,004.19	58,904,134,807.02
Including: Land assets	-	-	-	-
Buildings	18,968,347,001.38	1,157,359,599.92	157,567,239.26	19,968,139,362.04
Machinery and equipment	34,000,809,800.66	4,313,430,146.75	402,977,682.01	37,911,262,265.40
Motor vehicles	499,075,147.19	64,281,063.29	25,508,824.13	537,847,386.35
Electronic equipment and other	365,265,409.14	131,231,642.88	9,611,258.79	486,885,793.23
III. Total net carrying amount	106,348,232,169.89	-	-	112,549,141,760.31
Including: Land assets	17,152,683.64	-	-	12,151,924.90
Buildings	41,879,590,350.86	-	-	39,870,634,581.87
Machinery and equipment	61,967,227,351.78	-	-	71,334,871,421.82
Motor vehicles	305,781,961.47	-	-	285,245,802.71
Electronic equipment and other	2,178,479,822.14	-	-	1,046,238,029.01
IV. Total impairment provision	824,390,113.01	51,891,869.86	41,808,962.45	834,473,020.42
Including: Land assets	-	-	-	-
Buildings	123,846,247.85	1,213,841.60	-	125,060,089.45
Machinery and equipment	700,543,865.16	50,678,028.26	41,808,962.45	709,412,930.97
Motor vehicles	-	-	-	-
Electronic equipment and other	-	-	-	-
V. Total carrying amount	105,523,842,056.88	-	-	111,714,668,739.89
Including: Land assets	17,152,683.64	-	-	12,151,924.90
Buildings	41,755,744,103.01	-	-	39,745,574,492.42
Machinery and equipment	61,266,683,486.62	-	-	70,625,458,490.85
Motor vehicles	305,781,961.47	-	-	285,245,802.71
Electronic equipment and other	2,178,479,822.14	-	-	1,046,238,029.01

Note: For details of restricted fixed assets of which ownership were charged and pledged, please refer to note VIII 61. Assets with Restricted Ownership and Use Rights. Depreciation provided for the year was RMB6,451,773,844.91, and assets held for sale was excluded from the increase during the year.

(2) *Fixed assets pending for disposal*

Item	Carrying amount at the end of the year	Carrying amount at the beginning of the year	Reason for transfer to assets pending for disposal
Buildings	429,732.43	100,564.59	Retired and damaged
Machinery and equipment	66,760,830.76	62,068,397.77	Retired and damaged
Motor vehicles	45,345.50	151,501.50	Retired and damaged
Total	67,235,908.69	62,320,463.86	

17. **Construction in Progress**

Item	Book balance	Closing balance Impairment provision	Carrying amount
Construction in progress	25,415,786,449.11	155,822,729.98	25,259,963,719.13
Engineering materials	1,884,411,302.80	-	1,884,411,302.80
Total	27,300,197,751.91	155,822,729.98	27,144,375,021.93

Item	Book balance	Opening balance Impairment provision	Carrying amount
Construction in progress	18,994,415,336.12	134,925,349.93	18,859,489,986.19
Engineering materials	2,868,901,181.86	-	2,868,901,181.86
Total	21,863,316,517.98	134,925,349.93	21,728,391,168.05

(1) Movement of significant construction in progress during the year

Project Name	Budget amount	Opening balance	Increase during the year	Transfer to fixed assets during the year	Other decrease during the year	Closing balance
CP New Energy: CP Jiufeng: Lisha Island Gas Turbine Project	1,339,800,000.00	307,097,542.39	250,808,623.35			557,906,165.74
CP Pu'an – 2*660MW new project	4,826,520,582.14	2,320,011,765.92	1,581,397,874.58	2,306,611,303.94		1,594,798,336.56
CP Hubu – terminal project		708,839,875.00	928,733,319.03			1,637,573,194.03
CP Hubu – power plant project		2,835,359,501.00	3,714,933,276.13			6,550,292,777.13
Jiuding Mountain, Zhangqiu	838,000,000.00	119,596,022.96	443,627,099.71			563,223,122.67
Shanxi China Power Shentou No. 2 Power Generating Company Limited (山西中電神頭第二發電有限責任公司)2*1000MW “replacing small-capacity units with large-capacity ones”	7,796,400,000.00	613,759,468.13	90,183,012.87			703,942,481.00
Longshan Zhongshui: Luoshuidong project	387,812,200.00	352,549,539.67	81,631,695.98			434,181,235.65
Guangdong Company – Zhanjiang Leizhou Jingzai wind power project	816,567,900.00	47,675,472.84	494,866,442.86			542,541,915.70
Guangdong Company – Qian Zhan Power Plant 2*1000MW coal-fired power generating units project	8,914,270,000.00	440,298,387.49	29,157,636.05			469,456,023.54
Dabieshan phase II project	4,136,230,000.00	605,573,005.44	702,908,597.04			1,308,481,602.48
Total		8,350,760,580.84	8,318,247,577.60	2,306,611,303.94		14,362,396,854.50

Project Name	Percentage of accumulated investment in project to the budget (%)	Progress of construction	Accumulated amount of interest capitalized	Including: The amount of interest capitalized for the year	Interest capitalization rate for the year (%)	Source of funds
CP New Energy: CP Jiufeng: Lisha Island Gas Turbine Project	41.64	41.64	23,790,534.26	23,790,534.26	5.50	Own funds and loan
CP Pu'an – 2*660MW new project	33.04	33.04	239,601,592.21	124,128,101.56	4.96	Own funds and loan
CP Hubu – terminal project			56,266,469.83	48,530,337.58	5.50	Own funds and loan
CP Hubu – power plant project			225,065,843.31	194,121,350.30	5.50	Own funds and loan
Jiuding Mountain, Zhangqiu	67.21	67.21	25,390,035.72	19,366,200.66	5.48	Own funds and loan
Shanxi China Power Shentou No. 2 Power Generating Company Limited (山西中電神頭第二發電有限責任公司)2*1000MW “replacing small-capacity units with large-capacity ones”	9.03	9.03	68,100,925.66	33,035,591.70	4.39	Own funds and loan
Longshan Zhongshui: Luoshuidong project	99.56	99.00	40,111,590.44	12,552,751.17	4.41	Own funds and loan
Guangdong Company – Zhanjiang Leizhou Jingzai wind power project	66.44	66.44	8,948,384.16	8,676,549.86	4.92	Own funds and loan
Guangdong Company – Qian Zhan Power Plant 2*1000MW coal-fired power generating units project	5.27	5.27				Raised funds
Dabieshan phase II project	31.63	31.63	63,271,831.34	36,075,250.82	4.66	Own funds and loan
Total	-	-	750,547,206.93	500,276,667.91	-	-

(2) *Impairment provision for construction in progress provided during the year*

Item	Provision amount during the year	Reason for provision
Upfront cost of Beibu Gulf Qinzhou phase I cogeneration of heat and power project	17,854,600.00	The construction of Beibu Gulf Qinzhou phase I cogeneration of heat and power project has been suspended
Shantou Songshan multi-cogeneration gas stations project	3,042,780.05	Project termination
Total	20,897,380.05	

(3) *Engineering materials*

Item	Closing balance	Opening balance
Special-purpose material	6,516,807.67	2,338,685.97
Special-purpose equipments	1,723,324,166.06	1,699,681,117.13
Tools and appliances	565,293.56	758,319.48
Others	154,005,035.51	1,166,123,059.28
Total	1,884,411,302.80	2,868,901,181.86

18. **Intangible Assets**

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
I. Total original cost	1,918,662,146.94	306,260,336.01	69,494,077.66	2,155,428,405.29
Including: Patent right	467,320.03			467,320.03
Trademark right	95,700.00			95,700.00
Land use right	1,676,101,753.12	244,308,708.04	54,742,261.34	1,865,668,199.82
Non-patented technology	56,790,149.93	3,003,994.78		59,794,144.71
Right to use properties	65,000.00			65,000.00
Licensing right	2,015,290.00	23,424,877.80		25,440,167.80
Mining right	4,979,363.00		4,979,363.00	
Software	99,764,731.70	29,985,426.95	9,327,954.59	120,422,204.06
Others	78,382,839.16	5,537,328.44	444,498.73	83,475,668.87
II. Total accumulated amortization	239,506,970.00	75,110,496.09	11,002,829.42	303,614,636.67
Including: Patent right	64,302.80	146,051.70		210,354.50
Trademark right	95,700.00			95,700.00
Land use right	163,561,406.21	48,151,406.33	8,412,879.83	203,299,932.71
Non-patented technology	24,062,494.04	4,575,635.45		28,638,129.49
Right to use properties	65,000.00			65,000.00
Licensing right	2,015,290.00	2,732,902.20		4,748,192.20
Mining right	2,281,592.13		2,281,592.13	
Software	31,827,784.96	12,029,100.91	22,139.51	43,834,746.36
Others	15,533,399.86	7,475,399.50	286,217.95	22,722,581.41
III. Total accumulated impairment provision		1,976,790.13		1,976,790.13
Including: Patent right				
Trademark right				
Land use right				
Non-patented technology				
Right to use properties				
Licensing right				
Mining right				
Software		1,976,790.13		1,976,790.13
Others				

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
IV. Total carrying amount	1,679,155,176.94	-	-	1,849,836,978.49
Including: Patent right	403,017.23	-	-	256,965.53
Trademark right		-	-	
Land use right	1,512,540,346.91	-	-	1,662,368,267.11
Non-patented technology	32,727,655.89	-	-	31,156,015.22
Right to use properties		-	-	
Licensing right		-	-	20,691,975.60
Mining right	2,697,770.87	-	-	
Software	67,936,946.74	-	-	74,610,667.57
Others	62,849,439.30	-	-	60,753,087.46

Note: For details of restricted intangible assets of which ownership were charged and pledged, please refer to 61. Assets with Restricted Ownership and Use Rights under note VIII.

19. Development Expenditure

Item	Opening balance	Increase during the year		Decrease during the year			Closing balance
		Internal development expenditure	Others	Recognized as intangible assets	Transfer to current profit or loss	Others	
ERP system construction	11,390,785.05	7,017,749.77					18,408,534.82
Total	11,390,785.05	7,017,749.77					18,408,534.82

20. Goodwill

(1) Carrying amount of goodwill

Name of investee or item generating goodwill	Opening balance	Increase during the year	Decrease during the year	Closing balance
China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司)	846,224,399.15			846,224,399.15
Dongguan CP Clean New Energy Thermal Power Co., Ltd. (東莞中電清潔新能源熱電有限公司)	547,956,000.00			547,956,000.00
Shanghai CP Clean New Energy Company (上海中電清潔新能源公司)	279,820,000.00			279,820,000.00
Shanghai CP Clean New Energy Real Estate Development Co., Ltd. (上海中電清潔新能源置業發展有限公司)	160,620,535.55			160,620,535.55
Lixian Huacheng Hydropower Development Company Limited (理縣華成水電開發有限責任公司)	140,422,630.13			140,422,630.13
Sichuan Jiuyuan Electric Power Development Company Limited (四川九源電力開發有限責任公司)	83,576,432.48			83,576,432.48
Fujian Shouning Niutoushan Hydropower Company Limited* (福建壽甯牛頭山水電有限公司)	78,462,389.32			78,462,389.32
Gansu China Power Jiuquan Wind Electric Power Company Limited* (甘肅中電酒泉風力發電有限公司)	70,367,000.00			70,367,000.00
Zehnte Windparkupport GmbH & Co. KG	44,915,760.28			44,915,760.28

Name of investee or item generating goodwill	Opening balance	Increase during the year	Decrease during the year	Closing balance
Chongqing Meixihe River Hydropower Development Company Limited* (重慶梅溪河流域水電開發有限公司)	41,168,583.62			41,168,583.62
Kunming CP Clean New Energy Environmental Protection Power Co., Ltd. (昆明中電清潔新能源環保電力有限公司)	24,032,900.29			24,032,900.29
Zhongdian Hongze Thermal Power Company Limited (中電洪澤熱電有限公司)	18,480,392.61			18,480,392.61
China Power (Shangqiu) Thermal Power Company Limited (中電(商丘)熱電有限公司)	14,629,496.51			14,629,496.51
Zhongdian Hongze Reproductive Substance Thermal Power Company Limited (中電洪澤生物質熱電有限公司)	13,310,607.39			13,310,607.39
Hunan Zhongshui Investment Company Limited (湖南中水投資有限公司)	12,720,022.06			12,720,022.06
Hunan Wuhua Hotel Co., Ltd. (湖南五華酒店有限公司)	3,340,473.34			3,340,473.34
Zhangping Huakou Hydropower Company Limited* (漳平市華口水電有限公司)	3,025,197.95			3,025,197.95
Yingjiang Hongfu Industrial Company Limited* (盈江鴻福實業有限公司)	2,343,811.73			2,343,811.73
Shou Ning County Niu Tou Shan Secondary Hydro Power Company Limited (壽寧縣牛頭山二級水電有限公司)	2,203,600.00			2,203,600.00
Vietnam Pingshun New Energy Company Limited (越南平順新能源有限責任公司)		24,218,160.00		24,218,160.00
Acquisition of Conch Clean New Energy Company (海螺清潔新能源公司) by Anhui Company		5,521,635.18		5,521,635.18
Total	2,387,620,232.41	29,739,795.18		2,417,360,027.59

Note: There was an increase of RMB29,739,795.18 due to merger and acquisition during the period.

(2) **Goodwill impairment provision**

Name of investee or item generating goodwill	Opening balance	Increase during the year	Decrease during the year	Closing balance
Zhongdian Hongze Thermal Power Company Limited (中電洪澤熱電有限公司)	18,480,392.61			18,480,392.61
Zhongdian Hongze Reproductive Substance Thermal Power Company Limited (中電洪澤生物質熱電有限公司)	13,310,607.39			13,310,607.39
Total	31,791,000.00			31,791,000.00

21. Long-term Deferred Expenses

Item	Opening balance	Increase during the year	Amortization during the year	Other decrease	Closing balance	Reason for other decrease
Training and early placement fee of production staff	2,624,736.03	28,834,910.21	31,459,646.24			
House decoration cost	4,050,685.82	38,414,158.08	7,565,540.04		34,899,303.86	
Leasehold improvements	476,370.38	4,628,562.85	961,807.52		4,143,125.71	
Finance lease handling fee	81,102,745.52	1,136,077.79	72,080,120.42		10,158,702.89	
Land rental	68,576,072.77	50,973,071.29	13,557,995.06		105,991,149.00	
Rooftop rental	20,970,681.47	6,273,559.05	8,349,210.57		18,895,029.95	
Property lease		32,467,382.45	45,726.63		32,421,655.82	
Denitrification material	8,618,888.86	7,356,985.34	5,370,935.92		10,604,938.28	
Others	37,640,441.34	3,152,343.53	37,496,334.50		3,296,450.37	
Total	224,060,622.19	173,237,050.59	176,887,316.90		220,410,355.88	

22. Deferred Income Tax Assets and Deferred Income Tax Liabilities**(1) Deferred income tax assets and deferred income tax liabilities not stated as the net amount after offsetting**① *Recognised deferred income tax assets and deferred income tax liabilities*

Item	Closing balance		Opening balance	
	Deferred income tax assets/liabilities	Deductible/temporary difference	Deferred income tax assets/liabilities	Deductible/temporary difference
I. Deferred income tax assets	362,593,202.31	1,450,372,809.24	510,616,267.15	2,048,058,649.60
1. Accounts receivable	187,496.74	749,986.96	106,720.22	426,880.88
2. Other receivables	2,025,313.39	8,101,253.56	231,865.76	6,521,044.04
3. Inventories	9,764,125.37	39,056,501.48	9,400,671.22	37,602,684.88
4. Long-term equity investments			8,876,034.52	35,504,138.08
5. Fixed assets	254,754,753.54	1,019,019,014.16	259,518,991.52	1,038,075,966.08
6. Intangible assets	4,475,762.72	17,903,050.88	3,516,670.71	14,066,682.84
7. Employee benefits payable	1,847,994.32	7,391,977.28	1,899,757.78	7,599,031.12
8. Accrued liabilities	7,500,000.00	30,000,000.00	9,000,000.00	36,000,000.00
9. Deferred income	37,428,957.68	149,715,830.72	37,119,959.05	148,479,836.20
10. Others	48,268,302.66	193,073,210.64	164,120,900.48	656,483,601.92
11. Deductible losses	-3,659,504.11	-14,638,016.44	16,824,695.89	67,298,783.56
II. deferred income tax liabilities	484,841,643.63	1,939,366,574.52	575,624,484.02	2,302,497,936.08
1. Financial assets at fair value through profit or loss				
2. Available-for-sale financial assets	423,564,671.99	1,694,258,687.96	518,020,634.91	2,072,082,539.64
3. Fixed assets	32,937,992.33	131,751,969.32	32,249,712.84	128,998,851.36
4. Others	28,338,979.31	113,355,917.24	25,354,136.27	101,416,545.08

② *Breakdown of unrecognised deferred income tax assets*

Item	Closing balance	Opening balance
Deductible temporary difference	484,552,374.48	761,035,358.85
Deductible losses	697,343,083.90	1,355,985,332.84
Total	1,181,895,458.38	2,117,020,691.69

③ *Deductible losses of unrecognised deferred income tax assets will be falling due in the following years*

Year	Closing balance	Opening balance	Remark
2019	204,333,604.54	192,157,431.61	
2020	82,731,725.45	107,043,097.37	
2021	84,797,800.10	82,731,725.45	
2022	196,342,162.33	777,710,916.08	
2023	129,137,791.48	196,342,162.33	
Total	697,343,083.90	1,355,985,332.84	

23. Other Non-current Assets

Item	Closing balance	Opening balance
Entrusted loan (long-term)		30,000,000.00
VAT payable – reclassification of the debit balance at the end of the year	3,044,603,823.16	1,913,973,293.22
Dongguan CP gas turbine hot channel parts	162,172,183.02	59,599,198.31
Enterprise income tax	15,656,626.05	12,996,319.84
Total	3,222,432,632.23	2,016,568,811.37

24. Short-term Borrowings

Item	Closing balance	Opening balance
Pledge borrowings		
Mortgage borrowings		
Guarantee borrowings		
Credit borrowings	13,763,441,640.80	23,733,518,372.21
Total	13,763,441,640.80	23,733,518,372.21

25. Notes Payable and Accounts Payable

Category	Closing balance	Opening balance
Notes payable	154,743,259.86	401,291,848.25
Accounts payable	9,978,379,152.21	8,528,098,741.76
Total	10,133,122,412.07	8,929,390,590.01

(1) Notes payable

Category	Closing balance	Opening balance
Commercial acceptance bills	263,176.50	27,590,000.00
Banker's acceptance bills	154,480,083.36	373,701,848.25
Total	154,743,259.86	401,291,848.25

(2) Accounts payable

Ageing	Closing balance	Opening balance
Within 1 year (inclusive)	7,581,367,275.99	6,968,488,282.35
1 to 2 years (inclusive)	1,326,567,843.11	971,106,079.10
2 to 3 years (inclusive)	626,189,135.83	361,196,463.24
Over 3 years	444,254,897.28	227,307,917.07
Total	9,978,379,152.21	8,528,098,741.76

Including: significant accounts payable with ageing over one year

Name of creditor company	Closing balance	Reason for not being settled
China Energy Engineering Group Guangdong Electric Power Design Institute (中國能源建設集團廣東省電力設計研究院)	198,729,029.52	Failure to meet the terms of payment as agreed in the contract
Dongfang Electric Corporation Limited	91,789,984.48	Failure to meet the terms of payment as agreed in the contract
China Energy Engineering Group Anhui No. 2 Electric Power Construction Engineering Co., Ltd. (中國能源建設集團安徽電力建設第二工程有限公司)	67,883,956.71	Failure to meet the terms of payment as agreed in the contract
Shanghai SUS Environment Co., Ltd. (上海康恒環境股份有限公司)	38,704,518.00	Undue
Shanghai SUS Environment Co., Ltd. (上海康恒環境股份有限公司)	35,196,625.20	Estimated coal payment
Babcock & Wilcox Beijing Company Ltd	32,420,000.00	Failure to meet the terms of payment as agreed in the contract
Shanghai Intelligence Power Engineering Co., Ltd. (上海艾能電力 工程有限公司)	30,511,488.19	Undue
China Energy Engineering Group Anhui No. 1 Electric Power Construction Engineering Co., Ltd. (中國能源建設集團安徽電力建設第一工程有限公司)	28,771,690.50	Failure to meet the terms of payment as agreed in the contract
Beijing Boqi Electric Power SCI-TECH Co., Ltd. (北京博奇電力科技有限公 司)	13,681,425.14	Pending settlement
Wuling Xintian Power – tail-in work (五凌新田電力-尾工)	13,045,335.58	Undue
State Power Investment Corporation Materials and Equipment Branch* (國家電力投資集團公司物資裝備分公 司)	12,897,028.40	Failure to meet the terms of payment as agreed in the contract
Hangzhou Dteam Turbine Co., Ltd.	11,626,000.00	Undue
China Energy Engineering Group Northeast No. 3 Electric Power Engineering Co., Ltd. (中國能源建設集團東北電力第三工程有限公司)	10,666,773.00	The equipment is in warranty period, pending settlement and under negotiation
Longhu Logistics Park Photovoltaic Project (龍湖物流園光伏項目)	10,160,899.59	Failure to meet the terms of payment as agreed in the contract
Total	596,084,754.31	

26. Advance Receipts

Ageing	Closing balance	Opening balance
Within 1 year (inclusive)	132,590,244.28	8,097,764.48
Over 1 year	12,534,524.97	2,550,052.57
Total	145,124,769.25	10,647,817.05

27. Contract Liabilities (applicable to companies that have implemented new revenue standards)

Item	Closing balance	Opening balance
Advance receipts with service not achieved	138,505,779.34	47,934,812.93
Total	138,505,779.34	47,934,812.93

28. Employee Benefits Payable*(1) Presentation of employee benefits payable*

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
I. Short-term benefits	147,962,278.71	3,148,023,149.97	3,154,532,219.30	141,453,209.38
II. Post-employment benefits – defined benefits plan	15,878,427.86	487,118,246.74	492,666,576.41	10,330,098.19
III. Dismissal benefit	604,683.03	1,063,856.38	1,063,856.38	604,683.03
IV. Other benefits due within one				
V. Other		22,973,246.90	22,848,862.69	124,384.21
Total	164,445,389.60	3,659,178,499.99	3,671,111,514.78	152,512,374.81

(2) Presentation of short-term benefits

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
I. Wages, bonus, subsidies and allowances	65,043,507.75	2,337,888,182.90	2,317,950,207.90	84,981,482.75
II. Employees benefits		219,786,486.62	219,786,486.62	
III. Social insurance fees	16,364,461.91	250,368,022.86	255,473,026.51	11,259,458.26
Including: Medical insurance fees	14,708,225.45	224,640,886.76	228,179,670.01	11,169,442.20
Work-related injuries insurance fees	670,677.29	15,672,783.89	16,321,969.71	21,491.47
Maternity insurance fees	1,023,289.03	9,834,495.65	10,827,889.94	29,894.74
Others	-37,729.86	219,856.56	143,496.85	38,629.85
IV. Housing provident fund	13,666,976.14	203,341,481.20	216,665,210.04	343,247.30
V. Trade union funds and employees education funds	52,589,115.84	99,572,166.04	107,614,437.88	44,546,844.00
VI. Short-term paid absence from work				
VII. Short-term profit sharing plan				
VIII. Other short-term benefits	298,217.07	37,066,810.35	37,042,850.35	322,177.07
Total	147,962,278.71	3,148,023,149.97	3,154,532,219.30	141,453,209.38

(3) Presentation of defined benefit plan

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
I. Basic pension insurance	2,470,351.64	345,813,913.25	347,056,176.04	1,228,088.85
II. Unemployment insurance fees	11,109,191.58	10,194,292.18	18,380,033.40	2,923,450.36
III. Enterprise annuity payment	2,298,884.64	131,110,041.31	127,230,366.97	6,178,558.98
Total	15,878,427.86	487,118,246.74	492,666,576.41	10,330,098.19

29. Taxes payable

Item	Opening balance	Payable during the year	Paid during the year	Closing balance
VAT	128,425,365.46	1,977,696,626.18	1,871,425,884.42	234,696,107.22
Enterprise income tax	247,272,976.64	775,947,337.86	888,887,089.49	134,333,225.01
Urban maintenance and construction tax	8,742,080.77	116,246,298.89	116,575,353.80	8,413,025.86
Property tax	10,803,867.93	81,561,043.70	77,943,879.02	14,421,032.61
Land use tax	16,782,082.83	84,285,422.02	84,448,479.96	16,619,024.89
Individual income tax	49,191,586.68	121,323,083.99	124,392,701.59	46,121,969.08
Education surcharges (including local education surcharge)	7,741,835.37	103,319,278.88	102,325,177.51	8,735,936.74
Deed tax	6,792,523.27	13,004,861.20	18,075,487.31	1,721,897.16
Environmental protection tax	-458,318.31	26,532,218.28	19,851,735.89	6,222,164.08
Other taxes and fees	172,862,417.51	341,672,302.64	338,722,771.59	150,348,764.31
Total	648,156,418.15	3,641,588,473.64	3,642,648,560.58	621,633,146.96

30. Other payables

Item	Closing balance	Opening balance
Interests payable	520,633,551.46	639,672,777.19
Dividends payable	104,214,729.37	179,394,594.76
Other payables	8,097,079,043.66	1,935,669,474.18
Total	8,721,927,324.49	2,754,736,846.13

(1) *Interests payable*

Item	Closing balance	Opening balance
Interests of long-term borrowing of which interests are paid by installments and principal is repaid on the due date	299,758,662.67	316,171,742.88
Interests of corporate bonds	127,775,506.60	149,110,122.05
Interests payable for short-term borrowings	61,657,100.83	152,261,985.85
Interests of preference shares/perpetual bonds classified as financial liabilities		
Other interests	31,442,281.36	22,128,926.41
Total	520,633,551.46	639,672,777.19

(2) *Dividends payable*

Item	Closing balance	Opening balance
Dividend payable on ordinary shares	104,214,729.37	179,394,594.76
Dividends of preference shares/perpetual bonds classified as equity instruments		
Others		
Total	104,214,729.37	179,394,594.76

(3) *Other payables*① *Other payables presented by nature*

Item	Closing balance	Opening balance
Reserved project quality deposit	745,605,989.60	720,725,615.64
Warranty fund and deposit other than the reserved project quality deposit	232,146,721.15	181,363,226.08
Engineering and equipment payment	6,592,899,450.17	356,933,477.53
Social insurance fees of staff	87,064,426.18	90,309,018.26
Others	439,362,456.56	586,338,136.67
Total	8,097,079,043.66	1,935,669,474.18

② Significant other payables with ageing over one year

Name of creditor company	Closing balance	Reason for not being settled
Guangxi Changzhou Hydropower Development Co., Ltd. (廣西長洲水電開發有限責任公司)	370,050,989.06	Guangxi Company's electric charge to be paid
Ming Yang Smart Energy Group., Ltd.* (明陽智慧能源集團股份有限公司)	143,474,400.00	In warranty period
Xinjiang Goldwind Science & Technology Co., Ltd.	68,649,062.50	Undue
Other payables – SPIC	65,424,884.49	Undue
Guodian United Power Technology Company Limited (國電聯合動力技術有限公司)	38,094,200.01	In warranty period
Fuzhou Haizhizhou Hydropower Equipment Co., Ltd. (福州海之洲水電設備有限公司)	35,499,600.00	Under negotiation in respect of equity
CPI Power Engineering Co., Ltd.	27,915,202.70	In warranty period
Hong Zhen (洪真)	59,280,720.21	Negotiations with Hong Zhen in respect of equity are still in progress, so the payment is unpaid
CPI Zhuhai Hengqin Thermal Power Company Limited (中電投珠海橫琴熱電有限公司)	21,892,325.54	Undue
Yunnan Hongsha Trading Co., Ltd. (雲南鴻廈商貿有限公司)	14,872,966.36	Under negotiation in respect of equity
HydroChina ZhongNan Engineering Corporation (中國電建集團中南勘测院)	14,311,584.12	Undue
Final payment of wind turbines	94,958,669.10	The warranty period was expired, and the amount will be paid gradually
Total	954,424,604.09	–

31. Liabilities held for sale

Item	Carrying amount at the end of the year	Fair value at the end of the year	Estimated disposal expense	Timing
Liabilities held for sale by CP Shentou	5,125,352,167.24	5,125,352,167.24	Equity transfer, no disposal expense	Under consultation with the parties in respect of personnel placement
Total	5,125,352,167.24	5,125,352,167.24		

Notes:

- (1) For specific reasons, please see VIII. 10 Description of Assets Held for Sale;

(2) Main information of liabilities held for sale

Item	Closing balance
Long and short-term borrowings	3,713,765,000.00
Bonds payable	500,000,000.00
Notes payable and accounts payable	226,662,940.58
Non-current liabilities due within one year	238,230,000.00
Other current liabilities	300,000,000.00
Taxes payable	53,455,944.14
Other payables	46,851,017.20
Subtotal	5,078,964,901.92

32. Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year (Note VIII. 34)	5,488,110,560.19	8,939,809,561.22
Bonds payable due within one year (Note VIII. 35)	1,197,529,787.13	3,444,572,573.73
Long-term payables due within one year (Note VIII. 36)	955,536,571.90	840,549,721.49
Other long-term liabilities due within one year		
Total	7,641,176,919.22	13,224,931,856.44

33. Other current liabilities

Item	Closing balance	Opening balance
Short-term financing bond payable	1,042,002,743.51	1,030,000,000.00
Taxes payable – reclassification of the sales tax to be transferred	32,266,009.88	34,973,614.91
Total	1,074,268,753.39	1,064,973,614.91

Including: Changes in short-term bonds payable

Name of bond	Par value	Date of issue	Maturity	Opening balance
SPIC SS Papers	842,000,000.00	2 July 2018	6 months	650,000,000.00
CPIF short-term – Shijiahu Photovoltaic Group Corporate (施家湖光伏集團公司) Bond 2	80,000,000.00	17 April 2017	270 days	80,000,000.00
2017 CPIF short-term financing	950,000,000.00	9 October 2017	1 year	300,000,000.00
2018 First and Second Tranche Super Short-term Debentures of Wu Ling Power Corporation (五凌電力有限公司)				
Total	1,872,000,000.00			1,030,000,000.00

Name of bond	New increase during the year	Amortisation of premium/ discount	Repayment during the year	Closing balance
SPIC SS Papers	1,042,002,743.51		650,000,000.00	1,042,002,743.51
CPIF short-term – Shijiahu Photovoltaic Group Corporate (施家湖光伏集團公司) Bond 2	80,000,000.00		160,000,000.00	
2017 CPIF short-term financing			300,000,000.00	
2018 First and Second Tranche Super Short-term Debentures of Wu Ling Power Corporation (五凌電力有限公司)	800,000,000.00		800,000,000.00	
Total	1,922,002,743.51		1,910,000,000.00	1,042,002,743.51

34. Long-term borrowings

Category of borrowings	Closing balance	Opening balance	Year-end interest rate range
Pledge borrowings	17,109,159,221.62	17,836,509,747.20	
Mortgage borrowings	7,499,382,621.00	812,144,115.86	
Guarantee borrowings	2,977,239,564.78	4,027,539,256.66	
Credit borrowings	47,498,380,075.30	35,250,492,379.62	
Subtotal	75,084,161,482.70	57,926,685,499.34	
Less: Current portion (Note VIII. 32)	5,488,110,560.19	8,939,809,561.22	
Total	69,596,050,922.51	48,986,875,938.12	

35. Bonds payable

(1) Bonds payable

Item	Closing balance	Opening balance
2009 Wu Ling Power Corporation (五凌電力有限公司) Bond ①	997,529,787.13	997,529,787.13
2013 CPI Medium-term Note		550,000,000.00
2016 SPIC Medium-term Note	200,000,000.00	2,592,572,573.73
2016 SPIC Bond		602,000,000.00
2017 SPIC Medium-term Note	680,000,000.00	780,000,000.00
2018 SPIC Medium-term Note ③	150,000,000.00	
2018 Corporate Bond	589,798,550.21	
China Power International Development Limited – 2018 First Tranche of Medium-term Note ④	2,000,000,000.00	
CP Clean New Energy Hong Kong Headquarters Panda Bonds ②	799,200,000.00	799,200,000.00
Subtotal	5,416,528,337.34	6,321,302,360.86
Less: Current portion (Note VIII. 32)	1,197,529,787.13	3,444,572,573.73
Total	4,218,998,550.21	2,876,729,787.13

(2) Changes in bonds payable

Name of bond	Par value	Date of issue	Maturity	Amount of issue	Opening balance
2016 SPIC Medium-term Note	2.543 billion	8 May 2016	2 years	2,543,000,000.00	2,592,572,573.73
2013 CPI Medium-term Note	550 million	22 July 2013	5 years	550,000,000.00	550,000,000.00
2009 Wu Ling Power Corporation (五凌電力有限公司) Bond ①	1 billion	23 April 2009	10 years	992,000,000.00	997,529,787.13
2017 SPIC Medium-term Note	680 million	16 November 2017	3 years	780,000,000.00	780,000,000.00
CP Clean New Energy Hong Kong Headquarters Panda Bonds ②	800 million	1 June 2017	2 years	800,000,000.00	799,200,000.00
2018 SPIC Medium-term Note ③	150 million				
2018 Corporate Bond	590 million				
China Power International Development Limited-2018 First Tranche of Medium-term Note ④	2 billion	15 October 2018	3 years	2,000,000,000.00	
2016 SPIC Bond					602,000,000.00
Subtotal				7,665,000,000.00	6,321,302,360.86
Less: Current portion (Note VIII. 32)					3,444,572,573.73
Total					2,876,729,787.13

Name of bond	Issuance during the year	Interest accrued by par value	Amortisation of premium/discount	Repayment during the year	Closing balance
2016 SPIC Medium-term Note		44,644,682.79		2,392,572,573.73	200,000,000.00
2013 CPI Medium-term Note		17,218,680.95		550,000,000.00	
2009 Wu Ling Power Corporation (五凌電力有限公司) Bond ①		45,801,879.24			997,529,787.13
2017SPIC Medium-term Note		37,050,000.00		100,000,000.00	680,000,000.00
CP Clean New Energy Hong Kong Headquarters Panda Bonds ②		44,000,000.00			799,200,000.00
2018 SPIC Medium-term Note ③	550,000,000.00	20,602,115.50			150,000,000.00
2018 Corporate Bond	590,000,000.00	22,072,545.11	-201,449.79		589,798,550.21
China Power International Development Limited-2018 First Tranche of Medium-term Note ④	2,000,000,000.00	18,053,469.29			2,000,000,000.00
2016 SPIC Bond		5,343,186.93		602,000,000.00	
Subtotal	3,140,000,000.00	254,786,559.81	-201,449.79	3,644,572,573.73	5,416,528,337.34
Less: Current portion (Note VIII. 32)				3,244,572,573.73	1,197,529,787.13
Total	3,140,000,000.00	254,786,559.81	-201,449.79	3,644,572,573.73	4,218,998,550.21

Note:

① 2009 Wu Ling Power Corporation (五凌電力有限公司) Bond

With China Jianyin Investment Securities Co. Ltd. as the lead underwriter, Wu Ling Power Corporation (五凌電力有限公司) issued a 10-year corporate bonds of RMB1 billion with a par value of RMB100.00 on 23 April 2009, with a term from 23 April 2009 to 22 April 2019, which shall be calculated at a fixed rate with a coupon rate of 4.60%. China Power Investment Corporation provides a full and unconditional irrevocable joint and several liability guarantee for the principal and interest of the bonds, pays interest once a year and repay on maturity with a one-off payment of the principle.

② CP Clean New Energy Hong Kong Headquarters Panda Bonds

On 19 May 2017, China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司) successfully issued the 2017 first tranche of the green and non-public financing instruments in the interbank market, which was the first overseas non-financial enterprise green panda bond in the PRC.

The registered amount of the bond is RMB2.5 billion with issue scale for first tranche of RMB800 million and a term of three years. The joint lead underwriters are China Merchants Bank and China CITIC Bank. The bond is referred to as: 17 CPNEG001; Bond Type: PPN/Panda Bond; and the coupon rate is 5.5%.

CCXI awarded the highest rate of G-1 for the bond, confirming that the use of proceeds raised from the bond were in line with the Catalog of Projects Backed by Green Bonds (2015 version) issued by the Green Finance Committee, China Society for Finance & Banking. The proceeds raised from the bond will be used for the construction and operation of energy conservation and cleaning projects of CP Clean New Energy.

③ 2018 SPIC Medium-term Note

In 2018, the Company obtained a total of RMB550,000,000.00, which was not repaid during the year, of which RMB400,000,000.00 was transferred to Note VIII. Liabilities Held for Sale at the end of the year.

④ China Power International Development Limited – 2018 First Tranche of Medium-term Note

China Power International Development Limited completed the issuance of 2018 First Tranche of Medium-term Note on 12 October 2018. The major terms of the 2018 first tranche of notes are as follows: the issuance amount is RMB2 billion with a par value of RMB100 per unit, annual interest rate of 4.15%, maturity at 3 years and no guarantee. The credit rating of the Company is AAA. Bank of Communications Co. Ltd. and China Minsheng Banking Corp. Ltd. are the joint lead underwriters for 2018 first tranche of notes, which are issued in the interbank bond market in the PRC through bookbuilding processes. The proceeds raised will be mainly used to repay the existing bank loans.

36. Preference shares, perpetual bonds and other financial instruments*(1) Preference shares outstanding at the end of the period*

Outstanding financial instruments	Date of issue	Accounting classifications	Dividend yield or interest rate	Issue price	Quantities	Amount	Maturity
Non-voting convertible preference shares of CPDL	27 December 2017	Preference shares	6M LIBOR+450BPs	US\$182,100	3020	US\$549,942,000	
Total	-	-	-	-	-	-	-

(2) Major terms of financial instruments

Upon the delivery of the preference shares, China Power Development Limited (中國電力發展有限公司) (“CPDL”) shall implement due diligence on Pakistan Hubu Project and Vietnam Yongxing Project held by CPI Holding no later than 31 December 2017, the costs of which shall be borne by CPDL. On the premise that the board of directors of CPDL considers that it is qualified, it will acquire from CPI Holding the entire equity interests in Pakistani Hubu Project (not less than 51% equity interests in Hubu Project) and the entire equity interests in Vietnam Yongxing Project (not less than 40% equity interests in Vietnam Yongxing Project) directly and indirectly held by it, the acquisition consideration is based on the carrying amount of net assets on audit report of the project.

As of 31 December 2017, CPDL issued a total of 6,000 ordinary shares to CPI Holding, and 3020 shares of non-voting convertible preference shares held by Seth Holdings Corporation Limited may be converted at a fixed proportion of 1 preference share = 1 ordinary share. If the voting convertible preference shares are fully converted into ordinary shares, Seth Holdings Corporation Limited will hold approximately 33.38% of the voting rights of CPDL.

On 27 December 2017, Seth Holdings Corporation Limited (an indirect wholly-owned subsidiary of CNIC) subscribed for 3020 non-voting convertible preference shares of CPDL at US\$549,942,000. CPDL received amount equivalent in RMB3,597,775,558.20.

After 10 years of cooperation between the two parties, if they fail to unanimously agree to the extension of the cooperation, the capital contribution of the two parties shall be handled as follows:

- ① CPI Holding shall be entitled to repurchase the preference shares held by CNIC at the issue price and to pay the outstanding dividends and interest in cash. If CPI Holding does not elect to repurchase, the dividend yield of preference shares held by CNIC will increase by 300BPs to 6M LIBOR + 750BPs.
- ② If CNIC elects to convert shares during the conversion period, then:
 - a. CNIC shall be entitled to sell the ordinary shares held by it to a third party. CPI Holding may elect to repurchase such equity interests and have the preemptive right under the same conditions; if the accumulated IRR of ordinary shares of CNIC calculated at the sale price of ordinary shares are higher than 12%, CPI Holding shall be entitled to the preemptive right at accumulated IRR of ordinary shares of CNIC equal to 12%;

- b. If CNIC does not elect to sell the ordinary shares held by it to a third party, CPI Holding shall be entitled to repurchase at accumulated IRR of ordinary shares of CNIC equal to 6%; if CPI Holding does not elect to repurchase, CNIC shall be entitled to request to converted the ordinary shares held into preference shares, and the dividend yield of preference shares is 6M LIBOR + 750BPs.

(3) *Movement of outstanding preference shares, perpetual bonds and other financial instruments*

Outstanding financial instruments	Opening balance		Increase during the year		Decrease during the year		Closing balance	
	Quantities	Carrying amount	Quantities	Carrying amount	Quantities	Carrying amount	Quantities	Carrying amount
Non-voting convertible preference shares			3020	3,597,775,558.20			3020	3,597,775,558.20
Total	—		—		—		—	

(4) *Dividend (or interest) setting mechanism*

The dividend yield shall be set at 6M LIBOR+450BPs, 6M LIBOR shall be determined by the actual market value at the time of delivery and adjusted annually according to actual conditions. If the dividend yield of preference shares exceeds 9%, CPI Holding shall be entitled to require CNIC to transfer all preference shares held to CPI Holding at the issue price and to settle the dividends of preference shares in cash. After 10 years of cooperation between the two parties, if they fail to unanimously agree to the extension of the cooperation, the capital contribution of the two parties shall be handled as follows:

CPI Holding shall be entitled to repurchase the preference shares held by CNIC at the issue price and pay the outstanding dividends and interest in cash. If CPI Holding does not elect to repurchase, dividend yield of preference shares held by CNIC will increase by 300BPs to 6M LIBOR + 750BPs.

(5) *Information on other equity instrument holders*

Item	Amount at the end of the year/Amount during the year	Amount at the beginning of the year/Amount during last year
I. Equity attributable to owners of the parent company (shareholders' equity)		
1. Equity attributable to ordinary share holders of parent company		
2. Equity attributable to other equity holders in parent company		
Including: Net profit		
Total comprehensive income		
Dividends distributed in the period		
Undistributed cumulative dividends		
II. Equity attributable to minority interests	3,597,775,558.20	
1. Equity attributable to minority interests of ordinary shares	3,597,775,558.20	
2. Equity attributable to minority interests of other equity instrument holders		

Note: The above equity are presented as minority interest at the level of the Company's statement.

37. Long-term payables

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Long-term payables	7,088,471,386.91	3,256,405,660.27	2,670,901,958.26	7,673,975,088.92
Special accounts payable	86,740,000.00		30,137,750.03	56,602,249.97
Total	7,175,211,386.91	3,256,405,660.27	2,701,039,708.29	7,730,577,338.89

(1) Long-term payables

Five-closing balance with largest amount:

Item	Closing balance	Opening balance
Total	3,169,970,893.41	1,978,108,387.82
Including:		
1. China Kangfu International Leasing Co., Ltd.	1,232,148,177.76	509,100,187.82
2. Weitong International Finance Leasing Co., Ltd. (緯通國際融資租賃有限公司)	734,482,758.78	926,000,000.00
3. China Reform Leasing (國新租賃)	615,331,756.87	
4. Long-term compensation discount for immigration in the district	305,108,200.00	305,108,200.00
5. Guangdong Financial Leasing Co., Ltd. (廣東粵科融資租賃有限公司)	282,900,000.00	237,900,000.00

(2) Special accounts payable

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Total	86,740,000.00		30,137,750.03	56,602,249.97
Financial appropriation for Shentou Industrial Ecological Project	86,740,000.00		30,137,750.03	56,602,249.97

38. Accrued liabilities

Item	Closing balance	Opening balance
Prior ash disposal site ①		28,780,471.30
Aquaculture cages litigation ②		32,304,446.73
Case on under payment of social insurance for foreign laborers in Hunan Wuhua Hotel	2,922,445.06	3,388,279.47
Under payment of endowment insurance by Shanxi Shentou Electric Power Industry ③	987,057.78	987,057.78
Total	3,909,502.84	65,460,255.28

Notes:

- ① Prior ash disposal site: All units of Shanxi Shentou Power Generating Company Limited* (山西神頭發電有限公司) were shut down at the end of 2014, the Article 8 of Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Wastes issued by the Ministry of Construction and the State Environmental Protection Administration and General Administration of Quality Supervision, Inspection and Quarantine provided that: according to the environmental protection requirements on closure, and the feasibility study report of a company's production technology department, it is estimated that the best estimate of environmental protection expenditure for the ash site is RMB30 million, and the subsequent expenditures will be charged against accrued liabilities.
- ② Aquaculture cages litigation: The flood discharge by Guizhou Qingshuijiang Hydropower Co., Ltd. (貴州清水江水電有限公司) (hereinafter referred to as "Qingshuijiang Company") led to greater loss to aquaculture cage farmers (106 fish farmers involved) as a result of the rise of water level of the downstream waterway. The aquaculture cage farmers filed a lawsuit in the court, and the amount of the litigation involved in the case was RMB115 million. On 1 August 2017, Qingshuijiang Company received the the first trial civil judgment on the Case 106 from the Court of Tianzhu County, which judged that Qingshuijiang Company shall compensate RMB33.00 million to aquaculture cage farmers involved in the Case 106. Qingshuijiang Company is currently filing an appeal for that flood regulation was conducted in accordance with the existing laws and regulations, and 105 of the 106 farmers have not obtained the aquaculture license. The second trial court has heard the case but no judgment at present. In view of cage farmers greater losses on aquaculture cage farmers, and from the perspective of social responsibility of central enterprises, the local government expected that Qingshuijiang Company will make appropriate compensation. Since there is no judgment at the second trial currently, based on the prudence principle of accounting accounting, Qingshuijiang Company recorded accrued liabilities at the average compensation of RMB94,300 per farmer in 2017, with an aggregate of RMB10 million. In 2018, it make correction according to final judgment of the court and the requirements of CNAO as a significant accounting error by increasing accrued liabilities of RMB22,304,446.73. For details, please see V. Statement of Changes in Accounting Policies, Accounting Estimates and Correction to Errors.
- ③ In 2005, a temporary worker of former Shentou No. 1 Power Plant demanded economic compensation for his/her unpaid pension insurance during the period of employment through petitions and lawsuits, which shall be calculated from the date of promulgation of the Labor Law in 1994. In accordance with the laws and regulations, the Company reached an agreement with employees in a responsible manner, with the participation of the local labor arbitration institutions. As of 31 December 2008, the compensation work has been almost completed, there are still balance of some temporary workers has not been paid due to their unreasonable compensation demand.

39. Deferred Income

Item	Opening balance	Increase during the year	Decrease during the year Included in profit or loss	Refund	Closing balance
SPIC Guangdong Power Company Limited (國家電投集團廣東電力有限公司) (combined): amortization of market infrastructure capacity fee	219,947,191.18	107,097,439.39	143,304,290.21		183,740,340.36
Changshu Power – refund of the environmental fees	100,654,244.09	13,399,999.98	8,965,615.45		105,088,628.62
Changshu Power – land compensation	24,740,916.52		1,514,750.04		23,226,166.48
Government grants for environmental projects	19,462,675.56		1,467,140.00		17,995,535.56
Income from subsidy for ultra-clean emission of No. 1 unit	15,120,000.00		840,000.00		14,280,000.00
Wuhu Power Generation Company Limited (蕪湖發電有限公司) – refund of the environmental fees	13,328,099.55		385,750.00		12,942,349.55
CP New Energy: Dafeng Wind Power: deferred income from finance lease	14,753,168.12		2,107,595.40		12,645,572.72
Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司) – amortization of government grants	11,550,408.13		825,029.17		10,725,378.96
Subsidy for ultra-clean emission of No. 2 unit	10,640,000.00		560,000.00		10,080,000.00
Special Fund – Huanggang Dabieshan Power Generation Company Limited (黃岡大別山發電有限責任公司)	7,710,000.00				7,710,000.00

APPENDIX II

FINANCIAL INFORMATION OF PARENTCO

Item	Opening balance	Increase during the year	Decrease during the year		Closing balance
			Included in profit or loss	Refund	
CP New Energy: Renhuai Environmental Protection: Guizhou Provincial Development and Reform Commission and the Department of Commerce	2,650,000.00	3,647,600.00	650,000.00		5,647,600.00
Special fund for ecological civilization construction in 2018		4,500,000.00			4,500,000.00
CP New Energy – Pingdingshan Environmental Protection Power – Government grants		4,260,000.00			4,260,000.00
Pingwei No. 2 Electric Power – environmental subsidy	3,622,000.00		216,500.00		3,405,500.00
CP New Energy: Hongze Thermal Power: refund of environmental tax	2,592,000.00		144,000.00		2,448,000.00
Pu'an Power – government grants – promotion funds for encourage investment policies subsidized by	1,233,300.00	150,000.00			1,383,300.00
CP New Energy: Beizhan Environmental Protection: early government subsidy		300,000.00			300,000.00
Government grants of Pu'an New Energy – promotion funds for encourage investment policies	188,888.89		11,111.11		177,777.78
Changshu Power – Unrealized sale and leaseback profit and loss	-1,171,188.96	357,931.74			-813,257.22
CP New Energy: Wuwei Photovoltaic: deferred income	-2,089,431.77	208,943.16			-1,880,488.61
CP New Energy: Inner Mongolia Wind Power: difference of financial lease	-20,572,597.65	-1,545,135.00			-22,117,732.65

Item	Opening balance	Increase during the year	Decrease during the year		Closing balance
			Included in profit or loss	Refund	
China Power: elimination on consolidation (Shentou transferred to held for sale)		-24,360,000.00			-24,360,000.00
Special environmental accounts payable appropriated by Finance Bureau of Pingdingshan	19,096,425.41		1,154,007.95		17,942,417.46
Special fund for treatment and environmental protection of surroundings of the plant appropriated by Finance Bureau of Pingdingshan	10,351,930.40		1,644,547.84		8,707,382.56
Special fund for denitrification reform of No. 5 and 6 units appropriated by Finance Bureau of Pingdingshan	9,051,250.00		1,649,166.67		7,402,083.33
Total	462,859,279.47	108,016,779.27	165,439,503.84		405,436,554.90

40. Other non-current liabilities

Item	Closing balance	Opening balance
Sales tax to be transferred	1,855,181.52	
Finance lease payment	85,642,083.26	
Total	87,497,264.78	

41. Paid-up capital

Name of investor	Opening balance		Increase during the year	Decrease during the year	Closing balance	
	Investment amount	Percentage (%)			Investment amount	Percentage (%)
State Power Investment Corporation Limited* (國家電力投資集團有限公司)	7,640,790,881.30	100.00			7,640,790,881.30	100.00
Total	7,640,790,881.30	100.00			7,640,790,881.30	100.00

42. Capital reserve

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
I. Capital (or share capital) premium	1,889,822.58		1,889,822.58	
II. Other capital reserve	3,787,403,327.60	3,135,424.55	3,756,490,708.73	34,048,043.42
(1) Changes in other equity of investee	474,270,822.42		474,270,822.42	
(2) Outstanding share-based payment	28,075,956.14	3,135,424.55		31,211,380.69
(3) Others	3,285,056,549.04		3,282,219,886.31	2,836,662.73
Total	3,789,293,150.18	3,135,424.55	3,758,380,531.31	34,048,043.42
Including: Solely state-owned capital reserve	3,789,293,150.18	3,135,424.55	3,758,380,531.31	34,048,043.42

Note: Capital reserve at the beginning of the year increased by RMB3,278,644,763.77 as compared with that of the end of last year, which was due to the investment by six companies including SPIC Shandong Energy Development Co., Ltd.* (國家電投集團山東能源發展有限公司), SPIC Guangxi Electric Power Co., Ltd.* (國家電投集團廣西電力有限公司) (referred to as “Guangxi Company”), SPIC Shouxian New Energy Development Co., Ltd.* (國家電力投資集團壽縣新能源有限公司), SPIC Anhui New Energy Development Co., Ltd. (國家電力投資集團安徽新能源有限公司), SPIC Hubeilvdong New Energy Co., Ltd.* (國家電投集團湖北綠動新能源有限公司) and SPIC Guangdong Power Company Limited (國家電投集團廣東電力有限公司) (referred to as “Guangdong Company”) (hereinafter referred to as “Six Provincial Companies”) were transferred to China Power and CPI Holding from SPIC, CPI Holding adopted the principle of combination under common control, and there was an increase in the capital reserve from SPIC at nil consideration at the beginning of the year after excluding retained earnings of equity attributable to the parent company.

The main reasons are as follows:

- (1) an increase of RMB200,762,706.62 from the impact by convertible corporate bonds of Wu Ling Power and Guangxi Company;
- (2) a decrease of RMB4,261,215,851.13 in the reversal of equity attributable to the parent company at the beginning of the period of Six Provincial Companies during the year (sum of capital reserve and retained profit);
- (3) a decrease of RMB615,944,172.47 in the capital premium from the acquisition of Six Provincial Companies;
- (4) an increase of RMB213,941,317.44 in the capital premium of Six Provincial Companies shared by the minority shareholders of China Power;
- (5) a decrease of RMB137,850,900.00 in retained CPI Holding as the impact of profit distribution of Guangxi Company;
- (6) in addition to capital reserve at the end of the year at combination level of CPI Holding was required to retain the exercisable value, decrease in retained profit and increase of RMB768,629,753.92 were required in other current write-offs.

43. Surplus reserve

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance	Reason and basis for change
Statutory surplus reserve fund	104,852,745.72			104,852,745.72	
Discretionary surplus reserve fund	490,626.12			490,626.12	
Total	105,343,371.84			105,343,371.84	-

44. Retained profit

Item	Amount during the year	Amount during last year
Opening balance during the year	6,530,642,272.60	6,670,434,034.76
Correction to accounting errors	-12,116,975.40	-17,011,681.24
Changes in combination scope	982,571,087.36	719,365,592.77
Adjusted opening balance during the year	7,501,096,384.56	7,372,787,946.29
Increase during the year	567,465,749.58	563,096,080.45
Including: Net profit and other comprehensive income transferred during the year	567,465,749.58	554,684,785.45
Other adjustment factors		8,411,295.00
Decrease during the year	1,076,972,714.06	434,787,642.18
Including: Extraction of surplus reserve during the year		
Extraction of general risk provisions during the year		
Distribution of cash dividend during the year	210,415,403.47	434,787,642.18
Conversed capital		
Other decreases	866,557,310.59	
Closing balance during the year	6,991,589,420.08	7,501,096,384.56

Note: The retained profit increased by RMB970,454,111.96 as compared with that of the end of the last year, of which, correction to accounting errors decreased by RMB12,116,975.40. The retained earnings of Six Provincial Companies at the beginning of the year increased by RMB982,571,087.36 as the retained profit at the beginning of the year of the Company.

During the year, the dividends distributed to SPIC by the Company decreased by RMB59,076,903.47, and the profits distributed to SPIC by Guangxi Company and Guangdong Company decreased by RMB137,850,900.00 and RMB13,487,600.00, respectively. the dividend of preference shares of Guo Xin (國新) decreased by RMB3,120,413.74. In addition to capital reserve at the end of the year at combination level of the Company was required to retain the exercisable value, there was a decrease of RMB768,629,753.92 in retained profit and increase of RMB768,629,753.92 in other current write-offs.

45. Operating revenue and operating cost

Item	Amount incurred during the year		Amount incurred during last year	
	Revenue	Cost	Revenue	Cost
Subtotal of principal business	39,942,857,549.62	32,798,537,698.28	35,885,892,262.37	29,504,384,510.42
Including: Coal-fired power	23,449,647,865.53	21,367,811,718.37	20,829,565,831.06	19,784,835,150.85
Heat	704,897,778.75	674,891,232.00	552,606,599.83	524,835,080.68
Gas power	4,962,988,291.03	4,686,126,944.91	4,713,231,800.19	4,154,350,831.91
Hydropower	5,298,426,450.68	2,939,322,441.39	6,199,647,333.00	2,935,670,400.55
Wind power	2,295,823,379.04	1,236,842,301.38	1,712,378,222.30	971,751,654.86
Solar power	2,103,355,720.64	948,208,915.21	1,007,033,747.18	474,980,326.25
Other new energies	422,154,730.22	430,087,263.64	260,966,996.78	258,100,335.42

Item	Amount incurred during the year		Amount incurred during last year	
	Revenue	Cost	Revenue	Cost
High-tech and comprehensive	139,621,444.11	131,277,296.87	45,185,353.07	45,309,977.79
Comprehensive	250,451,037.36	220,030,056.21	87,414,681.51	58,946,286.98
Fuel	182,344,968.43	77,067,677.06	292,465,564.64	230,513,191.44
Overhauling and operation	178,913,567.28	183,015,386.32	89,540,446.19	14,008,109.75
Others	199,172,934.82	143,105,685.45	443,870,404.58	382,700,513.07
Elimination on consolidation	-244,940,618.27	-239,249,220.53	-348,014,717.96	-331,617,349.13
Subtotal of other businesses	531,023,967.43	200,737,745.89	338,045,927.37	137,227,558.52
Sales of material	14,492,975.42	23,672,691.57	11,344,882.59	30,191,541.71
Transportation business	25,577.09	25,577.09		
Lease of fixed assets	50,242,318.35	39,557,524.55	44,097,871.49	40,702,221.62
Entrusted operation of power generation	1,749,999.95	438,463.67	377,358.48	1,526,980.54
Staff training	273,584.91			
Sales of electricity quota	5,066,082.74		17,624,839.02	
CDM			349,160.29	
Income from subsidies for garbage clearance	115,021,601.83		88,830,928.78	1,696,279.83
Others	344,151,827.14	137,043,489.01	175,420,886.72	63,110,534.82
Total	40,473,881,517.05	32,999,275,444.17	36,223,938,189.74	29,641,612,068.94

46. Selling Expenses, Administrative Expenses and Finance Costs

(1) Selling expenses

Item	Amount incurred during the year	Amount incurred during last year
Business entertainment expenses	1,006,208.02	586,024.47
Transportation fee	698,538.85	6,225,237.11
Employee benefits	519,515.35	535,877.84
Business expenses	437,237.00	481,587.46
Conference expenses	59,300.00	117,500.00
Travelling expenses	19,658.87	35,988.36
Office expenses	15,553.62	13,425.31
Advertising promotion fee	2,000.00	4,353.00
Others	1,013,827.25	31,477.89
Total	3,771,838.96	8,031,471.44

(2) *Administrative expenses*

Item	Amount incurred during the year	Amount incurred during last year
Employee benefits	319,678,150.72	284,303,993.71
Rental fee	68,118,378.14	66,660,586.81
Consulting fee	59,066,594.28	62,805,363.53
Depreciation cost	40,833,945.61	36,252,371.00
Property management fee	33,036,783.24	31,956,982.17
Travelling expenses	31,101,370.99	28,757,807.86
Insurance expenses	15,636,680.90	705,522.71
Audit fee	13,721,528.89	15,800,623.64
Vehicle related expenses	9,420,447.77	7,184,743.70
Amortization of intangible assets	6,279,896.88	4,731,386.92
Office expenses	6,120,869.29	6,887,629.08
Attorney fee	5,835,692.86	11,016,486.07
Utilities	4,710,956.04	4,299,183.14
Amortization of long-term deferred expenses	3,163,875.59	3,897,576.98
Advertising promotion fee	2,468,832.82	1,766,092.51
Business entertainment expenses	2,392,147.94	9,245,161.95
Amortization of low-cost consumables	1,633,085.09	2,022,262.80
Board's fee	1,581,896.40	2,153,346.95
Printing charges	1,383,862.10	514,788.75
Conference expenses	1,242,837.03	1,596,528.37
Technology transfer fee	675,566.04	
Repair charge	675,540.53	-359,421.88
Afforestation fees	531,985.22	543,198.48
Party building expenses	216,842.48	654,995.02
Foreign affairs expenses	199,782.42	103,603.00
Litigation fees	142,069.43	10,044.00
Heat fees	18,420.16	40,752.44
Others	14,852,680.19	8,771,203.38
Total	644,740,719.05	599,117,723.15

(3) *Finance costs*

Item	Amount incurred during the year	Amount incurred during last year
Interest expense	4,044,335,855.10	3,378,597,174.75
Less: interest income	177,836,118.80	96,277,072.80
Exchange gain or loss	114,480,714.19	-136,469,978.86
Others	34,773,621.42	70,121,488.28
Total	4,015,754,071.91	3,215,971,611.37

47. *Asset impairment loss*

Item	Amount incurred during the year	Amount incurred during last year
Loss on bad debts	-18,104,490.52	6,121,100.90
Loss on inventories depreciation	11,384,249.39	2,252,468.85
Impairment loss on contract assets		
Impairment loss on assets held for sale		8,996,199.21
Impairment loss on available-for-sale financial assets		
Impairment loss on long-term equity investments		
Impairment loss on investment properties		

Item	Amount incurred during the year	Amount incurred during last year
Impairment loss on fixed assets	42,129,970.53	116,418,300.51
Impairment loss on engineering materials		
Impairment loss on construction in progress	20,897,380.05	3,708,113.48
Impairment loss on productive biological assets		
Impairment loss on oil and gas assets		
Impairment loss on intangible assets	1,976,790.13	
Impairment loss on goodwill		
Other impairment losses	4,501,101.58	
Total	62,785,001.16	137,496,182.95

48. Other Income

Item	Amount incurred during the year	Amount incurred during last year	Amount included in non-recurring profit and loss in the year
VAT refund	45,033,047.17	139,574,626.28	45,033,047.17
Refund of individual income tax handing fees	1,662,518.61	615,493.37	1,662,518.61
Government grants directly related to production and operation	60,748,851.30	26,413,766.18	60,748,851.30
Total	107,444,417.08	166,603,885.83	107,444,417.08

49. Investment Income

Source of investment income	Amount incurred during the year	Amount incurred during last year
Long-term equity investment measured by employing the equity method	35,113,010.61	91,231,308.48
Investment income from disposal of long-term equity investment	27,864,184.32	865,995.09
Investment income from holding financial assets at fair value through profit or loss	556,957.93	502,490.39
Investment income from holding financial assets held for trading (applicable to implementation of New Financial Instrument Standards)	165,363.16	
Investment income from holding debt investment (applicable to implementation of New Financial Instrument Standards)		
Investment income from holding other debt investments (applicable to implementation of New Financial Instrument Standards)		
Investment income from holding held-to-maturity investment		-444,300.00
Investment income from holding available-for-sale financial assets	37,253,663.27	175,618,817.49
Investment income from holding other equity instrument investments (applicable to implementation of New Financial Instrument Standards)	88,511,201.08	5,273,867.60
Investment income from disposal of debt investment (applicable to implementation of New Financial Instrument Standards)		
Investment income from disposal of other debt investments (applicable to implementation of New Financial Instrument Standards)		

Source of investment income	Amount incurred during the year	Amount incurred during last year
Investment income from disposal of available-for-sale financial assets		3,142,500.00
Income from entrusted loan	1,438,503.55	-17,142,352.05
Gain on revaluation of remaining equity at fair value after losing control		
Others	-130,490.42	-67,101,489.70
Total	190,772,393.50	191,946,837.30

50. Income from disposal of assets

Item	Amount incurred during the year	Amount incurred during last year	Amount included in non-recurring profit and loss in the year
Gains or losses on disposal of assets not classified as non-current assets held for sale	107,901,661.10	-1,871,679.78	107,901,661.10
Including: Gains or losses on disposal of fixed assets	98,444,978.81	-1,871,679.78	98,444,978.81
Gains or losses on disposal of construction in progress	782,783.85		782,783.85
Gains or losses on disposal of intangible assets	8,673,898.44		8,673,898.44
Total	107,901,661.10	-1,871,679.78	107,901,661.10

51. Non-operating Revenue

(1) Category of non-operating revenue

Item	Amount incurred during the year	Amount incurred during last year	Amount included in non-recurring profit and loss in the year
Inventory gains	0.02	96,131.72	
Gains from retirement and damage of non-current assets	4,540,919.27	7,361,604.99	
Gains from debt restructuring		2,127,738.00	
Gains from donations received	1,317.00		
Government grants (subsidy income) (excluding item included in other income)	25,312,532.60	50,324,526.52	
Net gain from penalties	2,157,891.85	2,148,193.06	
Gains from default penalty	964,352.71	89,486.00	
Others	77,870,004.66	48,225,381.14	
Total	110,847,018.11	110,373,061.43	

(2) *Breakdown of government grants*

Item	Amount incurred during the year	Amount incurred during last year
Income from subsidies for energy conservation and environmental protection	1,416,609.40	2,521,920.60
Income from other government grants	23,895,923.20	47,802,605.92
Total	25,312,532.60	50,324,526.52

52. **Non-operating Expenditures**

Item	Amount incurred during the year	Amount incurred during last year	Amount included in non-recurring profit and loss in the year
Inventory losses		1,338.75	
Losses from retirement and damage of non-current assets	99,528,631.54	45,760,514.15	99,528,631.54
Penalty expenses	10,891,162.23	3,672,512.76	10,891,162.23
Delinquency charges and default penalty	7,666,927.36	10,906,765.11	7,666,927.36
Expenditure on donation	4,640,860.80	7,163,640.00	4,640,860.80
Expected loss of pending lawsuits		32,304,446.73	
Others	16,093,459.56	15,380,806.41	16,093,459.56
Total	138,821,041.49	115,190,023.91	138,821,041.49

53. **Income tax expenses**(1) *Breakdown of income tax expenses*

Item	Amount incurred during the year	Amount incurred during last year
Current income tax expenses	671,288,591.15	879,677,669.53
Adjustment on deferred income tax	11,442,899.06	-106,067,583.65
Total	682,731,490.21	773,610,085.88

(2) *Reconciliation between accounting profit and income tax expenses*

Item	Amount incurred during the year
Total profits	2,607,958,470.96
Income tax expenses calculated at statutory/applicable tax rate	651,989,617.74
Effect of different tax rates applicable to subsidiaries	-94,536,798.95
Effect of income tax adjustment in prior periods	2,447,597.31
Effect of non-taxable income	-101,637,981.36
Effect of non-deductible costs, expenses and losses	24,353,579.48
Effect of utilisation of deductible losses for which no deferred income tax assets is recognised in prior periods	-16,852,217.59
Effect of deductible temporary differences or deductible losses for which no deferred income tax assets is recognised for the year	216,967,693.58
Changes in deferred income tax assets/liabilities outstanding at the beginning of the year as a result of tax rate adjustment	
Others	
Income tax expenses	682,731,490.2100

54. Other comprehensive income attributable to owner of the parent company

(1) Other comprehensive income items and their income tax effects and transfers to profits and losses

Item	Amount incurred during the year		
	Amount before tax	Income tax	Net amount after tax
I. Other comprehensive income that will not be reclassified to profit or loss	-332,169,495.23	-147,389,084.53	-184,780,410.70
Changes in fair value of other equity instruments investment	-332,169,495.23	-147,389,084.53	-184,780,410.70
II. Other comprehensive income that will be reclassified to profit or loss			
Differences from translation in foreign currency financial statements	-40,816,736.92		-40,816,736.92
Less: Other comprehensive income included in the last period and transferred to current profit or loss			
Subtotal	-40,816,736.92		-40,816,736.92
III. Total other comprehensive income	-372,986,232.15	-147,389,084.53	-225,597,147.62

Item	Amount incurred during last year		
	Amount before tax	Income tax	Net amount after tax
I. Other comprehensive income that will not be reclassified to profit or loss	-606,080,318.88	-151,520,079.72	-454,560,239.16
Changes in fair value of other equity instruments investment	-606,080,318.88	-151,520,079.72	-454,560,239.16
II. Other comprehensive income that will be reclassified to profit or loss			
Differences from translation in foreign currency financial statements	-148,135,348.16		-148,135,348.16
Less: Other comprehensive income included in the previous period and transferred to current profit or loss			
Subtotal	-148,135,348.16		-148,135,348.16
III. Total other comprehensive income	-754,215,667.04	-151,520,079.72	-602,695,587.32

(2) Reconciliation of other comprehensive income items

Item	Other comprehensive income that can be converted into profit or loss under the equity method	Changes in fair value of available-for-sale financial assets	Changes in fair value of other equity instruments investment	Change in fair value of credit risks of the Company	Total
I. Opening balance last year	-412,694,236.75	2,314,528,443.43		6,091,961.83	1,907,926,168.51
II. Changes in last year (decreases denoted by "-")			-454,560,239.16	-148,135,348.16	-602,695,587.32
III. Opening balance during last year	-412,694,236.75	2,314,528,443.43	-454,560,239.16	-142,043,386.33	1,305,230,581.19
IV. Changes in the year (decreases denoted by "-")			-184,780,410.70	-40,816,736.92	-225,597,147.62
V. Closing balance during the year	-412,694,236.75	2,314,528,443.43	-639,340,649.86	-182,860,123.25	1,079,633,433.57

55. Share-based Payments

(1) Share option scheme of China Power

- ① Details of the share options granted under the share option scheme outstanding as at 31 December 2017 are as follows:

Item	Date of grant	Expiry date	Exercise price	Number of shares subject to the share options	
				31 December 2018	31 December 2017
Directors	4 April 2007	3 April 2017	HK\$4.07		
Directors	2 July 2008	1 July 2018	HK\$2.326		428,076
Senior management and other employees	4 April 2007	3 April 2017	HK\$4.07		
Senior management and other employees	2 July 2008	1 July 2018	HK\$2.326		10,958,752
Total					11,386,828

- ② Movements in the number of share options exercised and their related weighted average exercise price are as follows:

Date	31 December 2018		31 December 2017	
	Average exercise price per share (HK\$)	Number of shares subject to the share options	Average exercise price per share (HK\$)	Number of shares subject to the share options
At 1 January	HK\$ 2.173	11,386,828	HK\$2.835	21,112,000
Lapsed	HK\$ 2.173	11,386,828	HK\$4.07	6,162,000
Cancelled			HK\$2.30	4,359,133
Adjustment for Rights Issue			HK\$2.173	-795,961
At 31 December			HK\$2.173	11,386,828

- ③ The fair values of share options granted under the share option scheme calculated using the Black-Scholes Option Pricing Model were as follows:

Item	Date of grant of share options	
	2 July 2008	4 April 2007
Share option value	HK\$0.62	HK\$1.14
Significant data of the valuation model:		
Exercise price	HK\$2.173	HK\$4.07
Share price at the date of grant	HK\$2.09	HK\$4.07
Expected volatility	36.44%	30.95%
Risk-free interest rate	3.41%	4.16%
Expected life of share options	6.25 years	6.25 years
Expected dividend yield	2.27%	2.75%

- (2) *Share option scheme of China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司)*

Date of grant	Expiry date	Exercise price	Number of shares subject to the share options	
			31 December 2018	31 December 2017
Directors				
8 June 2017	31 October 2020	7.80	800,000	800,000
8 June 2017	15 January 2023	5.14	1,200,000	1,200,000
Subtotal			2,000,000	2,000,000
Senior management and other employees				
8 June 2017	31 October 2020	7.80	1,650,000	2,150,000
8 June 2017	15 January 2023	5.14	3,750,000	4,450,000
Subtotal			5,400,000	6,600,000

56. Borrowing costs

Asset project eligible for capitalization	Capitalization rate in the year	Amounts capitalized in the year
Lisha Island Gas Turbine Project	4.35%	23,790,534.26
Bazhou household waste incineration project	5.70%	12,523,010.18
Deyang waste-to-energy project	4.43%	7,649,670.34
Renhuai household waste-to-energy project	4.90%	8,372,300.78
15MW expansion project	4.95%	2,444,309.35
Dafeng phase II infrastructure	5.39%	4,103,938.01
Pingdingshan cogeneration of heat and power project with household waste incineration	5.80%	2,305,877.76
Fengtai biomass power project	5%	2,664,284.22
Wu Qiang Xi hydropower station expansion project	4.00%	5,772,338.46
Luoshuidong project	4.41%	40,111,590.44
Youxian County Taihexian project	4.50%	5,338,674.11
Taojiang Songmutang wind power project	3.78%	6,178,757.68
Lianyuan Hongzhao wind power project	4.50%	9,520,821.73
Shimen Wangjiachong distributed photovoltaic project	5.23%	1,506,274.46
Jiangyong Shangjiangxu 70MW wind power project	4.35%	9,229,569.51
Shuangfeng Ziyunshan wind power	4.57%	7,022,178.18
Gulang 100MW wind power project	4.35%	11,332,814.83
Wuhai Top-Runner 50MW photovoltaic project	5.10%	1,752,898.52
Guangxi Xing'an Yanguan phase I project	4.41%	2,944,536.39

Asset project eligible for capitalization	Capitalization rate in the year	Amounts capitalized in the year
Shiwan Gutian phase I	4.90%	6,223,654.42
Lingtian project	4.73%	3,716,394.13
Dahuaishan wind power project phase I	4.90%	7,716,302.23
Guangxi Xing'an Shibanling project	4.41%	4,360,613.42
Jieyang Port Qian Zhan operation area universal terminal phase I project	4.81%	9,712,905.11
No. 3 cold site	4.65%	2,229,315.41
Heating network	4.65%	1,115,588.22
No. 1 cold site	4.65%	2,350,738.68
No.10 cold site	4.65%	1,661,807.54
CPI Guangdong Zhanjiang Leizhou Jingzai wind power project	4.90%	8,676,549.86
Shandong Company power generation project	6.08%	71,584,665.94
CP Pu'an – 2*660MW new project	4.96%	124,128,101.56
CP Hubei – terminal project	5.50%	48,530,337.58
CP Hubei – power plant project	5.50%	194,121,350.30
Jiuding Mountain, Zhangqiu	5.48%	19,366,200.66
Shanxi China Power Shentou No. 2 Power Generating Company Limited (山西中電神頭第二發電有限責任公司) 2*1000MW “replacing small-capacity units with large- capacity ones” project	4.39%	33,035,591.70
Longshan Zhongshui: Luoshuidong project	4.41%	12,552,751.17
Dabieshan phase II project	4.66%	36,075,250.82
Shandong Company power generation project	6.08%	71,584,665.94
Subtotal of other individual amount less than RMB1 million	3.5%-6.10%	7,121,028.78
Total		830,428,192.68

Note: The amount of borrowing costs capitalized in the period was RMB830,428,192.68.

57. Foreign Currency Translation

Exchange differences included in current profit or loss was RMB114,480,714.19.

58. Lease

(1) Operating leases (lessors)

Category of assets leased under operating leases	Carrying amount at the end of the year	Carrying amount at the beginning of the year
Machinery and equipment	161,721,208.25	157,398,208.67
Total	161,721,208.25	157,398,208.67

(2) *Finance leases (lessees)*① *Fixed assets rented under finance leases*

Category of assets	Original value	Closing balance Accumulated depreciation	Impairment provision
Machinery and equipment	11,179,024,445.44	3,884,688,957.25	
Total	11,179,024,445.44	3,884,688,957.25	
Category of assets	Original value	Opening balance Accumulated depreciation	Impairment provision
Machinery and equipment	9,796,064,957.02	3,339,113,316.74	
Total	9,796,064,957.02	3,339,113,316.74	

② *Minimum payables for leasing in the following years*

Remaining lease term	Minimum payables for leasing
Within 1 year (inclusive)	1,033,803,098.47
Over 1 year and within 2 years (inclusive)	2,735,673,638.36
Over 2 years and within 3 years (inclusive)	1,246,918,536.91
Over 3 years	3,413,574,137.14
Total	8,429,969,410.88

(3) *Operating leases (lessees)*

Remaining lease term and amount of operating leases of major operating leases:

Remaining lease term	Amount of operating leases
Within 1 year (inclusive)	17,863,883.65
Over 1 year and within 2 years (inclusive)	17,552,786.54
Over 2 years and within 3 years (inclusive)	17,552,786.54
Over 3 years	68,000.00
Total	53,037,456.73

59. **Consolidated Statement of Cash Flows**(1) *Reconciliation of net profit to cash flows from operating activities under the indirect method*

Supplementary information	Amount incurred during the year	Amount incurred during last year
I. Reconciliation of net profit to cash flows from operating activities:	—	—
Net profit	1,925,226,980.75	1,680,890,554.32
Add: Provision for asset impairment	62,288,880.41	137,153,572.20
Credit asset impairment loss	496,120.75	342,610.75
Depreciation of fixed assets, oil and gas assets, productive biological assets	6,451,773,844.91	6,039,688,012.14
Amortization of intangible assets	67,675,470.26	49,014,255.07

Supplementary information	Amount incurred during the year	Amount incurred during last year
Amortization of long-term deferred expenses	58,601,654.48	18,214,997.54
Loss on disposal of fixed assets, intangible assets and other long term assets (gains denoted by “-”)	-107,375,153.90	24,809,917.01
Fixed assets retirement loss (gains denoted by “-”)	119,262,969.51	13,530,731.52
Losses on changes in fair value (gains denoted by “-”)	401,008.94	106,401,339.98
Finance costs (gains denoted by “-”)	4,044,335,855.10	3,378,597,174.75
Investments losses (gains denoted by “-”)	-190,772,393.50	-191,946,837.30
Decrease in deferred income tax assets (increases denoted by “-”)	32,415,533.16	42,729,948.00
Increase in deferred income tax liabilities (decreases denoted by “-”)	-93,767,683.43	-43,642,977.17
Decrease in inventories (increases denoted by “-”)	-288,939,152.15	-169,454,248.63
Decrease in operating receivables (increases denoted by “-”)	2,776,864,394.29	-4,930,630,734.49
Increase of operating payables (decreases denoted by “-”)	-4,879,146,935.74	3,558,428,896.47
Others		7,948,516.58
Net cash flow from operating activities	9,979,341,393.84	9,722,075,728.74
2. Significant investing and financing activities not related to cash receipts and payments:	-	-
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets rented under finance leases	200,000,000.00	
3. Net changes in cash and cash equivalents:	-	-
Closing balance of cash	5,546,792,660.52	7,185,753,679.58
Less: Opening balance of cash	7,185,753,679.58	4,796,025,536.14
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-1,638,961,019.06	2,389,728,143.44

(2) *Net cash paid for acquisition of subsidiary or received from disposal of subsidiary in the year*

Item	Amount
I. Cash or cash equivalents paid during the year for business combination in the year	300,998,875.05
Less: cash or cash equivalents held by subsidiary on purchase date	3,584,873.09
Add: cash or cash equivalents paid during the year for business combination in prior periods	
Net cash paid for acquisition of subsidiary	297,414,001.96
II. Cash or cash equivalents received during the year for disposal of subsidiary in the year	7,818,096.90
Less: cash and cash equivalents held by subsidiary on the date of losing control	9,006.13
Add: cash or cash equivalents received during the year for disposal of subsidiary in prior periods	
Net cash received for disposal of subsidiary	7,809,090.77

(3) *Composition of cash and cash equivalents*

Item	Closing balance	Opening balance
I. Cash	5,546,792,660.52	7,185,753,679.58
Including: Cash on hand	222,940.48	392,556.03
Cash in bank on demand for payment	5,533,122,922.36	6,929,621,968.63
Other Monetary assets on demand for payment	13,446,797.68	255,739,154.92
Deposit in central bank available on demand		
Interbank deposits		
Lending to other banks		
II. Cash equivalents		
Including: Bond investments due within 3 months		
III. Closing balance of cash and cash equivalents	5,546,792,660.52	7,185,753,679.58
Including: Cash and cash equivalents with restricted use of the parent company or the subsidiaries of the Group		

60. **Foreign Currency Monetary Items**

Item	Foreign currency balance at the end of the year	Translation exchange rate	Translated RMB balance at the end of the year
Monetary assets			2,985,152,622.45
Including: USD	385,682,810.28	6.86	2,646,960,491.37
EURO	1,134,964.77	7.85	8,906,409.03
HKD	122,628,727.12	0.88	107,540,065.53
GBP	0.94	8.68	8.16
PKR	63,333,219,302.78	0	221,745,648.36
Short-term borrowings			936,200,000.00
Including: USD	19,854,227.41	6.86	136,200,000.00
HKD	909,090,909.09	0.88	800,000,000.00
Long-term borrowings			1,470,000,000.00
Including: USD	126,822,157.43	6.86	870,000,000.00
EURO	76,433,121.02	7.85	600,000,000.00

61. **Assets with restricted ownership and use rights**

Item	Carrying amount at the end of the year	Reasons for restriction
Monetary assets	26,007,612.77	Guarantee deposit
Pledge of accounts receivable and extended tariff	6,994,332,762.79	Pledge of tariff collection right
Inventories	54,891,920.59	Mortgage borrowings
Fixed assets	1,891,674,862.15	Mortgage borrowings
Intangible assets	21,117,017.80	Pledge of land use right
Construction and project in progress	7,824,446,619.52	Mortgage borrowings
Fixed assets rented under finance leases	7,294,335,488.19	Mortgage
Total	24,106,806,283.81	

IX. CONTINGENCIES

1. Litigations

In 2017, Shantou Special Economic Zone Songshan Coal-fired Power Plant Co., Ltd. (汕頭經濟特區松山火力發電廠有限公司) (hereinafter referred to as “Songshan Coal-fired Power Plant”), the shareholder of CPI Songshan Thermal Power Co., Ltd. (中電投松山熱電有限公司) (hereinafter referred to as “Songshan Thermal Power”), the subsidiary of the Company, filed an arbitration against the Company. On 8 January 2018, China International Economic and Trade Arbitration Commission made an Arbitration Award ([2018] Zhong Guo Mao Zhong Jing Cai Zi No. 0044), and the results of which are as follows:

- (1) The Company shall be required to cooperate with Songshan Coal-fired Power Plant to assist the applicant in repurchasing the physical investment originally invested in Songshan Thermal Power at original value of RMB140.0309 million and interest (with the principal of RMB140.0309 million, and calculated at the deposit rates of the People’s Bank of China for the same period from 6 December 2012 to 9 July 2014), and change the registration of property rights of the physical investment from the Company to Songshan Coal-fired Power Plant.
- (2) The Company shall compensate the economic losses of Songshan Coal-fired Power Plant, in particular, with the principal of RMB140.0309 million, and calculated the interests at the loan rates of the People’s Bank of China for the same period from 1 September 2016 up to the completion of the repurchase of all relevant property ownership and land use right, with a maximum amount up to RMB10 million.
- (3) It shall pay the attorney fee of RMB150,000 to Songshan Coal-fired Power Plant, and pay an arbitration fee of RMB1.0611 million.

According to the above arbitration award, a total amount of RMB11,559,059.76 including the arbitration fee, attorney fee and economic compensation amount calculated by the Company in 2017 was recorded non-operating expenditures for 2017. In 2018, in accordance with the arbitration award, the Company cooperated with Songshan Coal-fired Power Plant to handle the transfer of property rights of the buildings and the land use right in the intangible assets of Songshan Thermal Power, the subsidiary of the Company, as of 31 December 2018, the transfer procedures for the property rights of above assets had not been completed, and the Company shall continue to accrue interest on economic losses of RMB1,002,042.24:

As of 31 December 2018, the carrying amount of the above capital was as follows:

Item	Carrying amount at the end of the year
Fixed assets – Buildings	6,195,151.48
Intangible assets-Land use right	136,567,747.36
Total	142,762,898.84

2. External guarantee

Guarantor	Guaranteed party	Nature of guaranteed party	Total amount of guarantee
Wu Ling Power Corporation (五凌電力有限公司)	Guizhou Qingshuijiang Hydropower Co., Ltd. (貴州清水江水電有限公司)	State-controlled	390,000,000.00
China Power International New Energy Holding Limited (中電 國際新能源控股有限公司)	Zhongdian Hongze Thermal Power Company Limited (中電洪澤熱電有限公司)	State-controlled	74,200,000.00
The Company	China Power Dafeng Wind Power Company Limited	State-controlled	598,504,934.87
CPI (Fujian) Power Development Limited (中電 (福建)電力開發有限公司)	Xiamen China Power Photovoltaic Power Company Limited* (廈門中 電光伏發電有限公司)	State-controlled	16,000,000.00
China Power International New Energy Holding Limited (中電 國際新能源控股有限公司)	Shangqiu China Power Green Power Generation Company Limited* (商丘中電環保發 電有限公司)	State-controlled	90,000,000.00
China Power International New Energy Holding Limited (中電 國際新能源控股有限公司)	Zhongdian Hongze Reproductive Substance Thermal Power Company Limited (中電(洪澤)生物質 熱電有限公司)	State-controlled	24,000,000.00
China Power International New Energy Holding Limited (中電 國際新能源控股有限公司)	Bazhou China Power Environmental Protection Power Generation Company Limited (霸州中電環保發電 有限公司)	State-controlled	190,000,000.00
Gansu China Power Jiuquan No. 3 Wind Power Company Limited* (甘肅中電酒泉第三 風力發電有限公司)	Guiyang China Power Environmental Protection Power Generation Company Limited (貴陽中電環保發電 有限公司)	State-controlled	231,600,000.00
China Power International New Energy Holding Limited (中電 國際新能源控股有限公司)	Renhuai China Power Environmental Protection Power Generation Company Limited (仁懷中電環保發電 有限公司)	State-controlled	232,302,147.63
China Power International New Energy Holding Limited (中電 國際新能源控股有限公司)	Tieling China Power Environmental Protection Power Generation Company Limited (鐵嶺中電環保發電 有限公司)	State-controlled	46,000,000.00
Hunan Provincial Department of Finance	Wu Ling Power Corporation (五凌電力有限公司)	State-controlled	359,439,696.00
Total			2,252,046,778.50

Guarantor	Guaranteed party	Overdue amount	Nature of guarantee	Status of guaranteed party
Wu Ling Power Corporation (五凌電力有限公司)	Guizhou Qingshuijiang Hydropower Co., Ltd. (貴州清水江水電有限公司)		Loan guarantee	Under normal operation
China Power International New Energy Holding Limited (中電國際新能源 控股有限公司)	Zhongdian Hongze Thermal Power Company Limited (中 電洪澤熱電有限公司)		Loan guarantee	Under normal operation
China Power International Holding Limited	China Power Dafeng Wind Power Company Limited		Loan guarantee	Under normal operation
CPI (Fujian) Power Development Limited (中電(福建)電力開發有限 公司)	Xiamen China Power Photovoltaic Power Company Limited* (廈門中電光伏發電有 限公司)		Loan guarantee	Under normal operation
China Power International New Energy Holding Limited (中電國際新能源 控股有限公司)	Shangqiu China Power Green Power Generation Company Limited* (商丘中電環 保發電有限公司)		Loan guarantee	Under normal operation
China Power International New Energy Holding Limited (中電國際新能源 控股有限公司)	Zhongdian Hongze Reproductive Substance Thermal Power Company Limited (中電(洪澤)生 物質熱電有限公司)		Loan guarantee	Under normal operation
China Power International New Energy Holding Limited (中電國際新能源 控股有限公司)	Bazhou China Power Environmental Protection Power Generation Company Limited (霸州中電環保 發電有限公司)		Loan guarantee	Under normal operation
Gansu China Power Jiuquan No. 3 Wind Power Company Limited* (甘肅 中電酒泉第三風力發電有 限公司)	Guiyang China Power Environmental Protection Power Generation Company Limited (貴陽中電環保 發電有限公司)		Loan guarantee	Under normal operation
China Power International New Energy Holding Limited (中電國際新能源 控股有限公司)	Renhuai China Power Environmental Protection Power Generation Company Limited (仁懷中電環保 發電有限公司)		Loan guarantee	Under normal operation
China Power International New Energy Holding Limited (中電國際新能源 控股有限公司)	Tieling China Power Environmental Protection Power Generation Company Limited (鐵嶺中電環保 發電有限公司)		Loan guarantee	Under normal operation
State Power Investment Corporation Limited* (國家電力投資集團有限公 司)	Wu Ling Power Corporation (五凌電力 有限公司)		Loan guarantee	Under normal operation

X. EVENTS AFTER THE BALANCE SHEET DATE

This is made by China Power International Development Limited (the “Company”, and together with its subsidiaries, collectively the “Group”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors of the Company (the “Board”) is pleased to announce that a revised dividend policy was adopted by the Board on 21 January 2019 (the “Dividend Policy”) to replace the one adopted in October 2004 when the Company launched the global offering of its shares and then listed on the Main Board of the Stock Exchange. According to the Dividend Policy, the Company may declare and distribute annual cash dividends to its shareholders in an amount representing not less than 50% (previously 25%) of the profit attributable to owners of the Company in any financial year, subject to the criteria set out in the Dividend Policy. In addition to cash, the dividends may be paid up in the form of the Company’s shares, by the distribution of specific assets of any kind or by distribution of any form.

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**1. Parent of the Company**

Name of the parent	Place of incorporation	Nature of business	Registered capital (RMB hundred million)	Proportion of the Company’s ownership interest held by the parent (%)	Proportion of the Company’s voting power held by the parent (%)
State Power Investment Corporation Limited (國家電力投資集團有限公司)	Beijing, the PRC	power investment	350.00	100.00	100.00

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note VII. “Business Combination and Combined Financial Statement”.

3. Associates and joint ventures of the Company

Details of associates and joint ventures of the Company are set out in VIII. 13. “Long-term equity investments”.

4. Other related parties of the Company

Name of other related party	Relationship between other related parties and the Company
SPIC Financial Company Limited (國家電投集團財務有限公司)	Same parent company
Liaoning Qinghe Electric Power Company Limited (遼寧清河發電有限責任公司)	Same parent company
Taiyuan Branch of CPI Logistics Company Limited (中電投物流有限公司太原分公司)	Same parent company
Huainan Mining (Group) Co., Ltd. (淮南礦業(集團)有限責任公司)	Shareholder of subsidiaries
Henan Electric Power Fuel Co., Ltd. (河南省電力燃料有限公司)	Same parent company
SPIC Yuanda Environmental-Protection Catalyst Co., Ltd. (國家電投集團遠達環保催化劑有限公司)	Same parent company

Name of other related party	Relationship between other related parties and the Company
CPI Northeast Energy Saving Technology Co., Ltd. (中電投東北節能技術有限公司)	Same parent company
SPIC Henan Electric Power Co., Ltd.	Same parent company
CPI Information Technology Co., Ltd.	Same parent company
CPI Power Engineering Co., Ltd.	Same parent company
Sichuan Ya'an Guidufu Electric Power Co., Ltd. (四川雅安龜都府電力有限責任公司)	Same parent company
Mabian Xianjia Puhe Electric Power Co., Ltd. (馬邊憲家普河電力有限責任公司)	Same parent company
Huidong County Starlight Power Co., Ltd. (會東縣星光電力有限責任公司)	Same parent company
Mabian Jianeng Power Co., Ltd. (馬邊嘉能電力有限責任公司)	Same parent company
Sichuan E'bian Jianeng Power Co., Ltd. (四川峨邊嘉能電力有限責任公司)	Same parent company
Yunnan Dianneng Luquan Phosphorus Development Co., Ltd. (雲南滇能祿勸電磷開發有限公司)	Same parent company
Xiangcheng County Hongneng Power Co., Ltd. (鄉城縣鴻能電力有限責任公司)	Same parent company
China Power Complete Equipment Co., Ltd.	Same parent company
Changshu Binjiang Thermal Power Co., Ltd. (常熟濱江熱力有限公司)	Shareholder of subsidiaries
Technical Information Center of CPI Henan Electric Power Co., Ltd. (中電投河南電力有限公司技術信息中心)	Same parent company
State Power Investment Corporation Overseas Investment Limited (國家電力投資集團海外投資有限公司)	Same parent company
Shanghai SNERDI Engineering Consulting Co., Ltd. (上海斯耐迪工程諮詢監理有限公司)	Same parent company
Guixi Power Generation Co.,Ltd. (貴溪發電有限責任公司)	Same parent company
SPIC Jiangxi Touxiajiang Power Generation Co., Ltd. (國家電投集團江西投峽江發電有限公司)	Same parent company
Hunjiang Power Generation Company of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司渾江發電公司)	Same parent company
SPIC Jiangxi Electric Power Co., Ltd.	Same parent company
Baicheng Power Generation Company of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司白城發電公司)	Same parent company
Fenyi Power Generation Plant of CPI Jaingxi Electric Power Co., Ltd. (中電投江西電力有限公司分宜發電廠)	Same parent company
Jingdezhen Power Generation Plant of CPI Jaingxi Electric Power Co., Ltd. (中電投江西電力有限公司景德鎮發電廠)	Same parent company
Xinchang Power Generation Branch of CPI Jaingxi Electric Power Co., Ltd. (中電投江西電力有限公司新昌發電分公司)	Same parent company
Tonghua Thermal Electric Company Limited (通化熱電有限責任公司)	Same parent company
State Power Investment Corporation Hubei Branch (國家電力投資集團公司湖北分公司)	Same parent company
Jilin CPI New Energy Co., Ltd. (吉林中電投新能源有限公司)	Same parent company
Sichuan Jiuyuan Electric Power Development Company Limited (四川久源電力開發有限責任公司)	Same parent company
Jilin Electric Power Co., Ltd. (吉林電力股份有限公司)	Same parent company
Mengdong Century Concord Zhenlai Second Wind Power Co., Ltd.	Same parent company
Mengdong Century Concord Zhenlai First Wind Power Co., Ltd.	Same parent company
Changling CPI Second Wind Power Co., Ltd. (長嶺中電投第二風力發電有限公司)	Same parent company
Changling CPI First Wind Power Co., Ltd. (長嶺中電投第一風力發電有限公司)	Same parent company
Jilin Electric Power Investment and Distribution Co., Ltd. (吉林省吉電能投資售電有限公司)	Same parent company
Hunan Nuclear Power Company Limited (湖南核電有限公司)	Same parent company
Chifeng Baiyinhua Logistics Co., Ltd. (赤峰白音華物流有限公司)	Same parent company

Name of other related party	Relationship between other related parties and the Company
Chifeng Zhongdian Logistics Co., Ltd. (赤峰中電物流有限公司)	Same parent company
Zhangpu China Power Photovoltaic Power Company Limited (漳浦中電光伏發電有限公司)	Same parent company
State Power Investment Corporation Hubei Branch (國家電力投資集團公司湖北分公司)	Same parent company
Sichuan Jiuyuan Electric Power Development Company Limited (四川久源電力開發有限責任公司)	Same parent company
Mengdong Century Concord Zhenlai Second Wind Power Co., Ltd.	Same parent company
Mengdong Century Concord Zhenlai First Wind Power Co., Ltd.	Same parent company
Hunan Nuclear Power Company Limited (湖南核電有限公司)	Same parent company
Chifeng Baiyinhua Logistics Co., Ltd. (赤峰白音華物流有限公司)	Same parent company
Chifeng Zhongdian Logistics Co., Ltd. (赤峰中電物流有限公司)	Same parent company
Technology Development Branch of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司科技開發分公司)	Same parent company
Siping First Thermal Power Company of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司四平第一熱電公司)	Same parent company
Jilin Songhuajiang First Thermal Power Branch of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司吉林松花江第一熱電分公司)	Same parent company
Changchun Thermal Power Branch of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司長春熱電分公司)	Same parent company
Jilin Taihe Wind Power Co., Ltd. (吉林泰合風力發電有限公司)	Same parent company
Jilin CWP-Milestone Wind Power Co.,Ltd. (吉林里程協合風力發電有限公司)	Same parent company
Shanghai Xiang'an Power Shipping Co., Ltd. (上海翔安電力航運有限公司)	Same parent company
Shanghai Electric Power Co., Ltd. Skills Training Centre (上海電力股份有限公司技能培訓中心)	Same parent company
Shanghai Power Equipment Research Institute (上海發電設備成套設計研究院)	Same parent company
Shanghai Shangdian Power Engineering Co., Ltd. (上海上電電力工程有限公司)	Same parent company
Shanghai Xintuo Power Equipment Co., Ltd. (上海新拓電力設備有限公司)	Same parent company
Shanghai Minghua Power Technology Engineering Co., Ltd. (上海明華電力技術工程有限公司)	Same parent company
Shanghai Electric Power Co., Ltd. (上海電力股份有限公司)	Same parent company
CPI Carbon Asset Management Co., Ltd. (電能(北京)碳資產經營管理有限公司)	Same parent company
SPIC Power Plant Operation Technology Institute (國家電投集團電站運營技術(北京)有限公司)	Same parent company
CPI Ningxia Energy Aluminum Engineering Maintenance Company Limited (中電投寧夏能源鋁業工程檢修有限公司)	Same parent company
State Power Investment Corporation Materials and Equipment Branch (國家電力投資集團公司物資裝備分公司)	Same parent company
Wuchuan Power Generation Branch, Guizhou Zhongshui Energy Co., Ltd. (貴州中水能源股份有限公司務川發電分公司)	Same parent company
Shandong Power Engineering Consulting Institute Company Limited (山東電力工程諮詢院有限公司)	Same parent company
State Nuclear Electric Power Planning Design & Research Institute Co., Ltd.	Same parent company
SPIC Information Technology Co., Ltd. (國家電投集團信息技術有限公司)	Same parent company
Wuchuan Power Generation Branch, Guizhou Zhongshui Energy Co., Ltd. (貴州中水能源股份有限公司務川發電分公司)	Same parent company
CPI Xinjiang Energy and Chemical Group Turpan Co., Ltd. (中電投新疆能源化工集團吐魯番有限公司)	Same parent company
Datang Huayin Electric Power Co., Ltd (大唐華銀電力股份有限公司)	Shareholder of subsidiaries
Jiangxi CPI New Energy Power Generation Co., Ltd. (江西中電投新能源發電有限公司)	Same parent company
Jidian (Chuzhou) Zhanguang Wind Power Co., Ltd. 吉電(滁州)章廣風力發電有限公司	Same parent company

5. Related Party Transaction

Related party transactions within the Group are priced at market prices.

① Related party transaction

Name of related party and project	Amount incurred during the year	Amount incurred during last year
I. Sale of thermal power and others		
Changshu Binjiang Thermal Power Co., Ltd. (常熟濱江熱力有限公司)	336,779,279.77	285,365,988.48
Datang Huayin Electric Power Co., Ltd (大唐華銀電力股份有限公司)		6,747,776.30
II. Coal procurement		
Headquarters of SPIC Aluminum International Trading Co., Ltd. (中電投鋁業國際貿易有限公司本部)	400,105,960.73	
CPI Logistics Co., Ltd. (中電投物流有限責任公司) Taiyuan Branch	9,662,814.24	10,339,678.31
SPIC Logistics Co., Ltd. (國家電投集團物流有限責任公司)	8,100,469.47	117,866,943.18
CPI Henan Electric Power Co., Ltd. (中電投河南電力有限公司)		1,256,883.76
Chifeng Baiyinhua Logistics Co., Ltd. (赤峰白音華物流有限公司)	63,309,550.65	78,367,607.93
Chifeng Zhongdian Logistics Co., Ltd. (赤峰中電物流有限公司)		20,426,937.34
III. Procurement of goods (excluding coal mine)		
Shanghai Power Equipment Research Institute Co., Ltd. (上海發電設備成套設計研究院有限責任公司) (Parent)	12,918,074.93	42,304,041.56
Shanghai Xintuo Power Equipment Co., Ltd. (上海新拓電力設備有限公司)	22,801.73	2,507,068.38
China Kangfu International Leasing Co., Ltd. (母公司)	20,722,732.06	
SPIC Yuanda Environmental-Protection Catalyst Co., Ltd. (國家電投集團遠達環保催化劑有限公司)	6,530,266.08	3,834,741.59
CPI Ningxia Energy Aluminum Engineering Maintenance Company Limited (中電投寧夏能源鋁業工程檢修有限公司)	7,210,594.57	38,627,089.13
State Power Investment Corporation Materials and Equipment Branch (國家電力投資集團公司物資裝備分公司)	225,289,781.34	159,440,694.24
SPIC Logistics Co., Ltd. (國家電投集團物流有限責任公司) Xi'an Branch		80,223,513.70
SPIC Jiangxi Hydropower Maintenance and Installation Engineering Co., Ltd. (國家電投集團江西水電檢修安裝工程有限公司)	1,782,761.85	2,350,319.41
CPI Power Engineering Co., Ltd.(Parent)	909,288,407.35	50,305,155.38
Headquarters of China Power Complete Equipment Co., Ltd.	109,093,634.29	4,709,763.43
CPI Henan Electric Power Maintenance Engineering Co., Ltd. (河南電力檢修工程有限公司)		6,475,846.15
State Nuclear Electric Power Planning Design & Research Institute Co., Ltd. (國核電力規劃設計研究院有限公司) (Parent)	148,378,040.52	

Name of related party and project	Amount incurred during the year	Amount incurred during last year
IV. Acceptance of labour service		
Shanghai Minghua Power Technology Engineering Co., Ltd. (上海明華電力技術工程有限公司)		1,377,358.49
Shanghai SNERDI Engineering Consulting Co., Ltd. (上海耐迪工程諮詢有限公司)	42,886,148.05	39,155,419.77
SPIC Yuanda Waterworks Company Limited (國家電投集團遠達水務有限公司)(Parent)	851,629.51	
Yellow River Power Maintenance Engineering Co., Ltd. (黃河電力檢修工程有限公司) (Headquarters)	235,467.52	
SPIC Henan Electric Power Co., Ltd. (Headquarters)	9,512,337.17	
Shanghai Electric Power Co., Ltd. Skills Training Centre (上海電力股份有限公司技能培訓中心)	34,603.20	34,264.14
Shanghai Shangdian Power Engineering Co., Ltd. (上海上電電力工程有限公司)	51,724.14	843,338.46
CPI Northeast Energy Saving Technology Co., Ltd. (中電投東北節能技術有限公司)	3,713,705.21	3,657,228.41
Tieling Qinghe Electric Power Supervision Co., Ltd. (鐵嶺市清河電力監理有限責任公司)	685,613.20	
Shanghai Xiang'an Power Shipping Co., Ltd. (上海翔安電力航運有限公司)	49,604,551.05	55,001,147.60
State Power Investment Corporation Yuanda Environmental Protection Co., Ltd. (國家電投集團遠達環保股份有限公司)		114,876,961.14
Liaoning Qinghe Power Maintenance Co., Ltd. (遼寧清河電力檢修有限責任公司) (Parent)	7,568,065.74	6,820,754.74
Chongqing Jiulong Thermal Power Co., Ltd. (重慶九龍火力發電有限責任公司)		4,704,096.53
Liaoning Hongyanhe Nuclear Power Co., Ltd. (遼寧紅沿河核電有限公司)		1,023,238.40
Yellow River Power Maintenance Engineering Co., Ltd. (黃河電力檢修工程有限公司)		28,014,544.16
SPIC Information Technology Co., Ltd. (國家電投集團信息技術有限公司)	892,840.55	977,567.84
SPIC Power Plant Operation Technology Institute (國家電投集團電站運營技術(北京)有限公司)	1,643,073.51	
V. Provision of labour service and material		
Yan'an Jidian New Energy Co., Ltd. (延安吉電新能源有限公司)		784,905.68
Tonghua Thermal Electric Company Limited (通化熱電有限責任公司)		644,530.17
Siping First Thermal Power Company of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司四平第一熱電公司)		644,530.17
Jilin Songhuajiang First Thermal Power Branch of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司吉林松花江第一熱電分公司)		644,530.17
Changchun Thermal Power Branch of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司長春熱電分公司)		644,530.17
SPIC Jiangxi Touxiajiang Power Generation Co., Ltd. (國家電投集團江西投峽江發電有限公司)		566,037.72
Guixi Power Generation Co., Ltd. (貴溪發電有限責任公司)		566,037.72
Jiangxi CPI New Energy Power Generation Co., Ltd. (江西中電投新能源發電有限公司)		549,433.95

Name of related party and project	Amount incurred during the year	Amount incurred during last year
Jidian (Chuzhou) Zhangguang Wind Power Co., Ltd. 吉電(滁州)章廣風力發電有限公司		549,433.95
SPIC Jiangxi Electric Power Co., Ltd.		188,679.24
Jilin Taihe Wind Power Co., Ltd. (吉林泰合風力發電有限公司)		98,113.21
Jilin CWP-Milestone Wind Power Co.,Ltd. (吉林里程協合風力發電有限公司)		98,113.21
Wuchuan Power Generation Branch, Guizhou Zhongshui Energy Co., Ltd. (貴州中水能源股份有限公司務川發電分公司)		471,698.10
VI. Technical support		
Shanghai Mucheng Engineering Supervision Co., Ltd. (上海睦誠工程監理有限公司)	1,186,792.43	
Chongqing Heji Environmental Testing Co., Ltd. (重慶和技環境檢測有限公司)	92,452.83	
SPIC Science and Technology Research Institute Company Limited (國家電投集團科學技術研究院有限公司) (Combined)	66,037.74	1,839,022.12
Shandong Power Engineering Consulting Institute Company Limited (山東電力工程諮詢院有限公司) (Parent)	38,972,492.15	630,188.68
Shandong Nuclear Power Company Limited		34,474,609.75
CPI Carbon Asset Management Co., Ltd. 電能(北京)碳資產經營管理有限公司	1,117,924.51	1,391,509.40
National Nuclear Information Technology Co., Ltd. (國核信息科技有限公司) (Parent)		527,377.68
SPIC Jiangxi Power Engineering Co., Ltd. (國家電投集團江西電力工程有限公司) Jingdezhen Branch	7,729,101.00	
Liaoning Qinghe Electric Power Company Limited	2,775,534.95	14,391,620.18
Jilin Electric Power Co., Ltd. (吉林電力股份有限公司)		943,396.23
Guizhou Xieng Power Construction Co., Ltd. (貴州西能電力建設有限公司)	181,132.08	
Nanchang Power Generation Plant of SPIC Jiangxi Electric Power Co., Ltd. (國家電投集團江西電力有限公司南昌發電廠)	37,735.85	
Headquarters of Dianneng (Beijing) Construction Engineering Supervision Co., Ltd. (電能(北京)工程監理有限公司)	5,866,082.19	872,179.23
VII. Interest expense		
SPIC Financial Company Limited (國家電投集團財務有限公司)	539,838,088.57	750,318,202.95
State Power Investment Corporation Limited (國家電力投資有限集團公司)	209,475,205.48	187,188,560.12
CPI Ronghe Financial Leasing Co., Ltd. (中電投融和融資租賃有限公司)	70,119,530.39	68,920,412.30
China Kangfu International Leasing Co., Ltd.	77,284,666.87	37,512,156.68
VIII. Rental fee		
State Power Investment Corporation (國家電力投資有限集團公司)	17,579,999.98	17,182,569.36
IX. Dividend		
CPI Financial Company (中電投財務公司)	9,990,000.00	13,160,000.00
X. Others		
State Power Investment Corporation Overseas Investment Limited (國家電力投資集團海外投資有限公司)		3,773,584.91

② *Provision of funds (loans)*

Name of related party	Provide funds to related parties	Funds received by the Company from related parties
State Power Investment Corporation Limited (國家電力投資集團有限公司)-Notes, bonds and short-term bonds		3,262,000,000.00
SPIC Financial Company Limited (國家電投集團財務有限公司)-Short-term borrowings or entrusted loans		4,288,560,000.00
China Kangfu International Leasing Co., Ltd. – Finance Leasing		668,000,000.00

③ *Balance of amounts due from or to related parties*

Item	Closing balance Amount	Proportion of the balance	Opening balance Amount	Proportion of the balance
Accounts receivable				
SPIC Power Plant Operation Technology Institute (國家電投集團電站運營技術(北京)有限公司)	1,494,000.00	0.03%		
Inner Mongolia Xilingol Baiyinhua Coal Power Co., Ltd (Chifeng New Town Thermal Power Branch) (內蒙古錫林郭勒白音華煤電有限責任公司赤峰新城熱電分公司)	339,600.00	0.01%	339,600.00	0.01%
SPIC GCL Coast Power Generation Co., Ltd. (國家電投集團協鑫濱海發電有限公司)	1,469,000.00	0.03%	3,137,400.00	0.07%
Changchun Thermal Power Branch of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司)	523,200.00	0.01%	523,200.00	0.01%
CPI Power Engineering Co., Ltd.	3,676,393.81	0.07%	245,000.00	0.01%
China Power Investment Corporation 物資裝備分公司	628,583.59	0.01%		
State Nuclear Power Technology Corporation	7,282,800.00	0.15%		
SPIC Xinjiang Energy and Chemical Industry Company Limited (國家電投集團新疆能源化工有限公司)	1,123,023.09	0.02%		
Huidong County Starlight Power Co., Ltd. (會東縣星光電力有限責任公司)			47,000.00	

Item	Closing balance		Opening balance	
	Amount	Proportion of the balance	Amount	Proportion of the balance
Mabian Xianjia Puhe Electric Power Co., Ltd. (馬邊憲家普河電力有限責任公司)			498,000.00	0.01%
SPIC Guangxi Changzhou Hydropower Development Co., Ltd (國家電投集團廣西長洲水電開發有限公司)	3,465,738.28	0.07%	181,150.00	
Hunan Nuclear Power Company Limited (湖南核電有限公司)			22,063.25	
Datang Huayin Electric Power Co., Ltd (大唐華銀電力股份有限公司)			5,163,872.88	0.12%
Hongmen Hydropower Plant of SPIC Jiangxi Electric Power Co., Ltd. (國家電投集團江西電力有限公司洪門水電廠)	1,435,207.50	0.03%		
Baicheng Power Generation Company of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司白城發電公司)	1,285,920.00	0.03%	1,285,920.00	0.03%
Luowan Hydropower Plant of SPIC Jiangxi Electric Power Co., Ltd. (國家電投集團江西電力有限公司羅灣水電廠)	1,124,675.00	0.02%		
Technology Information Center, State Power Investment Henan Electric Power Co., Ltd. (國家電投河南電力有限公司技術信息中心)	775,280.00	0.02%	934,280.00	0.02%
Hunjiang Power Generation Company of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司渾江發電公司)	722,802.00	0.01%	722,802.00	0.02%
Changchun Thermal Power Branch of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司長春熱電分公司)	687,162.00	0.01%	687,162.00	0.02%
Tonghua Thermal Electric Company Limited (通化熱電有限責任公司)	387,162.00	0.01%	687,162.00	0.02%
Jiangkou Hydropower Plant of SPIC Jiangxi Electric Power Co., Ltd. (國家電投集團江西電力有限公司江口水電廠)	318,933.50	0.01%		
Yan'an Jidian New Energy Co., Ltd. (延安吉電新能源有限公司)	249,600.00	0.01%	249,600.00	0.01%

Item	Closing balance		Opening balance	
	Amount	Proportion of the balance	Amount	Proportion of the balance
Siping First Thermal Power Company of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司四平第一熱電公司)	231,734.00		687,202.00	0.02%
Jilin Songhuajiang First Thermal Power Branch of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司吉林松花江第一熱電分公司)	231,694.00		231,694.00	0.01%
SPIC Jiangxi Ji'an New Energy Co., Ltd. (國家電投集團江西吉安新能源有限公司)	189,000.00			
SPIC Jiangxi Ganzhou New Energy Co., Ltd. Xunwu Branch (國家電投集團江西贛州新能源有限公司尋烏分公司)	127,360.00			
Jilin Taihe Wind Power Co., Ltd. (吉林泰合風力發電有限公司)	104,000.00		104,000.00	
Jilin CWP-Milestone Wind Power Co.,Ltd. (吉林里程協合風力發電有限公司)	104,000.00		104,000.00	
Jilin CPI New Energy Co., Ltd. (吉林中電投新能源有限公司)	102,000.00		226,800.00	
Jilin Thermal Power Maintenance and Installation Engineering Co., Ltd. (吉林熱電檢修安裝工程有限公司)	85,602.00			
Jilin Electric Power Co., Ltd. Coal Maine Branch (吉林電力股份有限公司燃料分公司)	85,602.00			
Technology Development Branch of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司科技開發分公司)	85,602.00			
Liaoning Qinghe Electric Power Company Limited	6,248,702.17	0.13%	4,718,028.34	0.11%
Fenyi Power Generation Plant of CPI Jaingxi Electric Power Co., Ltd. (中電投江西電力有限公司分宜發電廠)	74,400.00		764,799.00	0.02%
SPIC Jiangxi Touxiajiang Power Generation Co., Ltd. (國家電投集團江西投峽江發電有限公司)	68,802.00			

Item	Closing balance		Opening balance	
	Amount	Proportion of the balance	Amount	Proportion of the balance
Changling CPI First Wind Power Co., Ltd. (長嶺中電投第一風力發電有限公司)	31,200.00		93,600.00	
Changling CPI Second Wind Power Co., Ltd. (長嶺中電投第二風力發電有限公司)	31,200.00		93,600.00	
Mengdong Century Concord Zhenlai First Wind Power Co., Ltd.	31,200.00		93,600.00	
Mengdong Century Concord Zhenlai Second Wind Power Co., Ltd.	31,200.00		93,600.00	
Changshu Binjiang Thermal Power Co., Ltd. (常熟濱江熱力有限公司)	35,509,626.06	0.72%	32,133,754.80	0.76%
SPIC Guangxi Changzhou Hydropower Development Co., Ltd (國家電投集團廣西長洲水電開發有限公司)			181,150.00	
Xinchang Power Generation Branch of CPI Jaingxi Electric Power Co., Ltd. (中電投江西電力有限公司新昌發電分公司)			764,799.00	0.02%
Jingdezhen Power Generation Plant of CPI Jaingxi Electric Power Co., Ltd. (中電投江西電力有限公司景德鎮發電廠)			764,799.00	0.02%
Jiangxi CPI New Energy Power Generation Co., Ltd. (江西中電投新能源發電有限公司)			499,200.00	0.01%
Jilin Electric Power Co., Ltd. (吉林電力股份有限公司)			401,210.00	0.01%
Liaoning Hongyanhe Nuclear Power Co., Ltd. (遼寧紅沿河核電有限公司)			1,023,238.40	0.02%
Total	70,362,005.00	1.42%	57,703,286.67	1.36%

Item	Closing balance		Opening balance	
	Amount	Proportion of the balance	Amount	Proportion of the balance
Prepayments				
China Power Complete Equipment Co., Ltd.	49,032,492.03	1.66%	29,975,822.53	1.48%
State Nuclear Power Technology Corporation			568,190.00	0.03%
SPIC Logistics Co., Ltd. (國電投物流有限公司)			4,890,000.00	0.24%
TBEA Xinjiang New Energy Co., Ltd.			79,397,618.44	3.91%
Shanghai SNERDI Engineering Consulting Co., Ltd. (上海斯耐迪工程諮詢監理有限公司)	1,554,750.00	0.05%	1,454,750.00	0.07%
CPI Power Engineering Co., Ltd.	286,416,050.10	9.70%	37,726,962.74	1.86%
State Power Investment Corporation Information Technology Co., Ltd. (國家電力投資集團信息技術有限公司)	52,535.00	0.00%		
State Power Investment Corporation Materials and Equipment Branch (國家電力投資集團公司物資裝備分公司)	22,133,361.93	0.75%	27,410,577.89	1.35%
SPIC Jiangxi Power Engineering Co., Ltd. (國家電投集團江西電力工程有限公司)	2,502,097.41	0.08%	3,757,599.10	0.19%
SPIC Beijing Power Carbon Asset Management Co., Ltd. (國家電投集團北京電能碳資產管理有限公司)			175,000.00	0.01%
TBEA Group Hengyang Electrical Equipment Co., Ltd. (特變電工集團衡陽電氣裝備有限公司)	140,000.00			
TBEA Co., Ltd.	2,276,910.00	0.08%		
SPIC Henan Electric Power Co., Ltd.	1,113,693.00	0.04%		
SPIC Yuanda Waterworks Company Limited (國家電投集團遠達水務有限公司)	3,211,272.50	0.11%		
State Nuclear Electric Power Planning Design & Research Institute Co., Ltd. (國核電力規劃設計研究院有限公司)	2,020,000.00	0.07%		
Shanghai Power Equipment Research Institute (上海發電設備成套設計研究院)	317,000.00	0.01%		

Item	Closing balance		Opening balance	
	Amount	Proportion of the balance	Amount	Proportion of the balance
SPIC Yuanda				
Environmental-Protection Catalyst Co., Ltd. (國家電投集團遠達環保催化劑有限公司)			2,310,941.85	0.11%
Total	370,770,161.97	12.55%	187,667,462.55	9.25%
Other receivables				
Hong Kong Treasury Management Co., Ltd. (香港財資管理有限公司)	2,746,927,168.00	78.35%	2,614,376,981.36	72.67%
CPI Financial Company Limited (中電投財務有限公司)	8,948,951.29	0.26%	87,308,269.36	2.43%
SPIC Guangxi Changzhou Hydropower Development Co., Ltd (國家電投集團廣西長洲水電開發有限公司)	162,915.00			
China Power Complete Equipment Co., Ltd.	4,696,071.11	0.13%	1,300,000.00	0.04%
Xiangcheng County Hongneng Power Co., Ltd. (鄉城縣鴻能電力有限責任公司)			31,824.88	
Huidong County Starlight Power Co., Ltd. (會東縣星光電力有限責任公司)			6,300.00	
Sichuan Ya'an Guidufu Electric Power Co., Ltd. (四川雅安龜都府電力有限責任公司)			66,497.00	
Mabian Xianjia Puhe Electric Power Co., Ltd. (馬邊憲家普河電力有限責任公司)			68,800.00	
Pacific Hydropower Equity Acquisition Project(State Power Investment Corporation Overseas Investment Limited (國家電力投資集團海外投資有限公司))			45,819,134.67	1.27%
Ecuador Hydropower Project(State Power Investment Corporation Overseas Investment Limited (國家電力投資集團海外投資有限公司))			35,959,600.85	1.00%
China Power Complete Equipment Co., Ltd. (中電電能成套設備有限公司) Shanghai Branch	16,000.00			
Total	2,760,751,105.40	78.74%	2,784,937,408.12	77.42%

Item	Closing balance		Opening balance	
	Amount	Proportion of the balance	Amount	Proportion of the balance
Short-term borrowings				
State Power Investment Corporation Limited (國家電力投資集團有限公司)	4,383,685,174.04	31.85%	3,306,190,000.00	13.93%
Total	4,383,685,174.04	31.85%	3,306,190,000.00	13.93%
Other payables				
SPIC Information Technology Co., Ltd. (國家電投集團信息技術有限公司)	110,870.00			
Dianneng (Beijing) Construction Engineering Supervision Co., Ltd. (電能(北京)工程監理有限公司)			28,000.00	
SPIC Henan Electric Power Co., Ltd.	1,493,000.00	0.02%	1,493,000.00	0.05%
SPIC Jiangxi Hydropower Maintenance and Installation Engineering Co., Ltd. (國家電投集團江西水電檢修安裝工程有限公司)	269,878.50		301,480.38	0.01%
Yellow River Power Maintenance Engineering Co., Ltd. (黃河電力檢修工程有限公司)	2,053,987.39	0.02%	2,253,987.39	0.08%
State Power Investment Corporation Materials and Equipment Branch (國家電力投資集團公司物資裝備分公司)	7,877,896.08	0.09%	6,883,050.08	0.25%
CPI Power Engineering Co., Ltd.	64,399,418.19	0.74%	13,266,615.00	0.48%
State Power Investment Corporation Limited (國家電力投資集團有限公司)	5,333,756,082.93	61.15%	72,835,884.48	2.64%
Total	5,409,961,133.09	62.03%	97,062,017.33	3.52%
Accounts payable				
TBEA Xinjiang New Energy Co., Ltd.			27,681,433.00	0.32%
Shanghai Minghua Power Technology Engineering Co., Ltd. (上海明華電力技術工程有限公司)	1,144,000.00	0.01%	1,144,000.00	0.01%
China Power Complete Equipment Co., Ltd.	96,575,317.48	0.97%	2,805,001.47	0.03%
SPIC Henan Electric Power Co., Ltd.	12,921,757.15	0.13%	185,550,380.94	2.18%
CPI Power Engineering Co., Ltd.	35,449,123.00	0.36%	10,613,233.60	0.12%

Item	Closing balance		Opening balance	
	Amount	Proportion of the balance	Amount	Proportion of the balance
SPIC Jiangxi Hydropower Maintenance and Installation Engineering Co., Ltd. (國家電投集團江西水電檢修安裝工程有限公司)	44,507.69		215,044.34	
State Power Investment Corporation Materials and Equipment Branch (國家電力投資集團公司物資裝備分公司)	186,501,781.80	1.87%	92,590,121.71	1.09%
SPIC Information Technology Co., Ltd. (國家電投集團信息技術有限公司)	2,013,582.90	0.02%	1,344,300.00	0.02%
Shanghai SNERDI Engineering Consulting Co., Ltd. (上海斯耐迪工程諮詢有限公司)	57,000.00		232,920.00	
State Nuclear Electric Power Planning Design & Research Institute Co., Ltd. (國核電力規劃設計研究院有限公司)	857,200.00	0.01%		
CPI Ronghe Financial Leasing Co., Ltd. (中電投融和融資租賃有限公司)	377,459.89	0.00%		
Technology Development Branch of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司科技開發分公司)	500,000.00	0.01%		
SPIC Beijing Power Carbon Asset Management Co., Ltd. (國家電投集團北京電能碳資產管理有限公司)	350,000.00			
SPIC Yuanda Waterworks Company Limited (國家電投集團遠達水務有限公司)	180,000.00			
SPIC Yuanda Environmental-Protection Catalyst Co., Ltd. (國家電投集團遠達環保催化劑有限公司)	2,641,076.40	0.03%	2,641,076.40	0.03%
Shanghai Power Equipment Research Institute (上海發電設備成套設計研究院)	1,053,000.00	0.01%	96,543,393.48	1.13%
Suzhou Tianhe Electric Power Engineering Co., Ltd. (蘇州天河中電電力工程技術有限公司)			1,879,091.28	0.02%

Item	Closing balance		Opening balance	
	Amount	Proportion of the balance	Amount	Proportion of the balance
Technology Development Branch of Jilin Electric Power Co., Ltd. (吉林電力股份有限公司科技開發分公司)			910,960.00	0.01%
Total	340,665,806.31	3.41%	424,150,956.22	4.97%
Interests payable				
CPI Financial Company Limited (中電投財務有限公司)	79,076,705.73	15.19%	84,656,645.40	13.23%
State Power Investment Corporation Limited (國家電力投資集團有限公司)	84,634,282.25	16.26%	291,277,992.64	45.54%
Total	163,710,987.98	31.44%	375,934,638.04	58.77%
Dividends payable				
Liaoning Qinghe Power Industrial Co., Ltd. (遼寧清河電力實業有限責任公司)			7,642,500.00	4.26
Total			7,642,500.00	4.26
Other current liabilities				
SPIC Financial Company Limited (國家電投集團財務有限公司)	1,042,000,000.00	97	1,030,000,000.00	96.71
Total	1,042,000,000.00	97	1,030,000,000.00	96.71
Non-current liabilities due within one year				
Including: Bonds payable-SPIC Financial Company Limited (國家電投集團財務有限公司)	200,000,000.00	3.01%	3,445,000,000.00	26.05%
Including: Long-term borrowings-State Power Investment Corporation Limited (國家電投集團有限公司)	719,337,119.52	10.83%	2,450,000,000.00	18.53%
Total	919,337,119.52	13.84%	5,895,000,000.00	44.57%
Long-term borrowings				
SPIC Financial Company Limited (國家電投集團財務有限公司)	3,787,916,397.55	5.44%	4,830,749,749.64	9.86
Hong Kong Treasury Management Co., Ltd. (香港財資管理有限公司)	2,751,680,000.00	3.95%		
Total	6,539,596,397.55	9.39%	4,830,749,749.64	9.86
Long-term payables				
CPI Ronghe Financial Leasing Co., Ltd. (中電投融和融資租賃有限公司)	1,242,372,969.34	16.19%	1,221,127,078.36	17.23%
China Kangfu International Leasing Co., Ltd.	1,237,509,218.76	16.13%	569,461,228.82	8.03%
Total	2,479,882,188.10	32.32%	1,790,588,307.18	25.26%
Bonds payable				
State Power Investment Corporation Limited (國家電投集團有限公司)	1,420,000,000.00	27.22	1,080,000,000.00	37.54
Total	1,420,000,000.00	27.22	1,080,000,000.00	37.54

XII. NOTES TO MAJOR ITEMS OF PARENT COMPANY FINANCIAL STATEMENTS

1. Other receivables

Item	Closing balance	Opening balance
Interest receivable	91,856,783.48	40,137,716.66
Dividend receivable		7,940,000.00
Other receivables	253,123,415.98	3,865,122,604.84
Total	344,980,199.46	3,913,200,321.50

(1) Interest receivable

Item	Closing balance	Opening balance
Entrusted loan	91,856,783.48	40,137,716.66
Total	91,856,783.48	40,137,716.66

(2) Dividend receivable

Item	Closing balance	Opening balance	Reason for outstanding receivables	Whether impairment happens and its judgment basis
Dividend receivable with ageing over one year	7,940,000.00			
Beijing China Power Environmental Engineering Company Limited (北京中電環境工程有限公司)	7,940,000.00			
Total	7,940,000.00			

(3) Other receivables

Category	Amount at the end of the year			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant individual amount and bad debt provision accrued on single item				
Other receivables with bad debt provision accrued on the combination of credit risk characteristics	253,123,415.98	96.78		
Accounts receivable with insignificant individual amount but bad debt provision accrued on single item	8,412,815.11	3.22	8,412,815.11	100.00
Total	261,536,231.09	100.00	8,412,815.11	-

Category	Amount at the beginning of the year			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with significant individual amount and bad debt provision accrued on single item				

Category	Amount at the beginning of the year			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with bad debt provision accrued on the combination of credit risk characteristics	3,865,122,604.84	99.78	8,412,815.11	
Accounts receivable with insignificant individual amount but bad debt provision accrued on single item	8,412,815.11	0.22	8,412,815.11	100.00
Total	3,873,535,419.95	100.00	8,412,815.11	–

① *Other receivables with bad debt provision accrued on the combination of credit risk characteristics*

Name of portfolio	Amount at the end of the year			Amount at the beginning of the year		
	Book balance	Percentage (%)	Bad debt provision	Book balance	Percentage (%)	Bad debt provision
Risk free portfolio	253,123,415.98	100.00		3,865,122,604.84	100.00	
Total	253,123,415.98	100.00		3,865,122,604.84	100.00	

② *Accounts receivable with insignificant individual amount but bad debt provision accrued on single item at the end of the year*

Name of debtor	Book balance	Bad debt provision	Ageing	Percentage of provision (%)	Reason for provision
Henan Wuzhi Thermal Power Co., Ltd. (河南武陟熱電有限公司)	8,412,815.11	8,412,815.11	Over 5 years	100.00	It is expected that the likelihood of recoverability is extremely low
Total	8,412,815.11	8,412,815.11			

③ *Top five other receivables according to amount of debtors at the end of the year*

Name of debtor	Nature	Book balance	Ageing	Percentage to total other receivables (%)	Bad debt provision
China Power New Energy Limited	Receipts and payments of fund	90,546,598.41	Within 1 year	34.62	
China Power International Development Limited Hong Kong Headquarters	Receipts and payments of fund	84,597,649.97	Within 1 year	32.35	
China Power Development Ltd	Receipts and payments of fund	46,333,749.12	Within 1 year	17.72	
Winning Management Limited	Receipts and payments of fund	10,901,838.82	Within 1 year	4.17	
Vista Alliance Limited	Receipts and payments of fund	7,105,943.10	Within 1 year	2.72	
Total	–	239,485,779.42		91.58	

2. Long-term equity investments

(1) Category of long-term equity investments

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Investment in wholly-owned subsidiaries	7,108,094,978.76	2,740,932,263.93		9,849,027,242.69
Investment in holding companies	6,385,565,931.56	68,195,672.25		6,453,761,603.81
Investment in joint ventures				
Investment in associates	631,009,480.00	374,392,190.63		1,005,401,670.63
Subtotal	14,124,670,390.32	3,183,520,126.81		17,308,190,517.13
Less: Provision for long-term equity investments impairment				
Total	14,124,670,390.32	3,183,520,126.81		17,308,190,517.13

(2) Breakdown of long-term equity investments

Investee	Cost of investment	Opening balance	Changes in the year	
			Additional investment	Decrease in investment
Total	18,253,509,899.89	14,124,670,390.32	3,136,545,585.70	2,921,016.93
I. Wholly-owned subsidiaries	10,844,242,183.49	7,108,094,978.76	2,740,932,263.93	
China Power Development Limited (中國電力發展有限公司)	4,548,483,113.35	3,523,218,072.55		
China Power New Energy Limited	2,223,044,931.40	2,223,044,931.40		
China Power Maintenance Engineering Company Limited (中電電力檢修工程有限公司)	225,600,000.00	255,650,100.00		
Shanxi Shentou Electric Industry Company Limited (山西神頭電力實業有限責任公司)	94,314,562.60	94,314,562.60		
Huainan Pingwei Electric Power Industry Company Limited (淮南平圩電力實業有限責任公司)	91,000,000.00	91,000,000.00		
China Power International (Pakistan) Investment Co., Ltd. (中國電力國際(巴基斯坦)投資有限公司)	1,767,982,822.60	299,733,000.00	1,468,249,822.60	
Pingdingshan Yaomeng Power Industrial Co., Ltd. (平頂山姚孟電力實業有限責任公司)	60,000,000.00	60,000,000.00		
China Power (Sihui) Thermal Electric Company Limited (中電(四會)熱電有限責任公司)	540,000,000.00	504,000,000.00	36,000,000.00	
China Power Huayuan Nuclear Power Engineering & Technology Co., Ltd. (中電華元核電工程技術有限公司)	54,994,839.00	54,994,839.00		
China Power International Trading Co., Ltd. (中國電力國際貿易有限公司)	2,131,153.40	2,131,153.40		
Vista Alliance Limited	8,311.50	8,311.50		
Winning Management Limited	8.31	8.31		
China Power International (Kazakhstan) Investment Co., Ltd. (中電國際(哈薩克斯坦)投資有限公司)	85,990,006.66		85,990,006.66	

Investee	Investment gain or loss recognized under equity method	Changes in the year		Declaration of cash divided or profit
		Other comprehensive income adjustment	Changes in other equity	
China Power Huayuan Nuclear Power Engineering & Technology Co.,Ltd. (中電華元核電工程技術有限公司)				
China Power International Trading Co., Ltd. (中國電力國際貿易有限公 司)				
Vista Alliance Limited				
Winning Management Limited				
China Power International (Kazakhstan) Investment Co., Ltd. (中電國際(哈薩克斯坦)投資有限公 司)				
SPIC Guangdong Power Company Limited (國家電投集團廣東電力有 限公司)				
BINH THUAN RENEWABLE ENERGY NO 2 COMPANY LIMITED (Vietnam Pingshun)				
II. Holding companies				
China Power International Development Limited (parent company)				
Guizhou Qiangong Power Corporation (貴州黔東電力有限公司)				
China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司) (0735)				
Beijing China Power Environmental Engineering Company Limited (北京中電環境工程有限公司)				
II. Joint ventures				
III. Associates	49,895,558.04			
Vinh Tan1 Power Company Limited	49,895,558.04			
China Hong Kong Development Company Limited				

Investee	Changes in the year			Impairment provision for closing balance
	Provision for impairment	Others	Closing balance	
Total			17,308,190,517.13	
I. Wholly-owned subsidiaries			9,849,027,242.69	
China Power Development Limited (中國電力發展有限公司)			3,523,218,072.55	
CP Clean New Energy Company Limited (中電清潔新能源有限公司)			2,223,044,931.40	
China Power Maintenance Engineering Company Limited (中電電力檢修工程有限公司)			255,650,100.00	
Shanxi Shentou Electric Industry Company Limited (山西神頭電力實 業有限責任公司)			94,314,562.60	

Investee	Changes in the year		Closing balance	Impairment provision for closing balance
	Provision for impairment	Others		
Huainan Pingwei Electric Power Industry Company Limited (淮南平圩電力實業有限責任公司)			91,000,000.00	
China Power International (Pakistan) Investment Co., Ltd. (中國電力國際(巴基斯坦)投資有限公司)			1,767,982,822.60	
Pingdingshan Yaomeng Power Industrial Co., Ltd. (平頂山姚孟電力實業有限責任公司)			60,000,000.00	
China Power (Sihui) Cogeneration Company Limited			540,000,000.00	
China Power Huayuan Nuclear Power Engineering & Technology Co., Ltd. (中電華元核電工程技術有限公司)			54,994,839.00	
China Power International Trading Co., Ltd. (中國電力國際貿易有限公司)			2,131,153.40	
Vista Alliance Limited			8,311.50	
Winning Management Limited			8.31	
China Power International (Kazakhstan) Investment Co., Ltd. (中電國際(哈薩克斯坦)投資有限公司)			85,990,006.66	
SPIC Guangdong Power Company Limited (國家電投集團廣東電力有限公司)			1,106,372,834.67	
BINH THUAN RENEWABLE ENERGY NO 2 COMPANY LIMITED (Vietnam Pingshun)			44,319,600.00	
II. Holding companies			6,456,682,620.74	
China Power International Development Limited (parent company)			5,632,607,135.93	
Guizhou Qiangong Power Corporation (貴州黔東電力有限公司)			759,852,275.01	
China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司) (0735)			58,223,150.97	
Beijing China Power Environmental Engineering Company Limited (北京中電環境工程有限公司)			6,000,058.83	
II. Joint ventures				
III. Associates			1,002,480,653.70	
Vinh Tan1 Power Company Limited			1,002,480,653.70	
China Hong Kong Development Company Limited				

(3) *Main financial information about important associates*

Item	Vinh Tan 1 Power Company Limited	
	Amount during the year	Amount during last year
Current assets	1,057,190,686.81	671,087,493.78
Non-current assets	10,180,744,852.64	3,348,035,948.76
Total assets	11,237,935,539.45	4,019,123,442.54
Current liabilities	1,340,162,446.69	25,322,667.89
Non-current liabilities	7,365,710,251.99	3,017,595,000.00
Total liabilities	8,705,872,698.68	3,042,917,667.89
Net assets	2,532,062,840.77	976,205,774.65
Share of net assets by shareholding	1,002,480,653.70	628,088,463.07
Adjustment events		
Carrying amount of equity investment in associates	1,002,480,653.70	628,088,463.07
Fair value of equity investment with public quote		
Operating revenue	1,052,797,041.95	
Finance costs	177,675,549.70	
Income tax expenses	16,154,280.88	
Net profit	124,738,895.09	
Other comprehensive income		
Total comprehensive income	124,738,895.09	
Dividends received by the enterprise from associates for the year		

3. **Operating Revenue and Operating Cost**

Item	Amount incurred during the year		Amount incurred during last year	
	Revenue	Cost	Revenue	Cost
Subtotal of other businesses	30,158,606.90		18,836,756.76	
Including: Housing rental	22,874,400.00		18,836,756.76	
Early disbursements for recovery of HUB project	7,150,519.81		18,836,756.76	
Others	133,687.09			
Total	30,158,606.90		18,836,756.76	

4. **Investment Income**

Source of investment income	Amount incurred during the year	Amount incurred during last year
Long-term equity investment measured by employing the equity method	49,895,558.04	
Investment income from holding financial assets at fair value through profit or loss	556,957.93	364,423.92
Investment income from available-for-sale financial assets	37,253,663.27	40,082,938.09
Bonus of subsidiaries	445,019,317.53	660,529,610.70
Income from entrusted loan	153,537,347.79	
Disposal of investments losses	-11,968,337.28	
Total	674,294,507.28	700,976,972.71

5. Statement of Cash Flows

(1) Reconciliation of net profit to cash flows from operating activities under the indirect method

Supplementary information	Amount incurred during the year	Amount incurred during last year
1. Reconciliation of net profit to cash flows from operating activities:	–	–
Net profit	299,811,375.64	702,324,434.93
Add: Provision for asset impairment		
Depreciation of fixed assets, oil and gas assets, productive biological assets	13,197,308.52	11,637,216.29
Amortization of intangible assets		
Amortization of long-term deferred expenses		
Loss on disposal of fixed assets, intangible assets and other long term assets (gains denoted by “-”)	209,767.67	
Fixed assets retirement loss (gains denoted by “-”)		-1,198,900.23
Losses on changes in fair value (gains denoted by “-”)	-1,542,474.43	-4,747,503.68
Finance costs (gains denoted by “-”)	297,807,755.56	12,130,419.57
Investments losses (gains denoted by “-”)	-674,294,507.28	-700,976,972.71
Decrease in deferred income tax assets (increases denoted by “-”)		
Increase in deferred income tax liabilities (decreases denoted by “-”)		
Decrease in inventories (increases denoted by “-”)		
Decrease in operating receivables (increases denoted by “-”)	3,577,877,756.82	-3,289,791,663.38
Increase of operating payables (decreases denoted by “-”)	-2,541,736,542.25	3,142,476,447.80
Others		
Net cash flow from operating activities	971,330,440.25	-128,146,521.41
2. Significant investing and financing activities not related to cash receipts and payments:	–	–
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets rented under finance leases		
3. Net changes in cash and cash equivalents:	–	–
Closing balance of cash	2,344,300,900.98	595,572,972.68
Less: Opening balance of cash	595,572,972.68	417,925,163.60
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	1,748,727,928.30	177,647,809.08

(2) Composition of cash and cash equivalents

Item	Balance in the year	Balance in last year
I. Cash	2,344,300,900.98	595,572,972.68
Including: Cash on hand	24,334.16	13,684.02
Cash in bank on demand for payment	2,344,276,566.82	375,233,578.99
Other Monetary assets on demand for payment		220,325,709.67
II. Cash equivalents		
Including: Bond investments due within 3 months		
III. Closing balance of cash and cash equivalents	2,344,300,900.98	595,572,972.68

XIII. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the general manager's office of the Company on 15 March 2019.

3. MATERIAL CHANGE

The directors of Parentco confirm that there has been no material change in the financial or trading position or outlook of Parentco since 31 December 2018, being the date to which the latest audited accounts of Parentco were made up, up to and including the Latest Practicable Date.

APPENDIX III INDEBTEDNESS STATEMENT OF THE OFFEROR

As at the close of business on 30 April 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Offeror prior to the printing of the Scheme Document, the Offeror had total debts of HK\$103,441,397. Details of which are as follows:

HK\$

Amounts due to Parentco	
– Unsecured and unguaranteed	<u>103,441,397</u>

Save as aforesaid, as at the close of business on 30 April 2019, the Offeror did not have debt securities issued and outstanding, and authorized or otherwise created but unissued, outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, guarantees or material contingent liabilities.

1. RESPONSIBILITY STATEMENTS

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document relating to the Group and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Scheme Document by the Group or the Directors have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement contained in this Scheme Document misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statements in this Scheme Document misleading.

The directors of Parentco jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than any information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Scheme Document (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statements in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the issued and paid-up capital of the Company comprised 1,186,633,418 Shares;
- (b) all of the Shares rank *pari passu* in all respects as regards rights to capital, dividends and voting;
- (c) there were 7,400,000 Outstanding Share Options, granted under the Share Option Scheme. Please refer to the section headed “2. Terms of the Proposal” in Part VII of this Scheme Document for further details of the Outstanding Share Options;
- (d) other than the Outstanding Share Options, there are no other options, derivatives, warrants or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carry a right to subscribe for or which are convertible into Shares; and
- (e) no new Shares has been issued since 31 December 2018, being the end of the last financial year of the Company.

3. INFORMATION REGARDING OFFEROR SHARES

- (1) As at the Latest Practicable Date:
- (a) the issued share capital of the Offeror comprised 1,881,017,538 Offeror Shares;
 - (b) there are no options, derivatives, warrants or other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Offeror that carry a right to subscribe for or which are convertible into Offeror Shares;
 - (c) since 31 December 2018, being the end of the last financial year of the Offeror:
 - (i) 214,376,538 New Offeror Capitalisation Shares have been issued by the Offeror to Parentco to capitalise all of the Shareholder Loan on 14 June 2019 at the aggregate consideration of HK\$103,441,397; and
 - (ii) up to 3,191,589,432 new Offeror Shares have been resolved by the directors of the Offeror on 14 June 2019 to be issued to Parentco conditional on the taking effect of the Scheme, as further described in the section headed “2. Terms of the Proposal” under Part VII – Explanatory Statement of the Scheme Document (“**Parentco Subscription**”);save as disclosed above, no new Offeror Shares had been issued by the Offeror;
 - (d) there was no re-organisation of capital during the two financial years ended 31 December 2018, being the 2 financial years preceding the Announcement Date; and
 - (e) no Offeror Share has been bought back by the Offeror since 31 December 2018, being the end of the last financial year of the Offeror.
- (2) All of the Offeror Shares as at the Latest Practicable Date rank, and the New Offeror Shares when allotted and issued will rank, *pari passu* in all respects as regards rights to capital, dividends and voting.
- (3) Any member of the Offeror may transfer all or any of his Offeror Shares by instrument in writing in any usual or common form or any other form which the directors of the Offeror may approve. However, the directors of the Offeror may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of any Offeror Share, whether or not it is a fully paid Offeror Share.

- (4) The net profits of the Offeror in each year shall be applied in or towards the formation of such reserve fund or funds and in or towards the payment of such dividend and bonuses as the directors of the Offeror subject to the approval of the Offeror in general meeting of the Offeror may decide.
- (5) An annual general meeting of the Offeror and a meeting called for the passing of a special resolution shall be called by 21 days' notice in writing at the least, and a meeting of the Offeror other than an annual general meeting or a meeting for the passing of a special resolution shall be called by 14 days' notice in writing at the least.
- (6) Unless a poll is demanded, all voting of members of the Offeror in respect of any matter or matters shall be by show of hands, and in the case of a poll, every member of the Offeror shall have one vote for each Offeror Share of which he is the holder.

4. MARKET PRICE

(1) In respect of the Company

The table below sets out the closing price of the Shares on the Stock Exchange on (i) the last Business Day of each of the calendar months during the period commencing six months preceding the Announcement Date and ending on the Latest Practicable Date, (ii) the Last Trading Day, and (iii) the Latest Practicable Date:

	Closing price for each Share (HK\$)
28 September 2018	2.84
31 October 2018	2.25
30 November 2018	2.53
31 December 2018	2.37
31 January 2019	2.77
28 February 2019	2.74
21 March 2019 (Last Trading Day)	3.84
29 March 2019	5.16
30 April 2019	5.35
31 May 2019	5.35
17 June 2019 (Latest Practicable Date)	5.40

The lowest and highest closing prices of Shares as quoted on the Stock Exchange during the period commencing six months preceding the Announcement Date and ending on the Latest Practicable Date were HK\$2.24 per Share on 19 October 2018 and HK\$5.40 per Share on 10 June 2019, 14 June 2019 and 17 June 2019, respectively.

(2) In respect of the Offeror

Save for the issuance of 214,376,538 Offeror Shares to Parentco to capitalise all the Shareholder Loan, being HK\$103,441,397 in aggregate, representing approximately HK\$0.48 per Offeror Shares and the Parentco Subscription, there has been no other transactions in relation to the Offeror Shares which have taken place during the period commencing six months preceding the Announcement Date and ending on the Latest Practicable Date.

5. DISCLOSURE OF INTERESTS

For the purpose of this paragraph, (i) “interested” have the same meanings as given to them in Part XV of the Securities and Futures Ordinance; and (ii) the “Disclosure Period” means the period beginning from the date which is six months prior to the Announcement Date (being 28 September 2018) and ending with the Latest Practicable Date, both dates inclusive.

(1) Interests and dealings in the relevant securities of the Company

- (i) As at the Latest Practicable Date, the Offeror and the Offeror Concert Parties were interested in the following Shares:

Name	Number of Shares	Approximate% of shareholding in the Company (Note 3)
Offeror (Note 1)	313,502,923	26.42
Parentco (Note 1)	19,572,000	1.65

Notes:

- (1) Parentco is a party acting in concert with the Offeror for the purposes of the Takeovers Code as a result of Offeror being wholly-owned by Parentco. The Shares held by Parentco and the Offeror were acquired prior to the beginning of the Disclosure Period.
- (2) All percentages in the above table are approximations.
- (ii) As at the Latest Practicable Date, China Three Gorges, which has entered into the Irrevocable Undertaking with the Offeror (being an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code that existed between any person and the Offeror) was interested in 321,626,923 Shares (i.e. approximately 27.10% of the shareholding in the Company).

- (iii) Save as disclosed above, as at the Latest Practicable Date, none of the Offeror Concert Parties in respect of the Proposal and the directors of the Offeror has owned or controlled, or were interested in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares. None of the Offeror, the Offeror Concert Parties and the directors of the Offeror has dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Disclosure Period.
- (iv) As at the Latest Practicable Date, save for China Three Gorges, no other person has irrevocably committed themselves to accept or reject the Proposal. None of the above persons who have irrevocably committed themselves to accept or reject the Proposal has dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares during the Disclosure Period.
- (v) As at the Latest Practicable Date, none of the Offeror or Offeror Concert Parties has borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, save for any borrowed Shares which have been either on-lent or sold.
- (vi) As at the Latest Practicable Date, none of the Directors was interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, and no such person had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (vii) As at the Latest Practicable Date, no subsidiary of the Company, pension fund of the Company or of any subsidiary of the Company or advisor of the Company as specified in class (5) of the definition of acting in concert or class (2) of the definition of associate under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares. During the period from the Announcement Date up to the Latest Practicable Date, no such person had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.
- (viii) As at the Latest Practicable Date, no fund managers connected with the Company (other than exempt fund managers) who managed funds on a discretionary basis owned or controlled any Shares or convertible securities, warrants, options or derivatives in respect of any Shares. No such persons has dealt for value during the period from the Announcement Date up to the Latest Practicable Date in the Shares or convertible securities, warrants, options or derivatives in respect of any Shares.

- (ix) As at the Latest Practicable Date, none of the Company or any Director has borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares, save for any borrowed Shares which have been either on-lent or sold.

(2) Interests and dealings in the relevant securities of the Offeror

- (i) As at the Latest Practicable Date, Parentco, being an Offeror Concert Party, held 1,881,017,538 Offeror Shares, being 100% of the issued share capital in the Offeror.
- (ii) On 14 June 2019, 214,376,538 New Offeror Capitalisation Shares were issued to Parentco to capitalise all the Shareholder Loan, being HK\$103,441,397 in aggregate, representing approximately HK\$0.48 per Offeror Shares.
- (iii) On 14 June 2019, the directors of the Offeror resolved to allot and issue up to 3,191,589,432 new Offeror Shares to Parentco conditional on the taking effect of the Scheme, as further described in the section headed “Terms of the Proposal” under Part VII – Explanatory Statement of the Scheme Document.
- (iv) Save as disclosed above, none of the Offeror Concert Parties and the directors of the Offeror in respect of the Proposal (i) has, as at the Latest Practicable Date, owned or controlled, or were as at the Latest Practicable Date interested in any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of any Offeror Shares and (ii) has dealt for value in any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of the Offeror Shares during the Disclosure Period.
- (v) As at the Latest Practicable Date, none of the persons who have irrevocably committed themselves to accept the Proposal, being the IU Shareholder, has owned or controlled any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of any Offeror Shares. None of such persons has dealt for value in any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of the Offeror Shares during the Disclosure Period.
- (vi) As at the Latest Practicable Date, China Three Gorges, which has entered into the Irrevocable Undertaking with the Offeror (being an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code that existed between any person and the Offeror) did not own or control any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of any Offeror Shares, and has not dealt for value in any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of the Offeror Shares during the Disclosure Period.

- (vii) As at the Latest Practicable Date, none of the Offeror or Offeror Concert Parties has borrowed or lent any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of any Offeror Shares, save for any borrowed Offeror Shares which have been either on-lent or sold.
- (viii) As at the Latest Practicable Date, the Company did not hold any shares in the Offeror.
- (ix) As at the Latest Practicable Date, none of the Directors was interested in any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of any Offeror Shares, and no such person had dealt for value in any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of any Offeror Shares.
- (x) As at the Latest Practicable Date, no subsidiary of the Company, pension fund of the Company or of any subsidiary of the Company or advisor of the Company as specified in class (5) of the definition of acting in concert or class (2) of the definition of associate under the Takeovers Code (but excluding any exempt principal traders and exempt fund managers) owned or controlled any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of any Offeror Shares. During the period from the Announcement Date up to the Latest Practicable Date, no such person had dealt for value in any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of any Offeror Shares.
- (xi) As at the Latest Practicable Date, no fund managers connected with the Company (other than exempt fund managers) who managed funds on a discretionary basis owned or controlled any Offeror Shares or convertible securities, warrants, options or derivatives in respect of any Offeror Shares. No such persons has dealt for value during the period from the Announcement Date up to the Latest Practicable Date in the Offeror Shares or convertible securities, warrants, options or derivatives in respect of any Offeror Shares.
- (xii) As at the Latest Practicable Date, none of the Company or any Director has borrowed or lent any Offeror Shares or any convertible securities, warrants, options or derivatives in respect of any Offeror Shares, save for any borrowed Shares which have been either on-lent or sold.

6. ARRANGEMENTS IN CONNECTION WITH THE PROPOSAL**(1) Arrangements affecting Directors**

- (i) No benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal.
- (ii) There are no agreements or arrangements between any Director and any other person which is conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal.
- (iii) There are no material contracts entered into by the Offeror in which any Director has a material personal interest.

(2) Arrangements affecting directors of the Offeror

- (i) The emoluments of the directors of the Offeror will not be affected by or amended as a result of the Proposal.

(3) Arrangements with the Offeror in connection with the Proposal

- (i) Save for the Irrevocable Undertaking, there is no agreement, arrangement or undertaking, including any compensation arrangement, between the Offeror or any of the Offeror Concert Parties on the one hand and any of the Directors, recent Directors, Shareholders or recent Shareholders on the other hand having any connection with or dependence upon the Proposal.
- (ii) There is no agreement or arrangement to which Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal.
- (iii) The Offeror has no intention to transfer, charge or pledge any securities in the Company acquired pursuant to the Scheme to any other person, and has no agreement, arrangement or understanding with any third party to do so.
- (iv) Other than the Irrevocable Undertaking between the Offeror and the IU Shareholder and the Proposal, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code that existed between any person and the Offeror or any of the Offeror Concert Parties.

(4) Arrangements with the Company in connection with the Proposal

- (i) Other than the Irrevocable Undertaking between the Offeror and the IU Shareholder and the Proposal, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code that existed between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definitions of associate under the Takeovers Code.

7. MATERIAL LITIGATION**(1) In respect of the Offeror**

As at the Latest Practicable Date, there was no material litigation or claim of material importance known to the directors of the Offeror to be pending or threatened against Offeror or any of its subsidiaries.

(2) In respect of the Company

As at the Latest Practicable Date, there was no material litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

8. SERVICE CONTRACTS

Mr. Tian Jun entered into a continuous service contract with the Company on 27 March 2019 in respect of his non-executive directorship in the Company without a fixed period until automatic termination upon, among other things, his resignation. Under the service contract, Mr. Tian does not receive any director's emolument but may be entitled to reimbursements of expenses properly and reasonably incurred in connection with the performance of his obligation under such service contract.

Each of Mr. HE Lianhui and Mr. SUN Guigen entered into a continuous service contract with the Company, respectively, on 27 March 2019 in respect of their respective executive directorship in the Company without a fixed period until termination by the relevant executive director or the Company by giving the other party not less than three months' notice in writing. Under the service contracts, each of Mr. He and Mr. Sun does not receive any director's emolument but may be entitled to reimbursements of expenses properly and reasonably incurred in connection with the performance of his obligation under such service contract.

As at the Latest Practicable Date, save as disclosed above, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) had been entered into or amended within the 6 months before the date of the Announcement; (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period.

9. MATERIAL CONTRACTS

(1) In respect of the Offeror

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Offeror or any of its subsidiaries) have been entered by the Offeror and/or any of its subsidiaries after the date two years before the Announcement Date up to and including the Latest Practicable Date:

- (a) the facility agreement dated 26 March 2019 entered into between the Offeror as the borrower, Parentco as Guarantor and Bank of China (Hong Kong) Limited as lender for an amount up to HK\$3,140,000,000 in respect of the financing of the Proposal;
- (b) the Irrevocable Undertaking.

(2) In respect of the Company

None of the members of the Group has entered into any material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) after the date two years before the Announcement Date up to and including the Latest Practicable Date.

10. EXPERTS

The following are the qualifications of each of the experts who has given opinions or advice which are contained in this Scheme Document:

Name	Qualifications
UBS AG	acting through its Hong Kong branch, a registered institution under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO
Somerley Capital Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

11. CONSENTS

Each of the experts mentioned above has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion therein of the text of its opinions, as the case may be, and/or letters and/or the references to its name and/or opinions and/or letters, as the case may be, in the form and context in which they respectively appear.

12. MISCELLANEOUS

- (i) Principal members of the Offeror's concert group include the Offeror and Parentco.
- (ii) The registered office and principal office of the Offeror is situated at Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (iii) The Offeror is incorporated in Hong Kong with limited liability on 16 August 2006.
- (iv) The registered office and principal place of business of Parentco is situated at Suite 6301, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (v) The directors of Offeror include Mr. Tian Jun and Ms. Xu Wei.
- (vi) The directors of Parentco include Mr. Tian Jun, Mr. Gao Guangfu, Mr. Guan Qihong, Mr. Wang Xianchun and Mr. Cao Yan.
- (vii) Both Offeror and Parentco are ultimately beneficially owned by State-owned Assets Supervision and Administration Commission of the PRC.
- (viii) UBS is the financial adviser of the Offeror in relation to the Proposal, and its registered address is at 52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.
- (ix) The registered office of the Company is situated at Rooms 3801-05, 38/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of the SFC at <http://www.sfc.hk>; (ii) on the website of the Company at <http://www.cpne.com.hk>; and (iii) (during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong)) (Hong Kong time) at the principal place of business of the Company in Hong Kong at Rooms 3801-05, 38/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, from the date of this Scheme Document up to the Effective Date or the date on which the Scheme lapses or is withdrawn:

- (a) the articles of association of the Company;
- (b) the articles of association of the Offeror;
- (c) the annual report of China Power New Energy Development Company Limited (“CPNE”) (the holding company of the Group prior to the completion of the Reorganisation Proposal (as defined in the scheme document dated 14 June 2017 issued by CPNE)) for the year ended 31 December 2016 and the annual reports of the Company for the years ended 31 December 2017 and 31 December 2018;
- (d) the annual accounts of Parentco for the years ended 31 December 2016, 31 December 2017 and 31 December 2018;
- (e) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (f) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (h) the letter from UBS setting out the Estimates of Value of Offeror Shares, the text of which is set out in Appendix V of this Scheme Document;
- (i) written consents referred to in the section headed “11. Consents” in this Appendix IV of this Scheme Document;
- (j) material contracts referred to in the section headed “9. Material Contracts” in this Appendix IV of this Scheme Document;
- (k) service contracts referred to in the section headed “8. Service Contracts” in this Appendix IV of this Scheme Document; and
- (l) this Scheme Document.

**UBS AG**

Hong Kong Branch

2 International Finance Centre 52/F, 8 Finance Street
Central, Hong Kong

Tel. +852-2971-8888

www.ubs.com

The Directors
China Power New Energy Limited
Suite 6301, 63/F Central Plaza
18 Harbour Road
Wanchai, Hong Kong

20 June 2019

**(1) PROPOSAL FOR THE DELISTING OF
CHINA POWER CLEAN ENERGY DEVELOPMENT COMPANY LIMITED
BY CHINA POWER NEW ENERGY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 673 OF THE COMPANIES ORDINANCE)
(2) IRREVOCABLE UNDERTAKING BY THE IU SHAREHOLDER TO APPROVE
THE PROPOSAL**

Dear Sirs,

Pursuant to the requirements of the Takeovers Code, you have requested us to provide you with an estimate of value of the Offeror Shares (the “**Estimates of Value**”). Under the Proposal, Scheme Shareholders may elect to receive: (i) the **Cash Alternative**: cash of HK\$5.45 for every Scheme Share; or (ii) the **Share Alternative**: 6 New Shares in the Offeror for every Scheme Share held. The Offeror Shares are unlisted and therefore do not have a publicly traded price.

Capitalised terms used in this letter will, unless otherwise stated, have the same meaning given to them in the document of even date jointly issued by China Power New Energy Limited and China Power Clean Energy Development Company Limited (the “**Scheme Document**”) of which this letter forms part.

PURPOSE

The Estimates of Value have been provided to the directors of the Offeror solely for the purposes of Paragraph 30 of Schedule I of the Takeovers Code, and shall not be used or relied upon for any other purpose whatsoever. It is to be emphasised that the Estimates of Value contained herein are an estimated value of each Offeror Share based on certain assumptions and

therefore do not necessarily reflect the actual value of Offeror Shares. This letter is not addressed to any third party and the contents of it may not be relied upon by any third party for any purpose whatsoever and UBS expressly disclaims any duty or liability to any third party with respect to the contents of this letter.

This letter sets out Estimates of Value of each Offeror Share assuming the Proposal has become or been declared effective and such share is in issue as at the date of this letter.

The Estimates of Value do not represent the value that a holder of an Offeror Share may realise on any future sale – and such a value may be higher or lower than the figure in this letter. UBS assumes no obligation to reaffirm, update or revise the Estimates of Value based upon circumstances or events occurring after the date hereof. Additionally the Estimates of Value are based on the announced value of HK\$5.45 per Scheme Share under the Cash Alternative, on which UBS expresses no opinion or representation.

In providing the Estimates of Value, UBS expresses no opinion or recommendation to any person as to whether they should accept the Scheme or the Option Offer or whether they should make any election to choose the Cash Alternative or the Share Alternative. Further, UBS expresses no opinion as to the fairness of the financial terms of the Scheme or the Option Offer.

ASSUMPTIONS

For the purposes of our analysis, we have made the following major assumptions:

- i. There exists a willing buyer and seller, neither being under any compulsion to buy or sell, dealing on an arm's length basis, each having knowledge of all relevant facts;
- ii. As at the date of this letter, the Proposal has become or been declared effective and the Company is a wholly owned subsidiary of the Offeror;
- iii. The Offeror Shares issued in connection with the Proposal (including, for the avoidance of doubt, the new Offeror Shares to be allotted and issued to Parentco under the Parentco Subscription) and the Offeror Shares already owned by Parentco as at the Latest Practicable Date comprise the entire issued share capital of the Offeror and no person has any right to acquire or subscribe any share or loan capital of the Offeror other than the Offeror Shares issued in connection with the Proposal. Such shares have been issued pursuant to the terms of the Proposal free from all encumbrances, credited as fully-paid, non-assessable, and ranking *pari passu* with all issued shares in the Offeror, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of their issue;

- iv. The Offeror was established for the sole purpose of the Proposal and as such, we have assumed that at the time the Proposal is assumed to have become effective, the Offeror's turnover, profits, assets and liabilities on a consolidated basis will be the same as the Company, save for any cash balance that may remain in the Offeror that was not required to finance the amount payable in cash to Scheme Shareholders under the Proposal;
- v. Any shares in the issued share capital of the Company acquired by the Offeror have been acquired free from all liens, options and third party rights and together with the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of this letter, and all the outstanding Share Options have been cancelled;
- vi. Other than the Shares already owned by the Offeror prior to the Proposal, the Shares that are the subject of the Scheme comprise the entire issued share capital of the Company and, assuming the cancellation of the Share Options, no person other than the Offeror has any right to acquire or option to subscribe for any share or loan capital of the Company and no share capital of the Company is disposed of nor any right granted over or in respect of it at any future date;
- vii. No dividend or other distribution (whether in cash or in kind) having been declared, made or paid by the Company to the Shareholders between the date of the Announcement and the Effective Date (other than the dividend declared by the Company to the Shareholders on 27 March 2019), and any further dividend or distribution shall be subject to the consent of the Offeror;
- viii. As at the date of this letter, the Offeror has received the final dividend of RMB0.0546 per Share for the year ended 31 December 2018 (equivalent to HK\$0.0638 at the exchange rate announced by the People's Bank of China on 27 March 2019 as disclosed in the 2018 Results Announcement) in cash from the Company in the aggregated amount of approximately HK\$20,001,486.49 (calculated by multiplying HK\$0.0638 by 313,502,923, being the number of Shares owned by Offeror), and the Offeror has then paid out and settled a dividend payable of HK\$20,001,486.49 in cash to the Parentco prior to the Effective Date;
- ix. The Offeror and the Company exist on a continuing basis;
- x. The Offeror Shares are unlisted and are valued on this basis. Whilst it is not possible to give a precise measure of the discount to reflect, among other things, the lack of marketability and the rights of the shareholders of the Offeror and no methodological analysis can be undertaken for the purposes of estimating such a discount, for the purposes of calculating our range of Estimates of Value we have assumed a range of discounts of 0-30% to an equivalent listed security to reflect, among other things, the lack of marketability and such shareholders' rights. We believe such a discount range is an appropriate assumption to use for this purpose as it is consistent with (i) the approach taken in recent market privatisation

precedents in Hong Kong which involves unlisted offeror shares being offered as an alternative transaction consideration and which adopts an illiquidity discount methodology to assess the value of the unlisted offeror shares; and (ii) findings in the relevant academic studies and researches in relation to the illiquidity/marketability discount and valuation of private company shares. Furthermore, the Independent Financial Adviser has reviewed and is also of the view that such discount range is acceptable (please refer to paragraph 4 of the letter from the Independent Financial Adviser);

- x. We have relied on and assumed, without independent verification, the accuracy and completeness of the information reviewed by us (including but not limited to the management account of the Offeror as of the Latest Practicable Date), which specifies the amount of cash, assets, indebtedness and liabilities that are expected to remain in the Offeror) for the purposes of the Estimates of Value and we have not assumed and we do not assume any responsibility or liability in relation thereto. We have not made any independent valuation or appraisal of the assets and liabilities of the Company, nor have we sought or been provided with any such valuation or appraisal. The Estimates of Value are necessarily based on financial, economic, market, regulatory and other conditions in effect, and the information made available to us, as at the date of this letter. It should be understood that subsequent developments may affect the Estimates of Value contained in this letter;
- xii. The taxation of individual shareholders will vary and we have not taken account of the effects of any taxation exemptions, allowances or reliefs available for the purposes of income, capital gains, inheritance or any other applicable tax, duty or levy, notwithstanding these may be significant in the case of some shareholders;
- xiii. Parentco will pay HK\$5.45 per Scheme Share to every Scheme Shareholders selecting the Cash Alternative, a value of HK\$0.31 for every Share Option with an exercise price of HK\$5.14 which is equivalent to the “see-through” value per Share Option under the Option Offer to the Optionholders (calculated as the difference between the Cash Alternative value of HK\$5.45 and the exercise price of the Share Option of HK\$5.14), a nominal amount of HK\$1 for every 10,000 Share Options with exercise prices of HK\$7.80 (given the exercise price of the relevant Share Option under the Option Offer exceeds HK\$5.45, the “see-through” price is zero) and all costs and expenses incurred by the Offeror in connection with the Proposal; and
- xiv. The Company and its subsidiaries will continue to operate in the ordinary course as a going concern and are not subject to any material adverse event; the assets and liabilities of the Company on a consolidated basis are fairly reflected in the Company’s consolidated accounts for the year ended 31 December 2018 (“**last accounts**”); neither the Company nor any of its subsidiaries disposes of any asset for less than its fair value as reflected in the last accounts nor suffers or incurs any liability other than in the ordinary course of business.

METHODOLOGY

In our Estimates of Value, we derive ranges of value for Offeror Shares which reflect the estimated value of such shares hypothetically assuming for the purpose of calculating the top end of the range that they are listed and freely tradable, and for the purpose of calculating the bottom end of the range we have assumed a discount of 30% to reflect, among other things, the lack of marketability and shareholders' rights, particularly around the fact that independent shareholders will not be able to nominate director or approve reserved matters until certain ownership thresholds are reached.

UBS has valued the Offeror Shares based on (a) the value of the Shares which the Offeror will own, (b) any dividend payable by the Offeror to Parentco that may remain in the Offeror following the implementation of the Proposal, and (c) any excess cash that may remain in the Offeror following the implementation of the Proposal. Following the implementation of the Proposal, the Offeror will not own any other assets or liabilities except for the Shares, any dividend payable and excess cash that may remain in the Offeror at the Effective Date. As a result, the estimated value of the Offeror Shares is equal to (a) – (b) + (c).

As stated above, the estimated value of the Offeror Shares is equal to the total estimated value of the Shares (including Share Options and including any cash balance that may remain in the Offeror). As such, at the top end of our range, the total value of the Offeror Shares is assumed to be calculated as:

$$(a) - (b) + (c)$$

where (a), (b) and (c) are defined as follows:

- (a): the estimated value of all of the outstanding Shares (including Share Options, assuming a “see-through” value);
- (b): any dividend payable by the Offeror to Parentco that may remain in the Offeror; and
- (c): any cash that may remain in the Offeror.

In deriving a value for (a) at the top end of the range, we have used a value of HK\$5.45 per Share which is equivalent to the value per Share under the Cash Alternative, a value of HK\$0.31 for every Share Option with an exercise price of HK\$5.14 which is equivalent to the “see-through” value per Share Option under the Option Offer to the Optionholders (calculated as the difference between the Cash Alternative value of HK\$5.45 and the exercise price of the Share Option of HK\$5.14) and a nominal amount of HK\$1 for every 10,000 Share Options with exercise prices of HK\$7.80 (given the exercise price of the relevant Share Option under the Option Offer exceeds HK\$5.45, the “see-through” price is zero). In deriving a value for (b), we have deducted a dividend payable of HK\$20,001,486.49 assumed to be paid out and settled in cash to the Parentco prior to the Effective Date from the existing dividend payable by the Offeror to Parentco in the aggregate amount of HK\$93,735,790.99 as at the Latest Practicable

Date. Hence the value for (b) is estimated to be HK\$73,734,304.50; Assuming (1) Parentco will pay HK\$5.45 per Scheme Share to every Scheme Shareholders selecting the Cash Alternative, a value of HK\$0.31 for every Share Option with an exercise price of HK\$5.14 which is equivalent to the “see-through” value per Share Option under the Option Offer to the Optionholders (calculated as the difference between the Cash Alternative value of HK\$5.45 and the exercise price of the Share Option of HK\$5.14), a nominal amount of HK\$1 for every 10,000 Share Options with exercise prices of HK\$7.80 (given the exercise price of the relevant Share Option under the Option Offer exceeds HK\$5.45, the “see-through” price is zero) and all fees and expenses incurred by the Offeror in connection with the Proposal; (2) the Offeror has received the final dividend of RMB0.0546 per Share for the year ended 31 December 2018 (equivalent to HK\$0.0638 at the exchange rate announced by the People’s Bank of China on 27 March 2019 as disclosed in the 2018 Results Announcement) in cash from the Company in an aggregated amount of approximately HK\$20,001,486.49 (calculated by multiplying HK\$0.0638 by 313,502,923, being the number of Shares owned by Offeror); and (3) the Offeror has then paid out and settled a dividend payable of HK\$20,001,486.49 in cash to the Parentco prior to the Effective Date, it is currently estimated that the Offeror cash on hand would be approximately HK\$17,589.95, being the value for (c).

As stated above, we have derived the lower end of the range for the estimate of value for each Offeror Share, by assuming a 30% discount to the value calculated above to reflect the lack of marketability and shareholders’ rights, of an unlisted share, particularly around the fact that independent shareholders will not be able to nominate director or approve reserved matters until certain ownership thresholds are reached.

The valuation of non-publicly traded securities is inherently imprecise and is subject to certain uncertainties and contingencies, including, but not limited to, the above qualitative factors, the effects of which are difficult to predict. Consequently, the view expressed in this letter is not necessarily indicative of: (i) the price at which the Offeror Shares might actually trade in a public market as at the date hereof or at any future date; (ii) the amount which might be realised upon a sale of an Offeror Share to a third party; or (iii) the amount that might be realised by a holder of an Offeror Share on liquidation of the Offeror. Our Estimates of Value may differ substantially from estimates available from other sources. In addition, our view would be expected to fluctuate with changes in prevailing market conditions, the financial conditions and prospects of the Offeror and other factors which generally influence the valuation of companies and securities. As a result, there can be no assurance that the actual price of an Offeror Share will not be higher or lower than the Estimates of Value.

At the top end of the range, we derive our value of the Offeror Shares as follows:

Assuming all Optionholders receive the Share Option Offer Price in respect of all their Options:

- (a) is equal to approximately HK\$6,468,686,873.10 which is the estimated value of all of the outstanding shares (calculated by multiplying the value per Share under the Cash Alternative of HK\$5.45 by the number of Shares as at the Latest Practicable

Date of 1,186,633,418) plus “see-through” basis valuation for Options (calculated by: (i) multiplying the “see-through” value of HK\$0.31 for every Share Option with an exercise price of HK\$5.14 by the number of the relevant Share Options of approximately 4.95 million; and (ii) multiplying the nominal amount of HK\$1 for every 10,000 Share Options with exercise prices of HK\$7.80 for the relevant Share Options of approximately 2.45 million);

(b) is equal to approximately HK\$73,734,304.50; and

(c) is equal to approximately HK\$17,589.95.

This implies a total value of the Offeror Shares of approximately HK\$6,394,970,158.55. Based on the number of Offeror Shares in issue as at the Latest Practicable Date of 1,881,017,538 shares plus 5,238,782,970 New Offeror Shares to be issued upon the completion of the Scheme, this implies a value per Offeror Share of HK\$0.8982 at the top end of the range.

Assuming a 30% discount for non-marketability of the Offeror Shares, this implies a value per Offeror Share of HK\$0.6287 at the bottom end of the range.

In determining the Estimates of Value, we have not taken into account, among other things, any financial projections of the Company for the entire current fiscal year (year ending 2019) and beyond.

No account has been taken of any potential transaction costs that a holder of the Shares or Share Options may incur in regard to accepting the Proposal, or in connection with accepting the Option Offer, or in any attempted or actual sale of Offeror Shares.

No account has been taken of any potential transaction costs that a holder of Offeror Shares may incur, or any potential costs that might be associated with a sale of the Offeror to a third party or a liquidation of the Offeror, which might be expected to reduce any return to a holder of an Offeror Share upon the occurrence of such an event.

We have produced the Estimates of Value using these methodologies and taken into account the information, factors, assumptions and limitations set out above.

ESTIMATES OF VALUE

On the basis of the above assumptions and methodology adopted by us and subject to the foregoing, the Estimates of Value as defined in this letter are within a range of between HK\$0.6287 and HK\$0.8982 for each Offeror Share. This Estimates of Value does not represent a formal opinion of the value of an Offeror Share or a Share by UBS.

Under the Share Alternative, each Shareholder is entitled to receive 6 New Shares in the Offeror for every Scheme Share held. This implies a value of approximately HK\$3.77 to HK\$5.39 for each Share, calculated as follows:

- i. At the bottom end of the range:
 - a. Approximately HK\$3.77, which is equal to 6 Offeror Shares multiplied by HK\$0.6287, the value per Offeror Share at the bottom end of our value range.
- ii. At the top end of the range:
 - a. Approximately HK\$5.39, which is equal to 6 Offeror Shares multiplied by HK\$0.8982, the value per Offeror Share at the top end of our value range.

GENERAL

UBS is acting as the financial adviser to the Offeror in relation to the Proposal and no one else in connection with the Proposal. UBS will not be responsible to anyone other than the Offeror for providing the protections afforded to clients of UBS, or for providing advice to any other person in relation to the Proposal, the contents of the Scheme Document or any other matters referred to in the Scheme Document.

Shareholders are urged to read carefully all the information contained in the Scheme Document.

The value of an Offeror Share may be impacted by the factors described in this letter.

Further, in providing the Estimates of Value, UBS expresses no opinion or recommendation to any person as to whether they should accept the Scheme or the Option Offer or whether they should make any election to choose the Cash Alternative or the Share Alternative. Shareholders are recommended to seek their own independent financial advice. Further, UBS expresses no opinion as to the fairness of the financial terms of the Scheme or the Option Offer.

Yours faithfully,
For and on behalf of UBS AG,
Hong Kong Branch
Samson Lo **Jun Luo**
Managing Director *Managing Director*

HCMP No. 756 of 2019

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 756 OF 2019**

**IN THE MATTER OF
CHINA POWER CLEAN ENERGY DEVELOPMENT COMPANY LIMITED
中國電力清潔能源發展有限公司**

AND

**IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF THE HONG KONG SPECIAL
ADMINISTRATIVE REGION**

**SCHEME OF ARRANGEMENT
Under Section 673 of the Companies Ordinance
Chapter 622 of the Laws of the Hong Kong Special Administrative Region**

PRELIMINARY

(A) In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“acting in concert”	has the meaning ascribed to it in the Takeovers Code, and “persons acting in concert” shall be construed accordingly
“Beneficial Owner(s)”	any beneficial owner(s) of the Shares registered in the name of a Registered Owner(s)
“Board”	the board of directors of the Company
“Cancellation Consideration”	the Cash Alternative or the Share Alternative
“Cash Alternative”	HK\$5.45 per Scheme Share in cash
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“Company”	China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司), a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 0735)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Conditions”	the conditions to the implementation of the Proposal and the Scheme as set out in the section headed “3. Conditions of the Proposal and the Scheme” under Part VII – Explanatory Statement of the Scheme Document
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Ordinance
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate thereof
“Explanatory Statement”	the explanatory statement set out in Part VII of the Scheme Document
“High Court”	the High Court of Hong Kong
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising Mr. Zhou Jiong, Mr. Chu Kar Wing, Dr. Li Fang, Mr. Wong Kwok Tai and Ms. Ng Yi Kum, established by the Board to make a recommendation to the Independent Shareholders and the Optionholders in respect of the Proposal and the Option Offer, respectively
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, the independent financial adviser to the Independent Board Committee in connection with the Proposal, the Scheme and the Option Offer. Somerley is a corporation licensed under the Securities and Futures Ordinance, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Independent Shareholder(s)”	Shareholder(s) other than the Offeror and the Offeror Concert Parties. For the avoidance of doubt, Independent Shareholders include any member of the UBS group acting in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code
“Latest Practicable Date”	Monday, 17 June 2019, being the latest practicable date for ascertaining certain information contained in the Scheme Document
“Long Stop Date”	31 December 2019 or such later date the Offeror and the Company may agree, subject to the consent of UBS (whose consent shall not be unreasonably withheld), or, to the extent applicable, as the High Court may direct and in all cases, as permitted by the Executive
“New Offeror Share(s)”	new Offeror Shares, to be issued pursuant to the Proposal as fully paid and will rank pari passu with all the shares of the Offeror then in issue

“Non-Qualifying Shareholder(s)”	those overseas shareholder(s) or Beneficial Owner(s) in respect of whom the director(s) of the Company, based on enquiries made by and legal advice obtained by the Company, consider it unduly burdensome to be offered the Share Alternative to such Shareholder(s) or Beneficial Owner(s) either because of the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in such jurisdiction (for more information, please refer to the paragraph headed “21.2 Non-Qualifying Shareholders” in Part VII – Explanatory Statement of the Scheme Document)
“Offeror”	China Power New Energy Limited (中國電力新能源有限公司), a company incorporated in Hong Kong on 16 August 2006 with limited liability
“Offeror Concert Parties”	parties acting in concert or presumed to be acting in concert with the Offeror under the definition of “acting in concert” under the Takeovers Code (except in the capacity of an exempt principal trader or exempt fund manager for the purpose of the Takeovers Code), including Parentco, but excluding the Offeror
“Offeror Shares”	shares in the capital of the Offeror
“Option Offer”	the offer to be made by or on behalf of the Offeror to the holders of the Outstanding Share Options
“Optionholder(s)”	holder(s) of the Share Options
“Outstanding Share Option(s)”	the outstanding share option(s) (whether vested or not) granted under the Share Option Scheme from time to time
“Parentco”	China Power International Holding Limited (中國電力國際有限公司), a company incorporated in Hong Kong on 6 October 1994 with limited liability
“PRC”	the People’s Republic of China, but for the purpose of this Scheme, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan

“Proposal”	the proposal for the delisting of the Company by the Offeror by way of the Scheme and the Option Offer and the restoration of the share capital of the Company to the amount immediately before the cancellation of the Scheme Shares pursuant to the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in the Scheme Document
“Registered Owner”	any holder of Shares (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company as a holder of the Shares
“Registrar of Companies”	The Registrar of Companies appointed under the Companies Ordinance
“Scheme”	this scheme of arrangement under Section 673 of the Companies Ordinance in its present form (subject to any modifications or additions or conditions as may be approved or imposed by the High Court and agreed to by the Offeror), involving, among other matters, the cancellation of all the Scheme Shares and the restoration of the share capital of the Company to the amount immediately before cancellation of the Scheme Shares
“Scheme Document”	the composite scheme document dated 20 June 2019 issued jointly by the Company and the Offeror, including each of the letters, statements appendices (including this Scheme) and notices in it
“Scheme Record Date”	Thursday, 8 August 2019, or such other time and date as shall have been announced to the Shareholders, being the record date for the purpose of determining the entitlements of the Scheme Shareholders to the Cancellation Consideration under the Scheme
“Scheme Share(s)”	Share(s) other than those directly held by the Offeror

“Scheme Shareholder(s)”	holder(s) of Scheme Shares as at the Scheme Record Date
“Securities and Futures Commission”	Securities and Futures Commission of Hong Kong
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Share Alternative”	6 New Offeror Shares, which will be credited as fully paid and ranking pari passu with other shares of the Offeror then in issue, per Scheme Share held
“Share Options”	the share option(s) granted by the Company under the Share Option Scheme from time to time
“Share Option Scheme”	the share option scheme of the Company adopted by the Company on 8 June 2017
“Shareholder(s)”	registered holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers in Hong Kong
“UBS”	UBS AG (acting through its Hong Kong Branch), a registered institution under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to the Offeror in relation to the Proposal

(B) As at the Latest Practicable Date, the issued share capital of the Company comprises 1,186,633,418 Shares.

(C) As at the Latest Practicable Date, the Offeror holds 313,502,923 Shares (representing approximately 26.42% of the issued share capital of the Company).

- (D) As at the Latest Practicable Date, Parentco, being an Offeror Concert Party, holds 19,572,000 Shares (representing approximately 1.65% of the issued share capital of the Company).
- (E) As at the Latest Practicable Date, the Scheme Shares, comprising 873,130,495 Shares, represent approximately 73.58% of the issued share capital of the Company.
- (F) The primary purpose of this Scheme is to delist the Company by cancelling and extinguishing all of the Scheme Shares in consideration of the Cancellation Consideration so that the Company shall thereafter become wholly owned by the Offeror. Upon such reduction, the share capital of the Company will be increased to its former amount by the issuance to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled.
- (G) The Offeror has agreed to undertake to the High Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme.

THE SCHEME**PART I****CANCELLATION AND EXTINGUISHMENT OF THE SCHEME SHARES**

1. On the Effective Date:
 - (a) the share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (b) subject to and forthwith upon such reduction of capital taking effect, the share capital of the Company shall be increased to its former amount by the issuance to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled and extinguished; and
 - (c) the Company shall apply the reserve created in its books of account as a result of the reduction of capital referred to in paragraph (a) above in paying up in full the new Shares so issued pursuant to paragraph (b) above, which shall be allotted and issued, credited as fully paid, to the Offeror.

PART II**CONSIDERATION FOR CANCELLATION AND
EXTINGUISHMENT OF THE SCHEME SHARES**

2. In consideration of the cancellation and extinguishment of the Scheme Shares, the Offeror shall pay or cause to be paid to each Scheme Shareholder the Cancellation Consideration. The holders of Scheme Shares, other than the Non-Qualifying Shareholders, may elect either the Cash Alternative or the Share Alternative as the form of Cancellation Consideration in respect of their entire holdings of Scheme Shares (but not, for the avoidance of doubt, a combination of the two save for HKSCC Nominees Limited, who may make different elections in respect of Scheme Shares held on behalf of Beneficial Owners) held as at the Scheme Record Date. Those holders of Scheme Shares who validly elect to receive the Cash Alternative will receive the Cash Alternative and those holders of Scheme Shares, other than the Non-Qualifying Shareholders, who validly elect to receive the Share Alternative will receive the Share Alternative provided that, if a holder of Scheme Shares does not elect to receive its entitlement under the Cash Alternative or the Share Alternative or if its election is unclear or invalid, such holder of Scheme Shares will be deemed to have elected to receive its entitlement under the Cash Alternative, in each case subject to this Scheme having become effective.

**PART III
GENERAL**

3. (a) As soon as possible and but in any event within seven Business Days following the Effective Date, the Offeror shall post or cause to be posted (a) cheques for cash entitlements to those who elect the Cash Alternative and (b) share certificates for Offeror Shares to those who elect the Share Alternative pursuant to paragraph 2 of this Scheme.
- (b) In the absence of any specific instructions to the contrary received in writing by the Share Registrar, such cheques and share certificates for Offeror Shares shall be sent by ordinary post in postage pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses as appearing in the register of members of the Company as at the Scheme Record Date, or in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding.
- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be a good discharge to the Offeror for the moneys represented thereby.
- (d) All such cheques and share certificates shall be posted at the risk of the person(s) entitled thereto and none of the Offeror, the Company, UBS, the Independent Financial Adviser and the share registrar of the Company and their respective nominees, directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be liable for any loss or delay in despatch.
- (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme, the Offeror (or its nominee) shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the name of the Offeror (or its nominee) with a licensed bank in Hong Kong selected by the Offeror (or its nominee). The Offeror (or its nominee) shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of this Scheme to persons who satisfy the Offeror (or its nominee) that they are respectively entitled thereto, provided that the cheques referred to in the foregoing sentence of which they are payees have not been cashed. Any payments made by the Offeror (or its nominee) shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to this Scheme. The Offeror (or its nominee) shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a

certificate of the Offeror (or its nominee) to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

- (f) On the expiry of six years from the Effective Date, the Offeror (and, if applicable, its nominee) shall be released from any further obligation to make any payments under this Scheme and the Offeror (and, if applicable, its nominee) shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(e) of this Scheme, including accrued interest subject to any deduction required by law and expenses incurred.
 - (g) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.
4. As from and including the Effective Date:
- (a) all certificates for the Scheme Shares shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;
 - (b) all instruments of transfer validly subsisting as at the Scheme Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
 - (c) all mandates or other instructions to the Company in force as at the Scheme Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
5. Subject to the Conditions having been fulfilled or waived, as applicable, this Scheme shall become effective as soon as an office copy of the order of the High Court sanctioning this Scheme (with or without modification) and confirming the reduction of issued share capital of the Company resulting from the cancellation of the Scheme Shares together with a minute and a return that comply with subsection (2) and (3) of section 230 of the Companies Ordinance shall have been registered by the Registrar of Companies under Part 2 of the Companies Ordinance.
6. Unless this Scheme shall have become effective on or before the Long Stop Date, this Scheme shall lapse.
7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the High Court may see fit to approve or impose.

8. All costs, charges and expenses incurred by the Company and/or its advisers and counsels, including the Independent Financial Adviser, will be borne by the Company, whereas all costs, charges and expenses incurred by the Offeror or Parentco and/or their advisers and counsels will be borne by the Offeror or Parentco, and other costs, charges and expenses of the Scheme and the Proposal will be shared between the Offeror (or Parentco) and the Company equally.

20 June 2019

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 756 OF 2019

IN THE MATTER OF
CHINA POWER CLEAN ENERGY DEVELOPMENT COMPANY LIMITED
中國電力清潔能源發展有限公司

AND

IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated the 13th day of June 2019 (the “**Order**”) made in the above matters, the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) has directed a meeting (the “**Meeting**”) to be convened of the registered holders of the shares (“**Shares**”) in the capital of China Power Clean Energy Development Company Limited (the “**Company**”) (other than those directly held by the Offeror) (the “**Scheme Shares**”) for the purpose of considering and, if thought fit, approving, with or without modification, a scheme of arrangement (the “**Scheme**”) proposed to be made between the Company and the holders of the Scheme Shares as at Scheme Record Date (as defined in the Scheme), and that such Meeting will be held at 10:30 a.m. on Friday, 12 July 2019 at Tianshan & Lushan Rooms, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong at which place and time all holders of Scheme Shares are requested to attend.

A copy of the Scheme and a copy of the explanatory statement (the “**Explanatory Statement**”) explaining the effect of the Scheme, required to be furnished pursuant to Section 671 of the abovementioned Ordinance, are incorporated in the scheme document of which this Notice forms part (the “**Scheme Document**”), which has been despatched by post to holders of the Scheme Shares. A copy of the Scheme Document can also be obtained by any person entitled to attend the Meeting during usual business hours on any day prior to the day appointed for the said meeting (other than a Saturday, a Sunday or a public holiday in Hong Kong) (a) from the share registrar of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong with effect from 11 July 2019) and (b) at the office of the Company’s solicitors at 5th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong. The Scheme Document is also available at www.cpne.com.hk.

In compliance with the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), Shares held by the Offeror and parties acting in concert (as defined in the Takeovers Code) with it may not be voted at the Meeting. Only Shares held by other holders of Scheme Shares are eligible for voting thereat.

The above-mentioned holders of Scheme Shares may vote in person at the Meeting or they may appoint one or more persons, whether a member of the Company or not, as their proxy to attend and vote in their stead. A pink form of proxy for use at the Meeting is enclosed with the Scheme Document.

In the case of joint holders of a Share, the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the Share.

It is requested that forms appointing proxies, together with the letter or power of attorney or other authority (if any) under which they are signed or a notarially certified copy thereof (in the case of a corporation either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company), be lodged at the Company’s share registrar as stated above no later than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

Completion and return of the form of proxy will not preclude a holder of Scheme Shares from attending and voting in person at the Meeting or any adjournment thereof. In the event that an eligible holder of Scheme Shares attends and votes at the Meeting or any adjournment thereof after having lodged his form of proxy, his form of proxy shall be deemed to be revoked by operation of law.

For the purpose of determining the entitlements of holders of Scheme Shares to attend and vote at the Meeting, the register of members of the Company will be closed from Tuesday, 9 July 2019 to Friday, 12 July 2019, both days inclusive, and during such period, no transfer of Shares will be effected. In order to qualify to vote at the Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s share registrar as stated above before 4:30 p.m. (Hong Kong time) on Monday, 8 July 2019.

By the same order, the High Court has appointed Mr. TIAN Jun, or failing him, Mr. HE Hongxin, or failing him, Mr. HE Lianhui, or failing him, Mr. SUN Guigen, or failing him, any other available director of the Company to act as chairman of the Meeting and has directed the chairman of the Meeting to report the result thereof to the High Court.

The Scheme will be subject to the subsequent sanction of the High Court as set out in the Explanatory Statement contained in the Scheme Document.

Dated the 20th day of June 2019.

Deacons

Solicitors for the Company

5th Floor

Alexandra House

18 Chater Road

Central, Hong Kong

As at the date of this notice, the directors of the Company are:

Executive Directors: Mr. He Hongxin, Mr. He Lianhui, Mr. Sun Guigen, Mr. Qi Tengyun;

Non-Executive Directors: Mr. Tian Jun, Mr. Zhou Jiong; and

Independent Non-Executive Directors: Mr. Chu Kar Wing, Dr. Li Fang, Mr. Wong Kwok Tai and Ms. Ng Yi Kum.

**CHINA POWER CLEAN ENERGY DEVELOPMENT COMPANY LIMITED****中國電力清潔能源發展有限公司***(incorporated in Hong Kong with limited liability)***(Stock Code: 0735)**

NOTICE IS HEREBY GIVEN that a general meeting (the “**General Meeting**”) of China Power Clean Energy Development Company Limited (the “**Company**”) will be held at 11:00 a.m. (or if later immediately after the conclusion or adjournment of the meeting of the holders of the shares in the capital of China Power Clean Energy Development Company Limited (“**Shares**”) (other than those directly held by the Offeror) (the “**Scheme Shares**”) convened at the direction of the High Court of the Hong Kong Special Administrative Region for the same day and place) on Friday, 12 July 2019 at Tianshan & Lushan Rooms, Level 5, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Central, Hong Kong for the purpose of considering and, if thought fit, passing, the following as a special resolution:

SPECIAL RESOLUTION

“**THAT:**

- (A) the proposed scheme of arrangement dated 20 June 2019 (the “**Scheme**”) between the Company and the holders of the Scheme Shares as at the Scheme Record Date (as defined in the Scheme), in the form of the print contained in the scheme document dated 20 June 2019 (the “**Scheme Document**”) which has been produced to this Meeting and for the purpose of identification signed by the chairman of this Meeting, with any modification of or addition to it, or any condition, as may be approved or imposed by the High Court, be and is hereby approved;
- (B) for the purpose of giving effect to the Scheme, on the date on which the Scheme becomes effective in accordance with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Effective Date**”):
 - (i) the share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares;
 - (ii) subject to and forthwith upon such reduction of capital taking effect, the issued share capital of the Company be increased to its former amount by the creation of the same number of new Shares as the number of Scheme Shares cancelled; and

- (iii) the Company shall apply the reserve created in its books of account as a result of the said reduction of capital in paying up in full the new Shares so issued, which new Shares shall be allotted and issued, credited as fully paid, to the Offeror and the directors of the Company be and are hereby unconditionally authorised to allot and issue the same accordingly;
- (C) any one of the directors of the Company be and is hereby unconditionally authorised to do all acts and things considered by him to be necessary or desirable in connection with the implementation of the Scheme, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of Shares on The Stock Exchange of Hong Kong Limited, subject to the Scheme taking effect; (ii) the reduction of capital; (iii) the allotment and issue of the Shares referred to above; and (iv) the giving, on behalf of the Company, of consent to any modification of, or addition to, the Scheme, which the High Court may see fit to impose and to do all other acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme.”

By order of the board

China Power Clean Energy Development Company Limited
Mr. Sun Guigen
Director

Hong Kong, 20 June 2019

As at the date of this notice, the directors of the Company are:

Executive Directors: Mr. He Hongxin, Mr. He Lianhui, Mr. Sun Guigen, Mr. Qi Tengyun;

Non-Executive Directors: Mr. Tian Jun, Mr. Zhou Jiong; and

Independent Non-Executive Directors: Mr. Chu Kar Wing, Dr. Li Fang, Mr. Wong Kwok Tai and Ms. Ng Yi Kum.

Notes:

- (i) Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
- (ii) At the General Meeting, the chairman of the General Meeting will put forward the above resolution to be voted on by way of poll.
- (iii) A white form of proxy for use at the General Meeting is enclosed with the Scheme Document.
- (iv) A member entitled to attend and vote at the General Meeting is entitled to appoint one or more persons, whether a member of the Company or not, as his proxy to attend, speak and vote instead of him/her. If more than one proxy is appointed, the number of Shares in respect of which each such proxy is so appointed must be specified in the relevant form of proxy.
- (v) In order to be valid, the white form of proxy, together with the letter or power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof (in the case of a corporation, either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company), must be lodged at the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 48 hours before the time appointed for holding the General Meeting or any adjournment thereof. Completion and return of the white form of proxy will not preclude a member from attending and voting in person at the General Meeting or any adjournment thereof. In the event that a member attends and votes at the General Meeting after having lodged his form of proxy, his form of proxy shall be deemed to be revoked by operation of law.
- (vi) In the case of joint holders of a Share, the vote of the most senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the Share.
- (vii) For the purpose of determining the entitlements of Shareholders to attend and vote at the General Meeting, the register of members of the Company will be closed from Tuesday, 9 July 2019 to Friday, 12 July 2019, both days inclusive, and during such period, no transfer of Shares will be effected. In order to qualify to attend and vote at the General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. (Hong Kong time) on Monday, 8 July 2019.
- (viii) If a tropical cyclone warning signal No.8 or above is or is expected to be hoisted or a black rainstorm warning signal is or is expected to be in force at any time after 7:00 a.m. on the date of the General Meeting, the General Meeting will be postponed. The Company will post an announcement on the respective websites of the Hong Kong Exchanges and Clearing Limited and the Company to notify members of the date, time and venue of the rescheduled meeting.

In case of any inconsistency, the English version of this notice shall prevail.

The following is a form of the Option Offer Letter being sent to each Optionholder in connection with the Option Offer.

20 June 2019

To the Optionholders

Dear Sir or Madam,

**OPTION OFFER IN RELATION TO
PROPOSAL FOR THE DELISTING OF
CHINA POWER CLEAN ENERGY DEVELOPMENT COMPANY LIMITED
BY CHINA POWER NEW ENERGY LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
(UNDER SECTION 673 OF THE COMPANIES ORDINANCE)**

A scheme document dated the same date as this letter issued jointly by the Offeror and the Company (the “**Scheme Document**”) and a form of acceptance (the “**Form of Acceptance**”) is provided to you together with this letter. Terms used but not defined in this letter shall have the same meanings as defined in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

On 28 March 2019, the Offeror and the Company jointly announced that on the same date, the Offeror had requested the Board to put forward the Proposal to the Scheme Shareholders regarding the proposed delisting of the Company by way of the Scheme. As stated in the Announcement, the Offeror will make an appropriate offer to all the holders of the Outstanding Share Options in accordance with Rule 13 of the Takeovers Code (the “**Option Offer**”), subject to and conditional upon the Scheme becoming effective.

This letter explains the terms of the Option Offer and the actions you may take in relation to any outstanding Share Options held by you. You are advised to refer to the Scheme Document when considering them.

Your attention is also drawn to the terms and conditions of the documentation under which each of your Share Options was granted (including the terms of the Share Option Scheme).

TERMS OF THE OPTION OFFER

We offer to pay you the amounts (which represent the “see-through” price, being the Cancellation Consideration minus the relevant exercise prices for the respective Outstanding Share Options) as set out in the table below for each Share Option that you hold as at the Share Option Record Date, in respect of which the underlying Shares are not registered in your name or transferred to you (as the case may be) as at the Scheme Record Date.

Share Option exercise price (HK\$)	Cash consideration (HK\$)	Exercise period (MM/DD/YYYY)
5.14	0.31	07/18/2017-01/15/2023
7.80	0.0001 (Note)	07/18/2017-10/31/2020

Note: As the exercise price of the relevant Share Options exceeds HK\$5.45, the “see-through” price is zero and a cash offer of a nominal amount of HK\$1 for every 10,000 Share Options (or part thereof) will be made.

Pursuant to the terms of the Share Option Scheme, if the Scheme has been approved in the General Meeting and the Court Meeting, any Outstanding Share Options, to the extent not exercised, will lapse automatically on the Scheme Record Date and will no longer be exercisable as from such date. You may accept the Option Offer by lodging a completed Form of Acceptance in respect of the Option Offer by the prescribed deadline and, if the Option Offer becomes unconditional, you will be entitled to the Option Offer Price with respect to the Shares underlying your Share Option(s).

In consideration for our agreement to pay you the cash consideration set out above (as applicable to your holdings of Share Options), all rights and obligations under your Share Options will be immediately cancelled by the Offeror and the Company upon your acceptance.

Conditions of the Option Offer

The Option Offer is conditional upon the Scheme becoming effective. The Option Offer will become unconditional immediately upon the Scheme becoming effective and prior to the listing of the Shares being withdrawn from the Stock Exchange.

The Conditions of the Proposal and the Scheme are set out in the section headed “3. Conditions of the Proposal and the Scheme” in “Part VII – Explanatory Statement” of the Scheme Document. You are further advised to refer to the sections headed “20. Registration and Payment and Transfer of New Offeror Shares” and “21. Overseas Shareholders and Optionholders” in “Part VII – Explanatory Statement” of the Scheme Document.

Payments under the Option Offer

Any cash entitlements under the Option Offer will be paid net of any applicable taxes. Payment in respect of Share Options that have vested but in respect of which the underlying Shares have not been registered in the name of the relevant holder as at the Scheme Record Date, shall be made as soon as possible and in any event within 7 Business Days of the Effective Date. Your cash entitlements under the Option Offer will continue to be subject to the conditions to entitlement under the existing terms of your Share Options up until the Share Option Record Date, including the requirement to remain in employment or service of the Group and other terms of the Share Option Scheme.

Payments of cash consideration under the Option Offer may be liable to taxation in the PRC and/or other jurisdictions and the Offeror (on behalf of the Company) will withhold the relevant amount from the payments for the purpose of making the tax payment on behalf of the relevant Optionholders.

It is emphasised that none of the Offeror, Parentco, the Company, UBS and their agents or any of their respective directors, officers or associates or any other person involved in the Scheme or the Option Offer accepts responsibility or has any liability for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Scheme or the Option Offer.

Payment will be made by way of posting to you a cheque at your registered address. Payments will be made in Hong Kong dollars. You may face delays or obstacles in changing Hong Kong dollars to other currency or cashing such cheques in certain locations or situations.

COURSES OF ACTION AVAILABLE TO HOLDERS OF SHARE OPTIONS

The choices available to you in respect of your Share Options are set out below.

(A) Accept the Option Offer

The Option Offer shall be available to you in respect of all Share Options that you hold as at the Share Option Record Date (expected to be Wednesday, 7 August 2019) and for which you (or your nominee) have not been registered as the holder of the underlying Shares as at the Scheme Record Date (expected to be Thursday, 8 August 2019).

You may choose to accept the Option Offer on the terms (including all declarations and undertakings) as set out in this letter and the enclosed Form of Acceptance, ticking the “Accept” box on the Form of Acceptance and signing, completing and returning it in accordance with the instructions set out below by not later than 4:30 p.m. on Wednesday, 7 August 2019 (or such later time and/or date as may be notified to you through announcement(s)). Such acceptance of the Option Offer will be in respect of all Share Options held by you as at the Share Option Record Date, including any Share Options that have an exercise price above or lower than HK\$5.45, and you will receive the Option Offer Price for all the relevant Share Options if the Scheme becomes effective.

(B) Reject the Option Offer

If you choose to reject the Option Offer, please tick the “Reject” box on the enclosed Form of Acceptance and sign, complete and return it in accordance with the instructions set out below. Such rejection of the Option Offer will be in respect of all Share Options held by you as at the Share Option Record Date, including any Share Options that have an exercise price above or lower than HK\$5.45.

Pursuant to the terms of the Share Option Scheme, if the Scheme has been approved in the General Meeting and the Court Meeting, any Outstanding Share Options, to the extent not exercised, will lapse automatically on the Scheme Record Date and will no longer be exercisable as from such date.

If you reject the Option Offer, you will not be entitled to receive the cash consideration offered in respect of any of your Share Options.

Following receipt of this letter, if you (i) choose to do nothing (including not returning a Form of Acceptance) or (ii) fail to tick either an “Accept” or “Reject” box on a returned Form of Acceptance, and the Scheme becomes effective, you will be treated as if not having accepted the Option Offer in respect of all Share Options held by you as at the Share Option Record Date, your Outstanding Share Options will lapse automatically on the Scheme Record Date and you will receive neither the Share Option Offer Price nor the Cancellation Consideration.

(C) Become a Scheme Shareholder

If any of your Share Options are or become exercisable, you may choose to pay the exercise price and applicable taxes and exercise your Share Options under their terms prior to the Latest Options Exercise Date. If, as a result, you are a registered holder of the underlying Shares as at the Scheme Record Date (expected to be Thursday, 8 August 2019), such Shares will form part of the Scheme Shares and will be cancelled if the Scheme becomes effective. You will then be entitled to receive the Cancellation Price for Scheme Share that you hold as at the Scheme Record Date.

Please note, however, that as the cash consideration offered for each Share Option under the Option Offer is based on a “see-through price” equal to the Cancellation Consideration of HK\$5.45 minus any applicable exercise price, there is no monetary benefit to taking this course of action. Nonetheless, holders of Scheme Shares as at the Meeting Record Date will be entitled, subject to the Takeovers Code, to attend and vote at the Court Meeting and the General Meeting, whereas you will not have such right to attend and vote if you are only an Optionholder.

HOW TO RETURN THE FORM OF ACCEPTANCE

You should return the duly completed and executed Form of Acceptance to the Offeror, care of China Power Clean Energy Development Company Limited at Room 3801-05, 38/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, for the attention of the Company Secretarial Department of the Company and marked “China Power Clean Energy Development Company Limited – Option Offer” by no later than 4:30 p.m. on Wednesday, 7 August 2019 (or such other date and time as may be notified to you by the Offeror or UBS or by way of joint announcement by the Offeror and the Company on the website of the Stock Exchange).

Before returning the Form of Acceptance, please ensure that you have completed and signed the Form of Acceptance and that your signature has been witnessed.

No acknowledgment of receipt of the Form of Acceptance or any other documents will be given.

LAPSED SHARE OPTIONS

Please note that nothing in this letter or the Scheme Document serves to extend the life of a Share Option which lapses, will lapse, or has already lapsed, under the terms of its grant or the Share Option Scheme. You cannot accept the Option Offer in respect of a Share Option which has lapsed or will have lapsed by the Share Option Record Date.

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders and the Optionholders set out in Part V of the Scheme Document and the letter from Somerley Capital Limited, the Independent Financial Adviser, set out in Part VI of the Scheme Document which contain the recommendation of the Independent Board Committee and of the Independent Financial Adviser, respectively, in relation to the Proposal, the Scheme and the Option Offer.

INDEPENDENT FINANCIAL ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

If you are in any doubt as to any aspect of this letter, the Scheme Document, the Form of Acceptance or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional advisor.

DECLARATION

By returning the Form of Acceptance, you:

- (a) confirm that you have read, understood and agreed to the terms and conditions of the Option Offer (including, without limitation, those set out in this letter and the Form of Acceptance), and that you have received the Scheme Document and this letter;
- (b) warrant and confirm that each Share Option in respect of which you accept the Option Offer is valid and subsisting, free from all liens, charges, mortgages and third party interests of any nature whatsoever and you acknowledge that any option certificate or documents in respect of such Share Option shall become void once that Share Option has been cancelled as a result of your acceptance of the Option Offer pursuant to the Form of Acceptance;

- (c) acknowledge that you cease to have any rights or obligations, and waive all rights and claims against any party (including the Offeror and the Company), in respect of such Share Option (including any Share Option for which you are only entitled to receive a nominal amount of cash consideration, of HK\$1 per 10,000 Share Options (or part thereof), because the exercise price of the relevant Share Option exceeds the Cancellation Consideration of HK\$5.45) you hold in respect of which you accept the Option Offer and agree that all rights and obligations under such Share Options will be cancelled;
- (d) confirm that any acceptance of the Option Offer cannot be withdrawn or altered;
- (e) authorise the Company, the Offeror and/or UBS, jointly and severally, or any director or officer of the Company or the Offeror or UBS or any agent of such person to do all acts and things and to execute any document as may be necessary or desirable to give effect to or in consequence of your acceptance of the Option Offer, and you hereby undertake to execute any further assurance that may be required in respect of such acceptance; and
- (f) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any attorney or agent appointed by or pursuant to this letter or the Form of Acceptance.

GENERAL

All communications, notices, Form(s) of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from Optionholders will be delivered by or sent to or from them, or their designated agents, at their risk, and none of UBS, the Offeror or the Company accepts any liability for any loss or any other liabilities whatsoever which may arise as a result. This letter shall be taken as having been received by you within two Business Days of its despatch.

The provisions set out in the Form of Acceptance form part of the terms of the Option Offer.

The Option Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

Due execution of the Form of Acceptance in respect of the Option Offer will constitute an authority to UBS, the Offeror, any director of the Offeror, the board of directors of the Offeror or their respective agents to complete and execute any document on behalf of the Optionholders and to do any other act, that may be necessary or expedient for the purpose of cancelling, or transferring to the Offeror or such person(s) as the Offeror shall direct, all rights of the Optionholders in respect of the Share Options which are the subject of such acceptance.

The delivery of the Form of Acceptance, duly signed, may, if the Offeror determine it appropriate, be as effective as if it were duly completed and received notwithstanding that it is not completed or received strictly in accordance with the instructions set out in the Form of Acceptance and this letter, including the date specified for receipt.

By accepting the Option Offer in respect of a particular Share Option, you irrevocably and at your own risk elect to authorise the Offeror, the Company, UBS and/or such person(s) as the Offeror shall direct to send to you, or procure the sending to you of, the payment to which you are entitled.

Any acceptance of the Option Offer and the receipt of cash consideration may trigger taxes subject to withholding obligations of the Offeror and/or the Company. Cash consideration under the Option Offer may be paid to you net of such applicable taxes, if any. All Optionholders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Option Offer.

RESPONSIBILITY STATEMENTS

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this letter relating to the Group and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this letter by the Group or the Directors have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statement contained in this letter misleading.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than any information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statements in this letter misleading.

The directors of Parentco jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than any information relating to the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this letter (other than those expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Scheme Document, the omission of which would make any statements in this letter misleading.

Yours truly,

By the Order of the board of directors of
China Power New Energy Limited

Xu Wei

Director