四川能投發展股份有限公司
Sichuan Energy Investment Development Co., Ltd.

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

Stock Code: 1713

Annual Report 2018

CONTENTS

DEFINITIONS

In this annual report, the following expressions shall have the following meanings unless the context requires otherwise:

"Annual General Meeting"	the annual general meeting to be convened by the Company on 19 June 2019, or any adjournment thereof
"Articles of Association" or "Articles"	the articles of association of the Company adopted by the written resolution of the Shareholders on 16 May 2017 and as amended, supplemented and otherwise modified from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board" or "Board of Directors"	the board of directors of the Company
"China" or "PRC"	the People's Republic of China, excluding for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company"	Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司) (stock code: 1713), a company established in the PRC as a joint stock company with limited liability on 29 September 2011
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholders"	has the meaning ascribed thereto in the Listing Rules
"Corporate Governance Code"	code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Shares"	domestic invested ordinary shares in the Company's registered capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and held by PRC nationals or PRC incorporated entities, and are not listed or traded on any stock exchange
"EECS business"	electrical engineering construction service and related business, which includes the construction, installation, testing and maintenance of power facilities and related sales of electric equipment and materials
"Group"	the Company and its subsidiaries
"Listing"	listing of the H Shares of the Company on the Main Board of the Stock Exchange

"Listing Date"	28 December 2018, on which the H Shares of the Company were listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Model Code"	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	the ordinary share(s) of RMB1.00 each in the share capital of the Company, including H Shares, Domestic Shares and Unlisted Foreign Shares
"H Share(s)"	means the ordinary share(s) in issue in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
"Shareholder(s)"	the shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Unlisted Foreign Shares"	ordinary shares issued by the Company that are not listed on any stock exchange, with a nominal value of RMB1.00 each , and held by China Power International Development Limited (a company incorporated in Hong Kong), as defined in the prospectus
"%"	per cent.

CHAIRMAN'S STATEMENT

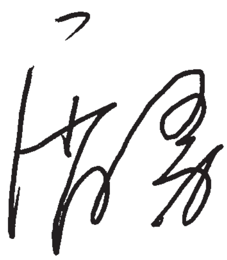
Sichuan Energy Investment Development Co., Ltd. has been successfully listed on the Main Board of the Hong Kong Stock Exchange on 28 December 2018 and hereby ushers in its first annual report. On behalf of all staff of the Company, I would like to take this opportunity to extend my heartfelt gratitude to all the Shareholders, people from different sectors and all the authorities for their all-out support.

The initial public offering of 268.8 million H shares in the Hong Kong international capital market and the total proceeds of approximately HK$476 million raised therefrom have made it the first company of its kind covering power generation, electricity distribution and sales in the mainland of the PRC to enter the Hong Kong capital market. Benefiting from the listing, the Company has enhanced its brand benefit, status in the industry, and market influence, which will propel it to improve corporate governance and optimize internal control in accordance with international standards, laying a sound foundation for high-quality and sustainable development.

In 2018, to implement its annual development strategy and business plan, the Group did in-depth research on the industrial policies, kept reforming and developing, and conducted market analysis. Thus, the level of corporate governance was improved; production and operation performance achieved steady growth; the construction of advanced power grids made breakthroughs; and the performance of enterprise and social benefits were on the rise. Compared with the previous year, the amount of annual power sales increased by 15.73%; the total revenue increased by 9.60%; the net profit attributable to Shareholders of the Company increased by 35.0%; and the earnings per share increased by 31.25%.

Looking ahead, the Company will make the most of listing by leveraging the strength of the international capital market and expand the scale of assets, deepen reform and development, optimize the industrial layout, accelerate the construction of advanced power grids and informatization, and strengthen management capability and service level in 2019. We are committed to building the core competitiveness of the Company and enhancing its brand value.

We firmly believe that with the solid support from all Shareholders, the management team of the Group will be united to deliver high returns on investment for Shareholders and proactively make contributions to the development of the society by virtue of diligent work and deepened reform.



Corporate Information

Chinese Name:
四川能投發展股份有限公司

English Name:
Sichuan Energy Investment Development Co., Ltd.*

Registered Address:
No. 789, Renhe Road,
Wenjiang District, Chengdu City,
Sichuan Province, the PRC

Headquarters/Principal Place of Business:
No. 789, Renhe Road,
Wenjiang District, Chengdu City,
Sichuan Province, the PRC

Place of Business in Hong Kong:
40th Floor, Sunlight Tower,
No. 248 Queen's Road East,
Wanchai, Hong Kong

Company Website: http://www.scntgf.com
Tel: +86 (28) 86299666
Fax: +86 (28) 86299666
E-mail: db@scntgf.com

Stock Profile of the Company

Stock Short Name:
SICHUAN EN INV
Stock Code: 1713

Executive Directors

Mr. Zeng Yong (*Chairman*)
Mr. Li Hui

Non-executive Directors

Ms. Han Chunhong
Ms. Li Yu
Mr. Wang Chengke
Mr. Zhou Yanbin

Independent Non-executive Directors

Mr. Kin Kwong Kwok Gary
Mr. Fan Wei
Ms. He Zhen
Mr. Wang Peng

Supervisors

Mr. Zeng Zhiwei (*Chairman*)
Ms. Fu Ruoxue
Ms. Li Jia
Mr. Hu Changxian
Ms. Chen Yingchun
Mr. Ouyang Yu

Authorized Representatives

Mr. Zeng Yong
Mr. Li Hui

Audit Committee

Mr. Kin Kwong Kwok Gary (*Chairman*)
Ms. Han Chunhong
Mr. Fan Wei

Remuneration Committee

Mr. Wang Peng (*Chairman*)
Mr. Li Hui
Ms. He Zhen

Nomination Committee

Mr. Zeng Yong (*Chairman*)
Ms. He Zhen
Mr. Wang Peng

* *For identification purposes only*

Risk Control Committee

Mr. Fan Wei (*Chairman*)
Ms. Li Yu
Mr. Kin Kwong Kwok Gary

Joint Company Secretaries

Mr. Li Hui
Ms. Wong Wai Ling

H Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

Auditors

KPMG
8th Floor, Prince's Building,
10 Chater Road,
Central, Hong Kong

Legal Advisors

As to Hong Kong law:
Luk & Partners
in Association with
Morgan, Lewis & Bockius
Suites 1902-1909, 19th Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng (Chengdu)
31/F, Aerospace Science and Technology Building,
7 Xinguanghua Street,
Jinjiang District, Chengdu City,
the PRC

Compliance Advisor

China Tonghai Capital Limited
18/F, China Building,
29 Queen's Road, Central,
Hong Kong

Principal Banks

Bank of Shanghai, Chengdu Branch, Qingjianglu Sub-branch
Bank of Communications, Chengdu Branch, Wenjiang Sub-branch
Bank of Chengdu, Changshun Branch

FINANCIAL HIGHLIGHTS

Indicators	As of 31 December 2018 RMB'000	 2017 RMB'000	 2016 RMB'000	 2015 RMB'000	 2014 RMB'000
Revenue	**2,031,095**	1,853,243	1,691,675	1,614,602	1,656,181
Profit before taxation	**198,117**	143,554	136,084	118,636	126,846
Income tax expense	**28,745**	18,664	18,260	13,739	16,957
Profit for the year	**169,372**	124,890	117,824	104,897	109,889
Attributable to:					
Shareholders of the Company	**169,150**	125,311	116,605	98,148	99,660
Non-controlling interests	**222**	-421	1,219	6,749	10,229
Basic earnings per share (RMB)	**0.21**	0.16	0.15	0.13	0.14
Total non-current assets	**3,174,276**	3,160,594	3,050,312	3,120,152	3,113,241
Total current assets	**1,206,916**	766,174	989,850	1,328,600	1,229,495
Total assets	**4,381,192**	3,926,768	4,040,162	4,448,752	4,342,736
Total current liabilities	**909,092**	1,504,436	1,543,774	2,006,639	1,523,924
Total non-current liabilities	**873,461**	305,532	442,753	243,735	653,865
Total liabilities	**1,782,553**	1,809,968	1,986,527	2,250,374	2,177,789
Net assets	**2,598,639**	2,116,800	2,053,635	2,198,378	2,164,947
Including:					
Equity attributable to shareholders of the Company	**2,593,124**	2,111,507	2,050,641	2,070,259	2,033,516
Equity attributable to non-controlling interests	**5,515**	5,293	2,994	128,119	131,431

MANAGEMENT DISCUSSION AND ANALYSIS

I. Industry Overview

The value chain of China's power industry consists of power generation, power transmission and distribution and power sales. Power generation activities convert other types of energy into power, such as hydropower plants using flowing water energy to generate power. The grid transmission and distribution system is the core of power supply, which includes power transmission networks that reach various provinces and cities in China, distribution networks for end-use purposes, as well as step-up and step-down substations. Lastly, power sales activities distribute power directly to end users.

In 2018, the total power consumption in China reached 6.84 trillion kWh, which exhibited a year-on-year growth of 8.5%, representing an increase of 1.9 percentage points compared to the previous year. The year-over-year growth in power consumption exceeded the expected growth rate of 5.5% by three percentage points, exhibiting a rapid growth since 2012. By the end of 2018, the national full-caliber installed capacity of power generation reached 1.9 billion kWh, representing a year-on-year increase of 6.5%. In 2018, the total power consumption recorded by Sichuan province was 245.9 billion kWh, representing year-on-year increase of 11.5%. According to the "Analysis and Forecast Report for National Power Supply and Demand 2018-2019"《2018-2019年度全國電力供需形勢分析預測報告》published by China Electricity Council (中國電力企業協會), in 2019, the nationwide power supply and demand will maintain an overall balance, while power supply will be tight during peak hours in some areas, and the total power consumption of China is expected to grow at a rate of 5.5%.

As the power system reform continues to deepen and the market-oriented transactions continue to expand, there is a tremendous growth potential for the replacement of electric energy and the utilization of clean energy, which, we believe, creates a significant room for our expansion in power sales, incremental additions to the distribution networks, distributed energy, power trading, and integrated energy services.

II. Business Overview

1.1 Overview

We are a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation and electricity distribution and sales. We have a stable user base and a comprehensive network of power supply in Yibin City, which allows us to optimize the balance usage of power resources within our power supply network through efficient allocation of electricity. Our business currently consists of (i) power business, which includes power production, distribution and sales; and (ii) EECS business, which consists of electrical engineering construction service and sales of electric equipment and materials.

In 2018, we realized revenue of RMB2,031.1 million, representing a year-on-year increase of 9.6%. Our profit before taxation was RMB198.1 million, representing a year-on-year increase of 38.0%. In the same year, we achieved net profit of RMB169.4 million, representing a year-on-year increase of 35.6%, and net profit attributable to owners of the parent company of RMB169.2 million, representing a year-on-year increase of 35.0%.

As of the end of 2018, we had an aggregate 35 hydropower plants with a total installed capacity of 138,680 kW. We also had one unit of 220 kV substation with a capacity of 180,000 kVA, 19 units of 110 kV substations with an aggregate capacity of 922,000 kVA, and 59 units of 35 kV substations with an aggregate capacity of 500,850 kVA, all of which were line with 2017.

1.2 Operating Results

The following table sets forth the breakdown of the revenue, cost of sales and profit margin by category of business for the years ended 31 December 2017 and 2018, and the percentage of changes.

Business	2018 Revenue (RMB'000)	2018 Cost of sales (RMB'000)	2018 Gross profit margin	2017 Revenue (RMB'000)	2017 Cost of sales (RMB'000)	2017 Gross profit margin	Percentage of changes (%)/Percentage points: Revenue (%)	Cost of sales (%)	Gross profit margin
Power business	**1,764,136**	**1,430,526**	**18.9%**	1,542,311	1,251,772	18.8%	14.4	14.3	0.1
EECS business[(1)]	**266,959**	**226,659**	**15.1%**	310,932	279,157	10.2%	-14.1	-18.8	4.9
Total	**2,031,095**	**1,657,185**	**18.4%**	1,853,243	1,530,929	17.4%	9.6	8.2	1.0

Note:

(1) Include revenue from the sales of electric equipment and materials of RMB12.0 million for the year ended 31 December 2018.

1.2.1 Power Business

The following table sets forth the breakdown of electricity sales and revenue for our power business in accordance with our customer category for the periods indicated.

Customer	2018 Electricity Sales (MWh)	2018 Revenue (RMB'000)	2017 Electricity Sales (MWh)	2017 Revenue (RMB'000)	Percentage of changes (%)/Percentage points: Electricity Sales	Revenue
Household	**1,096,960**	**601,668**	988,085	549,925	11.0	9.0
General industrial and commercial	**754,553**	**516,579**	645,063	492,845	17.0	4.8
Large industrial	**989,931**	**531,104**	790,872	396,005	25.2	34.0
State Grid	**66,501**	**13,459**	93,068	20,731	-28.6	-35.1
Others	**250,437**	**101,326**	212,050	82,805	18.1	22.4
Total	**3,158,382**	**1,764,136**	2,729,138	1,542,311	15.7	14.4

Most of our revenue for the year ended 31 December 2018 was derived from our power business, including power production, distribution and sales. In 2018, we generated RMB1,764.1 million of revenue from our power business, which accounted for 86.9% of our total revenue.

1.2.2 EECS Business

We also derived revenue from our EECS business, which mainly involves undertaking the engineering construction projects for, and selling electric equipment and materials to, the users and grid companies in our power supply area. In 2018, we generated RMB267.0 million of revenue from our EECS business, which accounted for 13.1% of our total revenue.

1.3 Main Operational Measures

1.3.1 Boost revenue and reduce expenditure to ensure steady growth in our operating results

In 2018, we reported significant year-on-year growth in our total revenue due to the following reasons: First, we made concerted efforts to implement a market competitive strategy of stabilizing our existing business while developing our incremental business in order to ensure the steady growth in the power business and electricity tariff income. In the meantime, we were able to more effectively control the purchase cost of electricity. Second, we implemented strict management of our operating costs. Efforts were made in three particular aspects: (i) strengthen our early-stage operational management and emphasize the concept of budget planning; (ii) enhance in-process control and optimize our expenditure plan; and (iii) attach importance to ex-post analysis and conduct benefit evaluation. Finally, we had effectively reduced our financing costs. We were able to accomplish this by strengthening our working capital and funding analysis and monitoring the availability of capital to meet our operational needs, and by actively exploring additional financing channels.

1.3.2 Implement Scientific Dispatching to Optimize Resource Allocation

Based on the power grid structure and taking into consideration the electricity price as an economic lever, we realized the balance of inter-county load and power supply allocation in case of power shortage, and were able to take advantage of the inter-county power grid interconnection and its scientific dispatching capability.

1.3.3 Strengthen Technological Innovation to Improve the Reliability of Power Supply

In 2018, we have continuously reinforced our basic management, process control and professionalism by strengthening our information construction, technological transformation, new technology application, and power grid equipment management and control. In the past year, the total number of power grid outages on our grid network decreased by approximately 40.0% from 5,963 times in 2017 to 3,580 times in 2018, which indicated that we have made significant strides in ensuring safe, stable and efficient operation of our power grid network.

1.3.4 Solidify the Foundation to Stabilize Safe Power Generation and Distribution

In 2018, we mainly focused on building a hierarchical risk management and control system, which improved our comprehensive ability to generate and distribute power safely. First, we carried out in-depth investigation of possible hidden dangers and strengthened our remediation efforts. By the end of 2018, we had carried out 14 such inspections, investigated 1,542 hidden dangers and rectified all such hidden dangers. Second, we conducted safety supervision of construction in progress in an orderly manner to ensure that all safety measures are effectively implemented. Third, we actively organized safety-themed activities, such as safety trainings and employee skill competitions. In 2018, we had arranged 86 safety trainings for our employees. In addition, certain of our employees participated in employee skills competitions of Sichuan province and achieved excellent results.

III. Financial Review

Analysis of Key Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

Revenue

	Year ended 31 December	
Business	**2018 Revenue (RMB'000)**	2017 Revenue (RMB'000)
Power business	**1,764,136**	1,542,311
EECS business [(1)]	**266,959**	310,932
Total	**2,031,095**	1,853,243

Note:

(1) Includes revenue from the sales of electric equipment and materials of RMB12.0 million for the years ended 31 December 2018.

Revenue increased by 9.6% from RMB1,853.2 million for the year ended 31 December 2017 to RMB2,031.1 million for the year ended 31 December 2018, primarily due to an increase of RMB221.8 million in revenue from our power business as a result of an increase in the amount of electricity sales made to our household, general commercial and industrial and large industrial customers by 417,424 MWh in 2018.

Revenue from Power Business

Revenue generated from power business increased by 14.4% from RMB1,542.3 million for the year ended 31 December 2017 to RMB1,764.1 million for the year ended 31 December 2018. The increase was primarily due to an increase in the number of our household, general commercial and industrial, and large industrial customers by more than 19,958, more than 3,293 and approximately 45, respectively, in 2018 compare to 2017, which resulted in an increase in the amount of electricity sales to our household, general commercial and industrial and large industrial customers by 417,424 MWh in 2018. Revenue generated from power business accounted for 83.2% and 86.9% of our total revenue for the year ended 31 December 2017 and 2018, respectively.

Revenue from EECS Business

Revenue generated from the EECS business decreased by 14.1% from RMB310.9 million for the year ended 31 December 2017 to RMB267.0 million for the year ended 31 December 2018. The decrease was primarily due to a decrease of EECS projects we undertook in 2018, which was affected by market fluctuations and also affected by uncertainty of the tender process.

Cost of Sales

	Year ended 31 December	
	2018	2017
Business	**(RMB'000)**	(RMB'000)
Power business	**1,430,526**	1,251,772
EECS business	**226,659**	279,157
Total	**1,657,185**	1,530,929

Cost of sales increased by 8.2% from RMB1,530.9 million for the year ended 31 December 2017 to RMB1,657.2 million for the year ended 31 December 2018, mainly due to an increase in electricity purchases from third-party suppliers as a result of an increase in the demand and scale for power business in 2018.

Power Business

Cost of sales associated with our power business increased by 14.3% from RMB1,251.8 million for the year ended 31 December 2017 to RMB1,430.5 million for the year ended 31 December 2018. The increase was primarily due to an increase in electricity purchases from third-party suppliers as a result of an increase in the demand and scale for power business in 2018. Cost of sales from power business accounted for 81.8% and 86.3% of our total cost of sales for the year ended 31 December 2017 and 2018, respectively.

EECS Business

Cost of sales associated with the EECS business decreased by 18.8% from RMB279.2 million for the year ended 31 December 2017 to RMB226.7 million for the year ended 31 December 2018. The decrease was primarily due to a decrease of EECS projects we undertook in 2018, which was affected by market fluctuations.

Gross Profit and Gross Profit Margin

	Year ended 31 December			
	2018		2017	
Business	Gross Profit (RMB'000)	Gross Profit Margin %	Gross Profit (RMB'000)	Gross Profit Margin %
Power business	333,610	18.9	290,539	18.8
EECS business	40,300	15.1	31,775	10.2
Total	373,910	18.4	322,314	17.4

As a result of above, our gross profit increased from RMB322.3 million for the year ended 31 December 2017 to RMB373.9 million for the year ended 31 December 2018. Gross profit margin increased from 17.4% for the year ended 31 December 2017 to 18.4% for the year ended 31 December 2018 mainly due to an increase in gross profit margin of our EECS business.

Power Business

The gross profit under power business increased by 14.8% from RMB290.5 million for the year ended 31 December 2017 to RMB333.6 million for the year ended 31 December 2018. The corresponding gross profit margin remained relatively stable at 18.8% and 18.9% for the year ended 31 December 2017 and 2018.

EECS Business

The gross profit of EECS business increased by 26.8% from RMB31.8 million for the year ended 31 December 2017 to RMB40.3 million for the year ended 31 December 2018. The corresponding gross profit margin increased from 10.2% for the year ended 31 December 2017 to 15.1% for the year ended 31 December 2018. The increase was primarily due to the fact that the revenue from large-scale rural power grid construction projects accounted for a smaller portion of the total revenue from our EECS business, which had a lower gross profit margin compared to other construction projects.

Other Income

Other income is generally comprised of (i) government grants, (ii) net gain on disposal of property, plant and equipment due to relocation; (iii) power transmission charge; (iv) interest income; (v) fair value changes of other financial assets; (vi) long-aged payable written-off; (vii) late payment surcharge; and (viii) others. Other income remained relatively stable at RMB52.5 million and RMB52.5 million for the year ended 31 December 2017 and 2018, respectively.

Administrative Expenses

Administrative expenses primarily consist of (i) staff and labor costs; (ii) depreciation and amortization; (iii) taxes; (iv) office and travelling expenses; (v) vehicle costs; (vi) listing expenses; and (vii) others. Administrative expenses stayed relatively stable at RMB179.6 million and RMB181.6 million for the year ended 31 December 2017 and 2018, respectively.

Impairment of Loss on Trade and Other Receivables and Contract Assets

Impairment of loss on trade and other receivables and contract assets increased significantly from RMB1.2 million for the year ended 31 December 2017 to RMB11.4 million for the year ended 31 December 2018. The increase was primarily due to an increase of RMB8.2 million in impairment of loss on trade receivables and contract assets in relation to our power business and EECS business.

Other Expenses

Other expenses primarily consist of (i) impairment losses on property, plant and equipment; (ii) net losses on disposal of property, plant and equipment; and (iii) others. Other expenses decreased significantly from RMB19.8 million for the year ended 31 December 2017 to RMB3.5 million for the year ended 31 December 2018. The decrease was primarily due to (i) a decrease of RMB12.8 million in impairment of loss on property, plant and equipment; and (ii) a decrease of RMB3.2 million in others.

Finance Costs

Finance costs decreased by 13.8% from RMB41.4 million for the year ended 31 December 2017 to RMB35.7 million for the year ended 31 December 2018, primarily due to a decrease of RMB3.8 million in bank loan interests as a result of a decrease in the amount of our bank loans in 2018.

Share of Profit Less Losses of Associates

Share of profit less losses of associates decreased by 63.7% from RMB10.7 million for the year ended 31 December 2017 to RMB3.9 million for the year ended 31 December 2018, primarily due to a decrease of RMB6.1 million in profits from two small loan company associates in 2018 as a result of the adverse loan market conditions.

Income Tax

Income tax expenses were RMB18.7 million and RMB28.7 million for the year ended 31 December 2017 and 2018 at effective tax rates of 13.0% and 14.5%, respectively. The increase in income tax was caused by (i) an increase of RMB4.0 million in current portion of the PRC corporate income tax provision for 2018 as a result of an increase of profit before taxation of our subsidiaries; and (ii) an increase of RMB6.1 million in deferred tax.

Net profit for the Year

As a result of the above, net profit for the year increase from RMB124.9 million for the year ended 31 December 2017 to RMB169.4 million for the year ended 31 December 2018.

Analysis of Key Items of Consolidated Statement of Financial Position

Property, Plant and Equipment

	Year ended 31 December	
	2018	2017
	(RMB'000)	(RMB'000)
Property, Plant and Equipment	**2,630,475**	2,662,964

Property, plant and equipment, which consisted primarily of buildings, machinery, vehicles, office equipment and projects under construction, decreased from RMB2,663.0 million as of 31 December 2017 to RMB2,630.5 million as of 31 December 2018, mainly due to the accumulated depreciation outpacing the original value of newly purchased fixed assets in 2018.

Intangible Assets

Our intangible assets decreased from RMB5.3 million as of 31 December, 2017 to RMB4.4 million as of 31 December 2018, primarily because the original value of the new intangible assets was lower than the accumulated amortization charged.

Inventories

Our inventories consisted primarily of raw materials and spare parts and other, and was RMB32.1 million and RMB56.0 million as of 31 December 2017 and 2018, respectively. The table below sets forth the breakdown of our inventory as of the indicated dates:

	Year ended 31 December	
	2018 (RMB'000)	2017 (RMB'000)
Raw materials	**55,696**	31,956
Spare parts and others	**308**	176
Total	**56,004**	32,132

Our inventories increased from RMB32.1 million as of 31 December 2017 to RMB56.0 million as of 31 December 2018, mainly due to an increase in the amount of raw materials procured for undertaking electrical engineering construction projects. All of the inventories are expected to be recovered within one year.

Our average inventory turnover days (calculated by using the average of opening and closing balance of the inventory for a period divided by the cost of sales of the period and multiplied by the number days in the period) remained relatively stable at 7.8 days for the year ended 31 December 2017 compared to 9.7 days for the year ended 31 December 2018.

Trade and Other Receivables

Our trade and other receivables were RMB325.8 million and RMB331.7 million as of 31 December 2017 and 2018, respectively.

Our average trade and other receivables turnover days (calculated by using the average of opening and closing balance of the trade receivables for a period divided by the revenue of the period and multiplied by the number days in the period) stayed relatively stable at 48.0 days and 49.0 days for the years ended 31 December 2017 and 2018, respectively.

Trade and Other Payables

Our trade and other payables remained relatively stable at RMB644.6 million as of 31 December 2018 compared to RMB591.5 million as of 31 December 2017.

Our average trade and other payables turnover days (calculated by using the average of opening and closing balance of the trade payables for a period divided by the cost of the period and multiplied by the number days in the period) increased from 68.0 days for the year ended 31 December 2017 to 79.0 days for the year ended 31 December 2018 primarily due to more purchases of electricity in 2018 as a result of the growth in power business.

Contract Liabilities

Our contract liabilities increased by 34.3% from RMB133.7 million as of 31 December 2017 to RMB179.5 million as of 31 December 2018, primarily due to an increase in the advances from our power business as a result of the increase in the number of customers using smart power meters, which required electricity top-up as prepayment.

Liquidity and Financial Resources

Our Group manages its capital to ensure that entities in our Group will be able to continue as a going concern while maximizing the return to our shareholders through the optimization of the debt and equity balance. Our Group's overall strategy remains unchanged throughout the year. The capital structure of our Group consists of net debts (which includes borrowings net of cash and cash equivalents) and total equity (comprising paid-in capital/share capital, capital reserve, statutory surplus reserve, retained profits and non-controlling interests). Our Group is not subject to any externally imposed capital requirements.

For the year ended 31 December 2018, the cash and cash equivalents of our Group amounted RMB798.0 million (31 December 2017: RMB395.8 million).

As at the end of 31 December 2018, the total borrowings of our Group amounted RMB764.3 million (31 December 2017: RMB893.2 million), including bank and other borrowings. Some of our borrowings were interest-free. The remaining of our bank and other borrowings bear interest at floating rate while others bear fixed interest rates. For details of our borrowings, please see note 23 to the financial statements. As a result of the decrease in our total borrowings, we improved from a net current liabilities position of RMB738.3 million as of 31 December 2017 to a net current asset position of RMB297.8 million as of 31 December 2018.

At the end of 31 December 2018, the gearing ratio of our Group was 28.9% (31 December 2017: 41.4%). Gearing ratio is calculated based on our total interest-bearing liabilities as of 31 December 2018 divided by total equity as of the same date.

IV. Dividend

The Board proposed to declare a final dividend of RMB0.085 per Share (tax inclusive) for the year ended 31 December 2018 to Shareholders of the Company, whose names appeared on the register of members of the Company on 30 June 2019 (the "Record Date"), with the total amount of dividend amounting to approximately RMB91,320,404.50. Subject to approval of the declaration of dividend by Shareholders of the Company at the Annual General Meeting, the final dividend will be paid on or before 19 July 2019. For more details, please refer to "Dividends and Distribution" of this annual report.

V. Use of Proceeds from the Share Offer

The total proceeds from the global offering of the H Shares ("Global Offering") amounted to approximately HK$476.0 million. Our Group will utilise such proceeds from the Global Offering for the purpose consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 13 December 2018.

The Board is not aware of any material change to the planned use of proceeds from the Share Offer as at the date of this annual report.

VI. Capital Commitments

We have certain capital commitments relating to the construction of our centralized power dispatch control center. We classified a commitment as authorized, but not contracted for if our management has identified the potential capital commitment and has determined that it is more likely than not to make the commitment.

The following table sets forth our capital commitments outstanding for the periods indicated:

	Year ended 31 December	
	2018 (RMB'000)	2017 (RMB'000)
Contracted for	**31,963**	48,772

VII. Major Acquisition and Disposal

For the year ended 31 December 2018, we did not have any major acquisition and disposal of subsidiaries, associates and joint ventures.

VIII. Pledges of Our Group's Assets

No property, plant and equipment was pledged to banks as of 31 December 2018 (31 December 2017: nil).

IX. Foreign Exchange Risk

While our Group carries out its business in the PRC and receives revenue and pays its costs/expenses in RMB, our Group is listed in the Hong Kong Stock Exchange and raised capital of HKD476.0 million that was HKD denominated. Our Group does not currently hedge its exposure to foreign currencies and recognises the profits and losses resulting from currency fluctuations as and when they arise.

X. Contingent Liabilities

As 31 December 2018, our Group did not have any material contingent liabilities (31 December 2017: nil).

XI. Major Investment Plan

We plan to expedite the construction of the 220 kV main grids, including the investment in the construction of the Pingshan County Wangchang 220 kV transformation project, in order to promote the voltage level of the backbone power grids, and improve the power supply support capability, operational efficiency and service level of the provincial Yibin power grid. The funds for this project are mainly from the proceeds of the Global Offering.

XII. Subsequent Events

On 3 February 2019, we made repayment of RMB300.0 million long-term bank loans that were due in 27 March 2020, refinanced by the following loans:

On 18 January 2019, we, as borrower, entered into a liquidity loan agreement with Bank of Shanghai, Chengdu Branch, as lender, pursuant to which we obtained a loan in the aggregated principal amount of RMB100.0 million. According to this agreement, the loan is due on 18 January 2021 and bears an annual interest rate as referenced to the lending benchmark interest rate announced by the People's Bank of China (the "PBOC") which is 4.75%.

On 18 January 2019, we, as borrower, entered into a liquidity loan agreement with Bank of Shanghai, Chengdu Branch, as lender, pursuant to which we obtained a loan in the aggregated principal amount of RMB200.0 million. According to this agreement, the loan is due on 17 January 2020 and bears an annual interest rate as referenced to the lending benchmark interest rate announced by the PBOC which is 4.35%.

XIII. Outlook

Our Company actively advocates strategic leadership. In accordance with the decision bestowed upon it by the shareholders and the Board, our Company considers the Listing as a new starting point and will rely on the international capital markets to advance the formation and construction of the listing platform and our market capitalization management. We will also make full use of the IPO proceeds, expedite the construction of the high-grade power grids, lower the cost of electricity purchases, ensure the improvement of profitability and the realization of operational objectives, earnestly reward our shareholders, and showcase our developmental vitality and positive capital market image.

The focus of our Company's work in 2019 is as follows:

(1) Perfect the internal governance system and strengthen compliance management

Our Company will further strengthen its strategic management capabilities, clarify the boundaries of powers and responsibilities between its headquarters and subsidiaries, make efforts to enhance the efficiency of its decision-making process and operations, control business risks, and continue to boost of its growth and development. In accordance with the Listing Rules, it will strictly review the content of information disclosure and standardize and improve the decision-making process for connected transactions.

(2) Expanding our business and continuously optimize our industrial layout

Our Company will make innovations on operating management and develop diversified operations. It will reinforce the power engineering construction business and the power sales business and create stronger synergy between these two types of businesses. It will participate in market competition at a deeper level. At the same time, our Company will improve communications with governments at all levels, conduct further market exploration and project sourcing, and optimize the industrial layout.

(3) Expedite the construction of high-grade power grids and improve information management

Our Company will focus on the power system reform, actively carry out the construction of 220 kV regional power grids, introduce low-cost and high-quality power, and heighten its profitability. It will dedicate its efforts to step up the informatisation and automation level of the power grids and improve the reliability of grid operation in order to reach enterprise economy of scale.

(4) Strengthen the construction of the staff team and improve the incentive and talent retention mechanism

Our Company will promote the talent team building in a systematic manner. It will establish a correct orientation for talent use, strengthen the professional talent training and retention, improve performance appraisal management, perfect the incentive and talent retention mechanism, and inspire the enthusiasm of the employees.

The Company was listed on the Stock Exchange on 28 December 2018 and issued 268,800,000 H Shares with nominal value of RMB1.00 at a price of HK$1.77 per Share. Subsequent to the initial public offering, the total number of H Shares of the Company was 268,800,000 Shares. As at 31 December 2018, the Company issued a total of 1,074,357,700 Shares, of which 707,518,500 Shares were Domestic Shares, 98,039,200 Shares were Unlisted Foreign Shares, and 268,800,000 shares were H Shares. The total proceeds funded by the Company are approximately HK$476 million. The actual proceeds received by the Company was HK$461 million after deducting the underwriting commissions and other related expenses payable of approximately HK$14.8 million. As at 31 December 2018, the Company has not utilized the proceeds of HK$461 million.

Principal Business

The Group is a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation and power distribution and sales. We have a relatively stable user base and a complete power supply network in Yibin City, which allows us to optimize the balanced use of power resources within the power supply network through efficient allocation of electricity. Its current business consists of (i) power business, which includes power generation and power supply; and (ii) EECS business, which consists of power engineering construction services and sales of electrical equipment and materials.

Dividend Policy

The Company may declare and pay dividends by way of cash or stock or a combination of both. Distribution of dividends will be determined by our Board at its discretion and will be subject to shareholders' approval. A decision to declare or to pay any dividends, and the amount of any dividends, will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under generally accepted accounting principles of the PRC (the "PRC GAAP") or IFRS (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC laws and regulations and other factors that our Directors may consider relevant. In any event, the Company will pay dividends out of the profit after tax only after made the following allocations:

- recovery of accumulated losses, if any;
- allocation to the PRC statutory reserve an amount equivalent to 10% of our profit after tax, as determined under PRC GAAP; and
- allocation, if any, to a discretionary common reserve fund an amount approved by the shareholders in a shareholders' meeting.

The minimum allocation to the PRC statutory reserve is 10% of the profit after tax, as determined under PRC GAAP. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocation to this PRC statutory reserve will be required. Any distributable profits that are not satisfied in any given year will be retained and become available for distribution in subsequent years.

Dividends and Distribution

The Board proposed to declare a final dividend of RMB0.085 per Share (tax inclusive) for the year ended 31 December 2018 to Shareholders of the Company, whose names appeared on the register of members on 30 June 2019, with the total amount of dividend amounting to approximately RMB91,320,404.50. Subject to approval by Shareholders of the Company at the Annual General Meeting, the final dividend will be paid on or before 19 July 2019.

For the distribution of dividends, dividends for holders of Domestic Shares and Unlisted Foreign Shares will be distributed and paid in RMB, while dividends for H Shares will be declared in RMB but paid in HK$. The exchange rate adopted for conversion was the average of the medium conversion price between RMB and HK$ as announced by China Foreign Exchange Trading Center for the calendar week immediately prior to 28 March 2019, being the date of proposed declaration of dividend (i.e. 21 March 2019 to 27 March 2019) (HK$1.0 to RMB0.8539). Accordingly, the amount of the final dividends payable in HK$ will be approximately HK$0.09954 per Share.

Final Dividend Income Tax Applicable to Overseas Shareholders

Under the relevant tax rules and regulations of the PRC (collectively the "PRC Tax Law"), the Company is required to withhold enterprise income tax at the rate of 10% when distributing final dividends to non-resident enterprises (such term shall have the meaning as defined under the PRC Tax Law) whose names appear on the H shares register of members of the Company.

In accordance with the PRC Tax Law, the Company is also required to withhold individual income tax when distributing final dividends to individual shareholders whose names appeared on the H shares register of members of the Company. The Company will determine the country of domicile of the individual H Shareholders based on the registered addresses as recorded in the H shares register of members of the Company on the Record Date with details as follows:

For individual H Shareholders who are Hong Kong and Macau residents and those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them.

For individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them. If such individual H Shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company may make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the tax treaties.

For individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the agreed-upon effective tax rate on behalf of them.

For individual H Shareholders who are residents of those countries without any tax treaties with the PRC or having tax treaties with the PRC stipulating a dividend tax rate of 20% or more and other situations, the Company would withhold and pay the individual income tax at a tax rate of 20% on behalf of them.

Should H Shareholders have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax implications in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

The Company will strictly comply with the laws and the requirements of relevant government departments, and will withhold and pay the enterprise/individual income tax on behalf of its shareholders whose names appear on the H-share register of the Company on the record date. The Company will take no responsibility and will reject any requests from shareholders whose identity cannot be confirmed within the specified time or cannot be confirmed at all or any disputes arising from the arrangement of withholding tax or paying tax. However, the Company may provide assistance to the extent of its ability.

Closure of Register of Members

In order to determine the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 20 May 2019 to Wednesday, 19 June 2019 (both days inclusive), during which period no transfer of Shares will be effected. In order to be qualified to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for H shareholders) for registration by holders of H Shares, or to the Company's registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC (for domestic and unlisted foreign shareholders) for registration by holders of Domestic Shares and Unlisted Foreign Shares no later than 4:30 p.m. on Friday, 17 May 2019.

In order to determine the entitlement of Shareholders for the final dividend, subject to the approval of the Shareholders at the Annual General Meeting, the register of members of the Company will be closed from Tuesday, 25 June 2019 to Sunday, 30 June 2019 (both days inclusive), during which period no transfer of Shares of the Company will be effected. The Company will distribute final dividends to Shareholders which are on the register of members of the Company on 30 June 2019. In order to be qualified to obtain final dividends, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for H shareholders) for registration by holders of H Shares, or to the Company's registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC (for domestic and unlisted foreign shareholders) for registration by holders of Domestic Shares and Unlisted Foreign Shares no later than 4:30 p.m. on Monday, 24 June 2019.

Business Review

The business review and performance of the Group for the year ended 31 December 2018 are set out in the section headed "Management Discussion and Analysis" of this annual report. The discussion forms part of this Directors' Report.

Corporate Governance

The Group's corporate governance principles and practices are set out in the section headed "Corporate Governance Report" of this annual report.

Share Capital

Details of the changes in the share capital of the Group during the year are set out in note 26 to the consolidated financial statements of this annual report.

Reserves

Details of the changes in the Group's reserves during the year are set out in note 26 to the consolidated financial statements of this annual report.

Property, Plant and Equipment

Details of the changes in the Group's property, plant and equipment are set out in note 11 to the consolidated financial statements" of this annual report.

Donation

During the year ended 31 December 2018, the Group's outward donations were RMB203,000.

Directors

During the year ended 31 December 2018 and up to the date of this annual report, the Board is composed of:

Zeng Yong	Chairman, Executive Director
Wang Heng	Deputy Chairman, Executive Director and General Manager (resigned on 15 April 2019)
Li Hui	Executive Director
Han Chunhong	Non-executive Director
Li Yu	Non-executive Director
Wang Chengke	Non-executive Director
Zhou Yanbin	Non-executive Director
Kin Kwong Kwok Gary	Independent Non-executive Director
Fan Wei	Independent Non-executive Director
He Zhen	Independent Non-executive Director
Wang Peng	Independent Non-executive Director

The biographies details of the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" in this annual report. Details of the Directors' remunerations are set out in note 8 to the consolidated financial statements.

Interests of Directors and Supervisors in Transactions, Arrangements or Contracts

During the year ended 31 December 2018, except for the service contracts, there was no transaction, arrangement or contract of significance to the Group's business in which the Group, any of its subsidiaries, fellow subsidiaries or holding companies was a party, and in which none of the Directors, Supervisors or entities connected with them have or had directly or indirectly material interests.

Directors' and Supervisors' Right to Acquire Shares or Debentures

As of 31 December 2018, none of the Group, controlling shareholders of the Group or the companies under the same controlling shareholders with the Group was a party of any arrangement to entitle the Directors and Supervisors of the Group or their associates to acquire benefits by means of the acquisition of shares in or debentures of them.

Director and Supervisor Service Contract

Each of the executive Directors, non-executive Directors and the independent non-executive Directors has entered into a service contract with the Group, which commenced on the Listing Date and is consistent with the term of the third session of the Board of the Group. The service contract may be renewed in accordance with the Articles of Association and applicable laws, rules and regulations.

The Supervisors have entered into contracts with the Group which is consistent with the term of the first session of the Supervisory Committee, in respect of, among other things, the compliance with the relevant laws and regulations, the Articles of Association and the provisions on arbitration.

During the year 2018, none of the Directors or Supervisors has entered into any service contract with the Company which does not expire or is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Remuneration of Directors and Supervisors

Details for remuneration of Directors and Supervisors are set out in Note 8 to the consolidated financial statements in this annual report.

Determination of and Basis for Determination of Remuneration of the Directors, Supervisors and Senior Management

As of 31 December 2018, there were eleven Directors in the Company, including four non-executive Directors who did not receive remuneration from the Company; four independent non-executive Directors who will receive remuneration from the Company since January 2019, for which the remuneration shall be subject to the remuneration standards approved by the general meeting; and three executive Directors, including Mr. Wang Heng and Mr. Li Hui who did not receive separate directors' fees for their office as executive Directors while receiving the corresponding remuneration for their management-level positions in the company.

There were six supervisors in the Company, including two employee Supervisors who received the corresponding remuneration for their posts while not receiving remuneration of Supervisors, and the other four Supervisors who had not received any remuneration from the Company.

Annual remuneration system is applied for the senior management of the Company, where their remuneration consists of three parts, namely basic remuneration, annual performance pay and medium-and-long-term incentives.

Directors', Supervisors' and Senior Management's Interests in Competing Business

During the year ended 31 December 2018, to the best knowledge of the Board, none of the Directors, Supervisors and senior management and their respective associates was interested in any business which competed or was likely to compete with the business of the Group, or caused or was likely to cause any other conflict of interest to the Group.

Directors', Supervisors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2018, according to the information obtained by the Company and to the best knowledge of the Company, none of our Directors, Supervisors or chief executives of the Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO, nor is any of them taken to or deemed to have under Divisions 7 and 8 Part XV of the SFO, any interests and short positions in the shares, underlying shares and debentures of the Group or any of its associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to been registered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in Securities

As at 31 December 2018, within the knowledge of the Directors, the following persons (other than the Directors, Supervisors or chief executive of the Company) had an interest or a short position in the shares or underlying shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Long position in the ordinary Shares of the Company as at 31 December 2018

Name of shareholder	Capacity	Class of Shares	Number of Shares	Percentage of total Shares (%)	Percentage of Shares of the issued same class (%)
Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司) *(Note 2)*	Beneficial owner and interest of controlled corporations	Domestic Shares	419,336,000	39.03	59.27
Sichuan Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司) *(Note 2)*	Interest of controlled corporations	Domestic Shares	394,398,400	36.71	55.74
Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司)	Beneficial owner	Domestic Shares	394,398,400	36.71	55.74
China Power International Development Limited* (中國電力國際發展有限公司)	Beneficial owner	Unlisted Foreign Shares	98,039,200	9.13	100
China Three Gorges Corporation* (中國長江三峽集團有限公司) *(Note 3)*	Interest of controlled corporations	Domestic Shares	98,039,200	9.13	13.86
Three Gorges Capital Holdings Company Limited* (三峽資本控股責任有限公司)	Beneficial owner	Domestic Shares	98,039,200	9.13	13.86
Gao County State-owned Assets Operation and Management Co., Ltd.* (高縣國有資產經營管理有限責任公司)	Beneficial owner	Domestic Shares	92,406,000	8.60	13.06
Yibin City State-owned Assets Operation Co., Ltd.* (宜賓市國有資產經營有限公司)	Beneficial owner	Domestic Shares	65,359,500	6.08	9.24
Beijing Forever Technology Company Limited* (北京恒華偉業科技股份有限公司)	Beneficial owner	H Shares	55,366,000	5.15	20.60
Sichuan Provincial Investment Group Company Limited* (四川省投資集團有限責任公司) *(Note 4)*	Interest of controlled corporations	H Shares	46,326,000	4.31	17.23
SCIG International Limited (川投國際有限公司)	Beneficial owner	H Shares	46,326,000	4.31	17.23
Chariot SPC Fund	Beneficial owner	H Shares	32,058,000	2.98	11.93
Sichuan Furun Enterprise Reorganization Investment Co., Ltd.* (四川富潤企業重組投資有限責任公司)	Beneficial owner	H Shares	31,072,000	2.89	11.56

Notes:

1. As of 31 December 2018, the Company issued 707,518,500 Domestic Shares, 98,039,200 Unlisted Foreign Shares and 268,800,000 H Shares. The total number of issued Shares was 1,074,357,700 shares.
2. As of 31 December 2018, Sichuan Province Hydropower Investment And Management Group Co., Ltd. ("Hydropower Group") held 394,398,400 Domestic Shares of the Company. Hydropower Group, is wholly owned by Sichuan Energy Investment Group Co., Ltd. (the "Energy Investment Group") and Energy Investment Group is in turn held by Sichuan Development (Holding) Co., Ltd. (the "Sichuan Development Co.") as to 67.80%. Therefore, Energy Investment Group was deemed to be interested in 394,398,400 Domestic Shares held of the Company by Hydropower Group as of 31 December 2018 pursuant to Part XV of the SFO; Sichuan Development Co. was also deemed to be interested in the said 394,398,400 Domestic Shares of the Company. In addition, Sichuan Development Co. directly held 24,937,600 Domestic Shares of the Company, and thus Sichuan Development Co. was deemed to hold a total of 419,336,000 Domestic Shares of the Company.
3. As of 31 December 2018, Three Gorges Capital Holdings Company Limited held 98,039,200 Domestic Shares of the Company. Three Gorges Capital Holdings Company Limited is directly wholly-owned by China Three Gorges Corporation. Therefore, according to Part XV of the SFO, China Three Gorges Corporation was deemed to be interested in 98,039,200 Domestic Shares of the Company.
4. As of 31 December 2018, SCIG International Limited held 46,326,000 H Shares of the Company. SCIG International Limited is directly wholly-owned by Sichuan Provincial Investment Group Company Limited. Therefore, pursuant to Part XV of the SFO, Sichuan Provincial Investment Group Company Limited was deemed to be interested in 46,326,000 H Shares of the Company held by SCIG International Limited.

Changes to Information of Directors and Supervisors

With effect from 15 April 2019, Mr. Wang Heng resigned as an executive Director and a member of the remuneration committee of the Company due to his other business commitments. With effect from 15 April 2019, Mr. Li Hui, an executive Director, the general manager, deputy chairman of the Board, and the secretary to the Board, has been appointed as a member of remuneration committee of the Company. Please refer to the announcement of the Company dated 15 April 2019 for more details.

Upon specific enquiry by the Company and following confirmations from the Directors and Supervisors, there had been no other change to any of the information required to be disclosed in relation to any Director and Supervisor pursuant to paragraphs (a) to (e) and (g) of Rule 13.51 (2) of the Listing Rules during the Reporting Period that required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Non-exempt Continuing Connected Transactions

During the year ended 31 December 2018, the Group has the following continuing connected transactions with its controlling shareholders or its subsidiaries which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

(1) Rural Power Grid Assets Management and Maintenance Agreement (2018–2021)

On 23 November 2018, the Company entered into a rural power grid assets management and maintenance agreement with Hydropower Group, pursuant to which the Group agreed to provide management and maintenance service for the Excluded Rural Power Grid Projects in the Seven Counties and Districts to Hydropower Group (the "Rural Power Grid Assets Management and Maintenance Agreement").

The term of the Rural Power Grid Assets Management and Maintenance Agreement is three years from the Listing Date and renewable upon expiry, subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions.

The Rural Power Grid Assets Management and Maintenance Agreement was entered into because the Company is familiar with electricity demand and power grid operation in certain parts of Cuiping District, Xuzhou District, Xingwen County, Pingshan County, Gong County, Gao County, and Junlian County in Yibin City, Sichuan Province (the “Seven Counties and Districts”).

The annual service fees payable by Hydropower Group to the Company pursuant to the provision of management and maintenance services shall be determined based on arms’ length negotiation between the parties by reference to the cost standards stipulated under the Cost Standards of Overhaul, Maintenance, Operation and Management for Power Grid and Generation of Electric Power Companies in Sichuan (Chuan Dian Caiwu [2010] No. 29)* (《四川省電力公司電網及發電檢修運維和運營管理成本標準》(川電財務[2010]29號)), subject to PRC regulations and policies issued by the PRC government from time to time, details of which are set out below:

Type of Assets		**Unit Cost Standard**
Transformer substations (*RMB/MVA*)	35 kV transformer substation	6,452
	110 kV transformer substation	2,875
Power supply lines (*RMB/km*)	35 kV power transformation lines	3,637
	110 kV power transformation lines	4,704
Power distribution networks (*RMB/km*)	10 kV power distribution networks	1,053

It was proposed that the annual caps under the Rural Power Grid Assets Management and Maintenance Agreement for each financial year ended 31 December 2020 would not exceed RMB520,000, RMB11,200,000, and RMB13,300,000, respectively. The annual caps are determined based on (i) the expected total capacity of the transformer substations under operation; and (ii) the expected total length of power supply lines and distribution networks under operation, assuming that the Excluded Rural Power Grid Projects which are currently under construction are completed and put into use for the relevant year according to the expected construction schedule of the Excluded Rural Power Grid Projects. Further, as the majority of the Excluded Rural Power Grid Projects are expected to be completed and put into use after 2018, the annual caps for the year of 2019 and 2020 will increase substantially against that of 2018.

During the year ended 31 December 2018, no actual transaction amount was incurred under the Rural Power Grid Assets Management and Maintenance Agreement because the Company was listed on 28 December 2018.

(2) Rural Power Grid Assets Usage Agreement (2018–2021)

On 23 November 2018, the Company entered into a rural power grid assets usage agreement with Hydropower Group, pursuant to which the Group have the rights to use the Excluded Rural Power Grid Projects. (the "Rural Power Grid Assets Usage Agreement").

The term of the Rural Power Grid Assets Usage Agreement is three years from the Listing Date and renewable upon expiry, subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions.

The Company is the only authorized regional power supplier in the designated statutory area that covers the Seven Counties and Districts and certain of the surrounding areas where the Excluded Rural Power Grid Projects, a policy-directed projects for the benefits of people (惠民工程), are located. And the Company currently uses the Excluded Rural Power Grid Projects from time to time after certain part of the Excluded Rural Power Grid Projects are completed and connected to our power grid. Therefore, Hydropower Group authorized us to use the Excluded Rural Power Grid Projects.

The annual usage fees payable by the Company to Hydropower Group shall be the volume of our electricity passing through the Excluded Rural Power Grid Projects multiplied by the unit usage price, being RMB0.0853/ kWh, as recommended in the power grid report prepared by Sichuan Electric Power Design & Consulting Co., Ltd.* (四川電力設計諮詢有限責任公司) as commissioned by the Company detailing the information of the Excluded Rural Power Grid Projects.

The formula for calculation of the per kWh usage price is set out below:

RMB0.4453/kWh x 19.15% = RMB0.0853/kWh

RMB0.4453/kWh refers to the price standards of electricity transmission and distribution in Sichuan Province under the Notice on the Price of Electricity Transmission and Distribution of Sichuan Grid for the Years from 2017 to 2019 and the Relevant Matters (Chuan Fagai Jiage [2017] No. 378)* (關於四川電網2017-2019年輸配電價及有關事項的通知(川發改價格[2017]378號)), with reference to the average unit cost of power supply of electricity companies in Sichuan Province, considering the factors including depreciation costs and the operation costs, plus certain profit margin.

19.15% refers to the estimated per kWh depreciation rate of the Excluded Rural Power Grid Projects arrived at with our depreciation costs divided by our total costs for power supply.

The per kWh usage price is subject to PRC regulations and policies issued by the government from time to time.

It was proposed that the annual caps under the Rural Power Grid Assets Management and Maintenance Agreement for each financial year ended 31 December 2020 would not exceed RMB570,000, RMB13,300,000, and RMB17,000,000, respectively. The annual caps are determined based on the expected electricity volume passing through the Excluded Rural Power Grid Projects assuming that the relevant parts of the Excluded Rural Power Grid Projects which are currently under construction are completed and put into use for the relevant year according to the expected construction schedule of the Excluded Rural Power Grid Projects, and the increase in annual caps is also in line with the increase in proposed investment in the construction of the Excluded Rural Power Grid Projects for the three years ending 31 December 2020. Further, as the majority of the Excluded Rural Power Grid Projects are expected to be completed and put into use after 2018, the annual caps for the year of 2019 and 2020 will increase substantially against that of 2018.

During the year ended 31 December 2018, no actual transaction amount was incurred under the Rural Power Grid Assets Usage Agreement because the Company was listed on 28 December 2018.

(3) Master Products Purchase Agreement (2018–2021)

On 23 November 2018, the Company entered into a master products purchase agreement with Sichuan Energy Investment Material Industry Group Co., Ltd.* (四川能投物資產業集團有限公司) ("Material Industry"), pursuant to which the Company agreed to purchase electric related equipment and materials from Material Industry or its subsidiaries (the "Master Products Purchase Agreement").

The term of the Master Products Purchase Agreement is three years from the Listing Date and renewable upon expiry, subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions.

In order to ensure timely delivery and quality of electric related equipment and materials sourced from external suppliers, the Group will continue to procure from reliable suppliers. As Material Industry has so far been a reliable supplier of the Group, and is familiar with the Group's standards and requirements, the Group expect to continue such transactions with them after the Listing.

The price of the electric related equipment and materials will be determined on arm's length negotiations and with reference to the public bidding prices of the relevant products, which should be in any event no less favorable to our Group than those provided by Independent Third Parties.

It was proposed that the annual caps under the Master Products Purchase Agreement for each financial year ended 31 December 2020 would not exceed RMB900,000, RMB9,000,000, and RMB9,000,000, respectively. The annual caps are determined based on the average historical annual transaction amount during the Track Record Period. In respect of the annual cap for the year ending 31 December 2018, it is estimated on a pro-rata monthly basis of the annual caps for the years ending 31 December 2019 and 2020.

During the year ended 31 December 2018, no actual transaction amount was incurred under the Master Products Purchase Agreement because the Company was listed on 28 December 2018.

Auditors' Opinion

The auditor has been appointed by the Group to issue a report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements No.3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (Revised) and with reference to the Practice Note No.740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors has reviewed the transactions in accordance with Rule 14A.56 of the Listing Rules and confirmed to the Board that nothing has come to their attention that causes them to believe that: (i) such transactions were not approved by the Board; (ii) if the transactions involve the provision of goods or services by the Group, they were not in all material respects in accordance with the Group's pricing policy; and (iii) they were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and they have exceeded annual cap.

Review by the Independent Non-Executive Directors

The independent non-executive Directors have reviewed the above-mentioned continuing connected transactions during the year and confirmed that such transactions were:

(1) A part of daily business of the Group;

(2) Carried out in normal commercial terms and no less favorable than those available or provided by an independent third party; and

(3) Conducted in accordance with the terms of relevant agreements, which were fair and reasonable and in the interests of the shareholders of the Group as a whole.

Purchase, Sale or Redemption of Listed Securities of the Company

The Group and any of its subsidiaries have not purchased, sold or redeemed any of the listed securities of the Company from the Listing Date to 31 December 2018.

Major Customers and Suppliers

During the year ended 31 December 2018, the total purchasing amount by the Group from five largest suppliers accounted for 75.28% of the total purchasing amount as of the year ended 31 December 2018, of which the purchasing amount from the largest supplier accounted for 38.67% of the total purchasing amount as of the year ended 31 December 2018.

During the year ended 31 December 2018, the total sales amount by the Group from five largest customers accounted for 15.67% of the total sales as of the year ended 31 December 2018, of which the sales amount from the largest customer accounted for 3.82% of the total sales as of the year ended 31 December 2018.

During the year ended 31 December 2018, to the knowledge of the Directors, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors own more than 5.0% of the Company's issued share capital) had an interest in any of the Company's top five customers or suppliers.

Employees

As at 31 December 2018, the Company had a total of 3,066 full-time employees.

Pre-emptive Right and Share Option Arrangements

During 2018, the Company had no pre-emptive right and share option arrangements. There is no specific provisions under the PRC laws or the Articles of Association in relation to pre-emptive right.

Environmental policies and performance

The Group complied with all Chinese environmental laws and regulations, including the Environmental Protection Law, the Environmental Impact Assessment Law and the Water Pollution Prevention and Control Law of the PRC. The Company, in accordance with laws and regulations, guaranteed the investment of funds in environmental protection and complied with regulatory and industry standards of central and local government departments and industry associations. The main environmental risks arose during production include: (1) the wastes that were drifted from the upstream of the hydropower station; (2) a few amount of oily wastes generated during equipment maintenance. These two substances are not hazardous wastes, but we collected, stored and disposed them as hazardous wastes. We signed an agreement with qualified entities to transport these wastes to landfills or handling areas designated by relevant government departments for standardized processing. During the reporting period, the Company's production was safe and environmental-friendly with no violations of regulations.

Public Float

As at the date of this annual report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, which the public Shareholders held not less than 25% of the issued share capital of the Company as required by the Listing Rules.

Compliance with Non-competition Agreement

The Controlling Shareholders signed a non-competition agreement in favour of the Company on 7 December 2017 (the "Non-competition Agreement"). Pursuant to Non-competition Agreement each of the Controlling Shareholders has irrevocably undertaken to the Group that each of them would not, and would procure each of its respective associates (except any member of our Group) would not, directly or indirectly, carry on, participate or be interested or engaged in or any business which is or may be in competition with the business of any member of our Group from time to time.

Hydropower Group, the direct controlling shareholder of the Group, agreed to grant the Group irrevocable options to acquire any and all of the excluded rural power grid projects in Seven Counties and Districts, which constitute part of the rural power grid construction project phase III and are controlled by Hydropower Group (the "Excluded Rural Power Grid Projects") and the power generation and power supply businesses of Hydropower Group in Sichuan Province (except our power supply service area) (the "Other Power Business").

Hydropower Group has agreed to grant the Group irrevocable right of first refusal. If Hydropower Group intends to transfer its interests in Excluded Rural Power Grid Projects and Other Power Businesses to any third party, the Group has the right of first refusal to acquire the excluded rural power grid projects and Other Power Business at the considerations proposed by third-party valuers in accordance with applicable laws and regulations at the time.

If each of our Controlling Shareholders and its associates have any business which is or may be in competition with the business of any member of the Group from time to time (the "Restricted Business"), it will notify the Group immediately and assist the Group and the subsidiaries of the Group to obtain the business opportunities on the same terms or on more favorable terms.

For details, please refer to the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

For the year ended 31 December 2018, the Group did not exercise the options, right of first refusal or the options for new business opportunities granted by the controlling shareholder(s). After considering the business scale and prospect, financial conditions and other related factors of the Group, and the current conditions of the Excluded Rural Power Grid Projects and the Other Power Business, the independent non-executive Directors decided not to exercise the options. Moreover, to the best knowledge of our Controlling Shareholders, no business opportunity of Restricted Business was offered to them and they had no intension to transfer its interest in the Excluded Rural Power Grid Projects and Other Power Business to any third party from the Listing Date to 31 December 2018. The independent non-executive Directors have reviewed the information provided by the Company and the controlling shareholders regarding compliance with the Non-competition Agreement and determined that the controlling shareholder had fully complied with the Non-competition Agreement during the year of 2018.

Risks

(1) Business Risk

Industry Policy Risk

The Company's principal business is the public power supply business for public welfare, and its major business activities are regulated by government authorities. If there are relatively material changes in terms of industrial policies such as energy landscape and price formation mechanism in China, it will affect the Company's existing profit model and have an impact on the Company's operating efficiency in a certain period of time.

Internationalized Operation Risk

Internationalized operations face traditional risks such as legal and regulatory risks, political risks, non-traditional public threats, and exchange rate risks in the countries where the operations are conducted. As a traditional power supplier, the Company will grasp the multiple opportunities brought about by China's power system reform and the strategic deployment of the "One Belt and One Road Initiative", and achieve internationalized operation by strengthening market operations, business management, and project performance.

(2) Competition Risk

China's power system reform is driven in accordance with the principle that "management of the middle, let go of the two ends" (management of the "middle" refers to the power grid of transmission and distribution, which is a natural monopoly and needs to strengthen supervision, while "let go of the two ends" refers to the power generation and power sales, and power generating plant and users who are eligible for marketization can enter into market-based transactions). The Company's market-based sales of electricity will face competition; it also be provided with a larger market space in the areas of electricity sales, incremental power grid of distribution, distributed energy resource, power trading and integrated energy services.

(3) Merger and Acquisition Risk

The Company intends to acquire assets of hydropower stations and other companies to reduce cost and expand our business coverage. As our merger and acquisition targets are subject to various factors and face fierce competition, we may encounter difficulty in acquiring on commercially reasonable terms. We would not able to reduce cost and expand our business coverage if the merger and acquisition fails. In addition, even if the merger and acquisition succeeds, we may be exposed to risk of failure to reduce cost and expand business coverage as expected due to poor performance upon the integration.

Material Legal Proceedings

On 11 January 2018, Gong Qinglin Mining Co., Ltd. (珙縣慶林礦業有限公司) ("Qinglin Mining") filed with Yibin Intermediate People's Court against Hydropower Group, the Company and one of its subsidiaries, Sichuan Energy Investment Gong County Electricity Co., Ltd. (四川能投珙縣電力有限公司). For more details about the aforementioned legal proceeding, please see the section headed "Business – Legal and Regulatory Compliance – Legal Proceedings" in the prospectus published by the Company on 13 December 2018. Qinglin Mining submitted the *nolle prosequi* application to the Yibin Intermediate People's Court on 17 January 2019. The Yibin Intermediate People's Court made an order approving the *nolle prosequi* application from Qinglin Mining on 20 January 2019. Saved as above, during the year ended 31 December 2018, the Company had not been involved in any material legal proceedings nor arbitration, and the Directors are not aware of any legal proceedings or claims of material importance pending or threatened against the Company at the end of the year of 2018.

Permitted Indemnity

Subject to the Articles of Association of the Group, each director of the Group shall be entitled to receive compensation from the Group for any losses that may be suffered or incurred. The Group has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Group as a result of the performance of his/her duties or in other aspects in connection with it.

Auditor

KPMG, Certified Public Accountants ("KPMG") has been appointed as the auditor of the Company for the year ended 31 December 2018. The Company's consolidated financial statements for the year ended 31 December 2018 have been audited by KPMG. A resolution to re-appoint KPMG as the auditor of the Company for the year of 2019 will be proposed at the AGM.

On behalf of the Board

Zeng Yong
Chairman

Chengdu, 28 March 2019

REPORT OF THE SUPERVISORY COMMITTEE

Basic Composition of the Supervisory Committee

As of 31 December 2018, the Supervisory Committee of the Company consisted of six members, including Mr. Zeng Zhiwei, Ms. Chen Yingchun, Mr. Ouyang Yu, Ms. Li Jia, Mr. Hu Changxian and Ms. Fu Ruoxue, of which Mr. Zeng Zhiwei was the Chairman of the Supervisory Committee. The term of office of the supervisor is 3 years.

Overall Responsibility of the Supervisory Committee

The Supervisory Committee is the Company's supervisory body. It strictly performs its duties in accordance with the Company Law, the Articles of Association and Listing Rules, and is responsible for the Company's shareholders general meeting. It supervises the Company's finance, the Board of Directors and its members, and general managers and other senior management personnel, preventing their abuse of power and safeguarding the interests of Shareholders.

Meetings of the Supervisory Committee

In 2018, the Company's Supervisory Committee held three meetings of the Supervisory Committee, and reviewed 7 proposals and the relevant reports. All supervisors attended the meetings in person or entrusted other supervisors to attend, and there was no unexcused absence. For more details, please refer to "Corporate Governance Report" of this annual report.

The Supervisory Committee's Basic Evaluation on the Operations Conducted by the Board of Directors and the Senior Management

During the year ended 31 December 2018, through supervising the Company's Directors and senior management, the Supervisory Committee believed that the Company's major business decision-making procedures were legal and effective; when performing their duties, the Company's Directors and senior management earnestly implemented the laws and regulations of the PRC, the Articles of Association and the resolutions of Shareholders' general meeting and the Board, and there were no behavior that harmed the interests of the Company or Shareholders. No non-compliance committed by the Board or senior management was found during operations.

Independent Opinion of the Supervisory Committee on the Operation of the Company

1. Independent Opinion on the Company's Legal Operation

The Company's Supervisory Committee supervised the Company's operation according to law, and believed that the decision-making procedures of the shareholders' general meeting and the Board of Directors of the Company were legal. The Company's Board of Directors and management team effectively executed each of the resolutions passed by the shareholders' general meeting, which was in compliance with the relevant provisions of laws, regulations and the Articles of Association.

2. Independent Opinion on the Company's Financial Position

The Supervisory Committee supervised the Company's finances and believed that the Company's financial system was sound and its financial operations were in good condition. The Company strictly met the requirements of the accounting system and accounting standards for business enterprises and other relevant financial regulations.

3. Independent Opinion on the Company's Connected Transactions

The Supervisory Committee believed that the Company's connected transactions were strictly entered into in accordance with the relevant rules and agreements of connected transaction, and were in line with the principles of fairness and reasonableness, without prejudice to the interests of the Company and its Shareholders.

4. Independent Opinion on the Company's Performance of Social Responsibility

The Company made due contributions to economic development and environmental protection, earnestly fulfilled its due social responsibilities and safeguarded the interests of Shareholders, customers and employees.

Work Plan

In 2019, the Supervisory Committee will strictly comply with the relevant provisions of the Company Law, the PRC Securities Law, the Listing Rules and the Articles of Association, continue to strengthen the implementation of supervisory functions in accordance with the requirements of the modern enterprise system, focusing on overseeing material business decisions, material asset acquisitions, foreign investment, management and utilization of the raised funds, and information disclosure, and supervise and urge the implementation of the resolutions of the shareholders' general meeting and the Board of Directors to better safeguard the interests of Shareholders.

On behalf of Supervisory Committee

Zeng Zhiwei
Chairman

Sichuan, China
28 March 2019

CORPORATE GOVERNANCE REPORT

1. Corporate governance structure

The Company conducts standard operation by strictly following applicable laws and regulations and regulatory documents such as the Company Law, the PRC Securities Law and the Listing Rules as well as the Articles of Association. The company has established an internal governance structure comprising the shareholders' general meeting, the Board and its special committees, the Supervisory Committee and senior management and taken step-by-step measures to improve its system, specify the management mechanism and workflow. The Board and the senior management always follow good governance principles to manage the Company's business effectively, treat all Shareholders fairly and strive for the long-term, stable and growing return for all Shareholders. During the year ended 31 December 2018, the internal governance structure remained independent and efficient operation and performed their responsibilities and obligations effectively.

2. Compliance with the Corporate Governance Code

As a company listed on the main board of the Stock Exchange, the Company has adopted the Corporate Governance Code as its own code for corporate governance. During the period from the Listing Date to 31 December 2018, the Company has complied with all the Corporate Governance Code provisions applicable.

3. Compliance with the provisions of the Model Code by directors and supervisors

The Company formulated and implemented an internal rule that is not below the standard of Model Code and adopted the rule as the code of conduct for the Company's directors and supervisors. No shares were held by directors and supervisors and there were no violations of regulations since the Listing Date to 31 December 2018.

4. Shareholders

4.1 Shareholders' rights

As stipulated in the Articles of Association, the procedures for Shareholders to convene the extraordinary general meeting, send enquiries and make proposals at the shareholders' general meeting are as follows:

a) Convene extraordinary general meeting

Two or more shareholders who jointly hold 10% (inclusive) or more of the shares carrying the right to vote at the proposed meeting can request the Board to convene an extraordinary general meeting or class meeting by signing one or several copies of written request(s) in the same form and content, and stating the proposals. The Board shall convene the extraordinary general meeting or class meeting as specified in the request as soon as possible.

b) Inspect documents of the Company

Shareholders, upon payment of reasonable expenses, are entitled to inspect the relevant documents of the Company and the Company shall make the documents available at the Company's domicile and place of business in Hong Kong for inspection by the public and Shareholders.

c) Make proposals to the shareholders' general meeting

(1) Shareholders individually or jointly holding over 3% of shares of the Company are entitled to put forward extraordinary proposals to the Company and submit them in writing 10 days before the convening of the general meeting.

(2) When the Company convenes a general meeting, a written notice of the meeting shall be given 45 days before the date of the meeting to notify all of the shareholders whose names appear in the share register of the matters to be considered and the date and place of the meeting. A shareholder who intends to attend the general meeting shall deliver to the Company his/her written reply concerning his/her attendance at such meeting 20 days before the date of the meeting.

4.2 Shareholders' general meeting

During the year ended 31 December 2018, the Company convened 4 general meetings as follows:

Meeting name	Time	Convening Method	Number of shareholders or their proxies in attendance	Shares represented	Proportion
First extraordinary general meeting in 2018	27 March 2018	Site	8	805,557,700	100%
2017 annual general meeting	11 May 2018	Site	8	805,557,700	100%
Second extraordinary general meeting in 2018	20 August 2018	Site	8	805,557,700	100%
Third extraordinary general meeting in 2018	30 October 2018	Site	8	805,557,700	100%

Relevant legal procedures were performed at the above general meetings to ensure shareholders' attendance and enforcement of right.

5. The Board

5.1 Composition of the Board

During the year ended 31 December 2018 and up to the date of this annual report, the Board is composed of:

Zeng Yong	Chairman, Executive Director
Wang Heng	Deputy Chairman, Executive Director and General Manager (resigned on 15 April 2019)
Li Hui	Executive Director
Han Chunhong	Non-executive Director
Li Yu	Non-executive Director
Wang Chengke	Non-executive Director
Zhou Yanbin	Non-executive Director
Kin Kwong Kwok Gary	Independent Non-executive Director
Fan Wei	Independent Non-executive Director
He Zhen	Independent Non-executive Director
Wang Peng	Independent Non-executive Director

There is no financial, business, family or other material relationship (s) among the Directors of the Company. The Company has independent non-executive Directors representing over one-third of the Board, one of whom is an accounting and financial management professional with a proper qualification, which met the requirements of Rule 3.10 and Rule 3.10A of the Listing Rules.

Under the Articles of Association, the term of office of each Director is three years, which is renewable upon re-election. Each independent non-executive director may not serve six consecutive years to guarantee its independence. The Company had received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each independent non-executive Director and the Company confirmed that all independent non-executive Directors are independent.

5.2 Board meetings

The Company convened nine (9) Board meetings to consider and approve 50 proposals.

Details about the attendance of each Director during the year ended 31 December 2018 are set out in the following table:

	Attendance of board meeting			Attendance of general meeting		
Director	**Required attendance**	**Actual attendance**	**Attendance rate**	**Required attendance**	**Actual attendance**	**Attendance rate**
Zeng Yong	9	9	100%	4	4	100%
Wang Heng *(note 1)*	9	9	100%	4	1	25%
Li Hui *(note 2)*	4	4	100%	1	1	100%
Han Chunhong *(note 3)*	6	6	100%	3	0	0%
Li Yu	9	9	100%	4	4	100%
Wang Chengke	9	9	100%	4	4	100%
Zhou Yanbin *(note 4)*	9	9	100%	4	1	25%
Kin Kwong Kwok Gary *(note 5)*	0	0	N/A	0	0	N/A
Fan Wei *(note 5)*	0	0	N/A	0	0	N/A
He Zhen *(note 5)*	0	0	N/A	0	0	N/A
Wang Peng *(note 5)*	0	0	N/A	0	0	N/A

Notes:

1. Due to other engagement, Mr. Wang Heng failed to attend the first (extraordinary) general meeting for 2018 convened on 27 March 2018, the 2017 annual general meeting convened on 11 May 2018 and the third (extraordinary) general meeting for 2018 convened on 30 October 2018.
2. Mr. Li Hui was appointed as a Director on 20 August 2018.
3. Ms. Han Chunhong was appointed as a Director on 27 March 2018. Due to her other engagements, Ms. Han could not attend the 2017 shareholders' general meeting convened on 11 May 2018, the second (extraordinary) general meeting for 2018 convened on 20 August 2018 and the third (extraordinary) general meeting for 2018 convened on 30 October 2018.
4. Due to his other engagements, Mr. Zhou Yanbin could not to attend the first (extraordinary) general meeting for 2018 convened on 27 March 2018, the 2017 shareholders' general meeting convened on 11 May 2018 and the third (extraordinary) general meeting for 2018 convened on 30 October 2018.
5. The appointments of Mr. Kin Kwong Kwok Gary, Mr. Fan Wei, Ms. He Zhen and Mr. Wang Peng as an independent non-executive Director were effective on 28 December 2018. The Company did not convene the Board meetings or general meetings during the period from the Listing Date to 31 December 2018.

5.3 Directors' continuing professional training

The Company regularly arranges seminars and training for Directors and from time to time provides Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements. All Directors are encouraged to attend relevant training courses and the Company have maintained the Director's training records during the year ended 31 December 2018. During the year ended 31 December 2018, all Directors, namely Mr. Zeng Yong, Mr. Wang Heng, Mr. Li Hui, Ms. Han Chunhong, Ms. Li Yu, Mr. Wang Chengke and Mr. Zhou Yanbin, Mr. Kin Kwong Kwok Gary, Mr. Fan Wei, Ms. He Zhen and Mr. Wang Peng had attended trainings and seminars in relation to duties of directors and roles and functions of Board, corporate governance – director and company secretary's roles, risk management and internal control, and environmental, social and governance reports.

5.4 Directors and senior management's remuneration

Details for remuneration of Directors are set out in Note 8 to the consolidated financial statements in this annual report.

Annual remuneration system is applied for the senior management of the Company. During the year ended 31 December 2018, 6 senior management team members of the Company were granted remunerations totaling RMB3.04 million (before tax).

The following table sets out the remuneration paid to senior management of the Company categorized by range during the year ended 31 December 2018 in this annual report:

Remuneration range (RMB'000)	**Number of individuals**
0-500	2
500-1,000	4

5.5 The Board and senior management

The Company's chairman and general manager are served by different persons. The Board and senior management perform their respective functions and responsibilities with strict division of functions and powers and comply with the stipulations in the Articles of Association, Rules of Procedures for the Meetings of the Board of Directors (《董事會議事規則》), Rules for Work of General Manager (《總經理工作細則》) and relevant laws and regulations.

1) The Board

The Board exercises the following functions and powers:

(1) to convene general meetings, to propose at a general meetings to pass the relevant matters and to report its work to the general meeting;

(2) to implement the resolutions passed at the general meeting;

(3) to decide the Company's operation and investment plans;

(4) to formulate the Company's proposed annual preliminary and final financial budgets;

(5) to formulate the Company's profit distribution plan and plan for recovery of losses;

(6) to formulate proposals for increases or reductions of the Company's registered capital and issue of corporate debentures or other securities and listing;

(7) to draw up plans for the material asset acquisition or disposal, repurchase of shares of the Company or merger, division, dissolution and alternation of corporate form of the Company;

(8) to decide on the establishment of the Company's internal management structure;

(9) to appoint or remove the Company's general manager and secretary to the Board, to appoint or remove other senior management staff based on nomination from the general manager, and to determine the matters relating to the remuneration, incentives and punishments of the senior management staff;

(10) to decide on the proposals for salaries, benefits, and incentives and punishments of the Company's staff;

(11) to approve the appointment or replacement of executive directors, directors (candidates), supervisors (candidates), and chairman of the Supervisory Committee (candidates) of the Company's wholly-owned subsidiaries, controlling subsidiaries and joint-stock subsidiaries;

(12) to draw up the Company's basic management system;

(13) to draw up proposals for amendments to the Articles of Association;

(14) to determine the establishment of the Company's domestic or overseas branches;

(15) to decide on the matters such as merger, division, reorganization or dissolution of the Company's wholly-owned subsidiaries and associated subsidiaries;

(16) to decide on the establishment of special committees under the Board and to appoint or remove its person-in-charge;

(17) to propose at general meetings a resolution in respect of candidates for independent non-executive directors and replacement of independent non-executive directors;

(18) to propose at general meetings for the appointment, renewal or removal of accountant's firm conducting auditing for the Company;

(19) to hear the work report and inspect the work of the general manager;

(20) to manage information disclosure of the Company;

(21) to formulate the equity incentives plan;

(22) to exercise decision-making powers on issues in respect of external investment (including increase in investment and equity transfer), financing, venture capital, entrusted wealth management, provision of external guarantees, save and except for those decisions to be made by the general meeting pursuant to the law, regulations and the Articles of Association;

(23) to formulate and review the corporate governance policy and practices of the Company;

(24) to review and supervise the training and continuing professional development of directors, supervisors and senior management staff;

(25) to review and supervise the policies and practices of the Company in compliance with legal and regulatory requirements;

(26) to formulate, review and supervise the code of conduct and compliance manual (if any) applicable to employees and directors;

(27) to review the Company's compliance with the Code on Corporate Governance Practices as set out in the Listing Rules of the Main Board and the disclosure in the Corporate Governance Report;

(28) to decide on other major affairs of the Company, save for matters to be resolved at shareholder's general meetings as required by the Company Law and the Articles of Association;

(29) to exercise other powers conferred by the Articles of Association or shareholders' general meetings;

(30) other matters as required by the PRC laws and regulations.

The Board currently sets up four committees, namely, audit committee, remuneration committee, nomination committee, and risk control committee. All committees have drawn up rules of procedures and are responsible to the Board and provide advisory opinions for Board's decision-making under the unified leadership of the Board.

During the year ended 31 December 2018, to make the Board's decision-making more scientific and promote its standard and efficient operation, the Board expanded channels of information communication and launched special surveys while strengthening communication with the senior management and closely paying an attention to material matters.

2) Senior Management

The Company has 1 general manager, who is responsible to and report to the Board, 4 vice general managers, 1 chief financial officer (chief accountant) to assist the work of the general manager.

The general manager shall exercise the following functions and powers:

(1) to be in charge of the production, operation and management of the Company and to report to the Board, and report to chairman when the Board meeting is not in session;

(2) to organize the implementation of the resolutions of the Board, the annual business plans and investment plans of the Company;

(3) to draft the plan of the Company's annual finance budgets and final accounts, and propose to the Board;

(4) to draft the basic management system of the Company and the plan for the establishment of the Company's internal management organization;

(5) to formulate the specific rules and regulations of the Company;

(6) to request the Board to employ or dismiss other senior management staff;

(7) to decide on the employment or dismissal of management personnel other than those to be employed or dismissed by the Board;

(8) to propose to convene extraordinary board meetings in case of emergency;

(9) to decide matters of the Company such as investment, financing, contracts and transactions to the extent of powers delegated by the Board;

(10) other functions and powers delegated by the Articles of Associations and the Board.

5.6 Committees of the Board

The Company's committees were established on 28 December 2018.

5.6.1 Audit committee

The audit committee is responsible for supervising the Company's internal control, risk management and financial information disclosure and financial reporting.

As at 31 December 2018, the audit committee comprises two independent non-executive Directors, Kin Kwong Kwok Gary and Fan Wei, and a non-executive Director, Han Chunhong, with Kin Kwong Kwok Gary serving as the chairman. No meeting was convened by the audit committee from the Listing Date to the end of the year ended 31 December 2018, as the company was listed on Stock Exchange on 28 December 2018. Up to the date of this annual report, the audit committee held a meeting on 21 January 2019 to review the appointment of the external auditor for 2018 and convened a meeting on 28 March 2019 to review the Group's audited annual results for the year ended 31 December 2018, and the internal control and risk management system of the Group.

5.6.2 Remuneration committee

The remuneration committee is responsible for proposing to the Board on the remuneration policy and structure for all directors and senior management of the Company and the arrangement of employee benefits.

As at 31 December 2018, the remuneration committee includes two independent non-executive Directors, Wang Peng and He Zhen, an executive Director, Wang Heng, with Wang Peng serving as the chairman. No meeting was convened by the remuneration committee from the Listing Date to the end of the year ended 31 December 2018, as the company was listed on Stock Exchange on 28 December 2018. The remuneration committee held a meeting on 28 March 2019 to review and make recommendations to the Board about the remuneration of the Directors and senior management and other related matters.

5.6.3 Nomination committee

The nomination committee is responsible for proposing to the Board on appointment or dismissal of directors and senior management.

As at 31 December 2018, members of the nomination committee include an executive Director, Zeng Yong, two independent non-executive Directors, He Zhen and Wang Peng, with Zeng Yong serving as the chairman. No meeting was convened by the nomination committee from the Listing Date to the end of the year ended 31 December 2018, as the company was listed on Stock Exchange on 28 December 2018.

Nomination policy

All matters relating to nomination shall be deliberated by the Nomination Committee prior to its submission to the Board of Directors for deliberation. The Nomination Committee shall determine, by a resolution, the appointment criteria, selection procedure and term of office of the Company's Directors and senior management members pursuant to relevant applicable laws and regulations, the Articles of Association and based on the actual situations of the Company. The resolution should be filed for record and submitted to the Board for approval.

5.6.4 Risk control committee

The risk control committee is responsible for formulating risk management policies, regularly evaluating risk level and management conditions, assessing the working procedure and results by the internal audit department, making proposals to improve risk management and internal control, and supervising senior management in credit, market and operation management risks.

As at 31 December 2018, members of the risk control committee include two independent non-executive Directors, Fan Wei and Kin Kwong Kwok Gary, and a non-executive Director, Li Yu, with Fan Wei serving as the chairman. No meeting was convened by the committee from the Listing Date to the end of the year ended 31 December 2018, as the company was listed on Stock Exchange on 28 December 2018. The risk control committee held a meeting on 28 March 2019 to review the internal risk management and internal control, and make recommendations to the Board about the risk control of business operations of the Group.

5.7 Board diversity policy

The Board has adopted the board diversity policy pursuant to the Corporate Governance Code. The Company affirms and accepts the benefits from the board diversity policy and guarantees the Board will strike a balance among the skills, experience and diversity as required by the Company's business. All appointments by the Board are on the basis of merit and the Board follows a series of diverse standards in selecting candidates, including but not limited to gender, age, cultural and educational background, experience, skills and knowledge.

6. Supervisory committee

The Supervisory Committee is responsible for supervising the legality of the performance of duties by the directors and other senior management personnel of the Company and protect the overall interests of the Company and its Shareholders.

As of 31 December 2018, the Supervisory Committee of the Company is comprised of six members, including Mr. Zeng Zhiwei, Ms. Chen Yingchun, Mr. Ouyang Yu, Ms. Li Jia, Mr. Hu Changxian and Ms. Fu Ruoxue. Specifically, Ms. Li Jia and Mr. Hu Changxian are employee representative Supervisors.

In 2018, the Supervisory Committee of the Company held 3 meetings and reviewed and approved proposals including the working report of the Supervisory Committee for 2017, the Financial Report on the final account for 2017, and the profit distribution proposal for 2017, etc.

Details of the attendance of each Supervisor for the meetings of the Supervisory Committee during the year ended 31 December 2018 are set out in the following table:

Supervisors	Meetings to be attended	Meetings attended	Attendance
Zeng Zhiwei	3	3	100%
Chen Yingchun *(note 1)*	1	1	100%
Ouyang Yu *(note 2)*	1	1	100%
Li Jia	3	3	100%
Hu Changxian	3	3	100%
Fu Ruoxue *(note 3)*	0	0	N/A

Note:

1. Ms. Chen Yingchun has been appointed as a supervisor since 30 July 2018.
2. Mr. Ouyang Yu has been appointed as a supervisor since 30 July 2018.
3. Ms. Fu Ruo Xue has been appointed as a supervisor since 28 December 2018. The Company did not convene the Supervisory Committee meeting during the Listing Date to 31 December 2018.

7. Joint company secretaries

In accordance with the Listing Rules, the Company appointed Mr. Li Hui, the executive Director, deputy chairman and general manager of the Company, and engaged Ms. Wong Wai Ling, a vice president of SWCS Corporate Services Group (Hong Kong) Limited, as the joint company secretaries. Ms. Wong is a member of the Hong Kong Institute of Chartered Secretaries, and is qualified to act as a joint company secretary of the Company. Mr. Li is the main contact of Ms. Wong at the Company. Both Mr. Li and Ms. Wong have complied with the Rule 3.29 of the Listing Rules and participated in no less than 15 hours of training during the year ended 31 December 2018.

8. Internal control and risk management

In accordance with the Articles of Association, Listing Rules, and in line with the actual situation of the Company, the Company has formulated the Internal Control Management System of Sichuan Energy Investment Development Co., Ltd. (《四川能投發展股份有限公司內部控制管理制度》) and Management Authority Manual of Sichuan Energy Investment Development Co., Ltd. (《四川能投發展股份有限公司管理權限手冊》) during the year ended 31 December 2018, and a relatively complete internal control and risk management system has been established.

The Board is responsible for establishing and maintaining a sound internal control and risk management system. The audit committee of the Board is mainly responsible for inspecting, reviewing and supervising the Company's financial information and its reporting procedures, and the communication, supervision and verification of internal and external audits, as well as connected transaction control and daily management; the risk control committee is mainly responsible for the control, management, supervision and evaluation of the Company's risks. The Company also established an audit department to review the development and implementation of internal control and risk management systems. The audit department of the Company will conduct special audits on the weak link of the internal controls every year, sort out the internal control defects, and make recommendations for rectification, and continuously improve the internal control system through internal and external supervision and inspection to control the risks at a reasonable level.

The risk control committee and audit department of the Company inspect and supervise the operation of the Company's internal control, and form internal reports on internal control defects and abnormalities, improvement suggestions and resolutions found during the inspection, and report to the Board and the Supervisory Committee. If the Company is found to have substantial abnormal conditions and may or has suffered significant losses, the risk control committee and audit department of the Company will report to the Board and the Supervisory Committee immediately. The Company's Board will propose practical solutions based on the situation. At the same time, the Board oversees the management's implementation and monitoring of the risk management and internal control systems. The management should provide the Board with confirmation as to whether the system is valid.

The Board has annually reviewed the internal control and risk management system during the year ended 31 December 2018, including the Company's resources in accounting and financial reporting functions, employee qualifications and experience, and adequacy of its training courses and budget. The Board is of the opinion that the Company's internal control and risk management systems are effective and adequate.

9. Information disclosures

The chairman of the Company is the first responsible person for the Company's information disclosure management, and the head of finance of the Company is responsible for the specific coordination. During the year ended 31 December 2018, the Company continued to strengthen the construction of modern enterprise systems and standard operational management. It has made a study on domestic and foreign laws and regulations on securities supervision, and established an Information Disclosure Management System in line with the laws and regulations of listed companies. Also, the Company has reinforced the insider information management mechanism and information disclosure approval process of the Company, standardized the behaviors of corporate information disclosure, to ensure the fairness and completeness of information disclosure, and protect the legitimate rights and interests of the Company and its Shareholders. In accordance with the requirements of the Listing Rules, the Company disclosed the information that needs to be disclosed in a timely and effective manner during the year ended 31 December 2018.

10. Auditors' remuneration

A statement by the auditor of the Company regarding its reporting obligations under the consolidated financial statements is set out in the Independent Auditor's Report on page 59 of this annual report.

The following table sets out the remuneration paid/payable to the Company's auditor, KPMG, during the year ended 31 December 2018:

Charges for services	**Amount** RMB'000
Audit services	2,400
Other services, including reporting accountant's services for the IPO	4,480
Total charges	6,880

11. Director's report on financial responsibility

The Directors acknowledge its responsibility to prepare the Company's financial statements, and ensure that the Company's financial statements are prepared in accordance with relevant regulations and applicable accounting standards, and are published in due course.

The Directors take responsibility for supervising the preparation of financial reports. In the preparation of the financial statements for the year ended 31 December 2018, the Directors have selected appropriate accounting policies and made prudent and reasonable judgments and estimates to give a true and fair view of the financial position and performance of the Company for the year ended 31 December 2018.

A statement by the Company's auditors about their reporting responsibilities is included in the Independent Auditor's Report of this annual report.

12. Articles of Association and amendments

The Company reviewed and approved the Articles of Association that would become effective upon the listing of the Company at the 2016 annual general meeting held on 16 May 2017, and the Articles of Association have entered into force on the Listing Date. There has been no change in the Articles of Association since the Listing Date until the end of the year ended 31 December 2018.

13 Important Relations

13.1 Investor Relations

The Company focuses on providing accurate and timely information to the Shareholders and investors, and strives to maintain communication with the Shareholders and investors through effective channels, thereby enhancing mutual understanding and improving the transparency of the Company's information disclosure.

The Company has built up a responsible department of investor relations, which is responsible for receiving calls from, visits and on-site visits by investors, and organizing investor forums and so on.

The Company now lists the following communication information to facilitate inquiries on matters about which Shareholders are concerned, and the Company will respond to these inquiries in an appropriate way and in a timely manner:

Address:	No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC
Telephone number:	+86 (28) 86299666
Fax:	+86 (28) 86299666
E-mail:	db@scntgf.com
Company Website:	http://www.scntgf.com

The Company publishes information in a timely manner to enable investors to get access to the latest developments, announcements and press releases of the Company through the Stock Exchange website (www.hkex.com.hk) and the Company's website (www.scntgf.com).

In future, the Company will further expand investor relations events and provide better services for investors.

13.2 Employee Relations

The Company attaches importance to employee relations and insists on standardizing employment procedures according to law, whereby the labor relations are harmonious on the whole. The Company has been rated as "AA-level Model Enterprise with Harmonious Labor Relations in Chengdu City" by Chengdu Labor Relations Coordination Tripartite Committee.

13.3 Relations with Customers and Suppliers

The Company has its business relations established on the basis of customer-oriented culture, and is dedicated to setting up a smooth communication and reporting mechanism with provincial, municipal and district as well as county-level governments; meanwhile, as it is of vital importance to the long-term development of the Company by maintaining good relationship with the customers and suppliers, the Company has been providing the customers with high-quality and high-level services.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Set out below are details of the Directors, Supervisors, and Senior Management as of the date of this annual report.

MEMBERS OF THE BOARD OF DIRECTORS

Name	Age	Position
Zeng Yong	55	Executive Director, Chairman, Chairman of the Nomination Committee
Li Hui	55	Executive Director, Secretary to the Board, Deputy Chairman, Member of the Remuneration Committee
Han Chunhong	41	Non-executive Director, Member of the Audit Committee
Li Yu	33	Non-executive Director, Member of the Risk Control Committee
Wang Chengke	52	Non-executive Director
Zhou Yanbin	52	Non-executive Director
Kin Kwong Kwok Gary	42	Independent Non-executive Director, Chairman of the Audit Committee, Member of the Risk Control Committee
Fan Wei	34	Independent Non-executive Director, Chairman of the Risk Control Committee, Member of the Audit Committee
He Zhen	43	Independent Non-executive Director, Member of the Nomination Committee, Member of the Remuneration Committee
Wang Peng	45	Independent Non-executive Director, Chairman of the Remuneration Committee, Member of the Nomination Committee

MEMBERS OF THE SUPERVISORY COMMITTEE

Name	Age	Position
Zeng Zhiwei	37	Chairman of the Supervisory Committee
Chen Yingchun	42	Supervisor
Ouyang Yu	41	Supervisor
Fu Ruoxue	45	Supervisor
Li Jia	43	Supervisor
Hu Changxian	47	Supervisor

SENIOR MANAGEMENT

Name	Age	Position
Li Hui	55	Secretary to the Board, General Manager
Ding Daijun	50	Deputy General Manager
Wang Yuanchun	43	Deputy General Manager
Li Rui	40	Deputy General Manager
Li Bi	40	Chief Financial Officer

I. Members of the Board of Directors

Zeng Yong, aged 55, joined the Group in June 2012 and is currently the Chairman of the Board, an executive Director and the chairman of the nomination committee of the Group. In December 2014, Mr. Zeng graduated from Southwestern University of Finance and Economics* (西南財經大學) with a master degree of senior management business administration. Before joining the Group, he served as the deputy head of station and head of station in Yibin County Dengtouxi Power Station* (宜賓縣鄧頭溪電站) from December 1985 to October 1991, the general manager in Yibin County Gaochang Power Supply Co., Ltd.* (宜賓縣高場供電公司) from June 1992 to May 1994, the manager of Sichuan Yibin Changyuan Industrial Co., Ltd.* (四川省宜賓縣長源實業有限公司) from January 1991 to March 2000, the general manager of Sichuan Changyuan Electric Power Co., Ltd.* (四川長源電力股份有限公司) from March 2000 to September 2001, the chairman of the board in Sichuan Changyuan Electric Power Co., Ltd. from September 2001 to July 2005, the chairman of the board in Sichuan Hydropower Investment & Management Group Changyuan Electric Power Co., Ltd.* (四川省水電集團長源電力有限公司) from July 2005 to June 2010, a general manager assistant, an employee director and the deputy general manager in the Hydropower Group from January 2006 to January 2007, January 2007 to January 2010 and January 2010 to May 2012, respectively, the general manager in our company from June 2012 to June 2014, and a director and the chairman of Sichuan Energy Investment Power Sale Co., Ltd.* (四川能投售電有限責任公司) from December 2016 to April 2017. Outside the Group, Mr. Zeng is currently the chairman of the board of directors Hydropower Group.

Li Hui, aged 55, joined the Group in September 2011 and is currently an executive Director, deputy chairman, member of Remuneration Committee of the Group, general manager, and the secretary to the Board of the Group. Mr. Li is an engineer with a master degree of senior management business administration from Southwestern University of Finance and Economics* (西南財經大學). Mr. Li served as the deputy general manager in the Company from September 2011 to June 2016. Before joining the Group, he served as a deputy chief and the chief of national assets management section in Local Electric Power Bureau of Sichuan Province* (四川省地方電力局) from January 1997 to January 2005, an office administrator of the board and the general manager assistant in Hydropower Group from January 2005 to June 2010 and March 2008 to September 2011, a deputy chairman of the board in Leshan City Jinyang Electricity Development Co., Ltd.* (樂山市金洋電力開發有限責任公司) from October 2005 to December 2011.

Han Chunhong, aged 41, joined the Group in March 2018 and is currently a non-executive Director and a member of the Audit Committee. Ms. Han is an intermediate economist with a master degree of technical economy and management from Northeast Electric Power University* (東北電力大學). Ms. Han is currently the deputy general manager (performing the duties of the general manager) of capital operation department in China Power International Development Limited. Before joining the Group, she served as a manager and a senior manager of capital operation department in China Power International Development Limited* (中國電力國際發展有限公司) ("China Power") from May 2003 to June 2015, the deputy manager and the general manager of investor relations department in China Power International New Energy Holding Ltd.* (中電國際新能源控股有限公司) from June 2015 to December 2017, and the deputy general manager of capital operation department in China Power since December 2017.

Li Yu, aged 33, joined the Group in October 2016 and is currently a non-executive Director and a member of the risk control committee. Ms. Li is an intermediate economist with a master degree of international relationships from Tsinghua University (清華大學). Ms. Li is currently the investment head of fund department in Three Gorges Capital Holdings Co., Ltd.* (三峽資本控股有限公司). Before joining the Group, she served as the department head and the project manager in China Longyuan Power Group Corporation Limited from July 2010 to June 2016, and she joined Three Gorges Capital in June 2016 and served as the investment head of industrial investment department in Three Gorges Capital Holding Co., Ltd since December 2016.

Wang Chengke, aged 52, joined the Group in May 2017 and is currently a non-executive Director. Mr. Wang graduated from the Correspondence College of Party School of Sichuan Committee of C.P.C.* (四川省委黨校函授學院), majoring in economic management. Mr. Wang is currently the chairman of Gao County State-owned Assets Operation and Management Co., Ltd.* (高縣國有資產經營管理有限責任公司). Before joining the Group, he served as a clerk, a staff member and a secretary in Personnel Bureau of Gao County* (高縣人事局) from July 1986 to October 1994. He successively served in Organization Department of Gao County* (高縣組織部) as a secretary, the organizer, the deputy head and concurrently the director of Party Building Office* (黨建辦公室), and the director of Research Office of the Party* (黨研室) from October 1994 to February 2003, the head of Development and Reform Bureau of Gao County* (高縣發展和改革局) from February 2003 to October 2010, and the general manager in the Gao County State-owned Assets Co.* (高縣國有資產公司) since September 2010 and and was subsequently promoted to chairman of board.

Zhou Yanbin, aged 52, joined the Group in September 2011 and is currently a non-executive Director. Mr. Zhou graduated from the Party School of Sichuan Committee of C.P.C.* (中央四川省委黨校), majoring in politics. Mr. Zhou is currently the chairman of Sichuan Jiuhe Electric Power Corporation Limited* (四川九河電力股份有限公司). Before joining the Group, he served as an office administrator in the State-owned Assets Supervision and Administration Commission of the People's Government of Yibin City* (宜賓市政府國有資產監督管理委員會) from August 2005 to June 2008. He concurrently served as a director in Yibin Investment Group Co., Ltd.* (宜賓市投資集團有限責任公司) from December 2007 to June 2008, and the chairman of the board in Sichuan Jiuhe Electricity Limited* (四川九河電力股份有限公司) since June 2008.

Kin Kwong Kwok Gary, aged 42, joined the Group in May 2017 and is currently an independent non-executive Director, the chairman of the audit committee and a member of the risk control committee. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants with a bachelor degree of professional accountancy from the Chinese University of Hong Kong. Mr. Kwok is currently the chief financial officer in Yin Yi Holdings (Hong Kong) Limited* (垠壹香港有限公司). Before joining the Group, he served as an accountant in Deloitte Touche Tohmatsu from September 1998 to August 2000, worked in the corporate finance department of KaWah Capital Limited* (嘉華金融有限公司) and BOCI Asia Limited* (中銀國際(亞洲)有限公司) from September 2000 to May 2003, also served as an investment manager and the deputy general manager in CITIC International Assets Management Limited* (中信國際資產管理有限公司) from January 2004 to July 2012, and the chief financial officer and an executive Director in TTG Fintech Limited (previously known as TTG Mobile Coupon Services Limited, ARBN 158 702 400) from July 2012 to December 2017 and September 2012 to December 2017, respectively.

Fan Wei, aged 34, joined the Group in May 2017 and is currently an independent non-executive Director, the chairman of the risk control committee and a member of the audit committee. Mr. Fan is a deputy general manager with a doctor (post doctorate) degree of public administration from Tsinghua University (清華大學). Mr. Fan is currently a deputy general manager in Fixed Income Department of Shenwan Hongyuan Securities Co., Ltd.* (申萬宏源證券有限公司). Before joining the Group, he served as the assistant of the secretary (temporary position) (掛職) of Youth League Committee of Jilin Province from January 2015 to May 2016, a part-time graduate supervisor for Tsinghua University School of Economics and Management for the years from 2014 to 2018, and an external graduate supervisor (校外碩士生導師) for School of Economics of Peking University from December 2016 to October 2018.

He Zhen, aged 43, joined the Group in March 2018 and is currently an independent non-executive Director, a member of the nomination committee and a member of the remuneration committee. Ms. He was credited as an associated professor by Southwest Minzu University* (西南民族大學) with a doctor degree of civil and commercial law from Southwestern University of Finance and Economics* (西南財經大學). Ms. He has been a teacher, the director of constitution and administrative law teaching and research section and a master tutor in Southwest Minzu University Law School since July 2003, a part-time lawyer in Sichuan Sunshare Law Firm* (四川泰常律師事務所) since November 2013. Ms. He has also served as an independent non-executive Director of Sunjuice Holdings Co. Ltd.* (鮮活控股股份有限公司) since April 2017, an independent non-executive Director of Sichuan Jinshi Leasing Co., Ltd.* (四川金石租賃股份有限公司) since December 2017 and an independent non-executive Director of Chengdu Dahongli Machinery Co., Ltd.* (成都大宏立機器股份有限公司) since December 2017. Before joining the Group, she served as a teaching staff in Chongqing Jianshe No.2 Middle School* (重慶建設二中) from July 1998 to September 2000 and has been a teaching staff in Southwest Minzu University* (西南民族大學) since July 2003.

Wang Peng, aged 45, joined the Group in May 2017 and is currently an independent non-executive Director, the chairman of the remuneration committee and a member of the nomination committee. Mr. Wang is a professor in North China Electric Power University* (華北電力大學) with a doctor degree of power system and its automation from North China Electric Power University* (華北電力大學). Mr. Wang is currently a professor in North China Electric Power University and an independent non-executive Director of OneForce Holdings Limited (a listed issuer on the Stock Exchange, stock code: 1933). Before joining the Group, he served as a teaching staff in North China Electric Power University* (華北電力大學) from April 1997 to May 2005 and has continued to serve as a professor at North China Electric Power University* (華北電力大學) since May 2015. He served as an employee in the North China Energy Regulatory Bureau of State Electricity Regulatory Commission* (國家電監會華北監管局, currently known as the North China Energy Regulatory Bureau of National Energy Administration of the PRC* (國家能源局華北監管局)) from May 2005 to May 2015.

II. Members of the Supervisory Committee

Zeng Zhiwei, aged 37, is currently the Chairman of the Supervisory Committee of the Company. Mr. Zeng is an economist with a master degree of economics majoring in finance from Hohai University* (河海大學). Mr. Zeng is currently the general manager of investment management department in Three Gorges Capital Holdings Co., Ltd from March 2017 to June 2018. Before joining the Group, he served as the deputy general manager of investment management department and the deputy general manager of securities investment department in Three Gorges Capital Holdings Co., Ltd from June 2015 to March 2017.

Chen Yingchun, aged 42, is currently a Supervisor of the company. Ms. Chen has a bachelor degree of law from the Party School of Sichuan Committee Xingwen Branch* (四川省委黨校興文分校). Ms. Chen is currently a member of discipline committee and the chairman of supervisory committee of Xingwen County Development Investment Group Co., Ltd.* (興文縣發展投資集團有限責任公司). Before joining the Group, she has served as the chairman of supervisory committee of Xingwen County Taiping Industrial Development Co., Ltd.* (興文縣太平實業開發有限責任公司) from March 2018 to now, and she once served as the deputy director of Xingwen County Mining Products Tax Collection and Management Office* (興文縣礦產品稅費徵管辦) from January 2010 to May 2015, and a party member and the deputy director of Xingwen County Tourism Management Bureau* (興文縣風景旅遊管理局) from July 2006 to January 2010.

Ouyang Yu, aged 41, is currently a Supervisor of the Company. Mr. Ouyang has a part-time bachelor degree of resources economics and management from Sichuan Agricultural University* (四川農業大學). Mr. Ouyang is currently the deputy manager of Junlian County State-owned Property Operating Co., Ltd.* (筠連縣國有資產經營有限公司). Before joining the Group, he served as the deputy manager of Junlian County State-owned Property Operating Co., Ltd.* (筠連縣國有資產經營有限公司) from June 2016 to June 2017 and the deputy unit head of Agricultural Finance Unit of Finance Bureau in Junlian County* (筠連縣財政局農業股) from March 2012 to June 2016.

Fu Ruoxue, aged 45, is currently a supervisor of the company. Ms. Fu is a senior accountant with a part-time bachelor degree jointly granted by Southwestern University of Finance and Economics* (西南財經大學) and Sichuan Province Higher Education Self-study Examination Committee* (四川省高等教育自學考試委員會). Ms. Fu is currently a specialized supervisor in Sichuan Development Holding Co., Ltd.* (四川發展(控股)有限責任公司). Before joining the Group, she served as the head of the audit department in Sichuan Energy Investment Liangli Logistics Development Limited* (四川能投量力物流發展有限公司) from October 2013 to March 2016, a supervisor of the fourth supervisory committee, a member of discipline committee in Sichuan Chemical Company Ltd.* (川化股份有限公司) and a member of budget review committee of the labour union of Sichuan Chemical Company Ltd.* (川化股份有限公司) from October 2008 to May 2012 and December 2008 to October 2013 respectively.

Li Jia, aged 43, joined the company in April 2016 and is currently an employee representative Supervisor of our company. Ms. Li has a bachelor degree of industrial and commercial administration from School of Economics and Management of Southwest Jiaotong University* (西南交通大學). Before joining the Group, she served as the deputy director of the general manager office and the party branch secretary of Sichuan Chemical Company Ltd.* (川化股份有限公司) from July 2014 to April 2016, and a supervisor, the head of comprehensive management department and a deputy office director of Sichuan Chemical Works Group Ltd.* (川化股份有限公司) from December 2014 to July 2017.

Hu Changxian, aged 47, joined the company in January 2016 and is currently an employee representative Supervisor of our company. Mr. Hu has a bachelor degree of applied physics from Physics Department of Southwest Minzu University* (西南民族大學). Before joining the Group, he served as the secretary of the general party branch and the deputy manager of supply and sales company of Sichuan Chemical Company Ltd.* (川化股份供銷公司) from July 2014 to January 2016, the deputy secretary of general party branch and the deputy head of gas factory of Sichuan Chemical Company Ltd.* (川化股份氣體廠) from August 2011 to August 2014, and the deputy office director and the deputy secretary of party branch of catalyst factory of Sichuan Chemical Company Ltd.* (川化股份催化廠) from April 2006 to August 2011.

III. Senior Management

Li Hui, aged 55, joined the Group in September 2011 and is currently an executive Director, the deputy chairman, the general manager and the Secretary to the Board of the Group. For details of biography of Mr. Li Hui, please see the section headed "I. Members of the Board of Directors".

Ding Daijun, aged 50, joined the Group in October 2011 and is currently deputy general manager of the Group. Mr. Ding is an assistant engineer with a bachelor degree of chemical equipment and machinery from Sichuan University of Science & Engineering* (四川輕化工學院). Before joining the Group, he served as a deputy manager and the deputy secretary of party branch in Junlian Power Supply Co., Ltd.* (筠連供電有限責任公司) from August 2000 to September 2007, and the general manager in Hydropower Group Junlian Electric Power Company* (水電集團筠連電力公司) from September 2007 to October 2012, and the general manager in Energy Investment Junlian Company* (能投筠連公司) from October 2012 to July 2014.

Wang Yuanchun, aged 43, joined the Group in May 2012 and is currently a deputy general manager. Mr. Wang is an engineer with a bachelor degree of administrative management from China Central Radio & TV University* (中央廣播電視大學). Mr. Wang is currently a Deputy General Manager of the Group, the secretary of the party committee and an executive Director of Sichuan Energy Investment Junlian Electric Power Co., Ltd.* (四川能投筠連電力有限公司), and the secretary of the party committee and an executive Director of Sichuan Energy Investment Yibin Electric Power Engineering Construction Co., Ltd.* (四川能投宜賓電力工程建設有限公司). Before joining the Group, he served as the head of station in Yibin County Kongtan Comprehensive Management Station* (宜賓縣孔灘綜合管理站), the leader and the squad leader of Gaosheng marketing group in Yibin Changyuan Electric Power Company Baihua Power Supply Station* (宜賓長源電力公司白花供電所), the deputy head and the chairman of the trade union in Sichuan Changyuan Electric Power Co., Ltd. Lichang Power Supply Station* (四川長源電力股份公司李場供電所), the deputy head in Sichuan Hydropower Investment & Management Group Yibin Changyuan Electric Power Company Baihua Power Supply Station* (四川省水電投資經營集團宜賓長源電力公司白花供電所) from August 2001 to February 2003, February 2003 to March 2004, March 2004 to February 2006 and February 2006 to May 2010, respectively, the deputy manager in Sichuan Hydropower Investment & Management Group Meigu Electric Power Co., Ltd.* (四川省水電集團美姑電力有限公司), an executive director in Meigu Jinhe Development Co., Ltd.* (美姑金禾開發有限公司) from May 2010 to June 2011 and June 2011 to October 2013, respectively, the deputy general manager, an executive director and the general manager in Sichuan Energy Investment Junlian Electric Power Co., Ltd from October 2013 to October 2014, July 2014 to October 2014 and September 2014 to July 2017, respectively.

Li Rui, aged 40, joined the Group in January 2017 and is currently a deputy general manager of the Group. Mr. Li is an assistant engineer with a bachelor degree of business administration from University of Science and Technology of China* (中國科學技術大學). He has served as the assistant to the chairman of the Company since January 2017. Before joining the Group, he served as a monitor and the shift supervisor of the power generation department in Wuhu Power Plant* (蕪湖發電廠) from January 2005 to January 2007 and January 2007 to December 2010, a manager and a senior manager of capital operation department in China Power International from December 2010 to May 2015 and from May 2015 to December 2016, respectively.

Li Bi, aged 40, joined the Group in October 2011 and is currently the Chief Financial Officer. Ms. Li is a senior account with a bachelor degree of management majoring in accounting from Southwestern University of Finance and Economics* (西南財經大學). Ms. Li is currently the Chief Financial Officer and the Head of Finance and Assets Department of Sichuan Energy Investment Development Co., Ltd., a director and the chief financial officer of Sichuan Energy Investment Yibin Power Sale Co., Ltd.* (四川能投宜賓售電有限公司), and a supervisor of Emeishan Jinkun Micro Credit Company* (峨眉山市金坤小額貸款公司). She served as a project manager of the audit department in ShineWing Certified Public Accountants（LLP）Chengdu Branch* (信永中和會計師事務所（特殊普通合夥）成都分所) from December 2006 to July 2010, and a temporary principal and the deputy head of the financial and assets department in our company from October 2011 to December 2012 and December 2012 to August 2013, respectively.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Sichuan Energy Investment Development Co., Ltd.
(incorporated in People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Sichuan Energy Investment Development Co., Ltd. ("the Company") and its subsidiaries ("the Group") set out on pages 67 to 72, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Key audit matters (Continued)

<table>
<tr><th colspan="2">Revenue recognition from power business</th></tr>
<tr><td colspan="2">Refer to note 4 to the consolidated financial statements and the accounting policies in note 1(t(i)) on page 88.</td></tr>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group is a vertically integrated power supplier and service provider in Yibin City, Sichuan Province.

For the year ended 31 December 2018, the Group recorded total revenue from generating and supplying power ("power business") of RMB1,764 million, representing 87% of the Group's total revenue for the year.

Revenue arising from power business is recognised at the point in time when the power is supplied to the customer.

We identified revenue from power business as a key audit matter because revenue is one of the key performance indicators of the Group and is significant to the consolidated financial statements, both of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet expectations or targets.</td><td>Our audit procedures to assess revenue from power business included the following:

• assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue from power business;

• involving our internal IT specialists to assist us in assessing the operating effectiveness of those IT application controls which were critical to the recognition of revenue from power business;

• inspecting power sales contracts with customers for power supply, on a sample basis, to understand key terms and conditions of sales transactions in order to assess the appropriateness of the Group's accounting policies for revenue recognition with reference to the requirements under the prevailing accounting standards;

• assessing if there was any unreasonable fluctuation of the trend of electricity line loss rate (線損率) year on year by comparing the total power sales volume per sales department with the self-generated power volume recorded by meters and externally purchased power volume per suppliers;

• comparing, on a sample basis, revenue transactions recorded during the year with the underlying power invoices, meter reading records, bank-in slips for settled balances and assessing whether the related revenue had been recognised in accordance with the Group's revenue recognition policies;</td></tr>
</table>

Key audit matters (Continued)

Revenue recognition from power business	
Refer to note 4 to the consolidated financial statements and the accounting policies in note 1(t(i)) on page 88.	
Key audit matter	**How the matter was addressed in our audit**
	• obtaining confirmations, on a sample basis, from major customers of revenue recognised during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documentation; and • scrutinising all the revenue journals raised throughout the reporting period and comparing details of a sample of these journals, which met certain risk-based criteria, with relevant underlying documentation.

Key audit matters (Continued)

Revenue recognition from construction service	
Refer to note 4 to the consolidated financial statements and the accounting policies in note 1(t(iii)) on page 88.	
Key audit matter	**How the matter was addressed in our audit**
In addition to the power business, the Group recorded total revenue from electrical engineering construction service of RMB255 million, representing 13% of the Group's total revenue for the year ended 31 December 2018. Revenue arising from construction service is recognised progressively over time by using the cost-to-cost method to estimate the percentage of completion, measured by the proportion of the actual costs incurred to-date relative to the estimated total costs. We identified revenue from construction services as a key audit matter because the recognition of revenue relies on management's estimate of the final outcome of each construction contract, which involves the exercise of significant management judgement, particularly in forecasting the estimated total costs to completion.	Our audit procedures to assess revenue from construction service included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue from construction service; • inspecting construction service contracts with customers, on a sample basis, to understand key terms and conditions of sales transactions in order to assess the appropriateness of the Group's accounting policies for revenue recognition with reference to the requirements under the prevailing accounting standards; • selecting samples from the total actual costs incurred up to the reporting period end to inspect the supporting documents including underlying contracts, supplier invoices, bank slips and the survey reports from external supervising engineers, where applicable; testing a sample of entries recording cost subsequent to the year end to search for any unrecorded cost for the year; • discussing with management and the project managers, on a sample basis, about the progress of projects with reference to the specifications in the contracts, corroborating the status of the projects advised by the project managers with percentage of completion estimated based on actual costs recorded and challenging the key estimates and assumptions adopted in the forecast of contract revenue and contract costs, including estimated costs to completion; for major projects, also conducting site visits and physically inspecting the status of the projects;

Key audit matters (Continued)

Revenue recognition from construction service	
Refer to note 4 to the consolidated financial statements and the accounting policies in note 1(t(iii)) on page 88.	
Key audit matter	**How the matter was addressed in our audit**
	• obtaining a detailed breakdown of the estimated total costs to completion for major contracts in progress during the year and comparing, on a sample basis, the estimated total costs to the most updated budgets, the relevant underlying agreements, and correspondence with suppliers; • recalculating the percentage of completion and the corresponding revenue recognised based on the latest budgeted costs and actual costs and agreed total revenue amounts, on a sample basis; • performing a retrospective review for major contracts completed during the current year by comparing the final outcome of the contracts with previous estimates made for those contracts to assess the reliability of the management's forecasting process; • obtaining confirmations, on a sample basis, from major customers for billed receivables at the year end and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documentation; and • scrutinising all the revenue journals raised throughout the reporting period and comparing details of a sample of these journals, which met certain risk-based criteria, with relevant underlying documentation.

Information other than the consolidated financial statements and auditor's report thereon

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Kim Tak.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018
(Expressed in Renminbi)

	Notes	**2018** **RMB'000**	2017 RMB'000
Revenue	*4*	**2,031,095**	1,853,243
Cost of sales	*6(c)*	**(1,657,185)**	(1,530,929)
Gross profit		**373,910**	322,314
Other income	*5(a)*	**52,543**	52,530
Administrative expenses		**(181,618)**	(179,586)
Impairment of loss on trade and other receivables and contract assets	*27(a)*	**(11,442)**	(1,222)
Other expenses	*5(b)*	**(3,451)**	(19,794)
Profit from operations		**229,942**	174,242
Finance costs	*6(a)*	**(35,696)**	(41,360)
Share of profits less losses of associates	*15*	**3,871**	10,672
Profit before taxation		**198,117**	143,554
Income tax	*7(a)*	**(28,745)**	(18,664)
Profit for the year		**169,372**	124,890
Attributable to:			
Equity shareholders of the Company		**169,150**	125,311
Non-controlling interests		**222**	(421)
Profit for the year		**169,372**	124,890
Earnings per share			
Basic and diluted (RMB)	*10*	**0.21**	0.16

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26(b).

The notes on pages 73 to 144 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018
(Expressed in Renminbi)

	2018 RMB'000	2017 RMB'000
Profit for the year	**169,372**	124,890
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**169,372**	124,890
Attributable to:		
Equity shareholders of the Company	**169,150**	125,311
Non-controlling interests	**222**	(421)
Total comprehensive income for the year	**169,372**	124,890

The notes on pages 73 to 144 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2018
(Expressed in Renminbi)

	Notes	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Non-current assets			
Property, plant and equipment	*11*	**2,630,475**	2,662,964
Interests in leasehold land held for own use under operating leases	*12*	**133,551**	134,050
Intangible assets	*13*	**4,436**	5,281
Investment in associates	*15*	**258,203**	216,487
Other financial assets	*16*	**117,111**	111,373
Deferred tax assets	*25(b)*	**30,500**	30,439
		3,174,276	3,160,594
Current assets			
Inventories	*17*	**56,004**	32,132
Contract assets	*18*	**12,967**	4,656
Trade and other receivables	*19*	**331,732**	325,807
Prepaid tax	*25(a)*	**4,243**	7,768
Restricted deposits	*20*	**4,000**	–
Cash and cash equivalents	*21*	**797,970**	395,811
		1,206,916	766,174
Current liabilities			
Trade and other payables	*22*	**644,638**	591,541
Contract liabilities	*18*	**179,539**	133,654
Loans and borrowings	*23*	**66,428**	764,205
Deferred income	*24*	**7,132**	6,983
Current tax liabilities	*25(a)*	**11,355**	8,053
		909,092	1,504,436
Net current assets/(liabilities)		**297,824**	(738,262)
Total assets less current liabilities		**3,472,100**	2,422,332
Non-current liabilities			
Loans and borrowings	*23*	**697,910**	129,000
Deferred income	*24*	**156,657**	159,824
Deferred tax liabilities	*25(b)*	**18,894**	16,708
		873,461	305,532
NET ASSETS		**2,598,639**	2,116,800

The notes on pages 73 to 144 form part of these financial statements.

For the year ended 31 December 2018
(Expressed in Renminbi)

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
CAPITAL AND RESERVES	26		
Share capital		**1,074,358**	805,558
Reserves		**1,518,766**	1,305,949
Total equity attributable to equity shareholder of the Company		**2,593,124**	2,111,507
Non-controlling interests		**5,515**	5,293
TOTAL EQUITY		**2,598,639**	2,116,800

Approved and authorised for issue by the Board of Directors on 28 March 2019.

Zeng Yong
Director

Li Hui
Director

The notes on pages 73 to 144 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018
(Expressed in Renminbi)

		Attribute to equity shareholders of the Company								
	Notes	Share capital RMB'000	Capital reserve RMB'000	State capital reserve benefits RMB'000	PRC statutory reserve RMB'000	Special reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		805,558	95,317	878,019	30,661	3,178	237,908	2,050,641	2,994	2,053,635
Changes in equity for 2017:										
Profit for the year		–	–	–	–	–	125,311	125,311	(421)	124,890
Total comprehensive income for the year		–	–	–	–	–	125,311	125,311	(421)	124,890
Investment from non-controlling interests of a subsidiary		–	–	–	–	–	–	–	2,720	2,720
Transfer to statutory reserve	*26(d)(iii)*	–	–	–	11,681	–	(11,681)	–	–	–
Dividends approved in respect of the previous year	*26(b)*	–	–	–	–	–	(64,445)	(64,445)	–	(64,445)
Safety production fund	*26(d)(iv)*	–	–	–	–	664	(664)	–	–	–
Balance at 31 December 2017 and 1 January 2018		805,558	95,317	878,019	42,342	3,842	286,429	2,111,507	5,293	2,116,800
Changes in equity for 2018:										
Profit for the year		**-**	**-**	**-**	**-**	**-**	**169,150**	**169,150**	**222**	**169,372**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**169,150**	**169,150**	**222**	**169,372**
Issue of ordinary shares under initial public offering, net of share issuance expenses		**268,800**	**108,112**	**-**	**-**	**-**	**-**	**376,912**	**-**	**376,912**
Transfer to statutory reserve	*26(d)(iii)*	**-**	**-**	**-**	**15,264**	**-**	**(15,264)**	**-**	**-**	**-**
Dividends approved in respect of the previous year	*26(b)*	**-**	**-**	**-**	**-**	**-**	**(64,445)**	**(64,445)**	**-**	**(64,445)**
Safety production fund	*26(d)(iv)*	**-**	**-**	**-**	**-**	**1,130**	**(1,130)**	**-**	**-**	**-**
Balance at 31 December 2018		**1,074,358**	**203,429**	**878,019**	**57,606**	**4,972**	**374,740**	**2,593,124**	**5,515**	**2,598,639**

The notes on pages 73 to 144 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018
(Expressed in Renminbi)

	Notes	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES			
Cash generated from operations	*21(b)*	**335,408**	411,282
PRC corporate income tax paid	*25(a)*	**(19,793)**	(26,544)
Net cash generated from operating activities		**315,615**	384,738
INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		**(116,715)**	(97,743)
Proceeds from sale of property, plant and equipment		**62**	13
Payment for investment in other financial assets		**(4,844,000)**	(2,478,000)
Redemption of other financial assets		**4,847,575**	2,648,860
Loans repaid by an associate	*29(b)*	**1,000**	–
Loans repaid by third parties		**–**	400
Repayment of advance to the related parties		**5,758**	21,268
Interests received		**1,441**	1,464
Investment income received		**7,527**	3,011
Dividends received from associates		**9,719**	8,836
Net cash (used in)/generated from investing activities		**(87,633)**	108,109
FINANCING ACTIVITIES			
Proceeds from issuance of shares by initial public offering		**403,906**	–
Investment from non-controlling interests of a subsidiary		**–**	2,720
Proceeds from new bank loans		**750,000**	580,000
Repayment of bank loans		**(572,030)**	(808,000)
Repayment of loans from the Parent	*29(b)*	**–**	(2,148)
Repayment of loans from third parties		**(6,364)**	(2,190)
Dividend paid to equity holders of the Company		**(64,445)**	(32,893)
Interest paid		**(36,417)**	(41,795)
Net cash generated from/(used in) financing activities		**474,650**	(304,306)
Net increase in cash and cash equivalents		**702,632**	188,541
Cash and cash equivalents at 1 January		**95,338**	(93,203)
Cash and cash equivalents at 31 December	*21(a)*	**797,970**	95,338

The notes on pages 73 to 144 form part of these financial statements.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the other financial assets (see note 1(f)) which are stated at their fair value. The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise indicated.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. As disclosed in the listing documents of the Company dated 13 December 2018, the Group has adopted all applicable new IFRSs and amendments to IFRSs effective for the financial year beginning on 1 January 2018, including IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers to the prior accounting periods. All of these effective standards, amendments to the standards and interpretations, which are mandatory for the financial year beginning on 1 January 2018, are consistently applied to all periods presented in the Group's financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)) or a joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(j)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(e) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(j)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the any other long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position, investments in associates are accounted for under the equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transactions costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, (see note 27(d)). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(t)(vi)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at mortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(g) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 1(j)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Plants and buildings	20-50 years
–	Machineries	10-30 years
–	Motor vehicles	5-10 years
–	Office equipment and fixture	5-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost less any impairment losses (see note 1(j)), and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

No depreciation is provided in respect of construction-in-progress until it is substantially complete and ready for its intended use.

(h) Intangible assets (Software)

Intangible assets (software) of the Group mainly consists of general administrative software and power generation, distribution and sales related systems. Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(j)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives of 5-10 years. Evaluation of the estimated useful lives of the intangible assets is with reference to the factors, including but not limited to the historical usage pattern, product life cycle, the useful life of the dependent assets, legal limits and technology development. Both the period and method of amortisation are reviewed annually.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(i) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(ii) Leasehold land held for own use under operating leases

Leasehold land held for own use under operating leases represent cost of land use rights paid to the PRC government authorities. Land use rights are stated as cost less accumulated amortisation and impairment losses (see note 1(j)). Amortisation is recognised in profit or loss on a straight-line basis over the respective period of the rights.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, loans to third parties and amounts due from related parties); and

– contract assets as defined in IFRS 15 (see note 1(l)).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Measurement of ECLs (Continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-months ECLs: these are losses that are expected to result from possible default events with the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognised a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments and contract assets (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 1(t)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– interests in leasehold land classified as being held under an operating lease;

– intangible assets; and

– investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– **Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– **Recognition of impairment losses**

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(j) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(m)).

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(l) Contract assets and contract liabilities (Continued)

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 1(t)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(t)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(l)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(j)(i).

(o) Loans and borrowings

Loans and borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(u)).

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Employee benefits

(i) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(ii) Defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each of the reporting period, and any adjustment to tax payable in respect of previous years.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(r) Income tax (Continued)

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(r) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of electricity and goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(t) Revenue and other income (Continued)

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of electricity

Sale of electricity is recognised upon transmission of power to the customers or the power grid controlled and owned by the state or regional grid companies. A receivable is recognised by the Group when the electricity power is transmitted at the customer's premises as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. In cases where the customers make payment in advance, receipts in advance are recognised as revenue when the electricity power is transmitted to the customers.

(ii) Sales of goods

Sale of goods is recognised when the customer takes possession of and accepts the goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on electric engineering projects under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(t) Revenue and other income (Continued)

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(j)(i)).

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and are subsequently recognised as other income in profit or loss over the useful life of the related asset.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(Expressed in thousands of RMB unless otherwise indicated)

1 Significant accounting policies (Continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Accounting judgement and estimates

Judgements and estimations used in preparation of financial reporting are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 27 contain information about the assumption and their risk factors relating to financial instruments. Other key sources of significant estimation uncertainty are as follows:

(a) Construction contracts

As explained in policy note 1(t)(iii) revenue from construction contracts can be recognised over time. Such revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the outcome of contract can be reasonably measured. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Loss allowances of trade and other receivables and contract assets

The loss allowances for trade and other receivables and contract assets are based on assumptions about risk of default and expected credit loss rates. The Group adjusts judgement in making these assumption and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at the end of each reporting period.

(c) Depreciation and amortization

Property, plant and equipment and intangible assets are depreciated/amortised on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/amortisation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's technological experience with similar assets and taking into account anticipated technological changes. The depreciation/amortisation expense for future periods is adjusted if there are material changes from previous estimates.

(Expressed in thousands of RMB unless otherwise indicated)

2 Accounting judgement and estimates (Continued)

(d) Impairment of assets other than inventories and financial assets

As described in note 1(j), assets other than inventories and financial assets are reviewed at the end of each reporting period to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (or an asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. When a market price of the asset (or an asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably, the recoverable amount is calculated based on the present value of estimated future cash flows. In assessing the present value of estimated future cash flows, significant judgements are exercised to estimate the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

(e) Income taxes and deferred taxation

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management reassess these estimates at the end of each reporting period. Additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

3 Segment reporting

The directors of the Company have been identified as the Group's most senior executive management. Operating segments are identified from financial information provided regularly to the Group's most senior executive management reviews for the purposed of allocating resources and assessing the performance.

The Group is principally engaged in generating and supplying of power and provision of electrical engineering construction service in the PRC. The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, management considers the Group has only one operating segment and therefore, no segment information is presented.

The Group only operates in Mainland China and accordingly, no geographical information is presented.

(Expressed in thousands of RMB unless otherwise indicated)

4 Revenue

The principal activities of the Group are generating and supplying of power and provision of power supply related equipment/projects engineering construction service.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by each significant category is as follows:

	2018 **RMB'000**	2017 RMB'000
Point in time		
Revenue from power business	**1,764,136**	1,542,311
Sales of electric equipment and materials	**11,969**	7,118
Over time		
Revenue from undertaking the electrical engineering construction projects	**254,990**	303,814
Total	**2,031,095**	1,853,243

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue.

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB58,781 thousand (2017: RMB98,820 thousand). This amount represents revenue expected to be recognised in the future from the electrical engineering construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed which is expected to occur over the next 12 to 24 months.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts for power business and electric equipment and materials such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for power business and electric equipment and materials that had an original expected duration of less than one year.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's construction contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

(Expressed in thousands of RMB unless otherwise indicated)

5 Other income and expenses

(a) Other income

	2018 **RMB'000**	2017 RMB'000
Government grants (i)	**7,517**	7,396
Net gain on disposal of property, plant and equipment due to relocation	**12,888**	6,525
Power transmission charge	**163**	622
Interest income (ii)	**1,441**	1,464
Fair value changes of other financial assets (iii)	**16,840**	19,796
Long-aged payable written-off (iv)	**9,562**	14,224
Late payment surcharge (v)	**454**	511
Others	**3,678**	1,992
	52,543	52,530

(b) Other expenses

	2018 **RMB'000**	2017 RMB'000
Impairment losses on property, plant and equipment	**1,127**	13,961
Net losses on disposal of property, plant and equipment	**131**	488
Others	**2,193**	5,345
	3,451	19,794

(i) Government grants mainly represent financial support from local government authorities for relocation projects and natural disasters.

(ii) Interest income represented the interest from bank deposits, loans to third parties (see note 19) and a fellow subsidiary (see note 29(d)) and prepayments.

(iii) Fair value changes of other financial assets mainly came from the realized and unrealized net income from the financial products issued by banks and the Group's unlisted equity securities (see note 16).

(iv) After assessing the validity of contractual obligation of the payables, the Group wrote off these long-aged payables and credited as other income.

(v) Late payment surcharge mainly came from customers who failed to pay the power bills in time.

(Expressed in thousands of RMB unless otherwise indicated)

6 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Finance costs

	2018 RMB'000	2017 RMB'000
Interest on bank loans	**33,198**	36,984
Interest on bank overdrafts	**2,498**	2,767
Interest on other borrowings	**–**	1,609
	35,696	41,360

(b) Staff costs

	2018 RMB'000	2017 RMB'000
Salaries, wages and other benefits	**330,906**	329,590
Contributions to defined contribution retirement plan	**47,091**	43,788
	377,997	373,378

Staff costs includes remuneration of directors, supervisors and senior management (note 8 and note 9).

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organised by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(Expressed in thousands of RMB unless otherwise indicated)

6 Profit before taxation (Continued)

(c) Other items

	2018 RMB'000	2017 RMB'000
Amortisation		
– Interests in leasehold land held for own use under operating leases *(note 12)*	**2,892**	2,614
– Intangible assets *(note 13)*	**1,607**	1,469
	4,499	4,083
Depreciation *(note 11)*	**137,327**	133,546
Impairment losses on		
– trade and other receivables	**11,442**	1,222
– property, plant and equipment	**1,127**	13,961
Operating leasing charges	**3,804**	3,643
Auditor's remuneration		
– Audit services	**2,400**	621
– Other services	**–**	2,049
	2,400	2,670
Repair and maintenance expenses	**46,642**	47,006

(i) Cost of sales includes RMB432,286 thousand (2017: RMB433,648 thousand) relating to staff costs, depreciation and amortisation expenses, operating lease charges and repair and maintenance expenses, which amounts are also included in the respective total amounts disclosed separately in note 6(b) or above for each of these types of expenses.

(Expressed in thousands of RMB unless otherwise indicated)

7 Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represents:

	2018 RMB'000	2017 RMB'000
Current tax-PRC corporate income tax		
Provision for the year	**26,620**	22,593
Deferred tax		
Origination and reversal of temporary differences	**2,125**	(3,929)
	28,745	18,664

The Company and subsidiaries were incorporated in the PRC. Under the relevant PRC corporate income tax law and respective regulations, except for preferential treatments available to certain subsidiaries as mentioned in table below, other subsidiaries within the Group are subject to corporate income tax at the statutory rate of 25.0%.

	2018	2017
The Company	**25.0%**	25.0%
Yibin Electricity (i)	**15.0%**	15.0%
Gong County Electricity (i)	**15.0%**	15.0%
Xingwen Electricity (i)	**15.0%**	15.0%
Gao County Electricity (i)	**15.0%**	15.0%
Junlian Electricity (i)	**15.0%**	15.0%
Pingshan Electricity (i)	**15.0%**	15.0%
Yangliutan Power Generation (i)	**15.0%**	15.0%
Electricity Engineering Construction (i)	**15.0%**	15.0%
Yibin Changyuan (i)	**15.0%**	15.0%
Yibin City Electricity Sales	**25.0%**	25.0%
Yuejiang Power Generation	**25.0%**	25.0%

(i) According to the notice on tax policies in relation to further implementation of the western development strategy, enterprises established in western region and engaged in activities encouraged by the state, are applicable to a preferential corporate income tax rate of 15.0% from 2011 to 2020. Certain subsidiaries operate in the western region of the PRC can enjoy a preferential corporate income tax rate of 15.0%, provided their revenues from principal activities contribute more than 70.0% of their total revenues in each of the year.

(Expressed in thousands of RMB unless otherwise indicated)

7 Income tax in the consolidated statements of profit or loss (Continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018 RMB'000	2017 RMB'000
Profit before taxation	**198,117**	143,554
Notional taxation on profit before taxation, calculated at statutory rate	**49,529**	35,889
Effect of preferential tax rate *(note (a)(i))*	**(21,220)**	(14,583)
Tax effect of non-deductible expenses	**466**	1,349
Tax effect of non-taxable income	**(1,515)**	(3,150)
Tax effect of non-taxable profit	**(2,830)**	(3,599)
Tax effect of unused tax losses not recognised	**4,661**	3,040
Others	**(346)**	(282)
Actual tax expense	**28,745**	18,664

(Expressed in thousands of RMB unless otherwise indicated)

8 Directors' emoluments

Directors' emoluments are disclosed as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2018 Total RMB'000
Executive director					
Mr. Zeng Yong (曾勇)	–	657	–	42	699
Mr. Wang Heng (王恒)	–	549	–	40	589
Mr. Li Hui (李暉) (v)	–	490	–	40	530
Non-executive directors					
Mr. Duan Xingpu (段興普) (v)	–	–	–	–	–
Ms. Wang Lu (王璐) (v)	–	–	–	–	–
Mr. Zhou Yanbin (周燕賓)	–	–	–	–	–
Ms. Li Yu (李彧)	–	–	–	–	–
Ms. Li Bi (李苾) (v)	–	439	–	40	479
Mr. Wang Chengke (王承科)	–	–	–	–	–
Mr. Tian Qin (田欽) (v)	–	–	–	–	–
Mr. Han Chunhong (韓春紅) (v)	–	–	–	–	–
Mr. Zhu Jianhua (朱健華) (v)	–	283	–	40	323
Independent non-executive directors					
Mr. Kin Kwong Kwok Gary (郭建江)	–	–	–	–	–
Mr. Fan Wei (範為)	–	–	–	–	–
Mr. Tang Qingli (唐清利) (vii)	–	–	–	–	–
Mr. Wang Peng (王鵬)	–	–	–	–	–
Ms. He Zhen (何真) (vii)	–	–	–	–	–
Supervisors					
Mr. Zhong Bingtao (鐘冰濤) (vi)	–	–	–	–	–
Mr. Luo Shangjun (羅尚筠) (vi)	–	–	–	–	–
Ms. Li Jia (李佳)	–	326	–	40	366
Mr. Hu Changxian (胡昌現)	–	321	–	40	361
Ms. Fu Ruoxue (傅若雪)	–	–	–	–	–
Mr. Zeng Zhiwei (曾志偉)	–	–	–	–	–
Ms. Chen Yingchun (陳迎春) (vi)	–	–	–	–	–
Mr. Ouyang Yu (歐陽煜) (vi)	–	–	–	–	–
	–	3,065	–	282	3,347

(Expressed in thousands of RMB unless otherwise indicated)

8 Directors' emoluments (Continued)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2017 Total RMB'000
Executive director					
Mr. Zeng Yong (曾勇)	–	417	–	39	456
Mr. Wang Heng (王恒)	–	767	–	29	796
Non-executive directors					
Mr. Duan Xingpu (段興普)	–	–	–	–	–
Ms. Wang Lu (王璐)	–	–	–	–	–
Mr. Zhou Yanbin (周燕賓)	–	–	–	–	–
Ms. Li Yu (李彧)	–	–	–	–	–
Ms. Li Bi (李苾)	–	286	–	26	312
Mr. Wang Chengke (王承科) (ii)	–	–	–	–	–
Mr. Tian Qin (田欽) (ii)	–	–	–	–	–
Mr. Sun Hong (孫洪) (ii)	–	–	–	–	–
Ms. Xue Changhong (薛長虹) (ii)	–	–	–	–	–
Independent non-executive directors					
Mr. Kin Kwong Kwok Gary (郭建江) (iii)	–	–	–	–	–
Mr. Fan Wei (範為) (iii)	–	–	–	–	–
Mr. Tang Qingli (唐清利) (iii)	–	–	–	–	–
Mr. Wang Peng (王鵬) (iii)	–	–	–	–	–
Supervisors					
Mr. Zhong Bingtao (鐘冰濤)	–	–	–	–	–
Mr. Luo Shangjun (羅尚筠)	–	–	–	–	–
Ms. Li Jia (李佳)	–	298	–	24	322
Mr. Hu Changxian (胡昌現)	–	327	–	24	351
Ms. Fu Ruoxue (傅若雪) (iv)	–	–	–	–	–
Mr. Zeng Zhiwei (曾志偉) (iv)	–	–	–	–	–
Mr. Chen Hongbin (陳洪斌) (iv)	–	–	–	–	–
	–	2,095	–	142	2,237

(Expressed in thousands of RMB unless otherwise indicated)

8 Directors' emoluments (Continued)

(i) During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the year. No remuneration was paid to independent non-executive directors during the year.

(ii) On 16 May 2017, Mr. Sun Hong and Ms. Xue Changhong resigned as non-executive directors of the Company and Mr. Wang Chengke and Mr. Tian Qin were appointed as non-executive directors of the Company.

(iii) On 24 April 2017, Mr. Kin Kwong Kwok Gary, Mr. Fan Wei, Mr. Tang Qingli, and Mr. Wang Peng were appointed as independent non-executive directors of the Company.

(iv) On 16 May 2017, Ms. Fu Ruoxue was appointed as a supervisor of the Company. On 5 September 2017, Mr. Zeng Zhiwei was appointed as a supervisor of the Company and Mr. Chen Hongbin resigned as a supervisor of the Company.

(v) On 27 March 2018, Mr. Tian Qin resigned as a non-executive director of the Company and Ms. Han Chunhong was appointed as a non-executive director of the Company. On 20 August 2018, Mr. Duan Xingpu and Ms. Li Bi resigned as non-executive directors of the Company and Mr. Li Hui was appointed as an executive director of the Company. On 20 August 2018, Mr. Zhu Jianhua was appointed as a non-executive director of the Company. On 28 December 2018, Mr. Zhu Jianhua and Ms. Wang Lu resigned as non-executive directors of the Company.

(vi) On 20 August 2018, Mr. Zhong Bingtao and Mr. Luo Shangjun resigned as supervisors of the Company and Ms. Chen Yingchun and Mr. Ouyang Yu were appointed as supervisors of the Company.

(vii) On 27 March 2018, Mr. Tang Qingli resigned as an independent non-executive director of the company and Ms. He Zhen was appointed as an independent non-executive director of the Company.

(Expressed in thousands of RMB unless otherwise indicated)

9 Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2017: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other two (2017: three) individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other emoluments	**981**	1,929
Retirement scheme contributions	**80**	80
	1,061	2,009

The emoluments of the two (2017: three) individuals with the highest emoluments are within the following bands:

	2018 Number of individuals	2017 Number of individuals
Nil – HKD1,000,000	**2**	3

10 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB169,150,000 (2017: RMB125,311,000) and the weighted average of 807,766,700 ordinary shares (2017: 805,557,700 ordinary shares) in issue during the year, calculated as follows:

	2018 '000	2017 '000
Issued ordinary shares at 1 January	**805,558**	805,558
Effect of shares issued pursuant to initial public offering *(note 26(c))*	**2,209**	–
Weighted average number of ordinary shares at 31 December	**807,767**	805,558

There were no dilutive potential ordinary shares for the year ended 31 December 2018, and therefore, diluted earnings per share are the same as the basic earnings per share.

(Expressed in thousands of RMB unless otherwise indicated)

11 Property, plant and equipment

	Plants and buildings	Machineries	Motor vehicles	Office equipment and fixture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2017	1,063,505	2,644,107	44,113	44,866	51,461	3,848,052
Additions	18,242	17,623	3,462	8,959	52,669	100,955
Transfers from construction in progress	6,330	9,993	–	4,787	(21,110)	–
Disposals	(608)	(2,342)	(1,844)	(1,615)	–	(6,409)
Reclass	16,523	(16,555)	–	32	–	–
At 31 December 2017 and 1 January 2018	1,103,992	2,652,826	45,731	57,029	83,020	3,942,598
Additions	3,992	16,975	689	11,686	72,816	106,158
Transfers from construction in progress	1,959	36,822	–	926	(39,707)	–
Disposals	(5,032)	(16,926)	(2,362)	(1,533)	–	(25,853)
At 31 December 2018	**1,104,911**	**2,689,697**	**44,058**	**68,108**	**116,129**	**4,022,903**
Accumulated depreciation and impairment losses:						
At 1 January 2017	(290,152)	(795,177)	(25,162)	(27,544)	–	(1,138,035)
Depreciation charge for the year	(26,115)	(98,765)	(3,454)	(5,212)	–	(133,546)
Impairment loss	(2,930)	(10,872)	(6)	(153)	–	(13,961)
Written back on disposal	376	2,236	1,761	1,535	–	5,908
Reclass	(1,598)	1,602	–	(4)	–	–
At 31 December 2017 and 1 January 2018	(320,419)	(900,976)	(26,861)	(31,378)	–	(1,279,634)
Depreciation charge for the year	(25,442)	(100,218)	(3,944)	(7,723)	–	(137,327)
Impairment loss	(576)	(551)	–	–	–	(1,127)
Written back on disposal	5,032	16,901	2,226	1,501	–	25,660
At 31 December 2018	**(341,405)**	**(984,844)**	**(28,579)**	**(37,600)**	**–**	**(1,392,428)**
Net book value:						
At 31 December 2018	**763,506**	**1,704,853**	**15,479**	**30,508**	**116,129**	**2,630,475**
At 31 December 2017	783,573	1,751,850	18,870	25,651	83,020	2,662,964

(Expressed in thousands of RMB unless otherwise indicated)

11 Property, plant and equipment (Continued)

(a) All of the property, plant and equipment owned by the Group are located in the mainland China.

(b) No property, plant and equipment were pledged to banks as at 31 December 2018 (2017: nil).

(c) During the year, certain property, plant and equipment were physically damaged or ceased for operation. The Group assessed the recoverable amounts of those property, plant and equipment as nil and as a result, the carrying amounts of those property, plant and equipment were fully written off. Impairment losses of RMB1,127 thousand was recognised in "Other expenses" for the year (2017: RMB13,961 thousand).

(d) As at 31 December 2018, the Group was in the process of applying for property ownership certificates for certain buildings with an aggregate net book value of RMB3,741 thousand. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title of these buildings.

(e) Advance payments were made to vendors or contractors for equipment or construction work to be delivered. Advance payments included in construction in progress amounted to RMB7,664 thousand as at 31 December 2018 (2017: RMB7,801 thousand).

12 Interests in leasehold land held for own use under operating leases

	Total RMB'000
Cost:	
At 1 January 2017	139,399
Additions	15,310
At 31 December 2017 and 1 January 2018	154,709
Additions	2,393
At 31 December 2018	**157,102**
Accumulated amortisation:	
At 1 January 2017	(18,045)
Charge for the year	(2,614)
At 31 December 2017 and 1 January 2018	(20,659)
Charge for the year	(2,892)
At 31 December 2018	**(23,551)**
Net book value:	
At 31 December 2018	**133,551**
At 31 December 2017	134,050

(Expressed in thousands of RMB unless otherwise indicated)

12 Interests in leasehold land held for own use under operating leases (Continued)

(a) Interests in leasehold land held for own use under operating leases represent payments for land use rights of land located in the mainland China where the Group's plants situate. The period for the land use rights is no more than 50 years.

(b) No interests in leasehold land held for own use under operating leases were pledged to banks as at 31 December 2018 (2017: nil).

(c) As at 31 December 2018, the Group was in the process of applying for ownership certificates for certain interests in leasehold land with an aggregate net book value of RMB87 thousand. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title of these interests in leasehold land held for own use under operating leases.

13 Intangible assets

	Software RMB'000
Cost:	
At 1 January 2017	13,808
Additions	1,538
At 31 December 2017 and 1 January 2018	15,346
Additions	762
At 31 December 2018	**16,108**
Accumulated amortisation:	
At 1 January 2017	(8,596)
Charge for the year	(1,469)
At 31 December 2017 and 1 January 2018	(10,065)
Charge for the year	(1,607)
At 31 December 2018	**(11,672)**
Net book value:	
At 31 December 2018	**4,436**
At 31 December 2017	5,281

(Expressed in thousands of RMB unless otherwise indicated)

14 Investment in subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company*	**Place of incorporation and business**	**Particulars of issued and paid-up capital** (RMB'000)	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Sichuan Energy Investment Yibin Electricity Co., Ltd. ("Yibin Electricity") (四川能投宜賓電力有限公司)	The PRC	60,000	100.0%	100.0%	–	Power supply
Sichuan Energy Investment Gong County Electricity Co., Ltd. ("Gong County Electricity") (四川能投珙縣电力有限公司)	The PRC	11,960	100.0%	100.0%	–	Power supply
Sichuan Energy Investment Xingwen Electricity Co., Ltd. ("Xingwen Electricity") (四川能投興文電力有限公司)	The PRC	32,020	100.0%	100.0%	–	Power supply
Sichuan Energy Investment Gao County Electricity Co., Ltd. ("Gao County Electricity") (四川能投高縣電力有限公司)	The PRC	78,100	100.0%	100.0%	–	Power supply
Sichuan Energy Investment Junlian Electricity Co., Ltd. ("Junlian Electricity") (四川能投筠連電力有限公司)	The PRC	40,000	100.0%	100.0%	–	Power supply
Sichuan Energy Power Investment Pingshan Electricity Co., Ltd. ("Pingshan Electricity") (四川能投屏山電力有限公司)	The PRC	111,111	100.0%	100.0%	–	Power supply
Shuifu Yangliutan Power Generation Co., Ltd. ("Yangliutan Power Generation") (水富楊柳灘發電有限公司)	The PRC	10,000	100.0%	100.0%	–	Power generation

(Expressed in thousands of RMB unless otherwise indicated)

14 Investment in subsidiaries (Continued)

Name of company*	Place of incorporation and business	Particulars of issued and paid-up capital (RMB'000)	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. ("Electricity Engineering Construction") (四川能投宜賓電力工程建設有限公司)	The PRC	20,300	100.0%	100.0%	–	Construction
Sichuan Province Yibin County Changyuan Infrastructure Co., Ltd. ("Yibin Changyuan") (四川省宜賓縣長源實業有限公司)	The PRC	500	100.0%	–	100.0%	Installation and maintenance
Sichuan Energy Investment Yibin City Electricity Sales Co., Ltd. ("Yibin City Electricity Sales) (四川能投宜賓市售電有限公司) (a)	The PRC	22,000	74.0%	74.0%	–	Electricity sale
Sichuan Energy Investment Gao County Yuejiang Power Generation Co., Ltd. ("Yuejiang Power Generation") (四川能投高縣月江發電有限公司)	The PRC	3,000	100.0%	100.0%	–	Power generation

* The English translation of the subsidiaries' names is for reference only. The official names of these companies are in Chinese.

(a) On 28 September 2016, the Company and Yibin City State-owned Assets Operation Co., Ltd. set up Yibin City Electricity Sales. The paid-in capital of Yibin City Electricity Sales is RMB22,000 thousand, of which the Company holds 74% equity interest. The Company completed the capital injection on 15 February 2017.

(Expressed in thousands of RMB unless otherwise indicated)

15 Investment in associates

The following list contains the particulars of associates, all of which are unlisted entities whose quoted market prices are not available.

Name of associate*	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital (RMB'000)	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Emeishan Jinkun Micro-credit Co., Ltd. (峨眉山市金坤小額貸款有限公司)	Incorporated	The PRC	200,000	20.0%	20.0%	–	Authorised financial and consulting services
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	Incorporated	The PRC	400,000	25.0%	25.0%	–	Authorised financial and consulting services
Sichuan Yibin Electricity Co., Ltd (四川宜賓電力有限公司) (a)	Incorporated	The PRC	100,000	30.0%	30.0%	–	Power supply
Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	Incorporated	The PRC	28,320	49.0%	–	49.0%	Property investment, agency and management service
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限責任公司)	Incorporated	The PRC	32,000	49.0%	–	49.0%	Power generation

* The English translation of the associates' names is for reference only. The official names of these companies are in Chinese.

All of the associates are accounted for using the equity method in the consolidated financial statements.

(Expressed in thousands of RMB unless otherwise indicated)

15 Investment in associates (Continued)

(a) In September 2017, the Company together with Sichuan Province State Power Company (國網四川省電力公司) and Yibin City State-owned Assets Operation Co., Ltd. (宜賓市國有資產經營有限公司) set up Sichuan Yibin Electricity Co., Ltd, in which the Group holds 30% equity interest with a subscribed contribution of RMB30,000 thousand. At the date of this report, the Company has not yet made the contribution which was due on 30 June 2018 according to the articles of association.

(b) Aggregate information of associates that are not individually material:

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**258,203**	216,487
Aggregate amounts of the Group's share of those associates'		
Profits from continuing operations	**3,871**	10,672
Other comprehensive income	**–**	–
Total comprehensive income	**3,871**	10,672

16 Other financial assets

	2018 RMB'000	2017 RMB'000
Financial assets measured at FVPL		
– Unlisted equity securities	**117,111**	111,373

On 18 January and 17 March 2017, the Company made cumulative investments of RMB100,000 thousand in Lhasa Jinding Xingneng Investment Center (LLP) (拉薩金鼎興能投資中心(有限合夥)) ("Jinding Fund") as an inferior limited partner. According to the partnership agreement, the investment period is no less than three years but not exceeding five years.

Further details of the Group's fair value measurement are set out in note 27(d).

(Expressed in thousands of RMB unless otherwise indicated)

17 Inventories

Inventories in the consolidated statement of financial position comprise:

	2018	2017
	RMB'000	RMB'000
Raw materials	**55,696**	31,956
Spare parts and others	**308**	176
	56,004	32,132

(a) The analysis of the amount of inventories recognised as an expense included in profit or loss is as follows:

	2018	2017
	RMB'000	RMB'000
Electricity sold	**1,016,579**	840,089
Other inventories consumed or sold	**97,656**	92,824
	1,114,235	932,913

All of the inventories are expected to be recovered within one year.

(Expressed in thousands of RMB unless otherwise indicated)

18 Contract assets and contract liabilities

(a) Contract assets

	2018 RMB'000	2017 RMB'000
Contract assets		
Arising from performance under construction contracts	**12,967**	4,656

(i) The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. The payment schedules are discussed with customers case by case. The increase in contract assets balance compared to previous year was due to the change in the time frame of billing schedule. In certain construction contracts, the Group agrees to a one or two year retention period for 5% of the contract value. This amount is included in contract assets until the end of the retention period as the group's entitlement to this final payment is conditional on the group's work satisfactorily passing inspection.

(ii) The amounts of contract assets arisen from construction contracts at the end of the year are expected to be recovered within one year.

(b) Contract liabilities

	2018 RMB'000	2017 RMB'000
Contract liabilities		
Construction contracts		
– Billings in advance of performance (i)	**28,753**	17,986
Power business		
– Sales advances (ii)	**150,786**	115,668
	179,539	133,654

(Expressed in thousands of RMB unless otherwise indicated)

18 Contract assets and contract liabilities (Continued)

(b) Contract liabilities (Continued)

Movement in contract liabilities

	2018 RMB'000	2017 RMB'000
Balance at 1 January	**133,654**	107,361
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(132,194)**	(107,361)
Increase in contract liabilities as a result of receiving sales advances in respect of power business	**150,786**	115,150
Increase in contract liabilities as a result of billing in advance of construction activities	**27,293**	18,504
Balance at 31 December	**179,539**	133,654

(i) When the group receives a deposit before the construction activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. In addition, when the Group bills and receives the consideration in advance of the construction activities, advance payment schemes result in contract liabilities being recognised.

(ii) The Group usually receives advances from customers when they tops up for electricity. The top-up is recognised as contract liability until transmission of power to these customers. The increase was due to the increase in number of customers using smart power meters which required electricity top up as prepayment.

(iii) All of contract liabilities at the end of the year are expected to be recognised as income within one year.

(Expressed in thousands of RMB unless otherwise indicated)

19 Trade and other receivables

	2018 RMB'000	2017 RMB'000
Trade debtors (a)	**285,484**	256,681
Bills receivable (a)	**15,350**	3,582
Less: Allowance for doubtful debts *(note 27(a))*	**(81,428)**	(80,572)
	219,406	179,691
Other receivables	**48,535**	33,919
Less: Allowance for doubtful debts	**(18,007)**	(15,950)
	30,528	17,969
Loans to third parties	**28,157**	29,534
Less: Allowance for doubtful debts	**(28,157)**	(29,534)
	–	–
Amounts due from related parties *(note 29(d))*	**38,576**	104,344
Financial assets measured at amortised cost	**288,510**	302,004
Prepayments and deposits (b)	**43,222**	23,803
	331,732	325,807
Receivables from contracts with customers within the scope of IFRS 15	**257,982**	229,714

All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(Expressed in thousands of RMB unless otherwise indicated)

19 Trade and other receivables (Continued)

(a) Ageing analysis of trade debtors and bills receivable

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables) of the Group, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2018	2017
	RMB'000	RMB'000
Within 6 months (inclusive)	**139,194**	116,291
6 months to 1 year (inclusive)	**38,746**	33,942
1 to 2 years (inclusive)	**24,692**	14,851
2 to 3 years (inclusive)	**7,203**	6,801
3 to 4 years (inclusive)	**4,925**	4,599
4 to 5 years (inclusive)	**3,074**	2,240
Over 5 years	**1,572**	967
	219,406	179,691

Trade debtors and bills receivable are due upon billing. Further details of the Group's credit policy are set out in note 27(a).

(b) Prepayments and deposits

Prepayments and deposits mainly represented the amounts prepaid to suppliers for purchase of electricity, raw materials and services.

20 Restricted deposits

As at 31 December 2018, the restricted deposit represented a deposit placed with a bank for obtaining a letter of guarantee issued by a bank.

(Expressed in thousands of RMB unless otherwise indicated)

21 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	2018 RMB'000	2017 RMB'000
Deposits with banks	**797,944**	395,787
Cash on hand	**26**	24
Cash in the consolidated statement of financial position	**797,970**	395,811
Bank overdrafts *(note 23(a))*	**–**	(300,473)
Cash in the consolidated statement of cash flows	**797,970**	95,338

(b) Reconciliation of profit before taxation to cash generate from operations

	2018 RMB'000	2017 RMB'000
Profit before taxation	**198,117**	143,554
Adjustments for:		
Depreciation	**137,327**	133,546
Impairment losses on trade and other receivables and contract assets	**11,442**	1,222
Impairment losses on property, plant and equipment	**1,127**	13,961
Amortisation of intangible assets and interests in leasehold land held for own use under operating leases	**4,499**	4,083
Amortisation of deferred income	**(7,504)**	(6,983)
Net losses on disposal of property, plant and equipment	**131**	488
Finance costs	**35,696**	41,360
Interest income	**(1,441)**	(1,464)
Share of profits less losses of associates	**(3,871)**	(10,672)
Fair value changes of other financial assets	**(16,840)**	(19,796)
Changes in working capital:		
Changes in inventories	**(23,872)**	1,319
Changes in trade and other receivables	**(75,748)**	(32,675)
Changes in contract assets	**(8,311)**	(529)
Changes in trade and other payables	**42,771**	78,826
Changes in contract liabilities	**45,885**	26,293
Changes in restricted deposits	**(4,000)**	38,749
Cash generated from operations	**335,408**	411,282

(Expressed in thousands of RMB unless otherwise indicated)

21 Cash and cash equivalents (Continued)

(c) Reconciliation of liabilities arising from financing activities

	Bank loans	Other borrowings	Dividend payables	Interest payables	Total
	Note 23	*Note 23*	*Note 22 & 29(d)*	*Note 22*	
At 1 January 2018	572,000	20,732	–	5,869	598,601
Changes from financing cash flows:					
Proceeds from new bank loans	750,000	–	–	–	750,000
Repayment of bank loans	(572,030)	–	–	–	(572,030)
Repayment of loans from third parties	–	(6,364)	–	–	(6,364)
Dividend paid to equity holders of the Company	–	–	(64,445)	–	(64,445)
Interest paid	–	–	–	(36,417)	(36,417)
Total changes from financing cash flows	177,970	(6,364)	(64,445)	(36,417)	70,744
Other changes:					
Dividends approved in respect of the previous year	–	–	64,445	–	64,445
Financial costs	–	–	–	35,696	35,696
Total other changes	–	–	64,445	35,696	100,141
At 31 December 2018	749,970	14,368	–	5,148	769,486

(Expressed in thousands of RMB unless otherwise indicated)

21 Cash and cash equivalents (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans	Loans from the Parent	Other borrowings	Dividend payables	Interest payables	Total
	Note 23	*Note 23*	*Note 23*	*Note 22 & 29(d)*	*Note 22*	
At 1 January 2017	800,000	37,623	22,922	–	6,304	866,849
Changes from financing cash flows:						
Proceeds from new bank loans	580,000	–	–	–	–	580,000
Repayment of bank loans	(808,000)	–	–	–	–	(808,000)
Repayment of loans from the Parent	–	(2,148)	–	–	–	(2,148)
Repayment of loans from third parties	–	–	(2,190)	–	–	(2,190)
Dividend paid to equity holders of the Company	–	–	–	(32,893)	–	(32,893)
Interest paid	–	–	–	–	(41,795)	(41,795)
Total changes from financing cash flows	(228,000)	(2,148)	(2,190)	(32,893)	(41,795)	(307,026)
Other changes:						
Dividends approved in respect of the previous year	–	–	–	64,445	–	64,445
Financial costs	–	–	–	–	41,360	41,360
Offsetting with the Parent	–	(35,475)	–	(31,552)	–	(67,027)
Total other changes	–	(35,475)	–	32,893	41,360	38,778
At 31 December 2017	572,000	–	20,732	–	5,869	598,601

(Expressed in thousands of RMB unless otherwise indicated)

22 Trade and other payables

	2018 RMB'000	2017 RMB'000
Trade payables	**386,484**	335,269
Other payables	**144,667**	136,850
Interest payables	**5,148**	5,869
Employee benefits payables	**53,272**	60,274
Other tax payables	**10,436**	10,408
Amounts due to related parties *(note 29(d))*	**44,631**	42,871
	644,638	591,541

As at the end of the reporting period, the aging analysis of the trade payables (which are included in trade and other payables) of the Group, based on the invoice date, is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year (inclusive)	**355,005**	304,945
1 to 2 years (inclusive)	**25,670**	23,844
2 to 3 years (inclusive)	**4,028**	3,735
Over 3 years	**1,781**	2,745
	386,484	335,269

(Expressed in thousands of RMB unless otherwise indicated)

23 Loans and borrowings

(a) The analysis of the carrying amount of loans and borrowings is as follows:

	2018 RMB'000	2017 RMB'000
Current		
Bank overdrafts (i)	–	300,473
Unsecured bank loans	50,000	350,000
Current portion of non-current unsecured bank loans	2,060	93,000
Current portion of other borrowings (ii)	14,368	20,732
	66,428	764,205
Non-current		
Unsecured bank loans	699,970	222,000
Other borrowings (ii)	14,368	20,732
Less: Current portion of non-current unsecured bank loans	(2,060)	(93,000)
Current portion of other borrowings (ii)	(14,368)	(20,732)
	697,910	129,000
	764,338	893,205

(i) Bank overdrafts

The Group participated in a cash pooling management plan provided by Bank of Shanghai in 2014. According to the cash pooling management arrangement, the Group can overdraw bank overdrafts not exceeding the lower of granted maximum facility amounts and certain percentage of the total deposit balances of bank accounts in the cash pool, which includes deposit balance belong to the Parent. The cash pooling management plan was terminated by the Group in 2018.

(ii) Other borrowings

The balance of borrowings from Pingshan County Bureau of Finance (屏山縣財政局) was RMB6,000 thousand (2017: RMB6,000 thousand), which has been past due since 2017. The past due amounts were subject to an annual interest rate equal to one-year benchmark lending interest rate.

(Expressed in thousands of RMB unless otherwise indicated)

23 Loans and borrowings (Continued)

(a) The analysis of the carrying amount of loans and borrowings is as follows: (Continued)

(ii) Other borrowings (Continued)

The balance of borrowings from Junlian County Bureau of Finance (筠連縣財政局) was RMB3,552 thousand (2017: RMB3,552 thousand), which has been past due since 2011. The borrowings were interest-free.

The balance of borrowings from Gong County Bureau of Finance (珙縣財政局) was RMB4,320 thousand (2017: RMB4,320 thousand), which has been past due since 2011. The borrowings were interest-free.

The balance of borrowings from Junlian County State-owned Assets Operation Co., Ltd. (筠連縣國有資產經營管理有限公司) was RMB496 thousand (2017: RMB6,860 thousand), the balance of which was interest-free (2017: except RMB3,810 thousand at interest rate of 6.7% per annum, the remaining balance was interest-free). The borrowings have been past due since 2011.

(b) At 31 December 2018, loans and borrowings were repayable as follows:

	2018 **RMB'000**	2017 RMB'000
Bank loans and overdrafts		
Within 1 year or on demand	**52,060**	743,473
After 1 year but within 2 years	**501,910**	129,000
After 2 years but within 5 years	**196,000**	–
	749,970	872,473
Loans from other borrowings		
Within 1 year or on demand	**14,368**	20,732
	764,338	893,205

(Expressed in thousands of RMB unless otherwise indicated)

24 Deferred income

	2018 RMB'000	2017 RMB'000
At 1 January	**166,807**	172,848
Additions	**4,486**	2,123
Credited to profit or loss	**(7,504)**	(6,983)
Other decrease	**–**	(1,181)
At 31 December	**163,789**	166,807
Less: Current portion of deferred income	**(7,132)**	(6,983)
	156,657	159,824

Deferred income of the Group represented government grants in respect of the Group's construction of the plants and equipment for power supply.

25 Income tax in the consolidated statement of financial position

(a) Current taxation in the consolidated statement of financial position represents:

	2018 RMB'000	2017 RMB'000
PRC Corporate Income Tax		
At 1 January	**285**	4,236
Charged to profit or loss *(note 7(a))*	**26,620**	22,593
Payments during the year	**(19,793)**	(26,544)
	7,112	285
Representing:		
Prepaid tax	**(4,243)**	(7,768)
Current tax liabilities	**11,355**	8,053
	7,112	285

(Expressed in thousands of RMB unless otherwise indicated)

25 Income tax in the consolidated statement of financial position (Continued)

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax (assets)/deferred tax liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Impairment provisions	Depreciation allowances less than the related depreciation	Revaluation of PPE	Government grants	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	(31,579)	(9,725)	34,722	(3,513)	293	(9,802)
(Credited)/charged to profit or loss	(2,278)	(732)	(729)	103	(293)	(3,929)
At 31 December 2017	(33,857)	(10,457)	33,993	(3,410)	–	(13,731)
(Credited)/charged to profit or loss	3,459	(585)	(729)	103	(123)	2,125
At 31 December 2018	**(30,398)**	**(11,042)**	**33,264**	**(3,307)**	**(123)**	**(11,606)**

(ii) Reconciliation to the consolidated statements of financial position:

	2018	2017
	RMB'000	RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**(30,500)**	(30,439)
Net deferred tax liability recognised in the consolidated statement of financial position	**18,894**	16,708
	(11,606)	(13,731)

(Expressed in thousands of RMB unless otherwise indicated)

25 Income tax in the consolidated statement of financial position (Continued)

(c) Deferred tax assets not recognised

In according with accounting policy set out in note 1(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB14,838 thousand (2017: RMB11,144 thousand), as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the year will expire in the following years:

	2018 **RMB'000**	2017 RMB'000
2018	**–**	3,866
2019	**12,369**	12,369
2020	**2,914**	2,914
2021	**13,263**	13,263
2022	**12,163**	12,163
2023	**18,644**	–

(Expressed in thousands of RMB unless otherwise indicated)

26 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital RMB'000	Capital reserve RMB'000	PRC statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2017		805,558	207,990	30,661	101,969	1,146,178
Changes in equity for 2017						
Total comprehensive income for the year		–	–	–	143,642	143,642
Transfer to statutory reserve	*26(d)(iii)*	–	–	11,681	(11,681)	–
Dividends approved in respect of the previous year	*26(b)*	–	–	–	(64,445)	(64,445)
Balance at 31 December 2017 and 1 January 2018		805,558	207,990	42,342	169,485	1,225,375
Changes in equity for 2018						
Total comprehensive income for the year		–	–	–	123,092	123,092
Issue of ordinary shares under initial public offering, net of share issuance expenses		268,800	108,112	–	–	376,912
Transfer to statutory reserve	*26(d)(iii)*	–	–	15,264	(15,264)	–
Dividends approved in respect of the previous year	*26(b)*	–	–	–	(64,445)	(64,445)
Balance at 31 December 2018		**1,074,358**	**316,102**	**57,606**	**212,868**	**1,660,934**

(Expressed in thousands of RMB unless otherwise indicated)

26 Capital, reserves and dividends (Continued)

(b) Dividends

(i) Dividends payable to equity shareholder of the Company attributable to the year:

	2018 RMB'000	2017 RMB'000
Final dividend proposed after the end of the year	**91,320**	64,445

On 11 May 2018, a dividend for the year ended 31 December 2017 of approximately RMB64,445 thousand, representing RMB0.08 per share was approved at the shareholders' meeting.

On 28 March 2019, a dividend for the year ended 31 December 2018 of approximately RMB91,320 thousand, representing RMB0.085 per share was proposed by the Board of Directors of the Company. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. The final dividend proposed after the end of each of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholder of the Company attributable to the previous financial year, approved and paid during the year:

	2018 RMB'000	2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year	**64,445**	64,445

(c) Share capital

	2018		2017	
	No. of shares '000	**RMB'000**	No. of shares '000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**805,558**	**805,558**	805,558	805,558
Issue of new ordinary shares	**268,800**	**268,800**	–	–
At 31 December	**1,074,358**	**1,074,358**	805,558	805,558

(Expressed in thousands of RMB unless otherwise indicated)

26 Capital, reserves and dividends (Continued)

(c) Share capital (Continued)

	2018	2017
	’000	’000
Ordinary shares of RMB1 each		
– Domestic shares	**707,519**	707,519
– Unlisted Foreign Shares	**98,039**	98,039
– H shares	**268,800**	–
	1,074,358	805,558

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company’s residual assets.

On 28 December 2018, 268,800,000 of new ordinary H shares of RMB1 each of the Company were issued at a price of 1.77 Hong Kong dollars (“HK$”) (equivalent to RMB1.55) each by initial public offering. The proceeds of HK$306,779 thousand (equivalent to approximately RMB268,800 thousand) representing the nominal value of the new ordinary shares of the Company, were credited to the Company’s share capital. The remaining proceeds of HK$168,997 thousand (equivalent to approximately RMB148,075 thousand), after deducting issuance expenses of RMB39,963 thousand, were credited to the Company’s capital reserves.

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserves of the Group mainly consisted of (1) premium arising from capital injection from domestic equity shareholders of RMB285,879 thousand; (2) merger reserve decrease of RMB118,813 thousand, which was resulted from business combination in 2012 involving entities under common control; (3) reserves of RMB29 thousand due to subsidiary’s purchase of own shares in 2014; (4) negative reserve of RMB71,778 thousand due to acquiring remaining 49% non-controlling interests in Yangliutan Power Generation in 2016; (5) premium net of issuance expenses arising from issuance of new ordinary H shares of RMB108,112 thousand in 2018.

(ii) State capital reserve benefits (國有獨享資本公積)

State capital reserve benefits represented government funds in respect of the Group’s construction and modification of rural power grid. The funds were received and allocated to the subsidiaries for construction of power supplies by the Parent. The recognition of RMB878,019 thousand as state capital reserve benefits was approved by the State-owned Assets Supervision and Administration Commission of Sichuan Province.

(Expressed in thousands of RMB unless otherwise indicated)

26 Capital, reserves and dividends (Continued)

(d) Nature and purpose of reserves (Continued)

(iii) PRC statutory reserve

According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(iv) Special reserve

Pursuant to the relevant PRC regulations for power companies, the Group is required to set aside an amount to maintenance, production and other similar funds. The funds can be used for maintenance of production and improvements of safety, and are not available for distribution to shareholders.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes loans and borrowings) plus unaccrued proposed dividends, less cash. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

(Expressed in thousands of RMB unless otherwise indicated)

26 Capital, reserves and dividends (Continued)

(e) Capital management (Continued)

The Group's adjusted net debt-to-capital ratio at 31 December 2018 and 2017, respectively was as follows:

	2018 RMB'000	2017 RMB'000
Current loans and borrowings	66,428	764,205
Non-current loans and borrowings	697,910	129,000
Total debt	764,338	893,205
Add: Proposed dividends	91,320	64,445
Less: Cash and cash equivalents	(797,970)	(395,811)
Adjusted net (assets)/debt	57,688	561,839
Total equity	2,598,639	2,116,800
Less: Proposed dividends	(91,320)	(64,445)
Adjusted capital	2,507,319	2,052,355
Adjusted net debt-to-capital ratio	2.3%	27.4%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 Financial risk management and fair value

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposures to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets, other receivables and loans to third parties. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks, for which the Group considers to have low credit risk.

(Expressed in thousands of RMB unless otherwise indicated)

27 Financial risk management and fair value (Continued)

(a) Credit risk (Continued)

Except for the financial guarantees given by the Group as set out in note 29(e), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 29(e).

(i) Credit risks arising from trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 1.0% (2017: nil) and 1.6% (2017: 0.9%) of trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

The Group disaggregated the trade receivables and contract assets from power business and undertaking the electrical engineering construction projects and sales of electric equipment and materials ("EECS business") as the customers from these business shows different credit risk characteristics. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets from each business as at the end of reporting period.

(Expressed in thousands of RMB unless otherwise indicated)

27 Financial risk management and fair value (Continued)

(a) Credit risk (Continued)

(i) Credit risks arising from trade receivables and contract assets (Continued)

Power business

As at 31 December 2018

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 6 months (inclusive)	**0.5%**	**35,288**	**(172)**
6 months to 1 year (inclusive)	**9%**	**5,664**	**(510)**
1 to 2 years (inclusive)	**60%**	**8,671**	**(5,203)**
2 to 3 years (inclusive)	**70%**	**7,948**	**(5,563)**
3 to 4 years (inclusive)	**75%**	**14,891**	**(11,169)**
4 to 5 years (inclusive)	**80%**	**14,012**	**(11,209)**
Over 5 years	**90%**	**14,042**	**(12,638)**
		100,516	**(46,464)**
Individually impaired	**100%**	**17,690**	**(17,690)**
		118,206	**(64,154)**

As at 31 December 2017

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 6 months (inclusive)	0.5%	24,824	(126)
6 months to 1 year (inclusive)	15%	2,201	(330)
1 to 2 years (inclusive)	68%	13,643	(9,336)
2 to 3 years (inclusive)	71%	15,570	(11,001)
3 to 4 years (inclusive)	74%	15,172	(11,285)
4 to 5 years (inclusive)	74%	7,506	(5,585)
Over 5 years	90%	8,647	(7,782)
		87,563	(45,445)
Individually impaired	100%	25,605	(25,605)
		113,168	(71,050)

(Expressed in thousands of RMB unless otherwise indicated)

27 Financial risk management and fair value (Continued)

(a) Credit risk (Continued)

(i) Credit risks arising from trade receivables and contract assets (Continued)

EECS business

As at 31 December 2018

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 6 months (inclusive)	**0.5%**	**102,161**	**(466)**
6 months to 1 year (inclusive)	**4%**	**34,992**	**(1,400)**
1 to 2 years (inclusive)	**23%**	**27,563**	**(6,339)**
2 to 3 years (inclusive)	**40%**	**8,030**	**(3,212)**
3 to 4 years (inclusive)	**59%**	**2,935**	**(1,732)**
4 to 5 years (inclusive)	**79%**	**1,290**	**(1,019)**
Over 5 years	**95%**	**3,360**	**(3,192)**
		180,331	**(17,360)**

As at 31 December 2017

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 6 months (inclusive)	0.5%	93,109	(442)
6 months to 1 year (inclusive)	4%	33,407	(1,336)
1 to 2 years (inclusive)	20%	13,180	(2,636)
2 to 3 years (inclusive)	30%	3,188	(956)
3 to 4 years (inclusive)	60%	1,781	(1,069)
4 to 5 years (inclusive)	78%	1,466	(1,147)
Over 5 years	95%	2,038	(1,936)
		148,169	(9,522)

(Expressed in thousands of RMB unless otherwise indicated)

27 Financial risk management and fair value (Continued)

(a) Credit risk (Continued)

(i) Credit risks arising from trade receivables and contract assets (Continued)

EECS business (Continued)

Loss allowances for trade receivables and contract assets are measured at an amount equal to lifetime ECLs. ECLs on trade receivables and contract assets are estimated using a provision matrix which is based on its actual loss experience over the past 5 years as adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions with reasonable and supportable information that is available without undue cost or effort at each reporting date. At every reporting date the expected loss rate are reviewed and updated based on such analysis. Based on the provision matrix analysis, the expected loss rate remained stable during the reporting period for receivables from EECS business.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2018 **RMB'000**	2017 RMB'000
At 1 January	**80,572**	79,744
Impairment loss recognised	**9,077**	870
Uncollectible amounts written-off	**(8,135)**	(42)
At 31 December	**81,514**	80,572

(Expressed in thousands of RMB unless otherwise indicated)

27 Financial risk management and fair value (Continued)

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Meanwhile, in order to control liquidity risk, the Group held negotiation with financial institutions for enough banking facilities. The Group's banking facility was granted by several financial institutions in the PRC. As at 31 December 2018, the Group had undrawn bank facilities of RMB650,030 thousand.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group non-derivative financial liabilities, which are based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2018 Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payables *(note 22)*	644,638	–	–	–	644,638	644,638
Loans and borrowings *(note 23)*	101,767	519,650	201,356	–	822,773	764,338
	746,405	519,650	201,356	–	1,467,411	1,408,976

(Expressed in thousands of RMB unless otherwise indicated)

27 Financial risk management and fair value (Continued)

(b) Liquidity risk (Continued)

	As at 31 December 2017					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Trade and other payables *(note 22)*	591,541	–	–	–	591,541	591,541
Loans and borrowings *(note 23)*	1,025,269	135,128	–	–	1,160,397	893,205
	1,616,810	135,128	–	–	1,751,938	1,484,746

(c) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks and loans and borrowings bearing interest issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments. The Group's interest rate profile monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the end of the reporting period.

	As at 31 December 2018		As at 31 December 2017	
	Effective interest rates %	**RMB'000**	Effective interest rates %	RMB'000
Fixed rate borrowings:				
Interest-bearing loans and borrowings	**4.57%**	**50,000**	4.35%~6.70%	353,810
Variable rate borrowings				
Interest-bearing loans and borrowings	**1.20%~4.90%**	**699,970**	1.20%~4.90%	522,473
Total borrowings		**749,970**		876,283
Fixed rate borrowings as a percentage of total borrowings		**6.7%**		40.4%

(Expressed in thousands of RMB unless otherwise indicated)

27 Financial risk management and fair value (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

As at 31 December 2018, it is estimated that an increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB5,250 thousand (2017: RMB3,919 thousand).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2017.

(d) Fair value

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs

(Expressed in thousands of RMB unless otherwise indicated)

27 Financial risk management and fair value (Continued)

(d) Fair value (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

	As at 31 December 2018			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Other financial assets:				
– Unlisted equity securities	**–**	**–**	**117,111**	**117,111**

	As at 31 December 2017			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Other financial assets:				
– Unlisted equity securities	–	–	111,373	111,373

During the year ended 31 December 2017 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the each reporting period in which they occur.

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable input**	**Range**
Unlisted equity securities	Discounted cash flow: The valuation model considers the present value of future benefits, discounted using a risk-adjusted discount rate.	Risk-adjusted discount rate	12% (2017:12%)

(Expressed in thousands of RMB unless otherwise indicated)

27 Financial risk management and fair value (Continued)

(d) Fair value (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

Information about Level 3 fair value measurements (Continued)

The fair value of unlisted equity securities is determined using the forecast future cashflow discounted by risk-adjusted discount rate. The fair value measurement is positively correlated to the forecast future benefit and negatively correlated to the risk-adjusted discount rate. As at 31 December 2018, it is estimated that with all other variables held constant, an increase/decrease in the forecast future benefit by 10% would have increased/decreased the Group's profit by RMB2,952 thousand (2017: RMB3,495 thousand), a decrease in risk-adjusted discount rate by 1% would have increased the Group's profit by RMB945 thousand (2017: RMB1,776 thousand),and an increase in risk-adjusted discount rate by 1% would have decreased the Group's profit by RMB928 thousand (2017: RMB1,730 thousand).

The gains arising from the remeasurement of the Group's unlisted equity securities are presented in the "Other income" line item in the consolidated statement of profit or loss.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's other financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2017 and 2018.

28 Commitments

(a) Capital commitments outstanding as at 31 December 2018 not provided for in the financial statements were as follows:

	2018 RMB'000	2017 RMB'000
Contracted for	**31,963**	48,772

(b) As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**1,004**	1,072
After 1 year but within 5 years	**758**	388
After 5 years	**140**	171
	1,902	1,631

(Expressed in thousands of RMB unless otherwise indicated)

29 Material related party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, major relate party transactions entered by the Group during the year are as follows:

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2018 **RMB'000**	2017 RMB'000
Basic salaries, allowances and other benefits	**4,484**	6,178
Contributions to defined contribution retirement plans	**426**	342
	4,910	6,520

The above remuneration to key management personnel is included in "staff costs" (see note 6(b)).

(b) Financing arrangements

	2018 **RMB'000**	2017 RMB'000
Repayment of loans from the Parent (i)	**–**	(37,623)
Repayments from an associate	**1,000**	–
Interest expense to the Parent	**–**	(1,376)
Repayment of advance to:		
– The Parent	**5,758**	89,127
– A fellow subsidiary	**–**	1,000

(i) On 1 September 2017, the Group entered into an offsetting agreement with the Parent and two related fellow subsidiaries to offset the Group's receivables due from these related parties against payables amounting to RMB75,927 thousand due to them. After the offsetting, the Group received net settlement for the remaining receivables of RMB19,274 thousand on 26 September 2017.

(Expressed in thousands of RMB unless otherwise indicated)

29 Material related party transactions (Continued)

(c) Sales/purchase with related parties

	2018 RMB'000	2017 RMB'000
Purchases of goods/assets from:		
– Fellow subsidiaries	**109**	4,060
– Associates	**5,437**	15,734
Sales of service to:		
– The Parent	**–**	20,652
– Fellow subsidiaries	**24,359**	95,482
Purchases of services from:		
– Fellow subsidiaries	**8,953**	8,196

(d) Balances with related parties

	2018 RMB'000	2017 RMB'000
Amounts due from (note 19):		
Non-trade related		
– The Parent (i) *(note 29(b)(i))*	**–**	5,758
– An associate	**–**	48,563
Trade related		
– The Parent	**10,078**	20,623
– Fellow subsidiaries	**28,498**	29,400
	38,576	104,344
Amounts due to (note 22):		
Non-trade related		
Other non-trade related		
– An associate *(note 15(a))*	**30,000**	30,000
Trade related		
– The Parent	**–**	13
– Fellow subsidiaries	**14,545**	12,648
– An associate	**86**	197
– Holding company of the Parent	**–**	13
	44,631	42,871

(Expressed in thousands of RMB unless otherwise indicated)

29 Material related party transactions (Continued)

(d) Balances with related parties (Continued)

(i) The non-trade related amount due from the Parent mainly represented the non-trade advance to the Parent for cash central management requirement.

(ii) The non-trade related amounts due from subsidiaries mainly represented short-term interest-bearing intercompany loans, interest-free loans repayable on demand and other payments on behalf of the subsidiaries, which the management expects to be settled within one year.

(e) Other related party transactions

(i) On 1 November 2012, the Group entered into the Construction Management Agreement with the Sichuan Province Hydropower Investment and Management Group Co., Ltd. ("Hydropower Group") on a nil consideration basis for the management of the Rural Power Grid Construction Projects. The Group has used certain assets of the Rural Power Grid Construction Projects owned by Hydropower Group for free of charge.

(ii) Under the partnership agreement of Jinding Fund, the Company together with another two inferior limited partners signed a guarantee agreement with the preferential limited partner of Jinding Fund to compensate against any shortfall to the required return or any losses from the investment as claimed by the preferential limited partner. Meanwhile, Sichuan Jinding Industrial & Financial Holding Co., Ltd. ("Sichuan Jinding"), a fellow subsidiary, issued a counter guarantee to compensate the Company's losses, if any, arisen from aforementioned guarantee.

Further to the partnership agreement of Jinding Fund, the Company's losses from investment in Jinding Fund, if any, was guaranteed by Sichuan Jinding, and a minimum 8% annual yield from Jiding Fund was guaranteed by Sichuan Jinding Industrial & Financial Equity Investment Fund Management Co., Ltd. (a wholly owned subsidiary of Sichuan Jinding).

(Expressed in thousands of RMB unless otherwise indicated)

29 Material related party transactions (Continued)

(f) Transactions with other government-related entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "government-related entities").

Apart from transactions mentioned above, the Group conducts a majority of its business activities with other government-related entities in the ordinary course of business. During the reporting year, the Group had transactions with other government-related entities including, but not limited to purchase and sales of electricity, providing construction work services, deposits and borrowings, purchase of materials and receiving construction work services. The directors consider that the transactions with these government-related entities are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-owned. The tariff of electricity is regulated by relevant government authorities. The Group prices its other services and products based on commercial negotiations. The Group has also established its pricing policies for products and services and financing policy for borrowing. Such pricing policies and financing policy do not depend on whether the counterparties are government-related entities or not. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

The Group has obtained the land use rights to use certain parcels of land that are state-allocated land at nil consideration.

(g) Applicability of the Listing Rules relating to connected transactions

The related party transactions above in respect of construction management service agreement with Sichuan Jinhesheng Investment Co., Ltd., the property management agreement and supplemental agreements with Sichuan Province Hydropower Group Baishiji Property Management Co., Ltd., and counter-guarantee provided by Sichuan Jinding constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as construction management service agreement and the property management agreement and supplemental agreements are below the de minimis threshold under Rule 14A.76(1), and counter-guarantee provided by Sichuan Jinding is on normal commercial terms or better to the Group and is not secured by any of the Group's assets pursuant to Rule 14A.90.

(Expressed in thousands of RMB unless otherwise indicated)

30 Company-level statement of financial position

	31 December 2018 RMB'000	31 December 2017 RMB'000
Non-current assets		
Property, plant and equipment	**37,445**	39,146
Intangible assets	**461**	243
Investment in subsidiaries	**1,041,916**	1,029,916
Investment in associates	**182,530**	187,598
Other financial assets	**116,941**	111,203
	1,379,293	1,368,106
Current assets		
Inventories	**78**	31
Trade and other receivables	**808,095**	850,194
Cash and cash equivalents	**682,795**	266,165
	1,490,968	1,116,390
Current liabilities		
Trade and other payables	**459,357**	386,648
Loans and borrowings	**52,060**	743,473
	511,417	1,130,121
Net current assets/(liabilities)	**979,551**	(13,731)
Total assets less current liabilities	**2,358,844**	1,354,375
Non-current liabilities		
Loans and borrowings	**697,910**	129,000
	697,910	129,000
NET ASSETS	**1,660,934**	1,225,375
CAPITAL AND RESERVES		
Share capital	**1,074,358**	805,558
Reserves	**586,576**	419,817
TOTAL EQUITY	**1,660,934**	1,225,375

Approved and authorised for issue by the Board of Directors on 28 March 2019.

Zeng Yong
Director

Li Hui
Director

(Expressed in thousands of RMB unless otherwise indicated)

31 Immediate and ultimate controlling company

As at 31 December 2018, the directors consider the immediate parent and ultimate controlling company of the Group are Hydropower Group and Sichuan Development (Holding) Co., Ltd., respectively, both of which are incorporated in the PRC.

32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to IFRS 19, *Plan amendment, curtailment or settlement*	1 January 2019
Amendments to IAS 28, *Long-term interest in associates and joint ventures*	1 January 2019
IFRS 17, *Insurance contracts*	1 January 2021
Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined*

* The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has not identified any aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

(Expressed in thousands of RMB unless otherwise indicated)

32 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018 (Continued)

IFRS 16, Leases

As disclosed in note 1(i), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The group will therefore apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in Note 28(b), at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB1,902 thousand for properties, the majority of which is payable either within 1 year or between 1 and 5 years after the reporting date. Upon the initial adoption of IFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB968 thousand and RMB968 thousand respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material.