新天绿色能源股份有限公司
China Suntien Green Energy Corporation Limited *

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

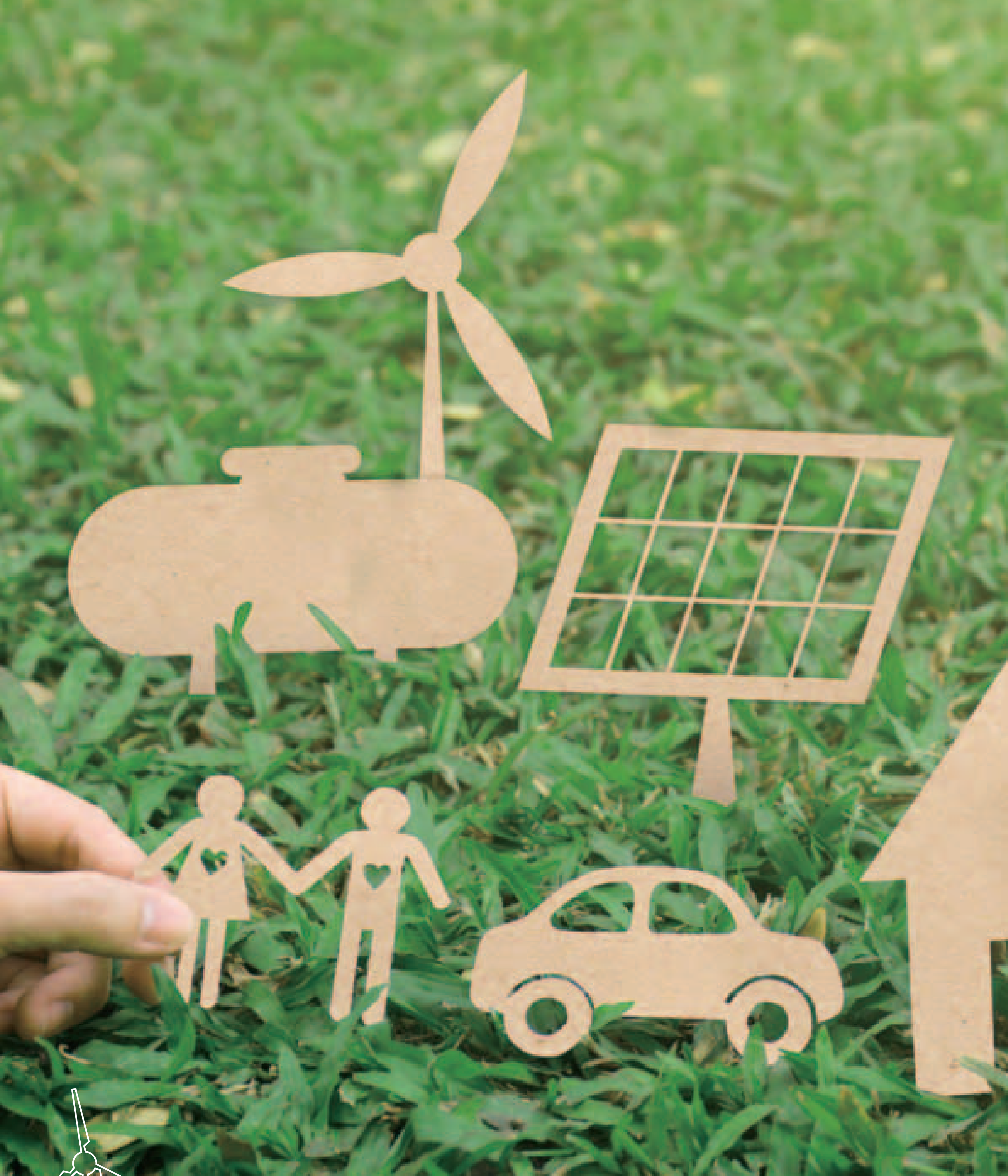
Stock Code : 00956

Annual Report 2018

Green Energy Makes the World Better

*For identification purpose only

Contents



Dear Shareholders,

2018 was an important year for the implementation of China's "13th Five-Year Plan". With the speeding up of the pace of ecological civilization construction, effective implementation of green development and the continuous promotion of structural reform of energy supply, the development of clean energy was further accelerated. Leveraging on the government's strong support for renewable energy and clean energy industries, in 2018, the Group strived to expand its wind power and natural gas business, and persistantly enlarged its industrial scale so as to continue to enhance the profitability of the Group.

In 2018, the asset structure of the Group remained stable and its economic indicators improved continuously. As of the end of 2018, the Group realized a total sales of wind and photovoltaic generation of 7,397 million kWh; sold 2,631 million cubic meters of natural gas; the consolidated total assets of the Group amounted to RMB39,161 million; realized revenue of RMB9,975 million, total profit of RMB1,743 million and net profit of RMB1,575 million, of which the net profit attributable to the owners of the Group amounted to RMB1,269 million.

In 2019, further efforts will be made towards building a beautiful China, promoting energy production and consumption revolution, and establishing a clean and low carbon energy system in a safe and efficient manner. The Group will make good use of the upcoming new opportunities and will continue to focus on renewable energy and clean energy as its business development direction, actively take advantage of new energy resources, promote the establishment of natural gas production, supply, storage and sales systems, closely monitor the consolidated engineering inspection process, ensure all major projects are put into production on schedule, adopt a people-oriented approach to improve the experts' training mechanisms in order to develop an echelon of talents, broaden financing channels, strengthen financial management and control levels, consolidate the safety foundation, and strengthen information construction to improve the results in order to deliver better performance to shareholders.

Cao Xin
Chairman

Shijiazhuang, PRC, 12 March 2019

Corporate Profile

China Suntien Green Energy Corporation Limited was established on 9 February 2010 by shareholders HECIC and HECIC Water. The Company was listed on the Main Board of the Hong Kong Stock Exchange on 13 October 2010.

The Group is primarily engaged in the exploration and utilization of new energy and clean energy, with two major business segments: the wind power business and the natural gas business.

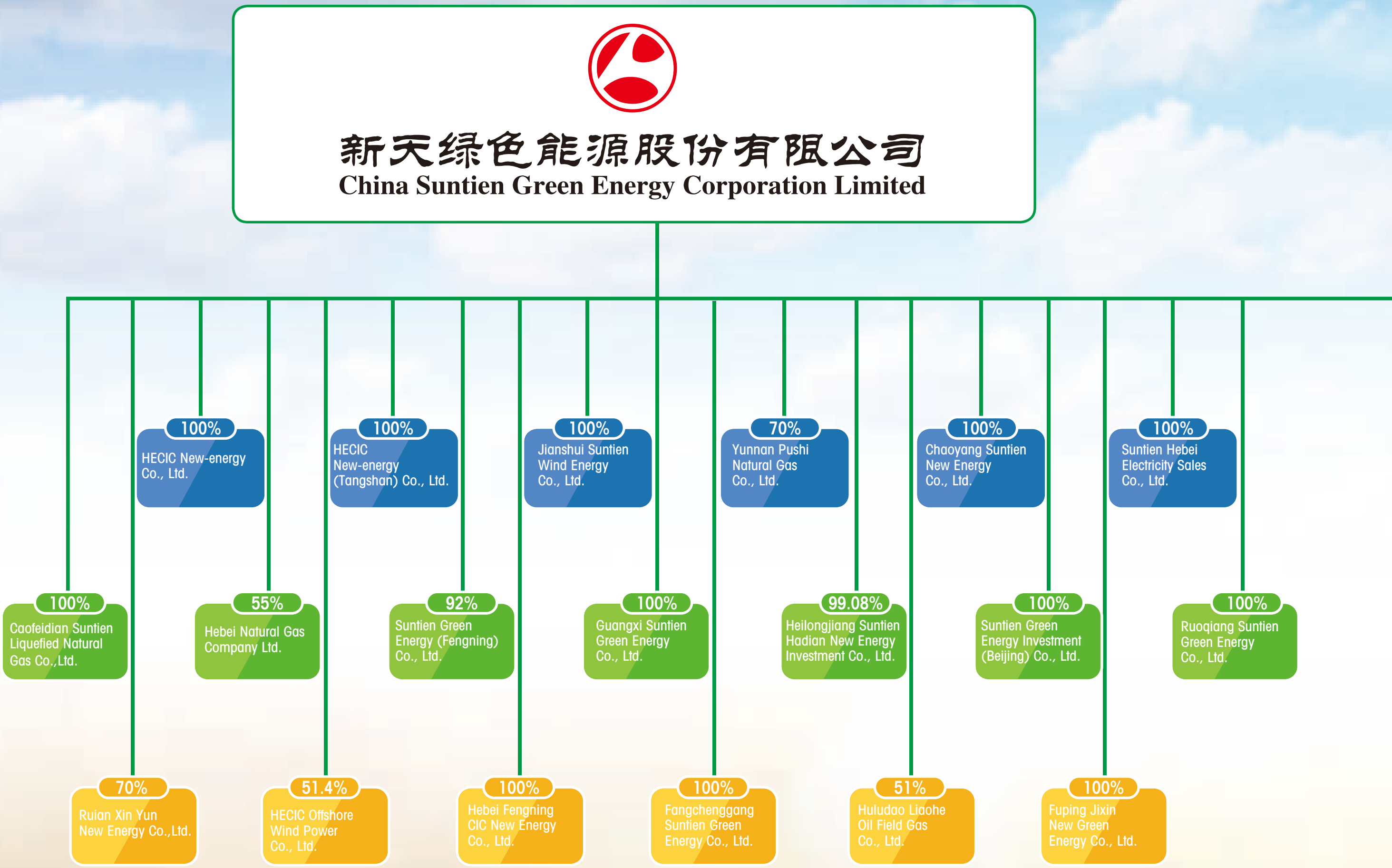
The Group is engaged in the planning, development and operation of wind farms as well as the sale of electricity. The Group owns wind power projects in Hebei, Shanxi, Xinjiang, Shandong, Yunnan and Inner Mongolia, etc. Based in Hebei, the Group has invested and developed wind power projects across the country, and has actively sought suitable investment projects overseas. As at 31 December 2018, the Group had wind power consolidated installed capacity of 3,858.15 MW as well as attributable installed capacity of 3,482.75 MW. In 2018, the gross wind power generation of the Group was 7,676 million kWh with 2,482 utilization hours.

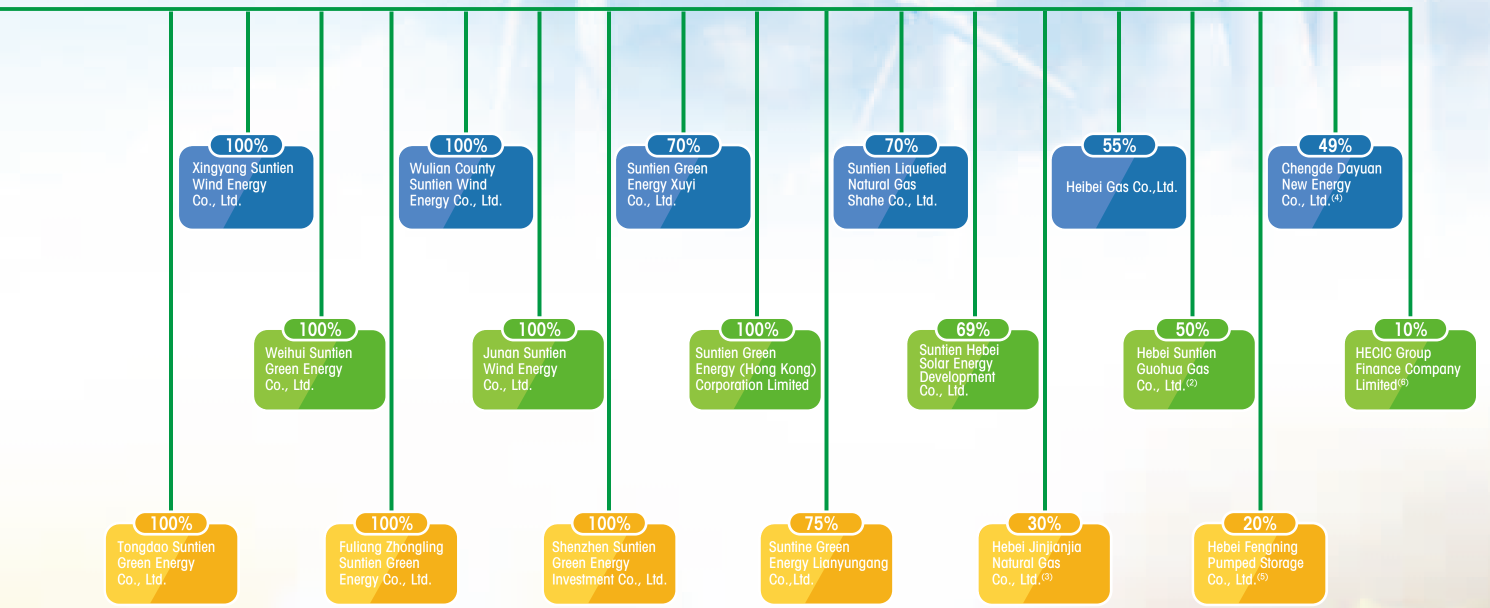
The Group possesses and operates natural gas transmission and ancillary facilities in Hebei province, and sells natural gas through natural gas distribution channels. As of 31 December 2018, the Group owned 6 long-distance natural gas transmission pipelines, 14 high-pressure branch pipelines, 30 urban gas projects, 19 distribution stations, 11 gate stations, 7 CNG refilling stations, and 7 CNG primary filling stations. In 2018, the sales volume of natural gas of the Group was 2,631 million cubic meters.

In 2018, various measures for green development were effectively implemented given the acceleration of the construction of an ecologically civilized society. With the continuous promotion of the supply side structural reform of the energy sector, as well as the commencement of international cooperation for energy production based on the "One Belt One Road" initiative, China's energy production and consumption revolution continually underwent progress and the progress in the use of clean energy was further accelerated. Supported by stable energy supply in general, the structure of energy consumption was further optimized and energy conservation and emission reduction attained new achievements. The Group will actively follow the direction of government policies to develop its business with full efforts, expand its business scale, focus on the development of wind power and natural gas, and explore other renewable energy and clean energy, with a view to constantly improving the profitability of the Group.

1. CORPORATE STRUCTURE

As at 31 December 2018, the corporate structure of the Group was as follows[1]:





Notes:

(1) Please note that the corporate structure chart covers first-tier subsidiaries of the Company only.

(2) Hebei Suntien Guohua Gas Co., Ltd. is a joint venture of the Company.

(3) Hebei Jinjianjia Natural Gas Co., Ltd. is an associated company of the Company.

(4) Chengde Dayuan New Energy Co., Ltd. is a joint venture of the Company.

(5) Hebei Fengning Pumped Storage Co., Ltd. is an associated company of the Company.

(6) HECIC Group Finance Company Limited is a long-term investment company of the Company.

2. WIND POWER AND NATURAL GAS PROJECTS OF THE GROUP

(1) Summary of the wind and photovoltaic power generation projects of the Group

(1) Summary of the consolidated wind power projects

Province	Project name (by regional)	Installed capacity (MW)
Hebei Province	Zhangjiakou Regional Wind Farm	1,437.3
	Chengde Regional Wind Farm	1,338.15
	Cangzhou Regional Wind Farm	49.5
	Baoding Regional Wind Farm	99
	Qinhuangdao Regional Wind Farm	48
	Tangshan Regional Wind Farm	160
Shanxi Province	Lingqiu Regional Wind Farm	150.7
Xinjiang Uyghur Autonomous Region	Ruoqiang Regional Wind Farm	100
Yunnan Province	Jianshui Regional Wind Farm	193.6
Inner Mongolia Autonomous Region	Inner Mongolia Regional Wind Farm	99.3
Shandong Province	Junan Regional Wind Farm	40
Guangxi Autonomous Region	Wuming Regional Wind Farm	50
Henan Province	Henan Regional Wind Farm	46.6
Jiangsu Province	Xuyi Regional Wind Farm	46
Total		3,858.15

Note: Wind farms in which the Group has shareholding include Weichang Zhangjiawan Wind Farm, Weichang Guangfayong Wind Farm, Weichang Shanwanzi Wind Farm, Weichang Zhuzixia Wind Farm and Weichang Dishuihu Wind Farm, each of which has an installed capacity of 49.5 MW.

(2) Summary of the photovoltaic power generation projects

Province	Project name (by regional)	Installed capacity (MW)
Hebei Province	Baoding Regional Photovoltaic Power Generation Project	11
	Qinhuangdao Regional Photovoltaic Power Generation Project	20
Xinjiang Uyghur Autonomous Region	Xinjiang Regional Photovoltaic Power Generation Project	20
Liaoning Province	Liaoning Regional Photovoltaic Power Generation Project	10
Heilongjiang Province	Heilongjiang Regional Photovoltaic Power Generation Project	40
Total		101

(2) Distribution of the wind and photovoltaic power projects of the Group

(3) Summary of the major natural gas projects of the Group

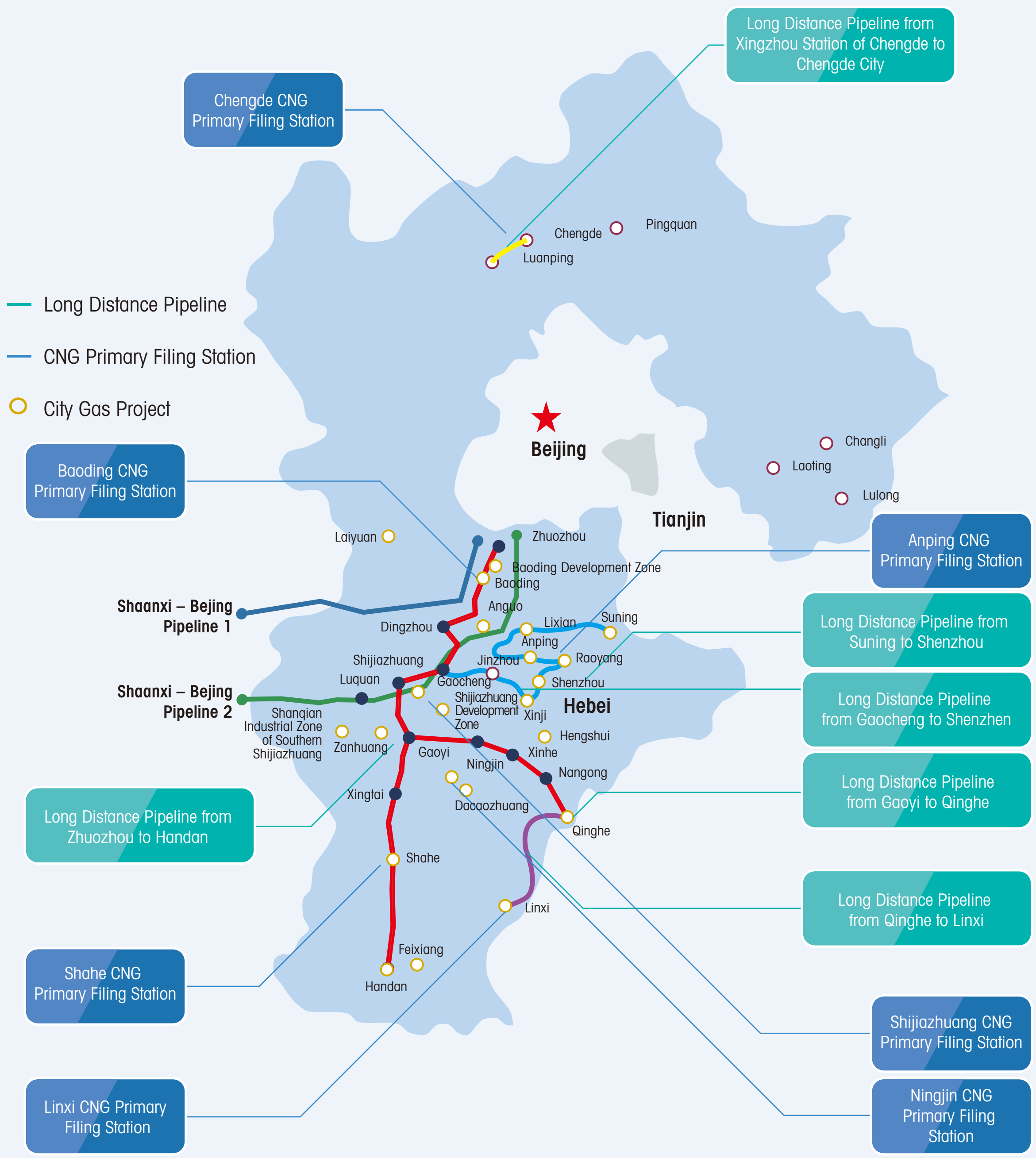
Project type	Project location	Ownership held by Hebei Natural Gas	Project summary
Long-distance transmission pipeline	Zhuozhou City to Handan City [1]	100%	Transmits natural gas from the Group's natural gas supplier to the Group's various branch pipelines and city gas pipeline networks
	Gaoyi County to Qinghe County [2]	100%	Supplies natural gas by the Group's natural gas supplier to pipelines from Gaoyi County to Qinghe County and surrounding cities
	Suning County to Shenzhou City [3]	100%	Supplies natural gas by the Group's natural gas supplier to pipelines from Suning County to Shenzhou City and surrounding cities
	Gaocheng District to Shenzhou City [4]	100%	Supplies natural gas by the Group's natural gas supplier to pipelines from Gaocheng to Shenzhou City and surrounding cities
	Xingzhou Station of Chengde (承德興洲首站) to Chengde City [5]	90%	Supplies natural gas to Chengde City by the Group's natural gas supplier
	Qinghe County to Linxi County [6]	60%	Supplies natural gas to Linxi County and Linqing City by the Group's natural gas supplier
City gas project	Shijiazhuang High-Tech Industrial Development Zone, Economic Development Zone, Chang'an District	100%	Distributes natural gas to retail customers of Shijiazhuang Economic and Technological Development Zone, High-Tech Industrial Development Zone and Chang'an District
	Shijiazhuang Recycling Chemical Industrial Zone	60%	Distributes natural gas to retail customers within Shijiazhuang Recycling Chemical Industrial Zone and in surrounding areas
	Industrial Zone of Southern Shijiazhuang	55%	Distributes natural gas to retail customers of the Industrial Zone of Southern Shijiazhuang
	Xinji City	100%	Distributes natural gas to retail customers in areas under the administration of Xinji City
	Jinzhou City	100%	Distributes natural gas to retail customers in areas under the administration of Jinzhou City
	Gaoyi County	100%	Distributes natural gas to retail customers within the area of Gaoyi County
	Baoding City	100%	Distributes natural gas to Baoding City
	Baoding Development Zone	17%	Distributes natural gas to retail customers of Baoding National High-Tech Industrial Development Zone
	Laiyuan County	100%	Distributes natural gas to retail customers in areas under the administration of Laiyuan County
	Anguo City	51%	Distributes the natural gas to retail customers under the administration of Anguo City
	Li County	60%	Distributes natural gas to retail customers under the administration of Li County
	Shahe City	100%	Distributes natural gas to Shahe City and retail customers in surrounding areas
	Qinghe County	80%	Distributes natural gas to retail customers in areas under the administration of Qinghe County
	Ningjin County	51%	Distributes natural gas to retail customers in areas under the administration of Ningjin County
	Dacaozhuang Management District	51%	Distributes natural gas to retail customers in areas under the administration of Dacaozhuang Management District
	Linxi County	60%	Distributes natural gas to retail customers under the administration of Linxi County

Project type	Project location	Ownership held by Hebei Natural Gas	Project summary
	Handan Development Zone	52.5%	Distributes natural gas to retail customers of Handan Economic and Technological Development Zone
	Feixiang County	52.5%	Distributes natural gas to retail customers of the area under the administration of Feixiang County
	Hengshui City	51%	Distributes natural gas to retail customers under the administration of Hengshui City
	Shenzhou City	100%	Distributes natural gas to retail customers in areas under the administration of Shenzhou City
	Raoyang County	60%	Distributes natural gas to retail customers under the administration of Raoyang County
	Anping County	100%	Distributes natural gas to retail customers within the area of Anping County
	Chengde City	90%	Distributes natural gas to retail customers in areas under the administration of Chengde City
	Luanping County	90%	Distributes natural gas to retail customers in areas under the administration of Luanping County
	Pingquan County	100%	Distributes natural gas to retail customers in areas under the administration of Pingquan County
	Lulong County	100%	Distributes natural gas to retail customers of Qinhuangdao Western Industrial Area Lulong Park
	Changli County	100%	Distributes natural gas to retail customers in areas under the administration of Qinhuangdao Western Industrial Park Changli Park (including Zhugezhuang Town)
	Laoting County	100%	Distributes natural gas to retail customers of Laoting New District
	Suning County	100%	Distributes natural gas to retail customers under the administration of Suning County
CNG primary filling station	Shijiazhuang [7]	100%	Shijiazhuang Development Zone
	Shahe [8]	100%	Eastern Ring Road, Shahe City
	Linxi County [9]	60%	Linxi County
	Chengde City [10]	90%	Shuangluan District, Chengde City
	Baoding City [11]	100%	New Town District, Baoding
	Ningjin County [12]	51%	Ningjin County
	Anping County [13]	100%	Madian Town, Anping County

Notes:

1. Specification of the long-distance transmission pipeline from Zhuozhou City to Handan City: 6.3 MPa standard pipeline of 374.9 km in length.
2. Specification of the long-distance transmission pipeline from Gaoyi County to Qinghe County: 6.3 MPa standard pipeline of 116 km in length.
3. Specification of the long-distance transmission pipelines from Suning County to Shenzhou City: 6.3 MPa standard pipeline of 124.9 km in length.
4. Specification of the long-distance transmission pipelines from Gaocheng District to Shenzhou City: 6.3 MPa standard pipeline of 101 km in length.
5. Specification of the long-distance transmission pipelines from Xingzhou Station of Chengde to Chengde City: 4.0 MPa standard pipeline of 31.8 km in length.
6. Specification of the long-distance transmission pipelines from Qinghe County to Linxi County: 6.3 MPa standard pipeline of 35.2 km in length.
7. Total designed capacity of Shijiazhuang CNG primary filling station is 0.20 million m^3 per day.
8. Total designed capacity of Shahe CNG primary filling station is 0.08 million m^3 per day.
9. Total designed capacity of Linxi CNG primary filling station is 0.16 million m^3 per day.
10. Total designed capacity of Chengde CNG primary filling station is 0.10 million m^3 per day.
11. Total designed capacity of Baoding CNG primary filling station is 0.20 million m^3 per day.
12. Total designed capacity of Ningjin CNG primary filling station is 0.04 million m^3 per day.
13. Total designed capacity of Anping CNG primary filling station is 0.05 million m^3 per day.

(4) Distribution of the natural gas projects of the Group



1. CONSOLIDATED COMPREHENSIVE INCOME

(Unit: RMB'000)

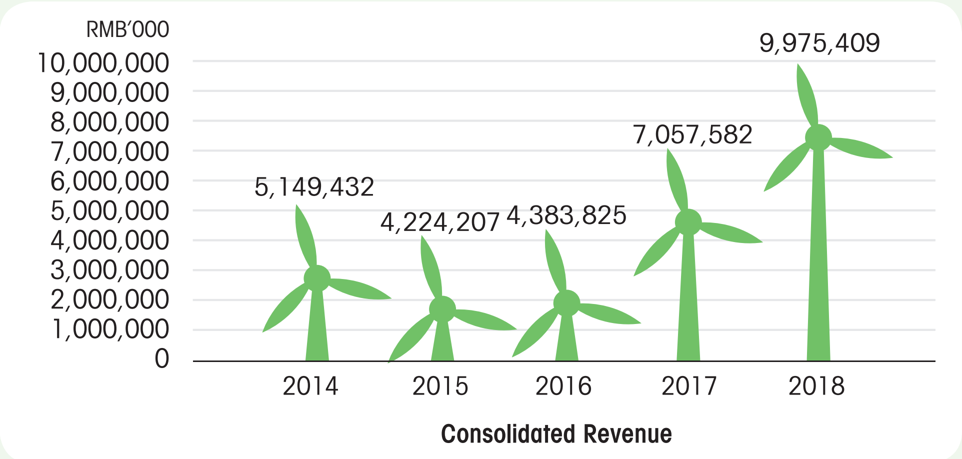
	2014	2015	2016	2017	**2018**
Revenue	5,149,432	4,224,207	4,383,825	7,057,582	**9,975,409**
Profit before tax	674,611	200,367	743,881	1,203,874	**1,743,158**
Income tax expense	(176,281)	(11,424)	(96,709)	(99,147)	**(167,994)**
Profit for the year	498,330	188,943	647,172	1,104,727	**1,575,164**
Total comprehensive income for the year, net of tax	498,330	188,943	647,172	1,104,727	**1,575,164**
Attributable to:					
Owners of the Company	335,053	168,353	541,574	939,616	**1,268,506**
Non-controlling interests	163,277	20,590	105,598	165,111	**306,658**
Earnings per share	9.11 cents	4.53 cents	14.58 cents	25.29 cents	**33.37 cents**
Diluted	9.11 cents	4.53 cents	14.58 cents	25.29 cents	**33.37 cents**

2. CONSOLIDATED FINANCIAL POSITION (AS AT 31 DECEMBER)

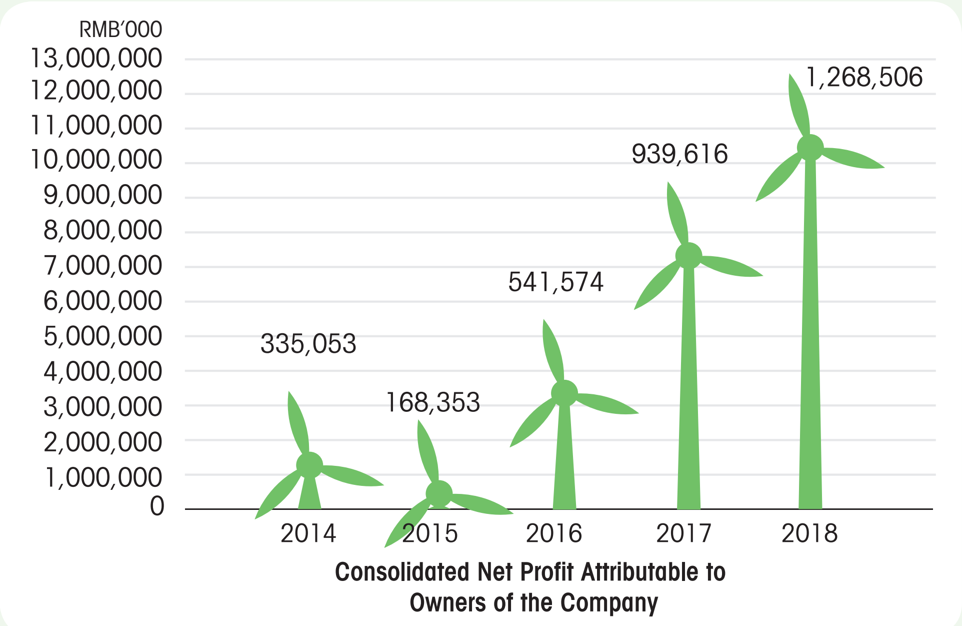
(Unit: RMB'000)

	2014	2015	2016	2017	**2018**
Total non-current assets	16,279,075	21,691,475	25,504,893	28,755,306	**32,742,655**
Total current assets	5,331,280	5,232,034	3,869,146	5,532,783	**6,418,173**
TOTAL ASSETS	21,610,355	26,923,509	29,374,039	34,288,089	**39,160,828**
Total current liabilities	3,530,901	4,554,787	7,817,745	9,472,985	**8,602,445**
Total non-current liabilities	9,317,062	13,468,202	12,022,360	14,314,014	**18,161,831**
TOTAL LIABILITIES	12,847,963	18,022,989	19,840,105	23,786,999	**26,764,276**
NET ASSETS	8,762,392	8,900,520	9,533,934	10,501,090	**12,396,552**
Equity					
Equity attributable to the owners of the Company	7,359,574	7,413,216	7,900,406	8,604,834	**10,036,357**
Non-controlling interests	1,402,818	1,487,304	1,633,528	1,896,256	**2,360,195**
TOTAL EQUITY	8,762,392	8,900,520	9,533,934	10,501,090	**12,396,552**

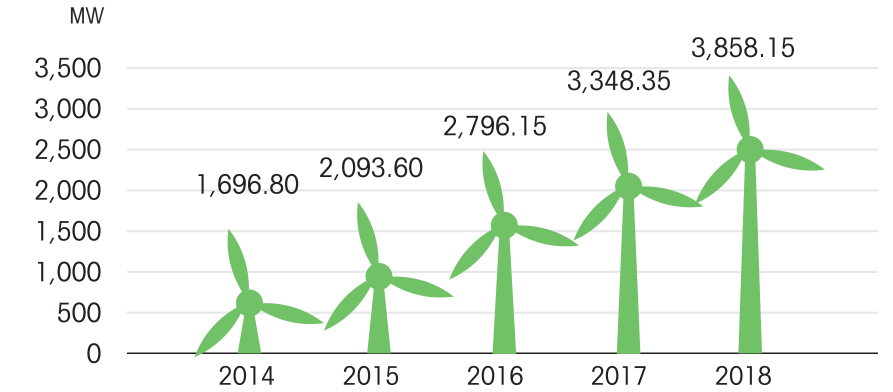
3. CONSOLIDATED REVENUE



4. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

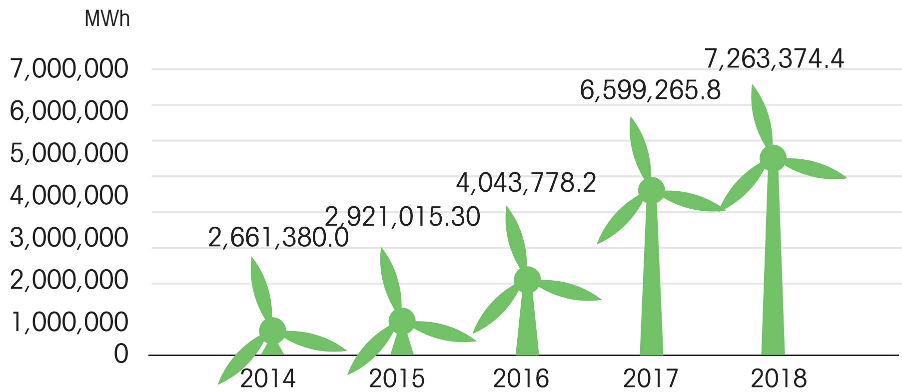


5. WIND POWER CONSOLIDATED INSTALLED CAPACITY



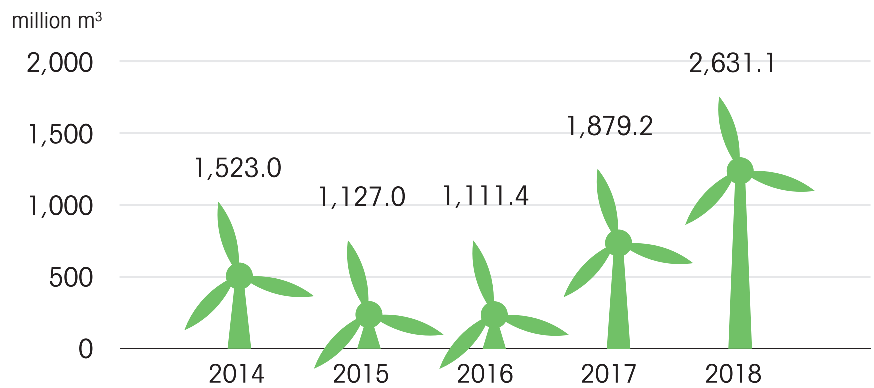
Wind Power Consolidated Installed Capacity

6. WIND POWER CONSOLIDATED NET POWER DELIVERED TO GRID



Wind Power Consolidated Net Power Delivered to Grid

7. NATURAL GAS SALES VOLUME



Natural Gas Sales Volume

I. OPERATING ENVIRONMENT

In 2018, the global economy grew at a faster pace and the recovery was well-supported. Adhering to the general principle of promoting progress while maintaining stability, the economy of China was maintained within a reasonable range and on a steady upward trend in general. China's GDP amounted to approximately RMB90,030.9 billion, representing an increase of approximately 6.6% as compared with last year, exceeding the growth target of 6.5%.

With the continuous development of China's economic green low-carbon development strategy and energy supply-side structural reform, the energy production and consumption revolution has continued to deepen, and energy green development has made positive progress: energy supply and demand were stable, energy consumption structure continued to be optimized, and energy conservation and consumption reduction were in steady progress. In 2018, the total national energy consumption increased by approximately 3.3% as compared with the previous year. The proportion of clean energy consumption including natural gas, hydroelectricity, nuclear power and wind power to the total energy consumption increased by approximately 1.3 percentage points as compared with the previous year, while the proportion of coal consumption dropped by approximately 1.4 percentage points.

(I) Operating environment for the wind and photovoltaic power industry

1. *Stable growth of connected grid capacity and generation capacity of wind power*

According to the statistics published by the National Energy Administration, the nationwide power consumption in 2018 amounted to 6,844.9 billion kWh, representing an increase of approximately 8.5% as compared with 2017.

In 2018, the newly increased connected grid capacity of wind power in China amounted to 20.59 million KW and the accumulated capacity reached 184 million KW. Gross wind power generation for the year amounted to 366.0 billion kWh, with 2,095 utilization hours of wind power for the year, representing an increase of 147 hours as compared with 2017.

In 2018, the accumulated capacity connected to grid in Hebei Province amounted to 13.91 million kW; the annual power generated of wind power amounted to 28.3 billion kWh; the curtailment rate of wind power was 5.2%; the utilization hours amounted to 2,276 hours, representing an increase of 26 hours as compared with 2017.

2. *Implementation of strong policy to solve the clean energy consumption problem*

On 30 October 2018, the National Development and Reform Commission and the National Energy Administration jointly issued the "Action Plan on Clean Energy Consumption (2018-2020)" (《清潔能源消納行動計劃)》) (the "Plan"), aiming to establish clear targets for comprehensive improvement of clean energy consumption. The Plan clearly points out that the problem of clean energy consumption can basically be solved by 2020. During the period, the national average utilization rate of wind power should be maintained at the level above 88%, 90% and reaching the international advanced level in 2018, 2019 and 2020, respectively, and the wind curtailment rate should be kept at a level lower than 12%, 10% and controlled at a reasonable level in 2018, 2019 and 2020, respectively, utilization of photovoltaic power generation should be maintained at the level higher than 95% and a light curtailment rate below 5%.

In 2018, the wind power curtailment and wind curtailment rate both achieved a reduction, as 27.7 billion kWh of wind power was curtailed across the country for the year, representing a decrease of 14.2 billion kWh as compared with 2017, and the average wind curtailment rate was 7%, representing a decrease of 5 percentage points from 2017.

3. *Promulgation of wind power photovoltaic parity encouragement policy*

On 10 January 2019, in order to promote grid parity of wind power and photovoltaic power without subsidies, the National Development and Reform Commission and the National Energy Administration jointly issued the "Notice of the National Development and Reform Commission and the National Energy Administration on Active Promotion of the Work on Grid Parity of Wind Power and Photovoltaic Power without Subsidies" (《關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》(the "Notice"), which clearly encourages grid parity projects and low-price grid pilot projects. Such projects are excluded from the existing provincial annual scale indicators, and enjoy priority treatment from various supporting policies as stated in the Notice, resulting in the opening up of new markets. The issuance of the Notice is of great practical significance for wind power photovoltaic projects to stop relying on subsidies and to realize grid parity. It is also of strategic importance in promoting the transformation of wind power and photovoltaic power generation from supplementary energy to mainstream energy.

(II) Operating environment for the natural gas industry

1. *Rapid growth in the overall demand for natural gas*

In 2018, with the improving macroeconomic situation and the continuous promotion of "replacing coal by gas", the consumption of natural gas has been increasing.

In 2018, the infrastructure for the supply and marketing of natural gas achieved positive results. According to the statistics from a news update, the apparent consumption of natural gas amounted to 280.3 billion cubic meters, representing an increase of approximately 18.1% as compared with 2017.

2. *Promulgation of policy to straighten the Gate Price of Natural Gas Used for Residential Purpose*

In May 2018, the NDRC issued the Notice on Straightening out the Gate Price of Natural Gas Used for Residential Purpose (《國家發展改革委關於理順居民用氣門站價格的通知》), for the purpose of changing residential-use gas from ceiling gate price management to benchmark gate price management (the "Gate Price Policy"). The price level was arranged according to the benchmark gate price level of non-residential-use gas, with value-added tax at a rate of 10%. The supply and demand sides could negotiate and determine the specific gate price, charging up to 20% more than the benchmark gate price with no downward limit for price fluctuations, based on the benchmark gate price, to dovetail with the non-residential-use gas price mechanism. No increase of the gate price is allowed until one year of implementation of the Gate Price Policy. The Gate Price Policy has been implemented since 10 June 2018.

3. *Publication of natural gas industry heavyweight policy*

On 30 August 2018, the State Council issued the "Certain Opinions of the State Council on Facilitating the Coordinated and Steady Development of Natural Gas" (《關於促進天然氣協調穩定發展的若干意見》) (the "Opinions"), the Opinions required the acceleration of the construction capacity and major infrastructure projects of natural gas, increased efforts in domestic exploration and development, full implementation of the block competitive transfer, close attention to the introduction of oil and gas pipeline network reform plan, promotion of the fair opening of infrastructures such as natural gas pipeline network to third-party market entities, extension of subsidies to tight gas, and provision of budget from central government to the construction of emergency gas storage facilities in key areas to accelerate the establishment of a linkage mechanism for upstream and downstream natural gas prices.

II. BUSINESS REVIEW

(I) Business review and major financial indicators of wind power business

1. *Business review of wind power business*

(1) Stable growth of installed capacity

In 2018, the Group's consolidated installed capacity of wind power was increased by 509.8 MW, and its accumulative consolidated installed capacity was 3,858.15 MW; its attributable installed capacity of wind power was increased by 458.85 MW, and its accumulated attributable installed capacity was 3,482.75 MW. The Group's commercial operation project capacity during the year was increased by 384.5 MW, and its accumulated commercial operation project capacity was 3,262.85 MW.

As of 31 December 2018, the total designed capacity of the onshore wind power projects under construction of the Group was 659.3 MW, and the total designed capacity of the offshore wind power projects under construction of the Group was 104 MW.

(2) Increase in the utilization hours of wind farms

In 2018, the average utilization hours of the Group's controlled wind farms were 2,482 hours, representing an increase of 90 hours as compared with 2017, and 206 hours more than the average utilization hours in Hebei Province, mainly due to the improvement in the restriction on the use of electricity of the Company in general. In 2018, the Company's wind curtailment rate was 5.43%, representing a decrease of 2.39 percentage points as compared with 2017. Newly operated wind farms of the Group had good performance, thus the wind energy conversion efficiency was improved, and resulted in higher utilization hours. The Group's controlled wind farms realized a power generation of 7.676 billion kWh, representing an increase of 13.93% as compared with 2017. The average availability rate of the wind power generation units was 97.97%.

(3) Acceleration in the promotion of wind resources reserves

In 2018, the Group's approved capacity was increased by 663.5 MW and the total approved unstarted project capacity amounted to 2,473.6 MW.

During the reporting period, the Group's wind power projects with a total of 234.5 MW were listed as national approved plans. The accumulative capacity of the Group's wind power projects falling within the national approved plans has reached 6,633.3 MW and its wind power projects are located in more than 10 provinces across China.

During the reporting period, the Group's new wind power agreed capacity was increased by 4,230 MW across 22 regions including Hebei, Henan, Shandong, Shanxi, Liaoning, Yunnan, Anhui, Gansu, Jiangxi, Jiangsu, Shaanxi, Sichuan, Tibet, Hubei, Hunan, Guangxi, Qinghai, Heilongjiang, Zhejiang, Chongqing, Xinjiang and Inner Mongolia.

(4) Continuous improvement in operation and maintenance management

In the benchmarking of wind power industry in Northern China for the year 2017 by China Electricity Council, 2 wind farms owned by the Group were graded 5A, 1 wind farm was graded 4A and 3 wind farms were graded 3A. In addition, the Group won the Benchmarking First Prize in Zhangjiakou in Hebei Province for the second time.

2. *Key financial indicators of wind power business (including photovoltaic power)*

(1) Revenue

During the reporting period, the Group realized wind power sales revenue of RMB3,422 million, representing an increase of 10.35% as compared with 2017. The Group's wind power sales revenue accounted for 34.31% of the Group's total sales revenue. The increase of revenue was mainly due to an increase of operational installed capacity of the wind farms of the Group and higher utilization hours, which resulted in an increase in sales volume of electricity and revenue of electricity sales as compared with 2017.

(2) Operating cost

During the reporting period, the operating cost (including cost of sales, selling and distribution expenses, administrative expenses and other expenses) of the Group's wind power business was RMB1,592 million, representing an increase of 5.71% as compared with 2017. This was mainly due to an increase in operating cost resulting from the wind power and photovoltaic projects gradually being put into operation.

(3) Profit from operations

During the reporting period, the profit from operations of the wind power business was RMB1,913 million, representing an increase of 15.73% as compared with 2017. The increase was mainly due to an increase in wind power revenue. The gross margin was 61.32%, representing an increase of 1.7 percentage points as compared with 2017. This was mainly due to the better generation capacity as compared with last year in the areas where the wind farms operated by the Group were located, which resulted in an increase in revenue of electricity sales and an increase in gross profit margin.

(II) Business review and major financial indicators of natural gas business

1. *Business review of natural gas business*

(1) Significant increase in sales volume of natural gas as compared with 2017

During the reporting period, the Group recorded an increase in its sales volume of natural gas as affected by the improvement of environmental protection policies and the policy of "replacing coal by gas", and realized a sales volume of 2,631 million cubic meters for the year, representing an increase of 40.0% as compared with 2017, of which the wholesale volume amounted to 1,620 million cubic meters, representing an increase of 48.3% as compared with 2017 and accounting for 61.6% of total sales volume; the retail sales volume amounted to 920 million cubic meters, representing an increase of 31.5% as compared with 2017 and accounting for 35.0% of total sales volume; the sales volume of CNG/LNG amounted to 92 million cubic meters, representing an increase of 4.8% as compared with 2017 and accounting for 3.5% of the total sales volume.

(2) Active promotion of the construction of infrastructural projects

The Group's natural gas pipeline was increased by 1,054.50 kilometers in 2018. As of 31 December 2018, the Group operated pipeline with a total of 4,142.17 kilometers, including 882.6 kilometers of long-distance transmission pipeline and 3,259.57 kilometers of city gas pipeline; and operated a total of 19 distribution stations and 11 gate stations.

During the reporting period, the main part of the pipeline project for ten counties in central Hebei Province (Phase II) and Xiaoxinzhuang branch (小辛莊支線) were put into trial operation, and Xinji branch (辛集支線) and Xincheng branch (新城支線) were all connected, and the main engineering of stations was completed. The gas supply project of Shijiazhuang Yuhua Power Plant (石家莊裕華電廠供氣專線工程) was put into operation, part of the pipeline network of natural gas comprehensive utilization project in Gaochun County (高邑縣環城管網天然氣綜合利用工程) was put into operation, and 4.5 km of the town gas pipeline comprehensive utilization project in Zanhuang County (贊皇縣城鎮燃氣管線綜合利用工程) was completed.

(3) Continuous exploration of downstream markets for natural gas

During the reporting period, leveraging on its newly operating pipelines, the Group vigorously developed its terminal user base of natural gas and resulted in an increase of 44,033 customers from different categories. As of 31 December 2018, the Group had an aggregate of 280,913 customers.

During the reporting period, the Group steadily promoted the expansion of large regional markets and large business users, and set up branch companies in Zanhuang County, Shijiazhuang, Hebei Province; Huadian Shijiazhuang thermoelectric gas unit (華電石家莊熱電燃氣機組) and Yuhua thermoelectric heating gas boiler (裕華熱電供暖燃氣鍋爐) completed the trial operation.

(4) Gradual improvement in the transmission network at the provincial level

During the reporting period, the Group actively participated in the construction of upstream transmission pipelines and further improved the transmission network at the provincial level. The E-An-Cang pipeline and Beijing-Handan pipeline were connected. The CNOOC Mengxi Pipeline project, one of our investments, was registered as a joint venture company. The Beijing-Handan dual pipeline, Zhuozhou-Yongqing pipeline and Qinfeng coastal pipeline have all received approval letters issued by the Provincial Development and Reform Commission.

(5) Development of CNG and LNG businesses in a steady manner

During the reporting period, the Group developed its CNG and LNG businesses in a steady manner. As of 31 December 2018, the Group operated a total of 7 CNG primary filling stations and 7 CNG secondary filling stations.

(6) Implementation of the "Management Improvement Year" campaign and continuous development with a solid foundation

During the reporting period, Hebei Natural Gas, a subsidiary of the Group, continued to adopt the innovative management model which focused on management efficiency improvement, prevented and solved various potential risks, actively carried out cost reduction and efficiency enhancement measures, continuously improved production and operation management, stimulated motivation and vitality of the Group, and further solidified the foundation for development.

2. Key financial indicators of natural gas business

(1) Revenue

During the reporting period, the Group recorded revenue of RMB6,551 million from its natural gas business, representing an increase of 65.55% as compared with 2017, and accounting for 65.67% of the Group's total revenue. The increase of revenue was mainly attributable to a substantial increase in sales volume of the Group's natural gas as compared with last year. In particular, the pipe wholesale business recorded sales revenue of RMB3,835 million, accounting for 58.54% of the Group's business revenue from its natural gas business; the Group's retail business, such as city natural gas, recorded sales revenue of RMB2,270 million, accounting for 34.65% of the Group's business revenue from natural gas; CNG business recorded sales revenue of RMB226 million, accounting for 3.45% of the Group's business revenue from its natural gas business. The remaining revenue was RMB220 million, accounting for 3.36% of the Group's business revenue from its natural gas business.

(2) Operating cost

During the reporting period, the operating cost (including cost of sales, selling and distribution expenses, administrative expenses and other expenses) of the Group's natural gas business amounted to RMB6,163 million, representing an increase of 63.04% from RMB3,780 million of last year. This was mainly due to a substantial increase in corresponding cost of sales as a result of the substantial increase in purchase volume of natural gas as compared with last year.

(3) Profit from operations

During the reporting period, the profit from operations of the natural gas business was RMB399 million, representing an increase of 108.9% from last year, mainly due to the increase in profit caused by an increase in sales volume. Gross profit margin was 11.61%, representing an increase of 0.01 percentage point as compared to 2017.

(III) Other clean energy business

During the reporting period, the Group not only put efforts in the development of its wind power and natural gas businesses, but also proactively and steadily developed and established other new energy projects.

In 2018, the Group steadily developed the photovoltaic power generation projects. The Group's approved capacity of photovoltaic projects was increased by 20 MW and the accumulative approved uncommenced project capacity was 40 MW.

During the reporting period, there was a new construction of photovoltaic power station project of 20 MWp in Shuangsheng, Tailai County, Heilongjiang, which will be completed and will begin generating electricity during the year.

As of the end of 2018, the Group developed photovoltaic power generation projects with accumulated operating capacity of 101 MW.

III. MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITION AND OPERATING RESULTS

(i) Overview

According to the audited consolidated financial statements for 2018, the Group's net profit for the year was RMB1,575 million, representing an increase of 42.58% as compared with 2017, of which the profit attributable to the equity holders of the Group was RMB1,269 million, representing an increase of 35.00% as compared with 2017, mainly due to a significant increase in realized revenue from the wind power and natural gas businesses of the Group as compared with last year.

(ii) Revenue

In 2018, the Group recorded revenue of RMB9,975 million, representing an increase of 41.33% as compared with 2017, of which:

1. Natural gas business recorded revenue of RMB6,551 million, representing an increase of 65.55% as compared with 2017. This was mainly attributable to the increase in revenue as a result of the increase in sales volume of natural gas in the year 2018.

2. Wind power business achieved revenue of RMB3,422 million, representing an increase of 10.35% as compared with 2017. This was mainly due to an increase in installed capacity and utilization hours of operational equipment, which resulted in an increase in sales volume of electricity and revenue from electricity sales.

(iii) Other income and net gains

During the reporting period, the Group recorded other income and net gains of RMB100 million, representing an increase of 23.46% as compared with 2017. This was mainly due to the write down in trade payable of the Group caused by the quality issue.

(iv) Operating costs

During the reporting period, the Group's operating costs (including cost of sales, selling and distribution expenses, administrative expenses and other expenses) aggregated to RMB7,837 million, representing an increase of 45.83% as compared with 2017, of which:

1. Cost of sales was RMB7,116 million, representing an increase of 49.80% as compared with 2017. This was mainly because the cost of purchase of natural gas, which constituted major sales costs of the Group, increased substantially as a result of a substantial increase in sales volume of natural gas.

2. Administrative expenses were RMB502 million, representing an increase of 10.82% as compared with 2017. This was mainly due to the corresponding increase in staff costs and administrative costs as a result of the expansion of the Group's production scale.

3. Other expenses were RMB219 million, representing an increase of 28.07% as compared with 2017. This was mainly due to impairment of intangible assets, construction in progress and goodwill impairment during the year.

(v) Finance costs

During the reporting period, the Group's finance costs were RMB785 million, representing an increase of 1.42% as compared with RMB774 million in 2017. This was mainly due to the expansion of production capacity of the Company, resulting in an increase of loan principal which led to an increase in interest expenses.

(vi) Share of profit of associates

During the reporting period, the Group's share of profit of associates was RMB296 million, representing an increase of RMB81 million as compared with RMB215 million of 2017. This was mainly due to a substantial increase in profitability of the enterprises in which the Group has a non-controlling interest.

(vii) Income tax expenses

During the reporting period, the Group's net income tax expense was RMB168 million, representing an increase of RMB69 million as compared with RMB99 million in 2017. This was mainly due to the substantial increase in profit before tax of the Group during the reporting period.

(viii) Net profit

During the reporting period, the Group recorded a net profit of RMB1,575 million, representing an increase of 42.53% as compared with 2017. During the reporting period, the substantial increase in the sales of electricity and rise in gross profit margin of the wind power segment led to net profit of RMB1,190 million, representing an increase of 20.93% as compared with 2017; the natural gas business segment realized a net profit of RMB471 million, representing an increase of 126.44% as compared with 2017, mainly due to the increase in sales volume of natural gas during the reporting period.

(ix) Profit attributable to owners of the Company

During the reporting period, the profit attributable to owners of the Company was RMB1,269 million, representing an increase of RMB329 million as compared with RMB940 million in 2017. This was primarily attributable to the increase in net profits of the Group as compared with 2017.

The basic earnings per share attributable to shareholders of the Company was RMB0.3337.

(x) Profit attributable to non-controlling interests

During the reporting period, the profit attributable to non-controlling interests of the Company was RMB307 million, representing an increase of RMB142 million as compared with RMB165 million in 2017. This was primarily attributable to the increase in net profits of the Group as compared with 2017.

(xi) Trade and bills receivables

As of 31 December 2018, the Group's trade and bills receivables amounted to RMB3,296 million, representing an increase of RMB549 million as compared with 2017, which was mainly attributable to the increase in the outstanding subsidy funds for tariff premium of renewable energy to be received for the wind power business.

(xii) Bank and other borrowings

As of 31 December 2018, the Group's long-term and short-term borrowings totaled RMB21,327 million, representing an increase of RMB2,402 million as compared with the end of 2017. Among all borrowings, the short-term borrowings (including current portion of long-term borrowings) aggregated to RMB4,644 million, the long-term borrowings amounted to RMB16,683 million, and the borrowings with fixed interest rate was RMB1,014 million.

During the reporting period, the Group actively expanded its financing channels and strengthened its capital management to guarantee the smooth operation of capital chain and to reduce finance cost. Firstly, the Group replaced existing high-interest-rate loans, and managed to get the prime rate for new loans. Secondly, the Group strengthened the capital management to improve efficiency of the use of funds and to reduce the chance of fund precipitation.

(xiii) Liquidity and capital resources

As of 31 December 2018, the Group's net current liabilities was RMB2,184 million, and the net increase in cash and cash equivalents was RMB130 million. The Group has obtained credit facilities of a total amount of RMB27.24 billion from various domestic banks, of which an amount of RMB11.56 billion was utilized.

The majority of the Group's revenue and expenses are denominated in Renminbi. The Group did not enter into any financial instrument for hedging purposes as it is expected that its foreign exchange exposure will not be material.

(xiv) Capital expenditure

During the reporting period, capital expenditures mainly included project construction costs for new wind power projects, natural gas pipelines and additions to properties, plants and equipment and prepayment for leased lands. Capital resources mainly included self-owned capital, bank borrowings and cash flow from the Group's operating activities. During the reporting period, the Group's capital expenditure was RMB5,125 million, representing an increase of 30.68% as compared with RMB3,922 million last year. A breakdown of capital expenditure is as follows:

	2018 (RMB'000)	2017 (RMB'000)	Change (%)
Natural gas	**638,546**	443,506	43.98%
Wind power and solar energy	**4,484,152**	3,477,966	28.93%
Unallocated capital expenditures	**2,107**	279	655.20%
Total	**5,124,805**	3,921,751	30.68%

(xv) Net gearing ratio

As of 31 December 2018, the net gearing ratio (net debt divided by the sum of net debt and equity) of the Group was 66%, representing a decrease of 1 percentage point as compared with 67% as of 31 December 2017, which was mainly due to an increase in equity financing in the Group.

(xvi) Material investments

The Group had no material investments during the year.

(xvii) Material acquisitions and disposals

The Group had no material acquisitions and disposals during the year.

(xviii) Material charge on assets

During the year, the Group had no material charges on its assets.

(xix) Contingent liabilities

As of 31 December 2018, RMB127.5 million was used as a guarantee provided by the Group to a joint venture for its application to two banks for credit line.

IV. PROSPECTS FOR 2019

As stated in the report of the 19th CPC National Congress, China has entered into a new age. The future development will be the acceleration of the reform of an ecologically-civilized system, building of a beautiful China and establishment of a market-oriented system for green technological innovation, so as to develop green finance and strengthen the energy-saving and environmental protection industry, clean production industry and clean energy industry. The promotion of energy production and consumption revolution and establishment of a low carbon, safe and efficient system for clean energy are encouraged. Under such background, each business segment of the Group is expected to enjoy new development opportunities with promising prospects.

(I) Prospect for the wind power business

As we enter into a new age, China will implement green development principles, strengthen the building of an ecologically-civilized society and persistently promote the consumption of green energy. The development of new energy industry will focus on higher efficiency, lower costs, broader scope of use and higher degree of market-oriented application. The Group will further overcome conceptual obstacles, explore cooperation mechanism in depth and extend our development platform on this basis in order to strike a balance and strive for a more rapid development of each business segment so as to continuously optimize and improve the business structure of the Company.

1. Continue to step up the development of new energy business, actively take advantage of resources, focus on distribution network for supporting base projects in places including Yan'an, Xinjiang and Tibet in order to improve the economy of scale.

2. Utilize the comprehensive management and control of projects, connect upstream and downstream operation, adjust the infrastructure work flow, promote project construction in a planned and step-by-step manner to ensure that the safety, quality, progress and investment in construction projects are under control, and promote all key projects to be put into operation on schedule.

3. Continue to consolidate the basic management of safe production, deepen the construction of the "dual control" system for safe production, further improve the construction of the "dual control" system, provide guidance and basis for the construction of the "dual control" system for new investment projects, and fully complete our safe production targets.

4. Strengthen the construction of information system to adapt to the business development management requirements of the Group, explore a development model based on our own research and development, combine production, study and research, strengthen the research and development of wind turbine technology, and create an "ecological chain" for post-production services regarding the wind power segment.

(II) Prospects for the natural gas business

At present, the natural gas industry is under rapid development. With the gradual production of cross country pipelines, the probability of resource supply has turned from tight to loose. Based on the actual supply of resources, the Group will make overall plans to promote the orderly utilization of resources, and strive to build a natural gas production, supply and marketing system with diversified resource channels, well thought out pipe network layout, gas storage and peaking matching, reasonable gas structure and safe and reliable operation.

1. On top of securing the existing market, the Group will leverage on its own advantages and the key trend of the natural gas industry, further strengthen our competitive awareness, expand the market share and scope, open up the natural gas downstream industrial chain, and actively develop the natural gas terminal market.

2. More efforts will be put in securing both the quality and quantity of the key construction projects, while monitoring the progress of various key projects with long distance pipeline projects such as the pipework for ten counties in central Hebei Province (Phase III), Beijing-Handan dual line, Guantao station connection line of Beijing-Handan pipeline E'ancang Puyang branch and Zhuozhou-Yongqing pipeline, so as to ensure that all projects can be completed as soon as possible.

(III) Continuous expansion on financing methods

In 2019, the Group will continue to put more efforts in exploring channels for financing and innovative financing means and to obtain greater amount of capital at low cost for projects.

1. Continually deepen communications with various financial institutions, pay continuous attention to changes of various policies, keep abreast of the market development, be prepared to make overall capital arrangement, reasonable planning on upcoming matured bonds, strengthen the control of cash flow and liabilities, and maintain a reasonable capital structure, to ensure the steady development of the Group.

2. Further expand financing channels, adopt measures at appropriate times such as renewable energy subsidy asset securitization, financial leasing, insurance funds, and innovative financing products promoted by domestic and foreign financial institutions to meet funding needs of the Group in the future.

V. RISK FACTORS AND RISK MANAGEMENT

(I) Wind power business

1. *Uncertainties in wind resources*

The primary climate risk faced by the wind power industry is the volatility of wind resources, which expresses in the higher amount of wind power generated in big wind years and lower amount generated in little wind years. In 2018, the overall wind speed was good; however, due to the randomness and uncontrollability of wind resources, there might be a risk of decreasing wind speed in 2019. During the project planning phase and before the construction of wind farms, the Group will comprehensively analyse the wind resources to evaluate the potential installed capacity of such locations in order to reduce the risks relating to climate.

2. *Risk of decrease in tariff rate*

In accordance with the relevant government policies, "wind power to become cost competitive with thermal power" will be achieved by 2020. In this regard, the Group will fully study the relevant government policies and understand the actual situations of the projects pending development and under construction as well as arrange the project development and construction progress proactively and reasonably to ensure the projects are connected to grid and put into operation as early as possible. At the same time, the Group will continue to strengthen the operation, maintenance and management, enhance the safety and reliability of equipment and improve the level of production and operation maintenance, so as to lay a solid foundation for the commencement of subsequent projects.

3. *Continuation of wind curtailment and power constraints*

As the construction of power grids is lagging behind the construction of wind power projects, the development of wind power projects is limited by wind power output, especially in Zhangjiakou region where wind resources are concentrated. With the new wind power projects in Zhangjiakou being put into operation, it is expected that power constraints are likely to further intensify in the next few years.

The Group will, based on the construction of power grids in the place where each wind power project is located, prioritize the development and construction of wind power projects in the regions with great availability of power grid facilities and grid connection. At the same time, the Group will explore and develop innovative consumption methods for wind power. Along with the advancement of power grid restructuring by power grid companies and investment in and construction of extra-high voltage power distribution network, the power grid output issue is expected to be gradually improved.

4. *Increase in management difficulty of construction*

Uncontrollable factors such as project obstacles, slow land approval and complicated formalities of forest land for projects located at pastures and natural reserves during the construction of the wind power projects affect the overall progress of the construction. The Group will arrange reasonable schedule and coordinate and communicate with the wind power equipment manufacturers and local governments to effectively control the unfavorable factors in the construction of the wind power project, to ensure that the projects will commence operation as scheduled.

(II) Natural Gas Business

1. *Heavy responsibility for gas supply in winter*

At present, the clean heating plan in winter has become a major political task. The Company needs to ensure the supply of natural gas is stable and to ensure the gas is safe and can keep people warm in winter by all means. With the arrival of the heating season, the Company's gas transmission volume has gradually increased. Although the upstream resource pressure has been relieved, the gas supply in winter is still tight.

The Group will actively coordinate resources from different parties for the implementation of volume indicators, leverage the complementary strengths of Sinopec Corp, PetroChina, CNOOC, coalbed methane and LNG, and arrange planning of use of resources for the year; accelerate the construction of gas storage facilities and improve peaking capacity; promote the key projects such as the transmission improvement, transformation and maintenance of the distribution stations systematically, and deploy and operate the key equipment operation and maintenance work, and improve the gas supply guarantee capability of the existing pipeline network in a scientific way. At the same time, the Group will make demand forecast in respect of bad weather and peak season of natural gas consumption, formulate and optimize plans for supply of piped gas from multiple sources so as to make the best allocation in terms of resource deployment and economic consideration.

2. *Risk of accounts receivable is effectively controlled*

Through repeated efforts of the Group, the downstream debtors have been repaying their debts according to plans. The amount in arrears has been decreasing and the situation is under control, but additional time is needed to recover all debts.

In respect of the problems above, the Group will actively adopt effective measures and use different methods to accelerate the recovery of trade receivables, closely follow up on the operation, claims and debts of the defaulted companies, so as to protect the interest of the Group.

(III) Interest rate risk

The Group is principally engaged in investment in domestic wind farms, which requires certain amount of capital expenditure. The demand for borrowing funds is high and fluctuation in interest rate will have certain influence on the capital costs of the Group. The Group will keep an eye on the trend of the national monetary policies, strengthen its communications with financial institutions to bargain for prime interest rate loans; expand financing channels in various aspects to achieve financial innovation, and explore means of issuance of debentures, finance lease, foreign financing and trade receivable factoring to ensure the smooth operation of capital chain and a low cost for project construction.

Human Resources

1. SUMMARY OF HUMAN RESOURCES

As of 31 December 2018, the Group had a total of 2,221 employees with employment contracts signed, including 1,889 male employees and 332 female employees. The average age of employees was 31.64 years old. 58% of them had the academic qualifications of bachelor's degree or above.

The staff structure is as follows:

By business segments	**No. of Staff**
The Group's headquarters	56
Wind Power and Solar Energy Segment	960
Natural Gas Segment	1,191
Others	14

By academic qualifications	**No. of Staff**
Master's degree or above	195
Bachelor's degree	1,096
College diploma or below	930

By titles	**No. of Staff**
Specialist level	3
Senior level	86
Middle level	274
Junior level	540
Others	1,318

2. MANAGEMENT OF HUMAN RESOURCES

(1) Human resources strategy

Based on the overall strategic operational objectives in combination with the need in a changing business environment as well as the core business of the Group, the Group keeps improving the system and procedure of recruitment, human resources, training, salary, performance and labor relationship management, promoting the innovation and improvement in human resources management system of the Group. To cope with the changes, we will continually optimize, and establish an organizational structure and system that can keep pace with the rapid development of the Group, strive to formulate efficient business processes and provide a human resources support platform for the implementation of the Group's business strategy.

(2) Remuneration and performance management

During the reporting period, the Group adhered to the principle of "performance-oriented with objective management in a fair, just and open manner", carried out and implemented a new remuneration and performance management system, fully utilized the incentives of performance evaluation, and the performance of the Group's management was steadily improved. Guided by the Group's strategies, the Group will improve on the incentive system and assessment indicators, focus our concerns on the assessment procedure and results and continue to conduct performance evaluation for all staff.

(3) Recruitment management

In order to realize the strategic development target of the Group, the Group has optimized the allocation of human resources to the fullest extent and made recruitment more systematic and process-oriented. During the reporting period, the Group adopted the "combination of internal promotion and external recruitment" method, focused on promoting the recruitment and implementation of project personnel to provide human resources support for its business development, so as to provide more career prospects for internal staff and also recruit high calibre talents to join the Group.

(4) Human resources development and management

Adhering to the principle of combination of talent development and the enhancement of core capabilities of the Group's business and organization, the Group has optimized its employee training model. Combining internal, external and online courses can effectively enhance the professional skills of the employees. The Group emphasizes on talent training at different levels including mid to senior management and professional technicians in order to enhance the core competitiveness of the Group and satisfy the needs of the existing and emerging business development. During the reporting period, the Group organized quality assessment of management personnel, carried out research on the three-year training plan for management personnel of middle-level and above of the Group, and laid a solid foundation for the formation of management personnel.

(5) Staff relations management

The Group regulates the labor usage and social insurance management in strict compliance with the relevant laws and regulations, including the "Labor Law" and the "Labor Contract Law", to maximize the protection of legal rights and interests of employees. During the reporting period, the Group improved on its social security welfare management, further improved the Company's employee staff benefits system, arranged negotiations for the execution of a collective wage agreement and standardized the staff profile management to clarify its approach towards labor relations and to enable the continued maintenance of stable and harmonious labor relations.

1. NON-EXECUTIVE DIRECTORS

Dr. Cao Xin (曹欣), aged 47, joined the Group in June 2006, is a non-executive Director and the chairman of the Board of the Company. He obtained a doctorate in economics from Renmin University of China (中國人民大學) and is a chief senior economist. Currently, Dr. Cao also serves as a non-executive director of Datang International Power Generation Co., Ltd (stock code for H share: 991). He has been a deputy general manager of HECIC since January 2014. He successively served as executive director, chairman and president of the Company; general manager of HECIC New-energy Co., Ltd; assistant to the general manager of HECIC; manager of the Public Utilities Department II of Hebei Construction & Investment Company.

Dr. Li Lian Ping (李連平), aged 56, served the Group from February 2010 to March 2013, resigned the directorship in March 2013 due to job transfer and rejoined the Group in June 2016. He is the chairman and secretary of the Party committee of Hebei Construction & Investment Group Co., Ltd. He obtained a doctorate in materials processing engineering from the University of Science and Technology Beijing (北京科技大學) and is a chief senior engineer. Currently, Dr. Li serves as director of JEI (stock code for A share: 000600). He was a non-executive Director and chairman of the Company from February 2010 to March 2013. Since September 2015, he has been the chairman and secretary of the Party committee of HECIC and the chairman of Yanshan Development (Yanshan International Investment) Company Limited (燕山發展(燕山國際投資)有限公司). He successively served as deputy secretary of the Party committee, deputy officer (departmental level) of the State-owned Assets Supervision & Administration Commission of the People's Government of Hebei Province, chairman and secretary of the Party committee of HECIC, chairman of Yanshan Development Company Limited, director, deputy general manager and a member of the standing committee of the Party committee of Hebei Iron & Steel Group Co., Ltd. and general manager, deputy chairman and deputy secretary of the Party committee of Handan Iron & Steel Group Co., Ltd.

Mr. Qin Gang (秦剛), aged 44, joined the Group in October 2014, is currently a non-executive Director of the Company. He obtained a master's degree in corporate management from Nankai University (南開大學) and is a senior economist. Currently, Mr. Qin serves as the vice chairman of JEI. He has been the assistant to the general manager and the general manager of the capital operation department of HECIC and the executive deputy general manager of Yanshan Development (Yanshan International Investment) Company Limited (燕山發展(燕山國際投資)有限公司) since April 2015. He successively served as deputy departmental manager of the capital operation department of HECIC and deputy manager of the financial management department of Hebei Construction Investment Company (the predecessor of HECIC).

Ms. Sun Min (孫敏), aged 51, joined the Group in January 2015, is currently a non-executive Director of the Company. She obtained a master's degree in business administration from Nankai University (南開大學), and is a chief senior engineer. She has been the general manager of the appraisal and assessment department of HECIC since 2013. Ms. Sun successively served as deputy manager of the investment and development department of HECIC, deputy manager of the investment and development department of Hebei Construction Investment Company (the predecessor of HECIC), assistant to the manager of the Energy Branch of Hebei Construction Investment Company, etc.

Mr. Wu Hui Jiang (吳會江), aged 39, joined the Group in June 2015, is currently a non-executive Director of the Company. He has a master's degree in political economy of Zhejiang University and is a senior economist. He has been the general manager of the Investment Development Department of Hebei Construction & Investment Group Co., Ltd. since June 2015. Prior to this, he was deputy general manager of the Investment Development Department of HECIC, deputy general manager of CIC Huaxin Capital Co., Ltd. (建投華信資本有限公司), manager of the Investment Development Department of HECIC Water Investment Co., Ltd. and project manager of the Public Utilities Department I of Hebei Construction Investment Company (the predecessor of HECIC).

2. EXECUTIVE DIRECTORS

Mr. Mei Chun Xiao (梅春曉), aged 50, joined the Group in August 2006, is currently an executive Director, president and deputy secretary of the Party committee of the Company. He obtained a master's degree in electrical engineering from Beijing Jiaotong University (北京交通大學) and is a chief senior engineer. Mr. Mei successively served as vice president of the Company, general manager, deputy general manager and chief engineer, and an assistant to the general manager of HECIC New-energy.

Mr. Wang Hong Jun (王紅軍), aged 54, joined the Group in March 2013, is an executive Director of the Company. He obtained a master's degree in business administration from Tianjin University (天津大學). Mr. Wang successively served as director of the general office of HECIC, and director of the general manager office of Hebei Construction Investment Company (the predecessor of HECIC).

3. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qin Hai Yan (**秦海岩**), aged 48, has been an independent non-executive Director of the Company since March 2010. He obtained a master's degree in business administration from Renmin University of China (中國人民大學). Mr. Qin also serves as an independent non-executive director of Huaneng Renewables Corporation Limited (華能新能源股份有限公司) (stock code for H shares: 00958), Xinte Energy Co., Ltd. (新特能源股份有限公司) (stock code for H shares: 1799) and Ningxia Jiaze New Energy Co., Ltd. (寧夏嘉澤新能源股份有限公司) (stock code for A shares: 601619) and CECEP Wind-power Corporation Co., Ltd. (stock code for A shares: 601016). Besides, Mr. Qin also serves as the vice chairman of World Wind Energy Association, the standing director of the China Renewable Energy Society (中國可再生能源學會), the secretary-general to the Wind Power Committee of the China Renewable Energy Society (中國可再生能源學會風能專業委員會) and the deputy secretary of the National Wind Power Machinery Standardization and Technology Commission (全國風力機械標準化委員會).

Mr. Ding Jun (**丁軍**), aged 56, has been an independent non-executive Director of the Company since March 2010. He graduated from the graduate school of the China Academy of Social Sciences (中國社會科學院) with a master's degree in economics. Mr. Ding is an associate researcher of the Beijing Academy of Social Sciences Economics Research Institute (北京市社會科學院經濟研究所), which he joined in 1992. In addition, Mr. Ding was also appointed as a standing director and vice secretary-general of the China Association for Studying the Construction of Well-off Society (中國小康建設研究會).

Mr. Wang Xiang Jun (**王相君**), aged 54, has been an independent non-executive Director of the Company since March 2010. He obtained a bachelor's degree in economics from the Central University of Finance and Economics (中央財政金融學院). Since November 2005, Mr. Wang has acted as associate professor of Hebei University of Economics and Business (河北經貿大學). In addition, he is a part-time teacher of the Accountant Service Centre of Hebei Finance Office (河北省財政廳會計人員服務中心),a standing director of the Hebei Industrial and Information Industry and Accounting Association (河北省工業和信息化會計學會) and a financial consultant of Hebei Grain Group Co., Ltd. (河北省糧食產業集團有限公司), Hebei Publishing & Media Group Co. Ltd. (河北出版傳媒集團有限責任公司) and Hebei Products (Group) Co., Ltd. (河北物產企業(集團)公司).

Mr. Yue Man Yiu Matthew (**余文耀**), aged 57, has been an independent non-executive Director of the Company since June 2010. He graduated from the Chinese University of Hong Kong (香港中文大學) and obtained a bachelor's degree in business administration. Since 2009, Mr. Yue has acted as chief financial officer of Ko Shi Wai Holdings Limited (高士威控股有限公司), and is an independent non-executive director of Asia Cassava Resources Holdings Limited(亞洲木薯資源控股有限公司)(stock code for H shares: 00841), Classified Group (Holdings) Limited (stock code: 8232) and Royale Furniture Holdings Limited (皇朝家私控股有限公司)(stock code for H shares: 01198). Mr. Yue is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and a member of the Hong Kong Securities Institute.

4. SUPERVISORS

Mr. Wang Chun Dong (**王春東**), aged 52, joined the Group in November 2017, is the chairman of the Board of Supervisors of the Company. He received a master's degree in business administration from the University of Illinois in the United States and is a senior political analyst. He has been a member of the standing committee of the Party committee and the secretary of the discipline inspection committee of HECIC since October 2016. He successively served as a deputy secretary of the Party committee, the secretary of the discipline inspection committee and the chairman of the board of supervisors of Tangsteel Company of Hebei Iron & Steel Group Co. Ltd., an inspector and a deputy secretary of the discipline inspection committee and the director of the general office of the State-owned Assets Supervision and Administration Commission of People's Government of Hebei Province (the "Hebei SASAC"), a disciplinary inspector and ombudsman of the Office of the Ombudsman and the director of the general office of Hebei Provincial Supervision Department in Hebei SASAC.

Mr. Liu Jin Hai (**劉金海**), aged 46, joined the Group in June 2013, is a supervisor of the Company. He received a master's degree in business administration from the Hebei University of Technology (河北工業大學) and is a chief senior accountant. He has been the assistant to the general manager and the general manager of the financial management department of the Hebei Construction & Investment Group Co., Ltd. since April 2015. He successively served as general manager of HECIC Water Investment Co., Ltd., head of the financial management department of HECIC and general manager of HECIC Group Finance Company Limited.

Mr. Qiao Guo Jie (**喬國傑**), aged 56, joined the Group in September 2007, is an employee representative supervisor of the Company. He obtained a master's degree in business administration from Tianjin University (天津大學). Mr. Qiao was elected as an employee representative supervisor at the third session of the Board of Supervisors of the Company on 18 March 2016. Since April 2013, Mr. Qiao successively served as deputy secretary of the Party committee and the disciplinary committee, chairman of the labour union of the Company; from September 2011 to April 2013, served as deputy secretary of the Party committee and the disciplinary committee of the Company and deputy secretary of the Party committee and the disciplinary committee, chairman of the labour union of HECIC New-energy. He previously served as deputy secretary of the Party committee and the disciplinary committee, chairman of the labour union of HECIC New-energy.

Ms. Wang Xiu Ce aged 49, joined the Group in April 2008, is an employee representative supervisor and the manager of business planning department of the Company. She graduated from the Hebei University of Technology with a master's degree in architecture and civil engineering. Ms. Wang was elected as employee representative supervisor of the third session of the board of supervisors with effect from 1 March 2018, to fill the vacancy caused by Ms. Ma Hui's resignation. She has been the general manager of business planning department of the Company since December 2010. Ms. Wang successively served as deputy manager business planning department, deputy manager and senior director of business planning department of HECIC New-energy Co., Ltd. and lecturer at Hebei College of Industry and Technology.

Mr. Xiao Yan Zhao (**肖延昭**), aged 45, joined the Group in June 2014, is an independent supervisor of the Company. He obtained a bachelor's degree in law from China University of Political Science and Law (中國政法大學), and is a qualified lawyer and Chinese registered senior planner. Mr. Xiao successively served as a partner and chief lawyer of Beijing Delvheng Law Firm (北京市德律珩律師事務所) from 2005 to 2012. Currently, he is a senior partner of C&I Partners, Beijing (北京市信利律師事務所). Additionally, he served as deputy secretary-general of the Association of Cross-Strait Legal Exchange (海峽兩岸法學交流促進會), standing director and deputy secretary-general of the Law and Trading Seminar (Shenzhen) of WTO and China – ASEAN Free Trade Area (世界貿易組織及中國－東盟自由貿易區法律貿易研究會), and director of China Association of Small and Medium Business Enterprises (中國中小商業企業協會).

Dr. Liang Yong Chun (**梁永春**), aged 47, has been the independent supervisor of the Company since June 2015 and is currently a teacher at the Electrical Engineering College, Hebei Science and Technology University (河北科技大學電氣工程學院). He obtained a doctorate in high voltage and insulation technology from Xi'an Jiaotong University (西安交通大學). He has been a teacher at the Electrical Engineering College, Hebei Science and Technology University since 1998. He studied his doctorate degree in Xi'an Jiaotong University from 2004 to 2009. He was an ECS visiting scholar at the University of Southampton in the United Kingdom from 2012 to 2013.

5. SENIOR MANAGEMENT

For details of Mr. Mei Chun Xiao, the president, please refer to the second section of this chapter headed "Executive Directors".

Mr. Sun Xin Tian (**孫新田**), aged 54, joined the Group in January 2006. He obtained a master's degree in power engineering from Huabei Electricity University (華北電力大學) and is a senior engineer. He was appointed as vice president of the Company in June 2010. Mr. Sun successively served as deputy general manager and chief engineer of HECIC New-energy, deputy general manager of HECIC Zhangjiakou Wind Energy Co., Ltd., and deputy chief engineer, deputy director and deputy chief engineer of the equipment and technology department, engineer and deputy factory manager of a power engineering branch factory of Hebei Xingtai Power Co., Ltd. (河北興泰發電有限責任公司, formerly known as Xingtai Electricity Generation Factory (邢臺發電廠)).

Ms. Ding Peng (**丁鵬**), aged 48, joined the Group in June 2001. She obtained a master's degree in senior business administration from Renmin University of China (中國人民大學). Ms. Ding was appointed as vice president of the Company on 24 March 2014, and is also the general manager of Hebei Natural Gas. Ms. Ding successively served as deputy general manager-cum-chief accountant, chief accountant and financial manager of Hebei Natural Gas.

Mr. Lu Yang (**陸陽**), aged 49, joined the Group in January 2008. He obtained a master's degree in senior business administration from Renmin University of China (中國人民大學). Mr. Lu was appointed as vice president of the Company on 24 March 2014. From January 2008 to March 2014, he served as deputy general manager of Hebei Natural Gas. Mr. Lu successively served as manager for engineering technical support of Hong Kong & China Gas Investment Limited, and as deputy general manager and chief engineer of Handan City Gas Company.

Ms. Fan Wei Hong (范維紅), aged 48, joined the Group in June 2013. She obtained a bachelor's degree in accounting from Hebei University of Economics and Business (河北經貿大學). Ms. Fan was appointed as financial controller of the Company on 16 August 2013 and resigned from the position on 24 March 2014 and was appointed as chief accountant of the Company on the same day. Ms Fan successively served as deputy manager and manager of the financial planning department of HECIC Communications, deputy general manager and financial controller of Shijiazhuang Construction and Investment Company (石家莊市建設投資公司), accountant of Shijiazhuang Committee of Planned Economy (石家莊市計劃經濟委員會) and accountant of Shijiazhuang Sixth Cotton Mill Factory (石家莊市第六棉紡織廠).

Mr. Ban Ze Feng (班澤鋒), aged 41, joined the Group in June 2013. He obtained a master's degree in business administration from Nankai University (南開大學). Mr. Ban was appointed as secretary of the Board of the Company on 6 June 2013 and joint company secretary of the Company on 24 March 2014. Mr. Ban successively served as assistant to the director of the general office, head of the secretarial confidential documents department and general office secretary of HECIC, deputy director of the general manager's office of Shijiazhuang International Building Co., Ltd. (石家莊國際大廈股份有限公司), and secretary of the general office of Hebei Construction Investment Company (the predecessor of HECIC).

6. JOINT COMPANY SECRETARIES

For details of Mr. Ban Ze Feng, a joint company secretary, please refer to the fifth section of this chapter headed "Senior Management".

Ms. Lam Yuen Ling Eva (林婉玲), aged 52, appointed as the joint company secretary of the Company on 1 April 2010. She has over 20 years of experience in company secretarial services and commercial solutions. She is currently a director of BMI Listed Corporate Services Limited and is responsible for supervising the company secretarial teams to provide full range of listed and private company secretarial services to clients. Ms. Lam obtained a Higher Certificate in Company Secretaryship and Administration from the Hong Kong Polytechnic University and was awarded a degree of Master of Science in Corporate Governance and Directorship by the Hong Kong Baptist University. Ms. Lam is a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, and was awarded the qualification of governance expert. Ms. Lam is currently the company secretary of several companies listed on the Main Board and the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

7. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

During the reporting period, pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors and Supervisors are as follows: Mr. Yue Man Yiu Matthew acted as an independent non-executive director of Classified Group (Holdings) Limited since October 2018.

Save as disclosed above, during the Report Period, the Company is not aware of any changes in information of Directors and Supervisors which need to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The Board of the Group hereby presents to the shareholders the annual report and the audited Financial Statements for the year ended 31 December 2018.

I. BUSINESS REVIEW

(i) Operating environment

The Company is principally engaged in the investment of projects involving the exploration and utilization of natural gas, LNG, CNG, coal gas and coalbed methane, as well as projects of new energy sources including wind power and solar power, etc. Details of major subsidiaries of the Company are set out in Note 1 to the Financial Statements. During the reporting period, the Company actively expanded the renewable energy and clean energy business and accelerated the promotion of reserve of wind resources, therefore, the installed capacity experienced rapid growth, the level of operation and management is continually enhanced, and the utilization hours of wind farms increased. With active facilitation of the construction of infrastructure of natural gas, continued expansion of the market of downstream users, development of CNG and LNG businesses in a prudent manner and active establishment of a system for multi gas resources protection, the sales volume increased. Details of the business environment policy of the Company are set out in operating environment on page 16 to page 18 of this annual report.

(ii) Key financial indicators

In 2018, the Group realized a total sale of wind and photovoltaic power generation of 7,397 million kWh, representing an increase of 10.5% as compared with 2017; sold 2,631 million cubic meters of natural gas, representing an increase of 40% as compared with 2017; realized revenue of RMB9,975 million, representing an increase of 41.3% as compared with 2017; a total profit of RMB1,743 million, representing an increase of 44.8% as compared with 2017; and a net profit of RMB1,575 million, representing an increase of 42.5% as compared with 2017; of which the net profit attributable to the owners of the Group amounted to RMB1,269 million, representing an increase of 35.0% as compared with 2017.

As of 31 December 2018, the total share capital of the Company was 3,715,160,396 shares, comprising of 1,876,156,000 domestic shares and 1,839,004,396 H shares. Details of liquidity of the Company are set out in "Liquidity and capital resources" and "Capital expenditure" on page 26 of this annual report.

(iii) Compliance with laws and regulations and performance

In 2018, the Group complied with laws and regulations that had material impacts on the establishment, production and operation of wind power, photovoltaic power and natural gas projects, including "The Environmental Protection Law of the PRC (amended in 2014)", "The Recycling Economy Promotion Law of the PRC", "The Renewable Energy Law of the PRC" and other relevant laws, regulations, management ordinances and environmental protection standards. Pursuant to the regulations above, and along with strategies related to the national ecological civilization construction and the setting of the target of energy saving and emission reduction for the community as a whole, the Company, building on its operational production characteristics, set up a leading group for energy saving and emission reduction with its president as the team leader. The Safety Production Department set up an energy saving and emission reduction office with the manager of Safe Production Department as the officer. The Company also formulated "energy management measures", "environmental protection measures" and "management measures for disposal of production wastes", so as to strictly control the consumption of various energy and resources by the Group, promoted new technology, skills, facilities and materials for energy saving, encouraged reasonable consumption of energy, enhanced utilization and economic efficiency of energy, water and ecological resources, actively reduced the wastage of resources and protected the ecological environment. In 2018, there were neither incidents nor legal complaints relating to environmental pollution.

(iv) Major risk factors

Details of the major risks and uncertain factors of the Company (including the slowdown of the growth of macro-economy, competition of alternative energy, collection of account receivables, decrease in price of electricity, climate and grid curtailment) are set out in the "Risk factor and risk management" on page 29 to page 31 of this annual report.

(v) Business development expectation in the future

No significant event which had impact on the Company occurred after the reporting period.

For the business development in 2019, please refer to the "Prospects for 2019" on page 27 to page 29.

(vi) Relationship with staff

Staff not only provides services and maintains operations, but are also the power source of innovation and development of the Company. In order to create a united and harmonious team, the Group actively protects the basic rights of the staff, has clear regulations in respect of recruitment, employment, labor relations, and has standardized the employment of the Company, social security management and code of conduct of the staff, so as to maximize the protection of the staff's legal rights. The Company prepared a comprehensive management system from two aspects, namely occupational health and production safety, so as to create a safe production foundation; paid attention to the staff's demands to ensure the staff are healthy and happy. At the same time, it has set up a scientific staff promotion system and supplemented with specific trainings, to train and encourage outstanding talents, so as to build up a professional and efficient team for the Group.

(vii) Relationship with clients and suppliers

The Group takes on the responsibility of supplying natural gases to urban residents and industrial enterprises in Hebei Province. Hebei Natural Gas has implemented specific management measures in respect of stable gas supply and enhancement of client services. It continues to carry out the construction of natural gas pipeline projects and pipeline networks of Hebei Province, to further enhance gas supply capacity to customers. Following the service philosophy of "value customers, service comes first", the Group issued "Standardization of Customer Service Management Measures", and enhanced the proactive communications with customers through effective handling of complaints. The Group also performed satisfaction surveys, and conducted assessment on each subsidiary based on the surveys. The Group also implemented administrative measures such as "Administrative Rules of Customers Files", to prevent any leakage of clients' information.

Since the Group is at a business expansion stage, from 2018 and for a long time in the future, suppliers of project construction and related materials will be the main acquisition targets of the Group. The Group has implemented management process in respect of suppliers of each product and service, and in compliance with the national and local regulations, to ensure that the purchase process is legal, and that the suppliers selected are highly efficient in managing different aspects of their business, such as quality, environment and safety.

(viii) Environmental protection policies and performance

As a green energy company, the Group aligns closely with the adjusted national energy strategic direction and endeavors to develop natural gas, wind power and solar energy businesses as well as to deliver clean energy to various industries. Apart from creating economic value, the Group also reduces the impact to the environment through its products and services. Meanwhile, the Group has actively considered the impact on the environment during project construction and operations to further improve the environment. During project construction, the Group allocated a large amount of capital on protection measures to minimize the impact to the environment during the construction, including sewage treatment, oil spill collection, shock absorption and noise reduction, dust reduction, ecological rehabilitation and poison waste treatment; during operations, the Group also allocated capital to energy saving and consumption reduction and technology improvement, so as to reduce the harmful effects caused to the environment during its operation.

2. RESULTS

The audited results of the Company and its subsidiaries for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 86. The financial position of the Company and its subsidiaries as of 31 December 2018 is set out in the consolidated statement of financial position on pages 87 to 88. The consolidated cash flows of the Company and its subsidiaries for the year ended 31 December 2018 are set out in the consolidated statement of cash flows on pages 90 to 91.

Discussion and analysis of the Group's performance and financial position for the year is set out in "Management Discussion and Analysis" on pages 16 to 31 of this annual report.

3. SHARE CAPITAL

As of 31 December 2018, the total issued share capital of the Company was RMB3,715,160,396, divided into 3,715,160,396 shares of RMB1 each.

On 28 January 2014, the Company successfully placed 476,725,396 H shares, thereby increasing its registered capital by RMB476,725,396 and raising total funds of approximately HK$1,597,030,077. After the completion of the placing, the total issued share capital of the Company amounted to RMB3,715,160,396, divided into 3,715,160,396 shares of RMB1 each.

On 9 July 2015, HECIC Water transferred, for nil consideration, 375,231,200 domestic shares of the Company to HECIC by way of allocation. After the completion of equity transfer, HECIC directly holds 1,876,156,000 domestic shares of the Company, representing 50.5% issued share capital of the Company.

4. PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the reporting period, the Company did not redeem any of its securities, and neither the Company nor any of its subsidiaries sold or purchased any of the Company's securities listed on the Hong Kong Stock Exchange.

The Company completed the issuance of the 2018 Renewable Green Corporate Bonds (First Tranche) on the centralized quotation trading system and fixed-income securities comprehensive electronic trading platform of Shanghai Stock Exchange (the "Issuance") on 14 March 2018. The aggregate offering amount of the Issuance was RMB590 million with a term of 3+N years, issue price of RMB100 per bond and coupon rate of 5.96%, and interest to be distributed annually. The proceeds from the Issuance will be mainly used for construction, operation and acquisition of green projects and repayment of borrowings for green projects. Please refer to the announcements of the Company published on 7 March, 9 March, 12 March, 14 March and 26 March 2018 by the Company on the websites of the Hong Kong Stock Exchange and the Company for details.

The Company completed the issuance of 2018 first tranche of the Super Short-term Commercial Papers (the "First Issuance") on 18 April 2018. The aggregate offering amount of the First Issuance was RMB500 million with a term of 270 days, nominal value per unit of RMB100 and coupon rate of 4.58%. The interest shall be accrued from 20 April 2018. The proceeds raised from the First Issuance will mainly be used for replacement of the borrowings from financial institutions of the Company and its subsidiaries, adjustment of financing structure and raising the proportion of direct financing. Please refer to the announcements of the Company published on 17 April 2018 and 20 April 2018 by the Company on the websites of the Hong Kong Stock Exchange and the Company for details.

The Company completed the issuance of 2018 second tranche of the Super Short-term Commercial Papers (the "Second Issuance") on 2 July 2018. The aggregate offering amount of the Second Issuance was RMB500 million with a term of 265 days, nominal value per unit of RMB100 and coupon rate of 4.88%. The interest shall be accrued from 4 July 2018. The proceeds raised from the Second Issuance will mainly be used for the repayment of the principal of the Super Short-term Commercial Paper due. Please refer to the announcements of the Company published on 29 June 2018 and 2 July 2018 by the Company on the websites of the Hong Kong Stock Exchange and the Company for details.

The Company has completed the issuance of 2018 third tranche of the Super Short-term Commercial Papers (the "Third Issuance of Super Short-term Commercial Papers") on 2 November 2018. The aggregate offering amount of the Third Issuance of Super Short-term Commercial Papers was RMB500 million with a term of 270 days, nominal value per unit of RMB100 and coupon rate of 3.90%. The interest shall be accrued from 5 November 2018. The proceeds raised from the Third Issuance of Super Short-term Commercial Papers will mainly be used to supplement working capital and repay interest-bearing debt. Please refer to the announcement of the Company published on 30 October 2018 by the Company on the websites of the Hong Kong Stock Exchange and the Company for details.

During the reporting period, all of the above bonds have been used to repay borrowings or construction of wind power projects and have been used up. The management and usage of the above proceeds are consistent with the usage, usage plan and other agreements under the prospectus.

5. PRE-EMPTIVE RIGHTS

Shareholders of the Company have no pre-emptive rights under laws and regulations, such as the PRC Company Law, and the Articles of Association of the Company.

6. USE OF NET PROCEEDS FROM PLACING OF H SHARES IN 2014

On 28 January 2014, the Company completed its placing of 476,725,396 H shares with the net proceeds raised of HK$1,564 million. Based on the plans for the use of proceeds and the foreign exchange settlement, approximately 90% of the settled funds shall be used in wind power and natural gas projects, and approximately 10% shall be as working capital of the Company.

As of 31 December 2018, HK$1,231 million of the settled funds has been used in the Group's wind power and natural gas businesses, of which HK$971 million was used in wind power projects and HK$260 million in natural gas projects, representing approximately 78.70% of the net proceeds raised. Approximately HK$212 million was used to replenish the working capital of the Company, representing approximately 13.55% of the net proceeds raised. The remaining net proceeds raised by the placing (including their accrued interest) in the amount of approximately HK$121 million are currently deposited in the bank account of the Company, the time of use will be determined based on future project plans.

7. INITIAL PUBLIC OFFERING OF A SHARES

The Company convened the first extraordinary general meeting in 2017 on 10 November 2017 for the consideration and passing of the resolution for the initial public offering of A Shares. The Company intended to issue no more than 134,750,000 A Shares which were planned to be listed on the Shanghai Stock Exchange (the "A Share Offering"). The second extraordinary general meeting in 2018 was convened on 18 September 2018, and upon the approval obtained at the extraordinary general meeting, the valid period for the A Share Offering plan would be extended for 12 months. For details of the A Share Offering plan, please refer to the announcements dated 25 September 2017 and 2 August 2018 and circulars of the Company dated 20 October 2017 and 23 August 2018.

The Company has received a form of acceptance issued by the China Securities Regulatory Commission on 2 November 2018 with respect to the Company's application for the A Share Offering. Please refer to the announcement of the Company dated 2 November 2018 for details.

Currently, the work streams in relation to the A Share Offering are being carried out in an orderly manner.

8. RESERVES

Details of the movement in reserves of the Company for the year are set out in Note 41 to the Financial Statements, and details of reserves distributable to shareholders are set out in Note 41 to the Financial Statements.

9. PROPERTY, PLANT AND EQUIPMENT

During the reporting period, the Group acquired properties, plants and equipment with a total cost of RMB5,125 million. Certain properties, plants and equipment disposed or of which bad debts were written off by the Group had a carrying value of RMB7,649 million, resulting in net loss on asset disposal of RMB12.23 million.

Details of the changes in properties, plants and equipment of the Group during the reporting period are set out in Note 12 to the Financial Statements.

10. PROFIT DISTRIBUTION AND DIVIDEND POLICY

The Board recommends the distribution of a final dividend of RMB0.125 per share (tax included) (RMB464 million in total (tax included)) for the year ended 31 December 2018 to all shareholders, details of which are set out in Note 10 to the Financial Statements. The Company hereby further announces that profit distribution will be distributed by cash dividend to the H shareholders whose names appear on the register of H Shares of the Company on Thursday, 20 June 2019 within 2 months after the Annual General Meeting, subject to the approval of the 2018 profit distribution plan at the Annual General Meeting. Further announcements will be made by the Company in due course regarding the details of the date of dividend distribution and other specific arrangement.

According to the "Circular on Questions Concerning Withholding and Remitting Enterprise Income Tax for Dividends Received by Overseas H-share Holders (Non-resident Enterprise Shareholders) from Chinese Resident Enterprises (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知) (Guo Shui Han [2008] No. 897) issued by the State Administration of Taxation (國家税務局), an enterprise income tax at the rate of 10% shall be levied on dividends paid in or after 2008 by Chinese resident enterprises to overseas H-share shareholders that are non-resident enterprises.

Any shares registered in the name of the non-individual registered shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations, will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the enterprise income tax. If H shareholders intend to change its shareholder status, please enquire about the relevant procedures with your agents or transferee agent. The Company will strictly comply with the law or the requirements of the relevant government authority to withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares of the Company as at 20 June 2019.

If the individual H shareholders who are Hong Kong or Macau residents or residents of the countries which had an agreed tax rate of 10% for dividend with China under the relevant tax treaties, the Company should withhold and pay individual income tax on behalf of the relevant H shareholders at a rate of 10%. Should the individual H shareholders be residents of the countries which had an agreed tax rate of less than 10% with China under the relevant tax treaties, the Company shall withhold and pay individual income tax on behalf of the relevant H shareholders at a rate of 10%. In that case, if the relevant individual H shareholders wish to apply for a refund of the additional amount of tax withheld and paid, the Company can assist the relevant H shareholders to handle the application for the underlying preferential tax benefits pursuant to tax treaties. Should the individual H shareholders be residents of the countries which had an agreed tax rate of over 10% but less than 20% with China under the tax treaties, the Company shall withhold and pay the individual income tax on behalf of the relevant H shareholders at the effective rate stipulated in the relevant tax treaties. In the case that the individual holders of H shares are residents of the countries which had an agreed tax rate of 20% with China under the tax treaties, or which has not entered into any tax treaties with China, or otherwise, the Company shall withhold and pay the individual income tax on behalf of the relevant H shareholders at a rate of 20%.

The Company shall determine the identity of the individual H shareholders based on the registered address as recorded in the register of members of the Company on 20 June 2019. The Company assumes no responsibility and will not entertain any claims arising from any failure to timely determine, or inaccurate determination of, the status of the shareholders or any dispute over the arrangement of withholding and paying tax on behalf of such shareholders. Shareholders should consult their tax advisers regarding the PRC, Hong Kong and other tax implications of owning and disposing of the H shares of the Company.

The Board of the Company is responsible for submitting the proposals for dividend payments to the shareholders' general meetings for approval. A decision to declare or to pay any dividends, and the amount of any dividends, will depend on a number of factors, including results of our operations, cash flows, financial condition, future business prospects and other factors that the Board considers relevant.

According to PRC law and our Articles of Association, we will pay dividends out of our after-tax profit only after we have made the following allocations:

- recovery of accumulated losses, if any;

- allocations to the statutory common reserve fund equivalent to 10% of our after-tax profit, as determined under PRC GAAP; and

- allocations, if any, to a discretionary common reserve fund that are approved by the Shareholders in a Shareholders' meeting.

The minimum allocations to the statutory funds are 10% of our after-tax profit, as determined under the Company Law. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory fund will be required.

11. MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the purchase amount from the Group's five largest suppliers in aggregate contributed 61.41% of the Group's total purchase amount for the year, among which, the total purchase amount from the largest supplier contributed 34.42% of the Group's total purchase amount for the year.

For the year ended 31 December 2018, the sales to the Group's five largest customers in aggregate contributed 42.66% of the Group's total sales for the year, among which, the sales to the largest customer contributed 22.29% of the Group's total sales for the year.

As far as the Directors are aware, none of the substantial shareholders of the Company (shareholders who own more than 5% of the Company's share capital) or associates of the Directors and supervisors had any interest in the Company's five largest suppliers or five largest customers.

12. BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Company and its subsidiaries as of 31 December 2018 are set out in Note 28 to the Financial Statements.

13. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Currently, the Board of the Company consists of eleven Directors, of whom five are non-executive Directors, two are executive Directors and four are independent non-executive Directors.

Information on the Directors, supervisors and senior management of the Company are as follows:

Name	Age	Position	Date of Appointment
Cao Xin	47	Non-executive Director, chairman of the Board	13 June 2016
Li Lian Ping	56	Non-executive Director	13 June 2016
Mei Chun Xiao	50	Executive Director	8 June 2017
Wang Hong Jun	54	Executive Director	13 June 2016
Qin Gang	44	Non-executive Director	13 June 2016
Sun Min	51	Non-executive Director	13 June 2016
Wu Hui Jiang	39	Non-executive Director	13 June 2016
Qin Hai Yan	48	Independent non-executive Director	13 June 2016
Ding Jun	56	Independent non-executive Director	13 June 2016
Wang Xiang Jun	54	Independent non-executive Director	13 June 2016
Yue Man Yiu Matthew	57	Independent non-executive Director	13 June 2016
Wang Chun Dong	52	Chairman of the Board of Supervisors	10 November 2017
Liu Jin Hai	46	Supervisor	13 June 2016
Qiao Guo Jie	56	Employee representative supervisor	18 March 2016
Ma Hui	56	Employee representative supervisor	18 March 2016 – 1 March 2018
Wang Xiu Ce	49	Employee representative supervisor	1 March 2018
Xiao Yan Zhao	45	Independent supervisor	13 June 2016
Liang Yong Chun	47	Independent supervisor	13 June 2016
Sun Xin Tian	54	Vice president	6 June 2013
Mei Chun Xiao	50	President	31 March 2017
Ding Peng	48	Vice president	24 March 2014
Lu Yang	49	Vice president	24 March 2014
Fan Wei Hong	48	Chief accountant	6 June 2013
Ban Ze Feng	41	Secretary to the Board, joint company secretary	6 June 2013 (Secretary to the Board) and 24 March 2014 (Joint Company Secretary)

The Company has accepted the annual confirmation of independence issued by the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and is of the opinion that all independent non-executive Directors are independent of the Company.

14. CHANGES IN DIRECTORS AND SUPERVISORS

Ms. Ma Hui resigned as an employee representative of the Company on 1 March 2018 due to retirement. Ms. Wang Xiu Ce was elected as an employee representative supervisor of the third session of the board of supervisors of the Company at the employee representatives meeting, with effect from 1 March 2018.

Biographical details of the Directors, supervisors and senior management of the Company are set out on pages 34 to 39 of this annual report.

15. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

None of the Directors or supervisors has entered into a service contract with the Company or its subsidiaries which cannot be terminated by the employer within one year without payment of compensation (other than statutory compensation).

16. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Company's Directors and supervisors are set out in Note 8 to the Financial Statements and the range of remuneration of senior management members is as follows:

Range of remuneration (RMB'000)	No. of senior management members
0-500	0
500-1,000	5
1,000-1,500	1

17. INTERESTS OF DIRECTORS AND SUPERVISORS (AND ITS ASSOCIATED ENTITIES) IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

At the end of the year 2018 or at any time during the year 2018, none of the Directors and supervisors (and its associated entities) of the Company had any personal interest, either directly or indirectly, in any transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party.

18. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

None of the Directors and supervisors and their associates (as defined under the Listing Rules) had any competing interests in any business which competed, either directly or indirectly, with the business of the Group during the reporting period.

19. INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of 31 December 2018, none of the Directors, Supervisors or Senior Management of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

20. PERMITTED INDEMNITY PROVISION

Appropriate directors' liability insurance cover has been arranged by the Company to indemnify the Directors for liabilities arising out of corporate activities.

21. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As of 31 December 2018, to the best knowledge of the Directors of the Company, the following persons (other than the Directors, Senior Management or Supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company which would need to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held	Percentage in the Relevant Class of Share Captial (%)	Percentage in the Total Share Capital(%)
HECIC	Domestic Shares	Beneficial Owner	1,876,156,000 (Long position)	100%	50.5%
Citigroup Inc. (1)	H Shares	Person having a security interest in shares	34,000 (Long position)	0.0018%	0.0011%
		Interest held by controlled corporations	416,768 (Short position)	0.02%	0.01%
			407,000 (Short position)	0.02%	0.01%
		Approved lending agent	274,608,425 (Long position)	14.93%	7.39%
GIC Private Limited	H Shares	Investment Manager	202,829,000 (Long position)	11.03%	5.46%
National Social Security Council	H Shares	Beneficial Owner	128,163,000 (Long position)	6.97%	3.45%

Notes:

(1) Citigroup Inc. holds the interests of the Company through its controlled entities Citibank N.A. and Citigroup Global Limited. In addition, it has a short position and derivatives of 407,000 `H Shares which falls under the category of: "unlisted derivatives – settled by cash".

22. MANAGEMENT CONTRACTS

The Group did not enter into any contract in respect of the management and administration of the entire or any significant part of the business of the Group, nor did any such contract subsist at any time during the reporting period (save for the service contracts with Directors, supervisors and all employees of the Group).

23. CONNECTED TRANSACTIONS

(1) One-off connected transactions

During the reporting period, the Group carried out two connected transactions exempt from the independent shareholders' approval requirement. The specific details are as follows:

1. According to the requirements of the "Reply on the 2016 State-owned Capital Operation Budget of Hebei Construction & Investment Group Co., Ltd. (河北建設投資集團有限責任公司)" (Ji Guo Zi Zi [2016] No.52) issued by the State-owned Assets Supervision and Administration Commission of Hebei Province, HECIC had to use the amount of RMB50 million obtained by it from the state-owned capital operation budget in 2016 for capital investment in the Guyuan Wind Power Hydrogen Production Project. In order to confirm the ownership of the state-owned capital and support the construction of the Guyuan Wind Power Hydrogen Production Project, HECIC intends to use such provincial-level state-owned capital to make capital contribution to Yanshan Guyuan.

   On 9 October 2018, HECIC New-energy, a wholly-owned subsidiary of the Company, entered into a joint venture contract with HECIC, pursuant to which HECIC shall contribute RMB50 million to Yanshan Guyuan, a wholly-owned subsidiary of HECIC New-energy. In particular, RMB46.7755 million will be used to increase the registered capital, and RMB3.2245 million will be used to increase the capital reserve("Yanshan Guyuan Capital Contribution Project"). Upon the completion of the Yanshan Guyuan Capital Contribution Project, HECIC New-energy and HECIC will hold 94.43% and 5.57% of the equity interests in Yanshan Guyuan, respectively.

   HECIC is the controlling shareholder of the Company, holding approximately 50.5% equity interest of the Company and is therefore a connected person of the Company. Accordingly, the Yanshan Guyuan Capital Contribution Project constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Yanshan Guyuan Capital Contribution Project exceed 0.1% but are less than 5%, the Yanshan Guyuan Capital Contribution Project is subject to the reporting and announcement requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

   Details are set out in the announcement entitled "Connected Transaction – Capital Contribution to Yanshan Guyuan" published by the Company on 9 October 2018 on the websites of the Hong Kong Stock Exchange and the Company.

2. The Company and HECIC entered into a joint venture contract on 28 November 2018 for the purpose of the formation of Hebei Gas Company ("Hebei Gas Company Joint Venture Project"). Pursuant to the Joint Venture Contract, the registered capital of Hebei Gas Company will be RMB100,000,000, comprising of RMB55,000,000 to be subscribed by the Company and RMB45,000,000 to be subscribed by HECIC, representing 55% and 45% of the registered capital of Hebei Gas Company, respectively. After the establishment of Hebei Gas Company, its financial statements will be consolidated into the Company's financial statements as a subsidiary of the Company.

   HECIC is the controlling shareholder of the Company, holding approximately 50.5% equity interest of the Company and is therefore a connected person of the Company. Accordingly, the Hebei Gas Company Joint Venture Project constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Hebei Gas Company Joint Venture Project exceed 0.1% but are less than 5%, the Hebei Gas Company Joint Venture Project is subject to the reporting and announcement requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

   Gas business is one of the key business segments of the Company. The Hebei Gas Company Joint Venture Project will further enhance the Company's level of control of natural gas resources in Hebei Province, continuously strengthen the allocation power of natural gas resources, and increase the Company's bargaining power in the areas of natural gas resources and market management. In addition, the introduction of HECIC to invest in Hebei Gas Company is also beneficial to alleviate the Company's financial pressure. At the same time, with the good relationship between HECIC and the Hebei provincial government, the Company can maintain smoother communication with the Hebei provincial government and obtain the latest policy information at the earliest time in the future, in order to rally the support of the Hebei provincial government for the development of the Company's principal business in a timely manner.

   Details are set out in the announcement entitled "Connected Transaction – Formation of Hebei Gas Company" published by the Company on 28 November 2018 on the websites of the Hong Kong Stock Exchange and the Company.

(2) Continuing connected transactions exempted from the independent shareholders' approval requirement

During the reporting period, the Group carried out two continuing connected transactions that were subject to reporting and announcement requirements but exempted from independent shareholders' approval. The specific details are as follows:

1. As disclosed in the announcement of the Company dated 22 December 2017, since the Company has entered into the New GHGER Project Development and Emission Reduction Trading Commission Management Agreement (the "Original Agreement") with CISF on 22 December 2017, pursuant to which, CISF shall continue to be responsible for the unified management of the emission reduction units generated by the GHGER projects (including wind power and photovoltaic power projects) of the Group that satisfy the development conditions in 2018. The Original Agreement is effective from 1 January 2018 to 31 December 2018.

According to the terms of the Original Agreement, CISF will be mainly responsible for the development of the GHGER projects designated by the Company, the daily management of the emission reduction units of the projects, the trading of the GHGER on behalf of the Company, etc. CISF will bear all the expenses incurred at the preliminary development stage of the GHGER projects and will charge the Company 40% of the annual emission reduction revenue generated by the GHGER projects of the Company as management fees. Both parties agree that the aggregate management fees to be paid by the Company to CISF shall not exceed RMB5 million within the term of the New GHGER Project Agreement. The actual transaction amount was RMB427,000.

The Company entered into the New GHGER Project Agreement ("New Agreement") with CISF on 16 November 2018, pursuant to which CISF shall continue to be responsible for the unified management of the emission reduction units generated by the GHGER projects (including wind power and photovoltaic power projects) of the Group that satisfy the development conditions in 2019. The New Agreement is effective from 1 January 2019 to 31 December 2019.

CISF is a subsidiary of HECIC, the controlling shareholder of the Company, and is a connected person of the Company. The above transaction constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the transaction under the Original Agreement exceeds 0.1% but less than 5%, the transaction is subject to reporting and announcement and annual review requirements. As one or more of the applicable percentage ratios of the transaction is less than 0.1%, the transaction under the New Agreement is fully exempt from the reporting, announcement, annual review requirements, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. As disclosed in the announcement dated 17 December 2015, on 17 December 2015, the Company and its controlling shareholder HECIC entered into the "Tenancy Agreement", pursuant to which HECIC leased the office space at Yu Yuan Plaza, No. 9 Yuhua West Road, Shijiazhuang City, Hebei Province, PRC to the Group and provided the Group with certain ancillary office support services for the three years ended 31 December 2018.

   Given that the aforementioned "Tenancy Agreement" would expire on 31 December 2018, and that the Group would continue to carry out the relevant transaction under the existing master Tenancy Agreement after 31 December 2018, the Company and HECIC entered into the New Master Tenancy Agreement on 27 December 2018 to renew the aforesaid transaction in relation to the leases and provision of ancillary office support services, with a term of three years from 1 January 2019 to 31 December 2021. The Company continued to rent such properties from HECIC and its subsidiaries (the "Properties Renting Project"). Under the New Master Tenancy Agreement, the Group will lease office space with floor area of up to a total of 8,000 sq.m., 9,000 sq.m. and 10,000 sq.m. at Yu Yuan Plaza, No. 9 Yuhua West Road, Shijiazhuang City, Hebei Province, the PRC, respectively, for the three years ending 31 December 2021, and HECIC Group will also provide the Group with certain ancillary office support services. HECIC and/or its subsidiaries will be responsible for insurance and maintenance of such properties. The Group will be responsible for the utility charges. Members of the Group will enter into individual agreements for the lease and management of relevant properties with HECIC Group according to the terms set out in the New Master Tenancy Agreement. During the reporting period, the 2018 annual cap for the Properties Leasing Project was RMB27.0 million, and the actual transaction amount was RMB8.04 million.

HECIC is the controlling shareholder of the Company, directly holding approximately 50.5% equity interest of the Company and is therefore a connected person of the Company. The Properties Renting Project constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the Properties Renting Project exceed 0.1% but are less than 5%, the Properties Renting Project is subject to the reporting and announcement requirements but exempted from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details are set out in the announcement entitled "Renewal of Continuing Transaction – New Master Tenancy Agreement" published by the Company on 27 December 2018 on the websites of the Hong Kong Stock Exchange and the Company.

(3) Non-exempt continuing connected transactions

During the reporting period, the Group carried out two non-exempt continuing connected transactions, details of which are as follows:

1. On 28 February 2018, the Company entered into the Asset Financing Services Framework Agreement (the "Asset Financing Services Framework Agreement") with Huihai Leasing, pursuant to which the Group will, on a voluntary and non-compulsory basis, utilize the asset financing services provided by Huihai Leasing, including finance leasing service, factoring service and other services.

   The fees and charges payable by the Group to Huihai Leasing under the Asset Financing Services Framework Agreement are determined on the following basis:

   (i) Finance leasing service: (1) the rent will be determined by the parties through negotiation by reference to the benchmark interest rate of loans for the same period as published by the PBOC; (2) the financing cost shall not be higher than that paid by the Group for the same or similar services obtained from finance leasing companies, being independent third parties, with respect to a specific finance leasing arrangement.

   (ii) Factoring service: (1) the interest rate will be determined by the parties through negotiation by reference to the benchmark interest rate of loans for the same period as published by the PBOC; (2) the interest and service charges shall not be higher than those paid by the Group for the same or similar services obtained from financial institutions, being independent third parties, with respect to a specific factoring service.

   (iii) Other services: fees to be charged (1) shall not be higher than those paid by the Group for the same services provided by financial institutions, being independent third parties; and (2) shall comply with the standard rates promulgated by the PBOC or the CBRC from time to time for comparable services (if applicable).

During the reporting period, the annual cap of the finance leasing service under the Asset Financing Services Framework Agreement for the year 2018 was RMB2,600 million and actual transaction amount was RMB12.36 million; the annual cap of the factoring service under the Asset Financing Services Framework Agreement for the year 2018 was RMB67 million and actual transaction amount was RMB0.

Huihai Leasing is a non-wholly owned subsidiary of HECIC, the controlling shareholder of the Company, and is a connected person of the Company. The Asset Financing Services Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more applicable percentage ratios in respect of the annual caps of the finance leasing service and the factoring service under the Asset Financing Services Framework Agreement, in aggregate, exceed 5%, the finance leasing service and the factoring service under the Asset Financing Services Framework Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios in respect of the other services under the Asset Financing Services Framework Agreement are lower than 0.1%, the other services under the Asset Financing Services Framework Agreement are exempted from the reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Details are set out in the announcement on 28 February 2018, and shareholders' circular on 4 April 2018, issued by the Company in relation to this continuing connected transaction. The transaction was approved at the extraordinary general meeting of the Company on 28 April 2018. On the same day, the Company released the announcement regarding the poll results of the extraordinary general meeting of the shareholders on the websites of the Hong Kong Stock Exchange and the Company.

2. As disclosed in the announcement dated 11 November 2015, on 11 November 2015, the Company and the Group Finance Company entered into the Financial Services Framework Agreement, pursuant to which the Group would, on a voluntary and non-compulsory basis, utilize the financial services provided by Group Finance Company for the three years ended 31 December 2018, including (i) the deposit service, (ii) the loan service and (iii) other financial services. This agreement expired on 31 December 2018.

   On 2 November 2018, the Company and the Group Finance Company entered into the Renewed Financial Services Framework Agreement (the "Financial Services Framework Agreement"), pursuant to which the Group will, on a voluntary and non-compulsory basis, continue to utilize the financial services provided by the Group Finance Company, including (i) the deposit service, (ii) the loan service, and (iii) the other financial services. Under the Renewed Financial Services Framework Agreement, the Group Finance Company has undertaken to the Company that whenever it provides financial services to the Group, the terms thereof shall not be less favorable than those offered by any commercial banks or other financial institutions for comparable services. The Group will utilize the financial services of the Group Finance Company on a voluntary and non-compulsory basis and is not obliged to engage the Group Finance Company for any particular service. The term of the agreement is from 1 January 2019 to 31 December 2021. During the reporting period, the proposed maximum daily balance under the deposit service under the agreement was RMB3,570 million and the actual maximum daily balance under the deposit service was RMB2,290 million.

The fees and charges payable by the Group to the Group Finance Company under the Renewed Financial Services Framework Agreement are determined on the following basis:

(1) Deposit service: the interest rates shall not be lower than (i) the lower limits of the interest rates promulgated by the PBOC from time to time for the same category of deposits; (ii) the interest rates offered to other members of HECIC by the Group Finance Company for the same category of deposits; and (iii) the interest rates individually obtained from commercial banks by the Group member using the deposit service for deposits for the same period, of the same stage and same category.

(2) Loan service: the interest rates shall not be higher than (i) the upper limits of the interest rates promulgated by the PBOC from time to time for the same category of loans; and (ii) the interest rates individually obtained from commercial banks by the Group member using the loan service for loans for the same period, of the same stage and same category.

(3) Other financial services: the interest rates or service fees charged for the Other Financial Services shall (i) comply with the standard rates as promulgated by the PBOC or the CBIRC for comparable services from time to time (if applicable); and (ii) not be higher than the interest or service fees charged by commercial banks for comparable services to the Group member using such services.

Group Finance Company is a non-wholly owned subsidiary of HECIC, the controlling shareholder of the Company, and is a connected person of the Company. The transactions contemplated under the Financial Services Framework Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios of the maximum daily balance of the deposit service under the Financial Services Framework Agreement exceed 5%, the deposit service under the Financial Services Framework Agreement is subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the loan service under the Financial Services Framework Agreement is carried out on normal commercial terms (or on terms which are better than those offered by third parties) and the Group will not grant any security over its assets for the Loan Service, the loan service under the Financial Services Framework Agreement is exempted from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the other financial services under the Financial Services Framework Agreement, as all the applicable percentage ratios are less than 0.1%, the other financial services under the Financial Services Framework Agreement are exempted from the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details are set out in the announcement on 2 November 2018, and shareholders' circular on 6 December 2018, issued by the Company in relation to this continuing connected transaction. The transaction was approved at the extraordinary general meeting of the Company on 27 December 2018. On the same day, the Company released the announcement regarding the poll results of the extraordinary general meeting of the shareholders on the websites of the Hong Kong Stock Exchange and the Company.

(4) Confirmation by the independent non-executive Directors

The independent non-executive Directors of the Company have reviewed each of the aforementioned continuing connected transactions in Part 2, 3 and confirmed that the transactions have been conducted:

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from (as case may be) independent third parties; and

3. in accordance with relevant agreement governing the relevant transactions, on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

(5) Confirmation by the auditor

The auditors of the Company, Ernst & Young, have issued a letter to the Board, confirming that for the year ended 31 December 2018, in respect of the aforementioned continuing connected transactions in Part 2, 3:

1. nothing has come to their attention that causes them to believe that the transactions have not been approved by the Board of Directors;

2. for the transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

3. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements; and

4. nothing has come to their attention that causes them to believe that the amount of each of the transactions has exceeded its annual cap mentioned above.

(6) Related party transactions

Two categories of related party transactions as set out in note 35 to the Financial Statements of the year are continuing connected transactions under Chapter 14A of the Listing Rules:

(a) transactions with HECIC: such transactions still continued in the year of 2018, please refer to note 35 to "Notes to Financial Statements" of this annual report for details;

(b) transactions with subsidiaries of HECIC: these include transactions with Group Finance Company Limited, CISF, Hebei Construction & Investment Rongtan Asset Management Co., Ltd. and HECIC Mingjia Property Managerment Service Co., Ltd. (such transactions still continued in the year of 2018, please refer to note 35 to "Notes to Financial Statements" of this annual report for details) and transactions with other subsidiaries of HECIC; and

(c) transactions with Huihai Leasing: such transactions still continued in the year of 2018, please refer to note 35 "Notes to Financial Statements" of this annual report for details.

The above-mentioned transactions are in compliance with the requirements of Chapter 14A of the Listing Rules.

24. COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company entered into the "Non-Competition Agreement" with its controlling shareholder, HECIC, on 19 September 2010. Pursuant to the Non-Competition Agreement, HECIC shall not and shall procure its subsidiaries not to compete with the Group in the relevant businesses, and HECIC granted the Company the option to take up new business opportunity, option to acquire any retained business and new business opportunities and pre-emptive rights.

Independent non-executive Directors of the Company will be responsible for the review, consideration and determination in relation to the acceptance of new business opportunities referred by HECIC or its subsidiaries, and the exercise of its acquisition option and pre-emptive rights.

HECIC has confirmed that it has complied with its undertakings in the "Non-Competition Agreement" during 2018. The independent non-executive Directors of the Company have reviewed the implementation of the "Non-Competition Agreement" during 2018 and confirmed that HECIC has been in full compliance with such agreement and that there were no breaches.

25. RETIREMENT AND EMPLOYEE BENEFIT PLANS

Details of the Group's retirement and employee benefit plans are set out in Note 8 to the Financial Statements.

26. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Hong Kong Stock Exchange, the Company strives to maintain a high standard of corporate governance practices and adopts the code provisions as set out in the "Corporate Governance Code and Corporate Governance Report" to Appendix 14 of the Listing Rules. During the reporting period, the Company complied with all of the code provisions set out in the code.

27. PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, not less than 25% of the issued shares of the Company were held by the public as at the latest practicable date prior to the issue of this annual report (i.e. 12 March 2019), which was in compliance with the requirements under the Listing Rules.

28. MATERIAL LITIGATION

During the reporting period, the Group was involved in the following material litigation/arbitration:

1. As stated in the 2017 annual report of the Company, in relation to the arbitration regarding Hebei No.1 Electric Power Construction Company (河北省電力建設第一工程公司) ("Hebei No.1 Company") and HECIC Yanshan (Guyuan) Wind Power Co., Ltd. (建投燕山(沽源)風能有限公司) ("Yanshan Guyuan"), the Shijiazhuang Arbitration Committee has made an arbitration ruling on 31 July 2018 that Yanshan Guyuan shall pay an amount of RMB68,383,026 to Hebei No. 1 Company, subject to an interest of prevailing interest rate of bank loans for the same period. During the reporting period, the enforcement implementation was concluded.

2. As stated in the 2017 annual report of the Company, in relation to the case regarding Hebei Yuanhua Glass Co., Ltd. (河北元華玻璃股份有限公司) ("Yuanhua Glass") and Yuan Hua in respect of the outstanding amount of RMB188 million payable by Yuanhua Glass to Hebei Natural Gas Company Limited, Yuanhua Company has been performing its debt repayment obligation pursuant to the signed settlement agreement.

3. In October 2018, Guodian United Power Technology Co., Ltd. (國電聯合動力技術有限公司)("Guodian United") made an application for arbitration to Shijiazhuang Arbitration Committee and requested Laiyuan Suntien Wind Energy Co., Ltd. (淶源新天風能有限公司) ("Laiyuan Suntien ") to pay Guodian United the loans, liquidated damages, quality guarantee, service fees, lawyer fees and other expenses under the "Laiyuan Dongtuanbao Wind Farm Project Wind Turbine (50MW) Equipment Purchase Contract" (《淶源東團堡風電場項目工程風力發電機組(50MW) 設備採購合同》)in an amount totaling RMB180,091,360. In December 2018 and March 2019, Laiyuan Suntien filed an arbitration counter-claims and requested the Shijiazhuang Arbitration Commission to reduce the total contract price according to the quality and matching degree of the fan provided by Guodian United, and requested Guodian United to compensate for the loss of Laiyuan Suntien due to the quality problem of the wind turbine, the counterclaims amounts of RMB43,415,042.08 and RMB126,343,741.66 respectively. The Shijiazhuang Arbitration Commission has accepted the counterclaim request filed by Laiyuan Suntien. To date, judgment is yet to be made by Shijiazhuang Arbitration Committee.

4. On 3 November 2014, Hebei Natural Gas and Hebei Daguangming Industrial Group Jiajing Glass Co., Ltd. (河北大光明實業集團嘉晶玻璃有限公司) ("Daguangming Company") signed the "Repayment Agreement", stipulating that Daguangming Company shall return RMB46.90 million to Hebei Natural Gas before 23 March 2015, and using the second-line equipment produced by Daguangming Company as pledge. On 4 November 2014, Shijiazhuang Taihang Notary Office issued the "Enforceable Notary Certificate of Credit Document". Due to the failure of Daguangming Company to repay the loan according to the repayment time stipulated in the "Repayment Agreement", the Shijiazhuang Taihang Notary Office issued the "Executive Certificate" on 23 December 2016.

On 12 June 2016, Hebei Natural Gas, Daguangming Company, and Hebei Daguangming Industrial Group Juwuba Tanhei Co., Ltd. (河北大光明實業集團巨無霸炭黑有限公司) ("Juwuba Tanhei Company") signed the "Repayment Agreement", stipulating that Daguangming Company shall return RMB30.0 million to Hebei Natural Gas before 24 June 2016, Daguangming Company used its first-line coal tar and other equipment as collateral and Juwuba Tanhei Company provided joint liability guarantee. On 27 June 2016, Shijiazhuang Taihang Notary Office issued the "Enforceable Notary Certificate of Credit Document". On 15 December 2017, the Shijiazhuang Taihang Notary Office issued the "Executive Certificate.

On 23 November 2018, Hebei Natural Gas made an application for enforcement with the Intermediate People's Court in Xingtai City in respect of the two Executive Certificates above. The court applied executed the respondent, Daguangming Company, RMB46.9 million in cash or equivalent property in accordance with the law, requesting the execution of payment of overdue interest of RMB37.7076 million of the respondent in accordance with the law; the court applied executed the respondents, Daguangming Company and Juwuba Tanhei Company, RMB30.0 million in cash or equivalent property in accordance with law, requesting the execution of payment of overdue interest of RMB15.858 million of the respondents in accordance with law.

On 4 December 2018, the Intermediate People's Court in Xingtai City issued the "Execution Judgment". Due to Daguangming Company's failure to fulfill the obligations identified in the Execution Certificate, the relevant properties of Daguangming Company and Juwuba Tanhei Company were seized and frozen. To date, the case is still in the progress.

Save for the above, the Group did not engage in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Group.

29. AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the 2018 annual results of the Group and the Financial Statements for the year ended 31 December 2018 prepared in accordance with the International Financial Reporting Standards.

30. AUDITORS

There were no changes of independent auditors in the past three years. Ernst & Young has been appointed as the auditor in respect of the financial statements for the year ended 31 December 2018 prepared in accordance with International Financial Reporting Standards. The enclosed Financial Statements prepared in accordance with the IFRS have been audited by Ernst & Young.

Reanda Certified Public Accountants (利安達會計師事務所) was appointed as the auditor of the Company for preparing the Financial Statements for the year ended 31 December 2018 in accordance with the PRC Financial Accounting Standards.

By order of the Board
Cao Xin
Chairman/Non-executive Director

Shijiazhuang, PRC, 12 March 2019

The Board of the Company hereby presents to shareholders the corporate governance report for 2018.

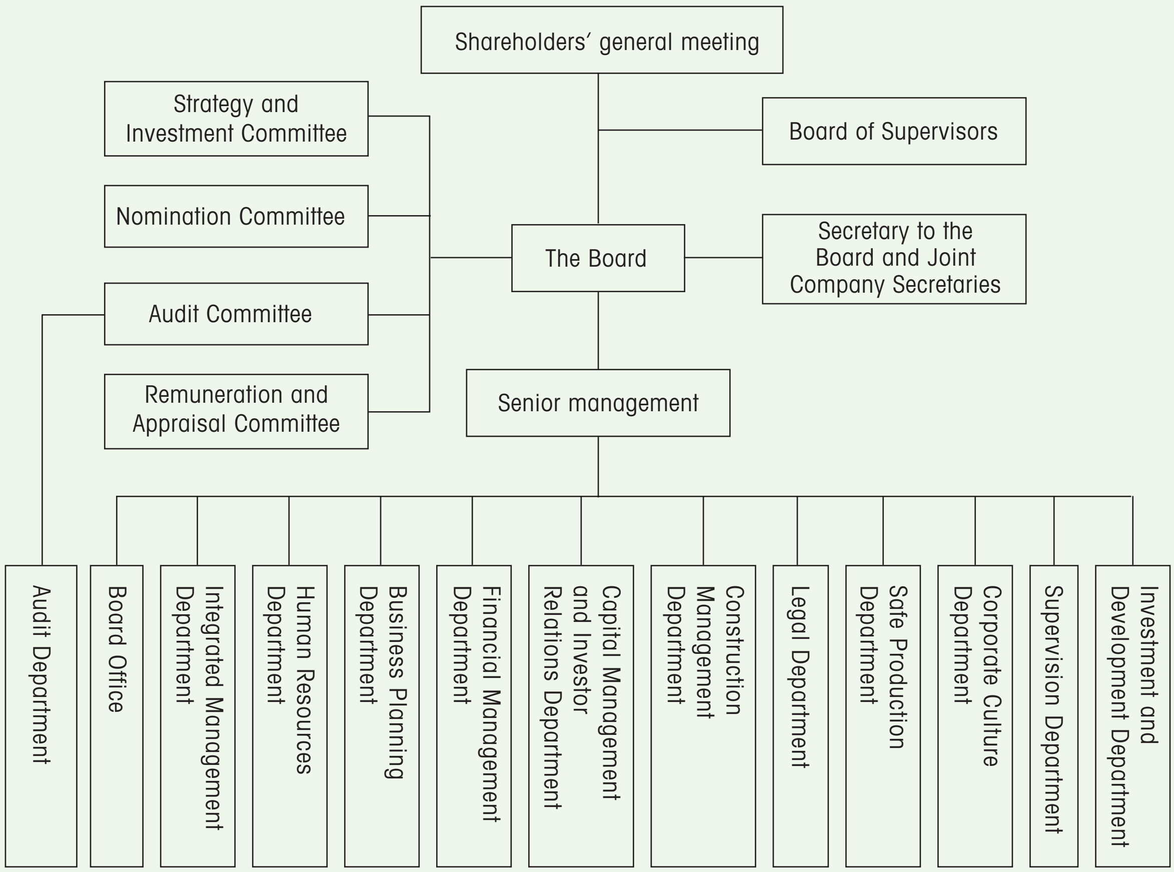
The Company has always been focusing on maintaining a high level of corporate governance so as to enhance value for shareholders and protect their interests. The Company has established a modern corporate governance structure which comprises of shareholders' general meeting, the Board, the Board of Supervisors, specialised Board committees and senior management in accordance with the "PRC Company Law", the "Mandatory Provisions for the Articles of Association of Companies Listed Overseas" and the Corporate Governance Code (the "**Code**") set out in the Listing Rules. During the reporting period, except for paragraph E.1.2 of the "Corporate Governance Code", the Company has complied with all provisions set out in the Code. In accordance with the requirements of paragraph E.1.2 of the "Corporate Governance Code", chairman of the Board shall attend the annual general meeting. Mr. Cao Xin, the Chairman of the Company, could not attend the 2017 Annual General Meeting of the Company due to business engagement. According to relevant requirements, the meeting was chaired by Mr. Mei Chun Xiao, the executive director, as jointly elected by more than half of all the directors of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Company by all Directors and supervisors. After making specific enquiries to all of the Directors and supervisors of the Company, all Directors and supervisors confirmed that during the reporting period, they had fully complied with the standards set out in the "Model Code".

The Board will review from time to time the corporate governance practices and operations of the Company so as to meet the requirements under the Listing Rules and to protect the interests of shareholders.

1. CORPORATE GOVERNANCE STRUCTURE

The corporate governance structure of the Company is as follows:



2. THE BOARD

(1) Composition of the Board

During the reporting period, the Board of the Company comprises of 11 Directors, which includes 5 non-executive Directors, 2 executive Directors and 4 independent non-executive Directors.

During the reporting period, each appointed Director has entered into a service contract with the Company. The duration of each service contract is from the relevant date of appointment up to the end of term of the second session of the Board.

In 2018, the Board has consistently complied with the Listing Rules with respect to the requirement for the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, accounting or related financial management expertise, and the requirement for the independent non-executive Directors representing at least one-third of the total number of members on the Board. Moreover, the Company has received from each independent non-executive Director an annual confirmation of independence, and considers that all the independent non-executive Directors are independent from the Company.

The composition of the third session of the Board is as follows:

Name	Age	Gender	Position	Date of Appointment	Term of office
Cao Xin	47	Male	Chairman of the Board, non-executive Director	13 June 2016	3 years, until the expiration of the term of the third session of the Board
Li Lian Ping	56	Male	Non-executive Director	13 June 2016	3 years, until the expiration of the term of the third session of the Board
Qin Gang	44	Male	Non-executive Director	13 June 2016	3 years, until the expiration of the term of the third session of the Board
Sun Min	51	Female	Non-executive Director	13 June 2016	3 years, until the expiration of the term of the third session of the Board
Wu Hui Jiang	39	Male	Non-executive Director	13 June 2016	3 years, until the expiration of the term of the third session of the Board
Mei Chun Xiao	50	Male	Executive Director, President	8 June 2017	3 years, until the expiration of the term of the third session of the Board
Wang Hong Jun	54	Male	Executive Director	13 June 2016	3 years, until the expiration of the term of the third session of the Board
Qin Hai Yan	48	Male	Independent non-executive Director	13 June 2016	3 years, until the expiration of the term of the third session of the Board
Ding Jun	56	Male	Independent non-executive Director	13 June 2016	3 years, until the expiration of the term of the third session of the Board
Wang Xiang Jun	54	Male	Independent non-executive Director	13 June 2016	3 years, until the expiration of the term of the third session of the Board
Yue Man Yiu Matthew	57	Male	Independent non-executive Director	13 June 2016	3 years, until the expiration of the term of the third session of the Board

(2) Role and responsibilities of the Board

The Board is accountable to and reports its work to the shareholders' general meetings and is responsible for implementing the resolutions of the shareholders' general meetings. The responsibilities of the Board are defined in the Articles of Association, which stipulates that it has the following responsibilities: convening the shareholders' general meetings, implementing the resolutions of the shareholders' general meetings, making decisions on operational planning and investment projects of the Company, preparing the accounts, preparing the annual financial budget, final accounts, profit distribution plan, capital increase or reduction plan, determining the set up of the Company's management bodies, electing the chairman and vice chairman of the Board, deciding whether to appoint or dismiss the president, vice presidents and other senior management, developing the basic management system of the Company and making decisions on the establishment of specialized board committees.

(3) Role and responsibilities of management

The management is responsible for the specific implementation of the Board resolutions and the Company's daily operation and management. According to the Company's Articles of Association, the management's primary responsibilities are as follows: formulating the operational planning, investment and financing plan of the Company, formulating the plan for the establishment of internal management bodies, and formulating the basic management system and specific regulations of the Company, etc.

(4) Board meetings

Pursuant to the Articles of Association, the Board is required to hold at least four Board meetings each year, which shall be convened by the chairman of the Board. To ensure the good attendance rate of Board meetings, a notice of at least 14 days shall be given for a regular Board meeting. The notice shall state the time, venue and means by which the Board meeting will be convened. There is no restriction on the time of notice for extraordinary meetings.

In accordance with the Listing Rules, the Board is required to notify the Hong Kong Stock Exchange and issue an announcement at least seven clear business days prior to Board meetings in relation to decisions regarding the declaration, proposal or payment of dividends, or resolutions regarding the approval of profits or losses of any year, half-year or other periods.

Except for the Board's consideration of matters in relation to connected transactions as stipulated by the Articles of Association, the quorum for a Board meeting is the presence of at least half of the total number of the Directors. A Director may attend the Board meeting in person, or appoint another director as his proxy to attend the Board meeting. The secretary to the Board of the Company is responsible for preparing and keeping the minutes of Board meetings and ensuring that such minutes are available for inspection by any Director.

In 2018, fifteen meetings were held by the Board. Details of Directors' attendance to Board meetings are as follows:

Name	Position	Number of Meetings attended/ required to attend	Attendance Rate
Cao Xin	Non-executive Director, chairman of the Board	15/15	100%
Li Lian Ping	Non-executive Director	15/15	100%
Qin Gang	Non-executive Director	15/15	100%
Sun Min	Non-executive Director	15/15	100%
Wu Hui Jiang	Non-executive Director	15/15	100%
Mei Chun Xiao	Executive Director	15/15	100%
Wang Hong Jun	Executive Director	15/15	100%
Qin Hai Yan	Independent non-executive Director	15/15	100%
Ding Jun	Independent non-executive Director	15/15	100%
Wang Xiang Jun	Independent non-executive Director	15/15	100%
Yue Man Yiu Matthew	Independent non-executive Director	15/15	100%

(5) Chairman and president

During the reporting period, Dr. Cao Xin served as chairman of the Board of the Company, and Mr. Mei Chun Xiao served as president of the Company. The roles of the chairman of the Board and president of the Company are separated and served by different people to ensure the independence of each role.

Dr. Cao Xin, chairman of the Board, is responsible for governing and leading the Board, as well as developing the Company's development strategy and corporate control mechanism to ensure the effective functioning of the Board and its independent committees, and to ensure the actions of the Board are in the best interests of the Company and its shareholders.

(6) Appointment of Directors

According to the Articles of Association of the Company, Directors shall be elected at a shareholders' general meeting with a term of three years and may be re-elected. The Company has developed procedures for the appointment of Directors. The Nomination Committee is responsible for nominating new Director, and submitting the list to the Board for consideration. All newly nominated Directors are subject to election and approval at the shareholders' general meeting.

(7) Directors' remuneration

Independent non-executive Directors of the Company will receive remuneration from the Company. The Company will pay each independent non-executive Director HKD100,000 or the Renminbi equivalent annually (tax inclusive, paid on a quarterly basis, and the Company is responsible for withholding personal income tax). Travel expenses incurred by independent non-executive Directors for attending Board meetings and shareholders' general meetings of the Company and relevant activities organised by the Board will be borne by the Company. Non-executive Directors without management roles in the Company will not receive any remuneration from the Company. Executive Directors holding management roles in the Company will receive remuneration from the Company. The remuneration of all executive Directors will be determined in accordance with the criteria specified in the "Remuneration Management Measures" of the Company, which includes a basic salary, performance bonuses and other benefits. The amount of basic salary is determined in accordance with the position of the executive Director in the Company, the performance bonus is determined with reference to the Company's business performance and other benefits include the statutory pension, medical and housing funds. Details of the Directors' remuneration are set out in Note 8 to the Financial Statements.

(8) Directors' training

Every newly appointed director has undertaken the comprehensive, formal and tailor-made orientation program at the start of his appointment to ensure that the Director has a proper understanding of the business and operations of the Company, and his responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors receive updates to the Company's business and operations and to the relevant laws and regulations every month to facilitate their discharge of duties. In addition, all Directors are also encouraged to attend relevant training courses and any costs in connection therewith are paid by the Company.

During the reporting period, most of the Directors of and supervisors the Company participated in the training programs organized by The Hong Kong Institute of Chartered Secretaries. Sun Min, Wu Hui Jiang, Qin Hai Yan and Ding Jun participated in the training program in relation to the merger and financing; Wang Xiang Jun, Qiao Guo Jie, Xiao Yan Zhao, Liang Yong Chun and Wang Xiu Ce participated in the training program in relation to the risk management; Cao Xin, Li Lian Ping, Mei Chun Xiao, Wang Hong Jun, Qin Gang, Wang Chun Dong and Liu Jin Hai participated in the training program in relation to the annual financial audit and results report; Yue Man Yiu Matthew participated in the training program in relation to duties and obligations of directors of GEM listed companies and the insider information disclosure guidelines in Hong Kong.

(9) Joint company secretaries and their trainings

During the reporting period, Mr. Ban Ze Feng and Ms. Lam Yuen Ling, Eva served as the joint company secretaries, who are responsible for facilitating the Board procedures as well as communication among the Directors and communication between the Directors and shareholders and management. The primary contact person of Ms. Lam Yuen Ling, Eva with the Company is Mr. Ban Ze Feng, and significant issues will be reported by him to the chairman of the Board.

The joint company secretaries' biographies are set out in the "Biographies of Directors, Supervisors and Senior Management" section of this annual report. During the reporting period, the joint company secretaries undertook over 15 hours of professional training to update their skills and knowledge.

(10) Directors' liability insurance

The Company has arranged suitable insurance for prospective legal proceedings against the Directors and senior management, and will review the insurance policy annually.

3. BOARD COMMITTEES

During the reporting period, the Board exercised the function of the corporate governance by regularly reviewing the corporate governance policies and practices, reviewing the compliance with the Corporate Governance Code and the disclosure of Corporate Governance Report, reviewing and monitoring the training of Directors and the senior management, reviewing and monitoring the Company's compliance with laws and related policies and regulations. In order to further implement good corporate governance, the Board has established four committees, namely, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee and the Strategy and Investment Committee. The Company has formulated the terms of reference for each Board committee.

(1) Audit Committee

During the reporting period, the Audit Committee of the Company consisted of three Directors, with Mr. Wang Xiang Jun (independent non-executive Director) as chairman of the Audit Committee, Mr. Yue Man Yiu Matthew (independent non-executive Director) and Mr. Qin Gang (non-executive Director) serving as its members.

Pursuant to the amended "Work Rules of the Audit Committee" of the Company, the major responsibilities of the Audit Committee are as follows: to review the principal financial control objectives, to supervise the implementation of financial and accounting regulations, to consider and review financial control, risk management and internal control system as well as the aims of such control measures, to consider the Company's annual internal audit plan, to communicate and coordinate between the Company's internal audit department and the external auditors, to review the Company's financial information and its disclosure, and to conduct independent audit and provide advice as to the integrity of the financial statements, annual reports, semi-annual reports, etc. as well as significant opinions made towards any relevant financial information. For details of the terms of reference of the Audit Committee of the Company, please see the Company's announcement on the websites of the Hong Kong Stock Exchange.

The Board and the Audit Committee have reached consensus on the selection, appointment or dismissal of external auditors or the resignation of auditors. During the reporting period, the Audit Committee convened four meetings, at which the following resolutions were respectively reviewed and approved:

1. On 19 March 2018, the Company reviewed and approved the resolutions regarding "Communication of the Audit Results for the Year 2017" and "2017 Internal Audit and Risks Management Report of the Company" at an Audit Committee meeting convened through on-site and remote communications".

2. On 2 August 2018, the Audit Committee convened one meeting, at which the "Resolution on the Amendment to the Plan for Distribution of Accumulated Profit of China Suntien Green Energy Corporation Limited prior to the Initial Public Offering of A Share" was considered and approved at an Audit Committee meeting convened through on-site and remote communications.

3. On 28 August 2018, the Company reviewed and approved the "Resolution Regarding the Changes in accounting policies of the Company" and "Report on the Results of the Agreed-upon Procedures for 2018 Interim" at an Audit Committee meeting convened through on-site and remote communications.

4. On 27 December 2018, the Company reviewed and approved the resolution regarding the "2018 Audit Plan on Financial Statements" at an Audit Committee meeting convened through on-site and remote communications.

Mr. Wang Xiang Jun, Mr. Qin Gang and Mr. Yue Man Yiu Matthew, members of the Audit Committee, attended all the above meetings. At these meetings, they discussed and passed the relevant resolutions. The Audit Committee has reviewed the effectiveness of the internal control policy of the Company on 31 December 2018 and the risk management and internal control system of the Company. During the reporting period, the Audit Committee considered that the internal review and risk management functions of the Company were reasonable, effective and sufficient.

The Audit Committee is responsible for supervising the Audit Department to perform the audit and risk management functions and is responsible for the independent review of the adequacy and effectiveness of the Group's internal control and risk management system.

(2) Remuneration and Appraisal Committee

During the reporting period, the Remuneration and Appraisal Committee of the Company consisted of three Directors, with Mr. Qin Hai Yan (independent non-executive Director) as chairman of the Remuneration and Appraisal Committee, and Dr. Cao Xin (non-executive Director) and Mr. Ding Jun (independent non-executive Director) as its members.

Pursuant to "Work Rules of the Remuneration and Appraisal Committee" of the Company, the major responsibilities of the Remuneration and Appraisal Committee are as follows: to develop the assessment standards for Directors and senior management, to develop formal and transparent remuneration policy and structure as well as remuneration and performance appraisal plans for Directors and senior management, and to study the Company's incentive plans, remuneration system and option plans. For details of the terms of reference of the Remuneration and Appraisal Committee of the Company, please see the Company's announcement on the websites of the Hong Kong Stock Exchange.

During the reporting period, one meeting was convened by the Remuneration and Appraisal Committee and all members attended the meeting, at which the following resolutions were respectively reviewed and approved: On 28 August 2018, the Company considered and approved the "Resolution on Annual Payment of the Officers of the Company for the Year 2017" and "Resolution on Return of Security Deposit for 2017 Strategic Objectives to Mr. Gao Qing Yu" at a Remuneration and Appraisal Committee meeting convened through on-site and remote communications.

In addition to attending meetings, members maintain close and effective communication amongst themselves through channels such as e-mail and electronic communications to ensure the discharge of their duties.

During the reporting period, the Remuneration and Appraisal Committee recommended the remuneration of Directors and Senior Management to the Board and reviewed the compensation policies, strategies and principles for Directors and Senior Management.

(3) Nomination Committee

During the reporting period, the Nomination Committee consisted of five directors, with Dr. Cao Xin (non-executive director) served as chairman of the Nomination Committee, Dr. Li Lian Ping (non-executive Director), Mr. Qin Hai Yan (independent non-executive Director), Mr. Ding Jun (independent non-executive Director) and Mr. Yue Man Yiu Matthew (independent non-executive Director) as its members.

Pursuant to the "Work Rules of the Nomination Committee" of the Company, the major responsibilities of the Nomination Committee are as follows: to develop the standards, procedures and method for selecting Directors and senior management of the Company, to give recommendations to the Board in respect of the appointment, reappointment of Directors and succession for Directors (especially the chairman of the Board and the president), to assess the independence of independent non-executive Directors, to monitor the implementation of the Board diversity policy and review such policy as appropriate, and to make recommendations to the Board on quantifiable objectives for achieving better diversity of the Board. For details of the terms of reference of the Nomination Committee of the Company, please see the Company's announcement on the websites of the Hong Kong Stock Exchange.

During the reporting period, the Nomination Committee has not convened any meeting. Members maintain close and effective communication amongst themselves through channels such as e-mail and electronic communications to ensure the discharge of their duties.

(4) Strategy and Investment Committee

During the reporting period, the Strategy and Investment Committee of the Company consisted of three Directors, with Dr. Cao Xin (non-executive director) serving as chairman of the Strategy and Investment Committee, Dr. Li Lian Ping (non-executive Director) and Mr. Mei Chun Xiao (executive Director) as its members.

Pursuant to the "Work Rules of the Strategy and Investment Committee" of the Company, the major responsibilities of the Strategy and Investment Committee are as follows: to study and make recommendations on the development strategy and major investment decisions of the Company, to review annual business plans and investment proposals of the Company, to study and make recommendation on significant investments, financing and capital operations proposals that require the approval from the Board.

During the reporting period, one meeting was convened by the Strategy and Investment Committee and all members attended the meeting for the discussion and approval of the following resolutions: On 2 August 2018, the Company considered and approved the "Resolution on the Plan for the Initial Public Offering and Listing of A Share of China Suntien Green Energy Corporation Limited", "Resolution on the Amendment to the Proposed Grant at the General Meeting of the Authorization to the Board of Directors to Handle All Matters relating to the Initial Public Offering and Listing of A Share of China Suntien Green Energy Corporation Limited", "Resolution on the Amendment to the Plan for Distribution of Accumulated Profit of China Suntien Green Energy Corporation Limited prior to the Initial Public Offering of A Share" and "Resolution on the Report on the Use of Proceeds Previously Raised by China Suntien Green Energy Corporation Limited" at a Strategy and Investment Committee meeting convened through on-site and remote communications.

4. DIRECTOR'S NOMINATION AND THE BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company regards the increasingly diversified board as a key factor in achieving sustainable development and supporting it to achieve its strategic goals and maintain good corporate governance.

To achieve sustainable and balanced development, the Company sees increased diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In planning the Board's composition, board diversity needs to be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

During the reporting period, the Nomination Committee reviewed the composition of the third session of the Board of the Company and concluded that the Company had met the diversification requirements with regard to age, cultural and educational background, professional experience, skills and knowledge. When making the appointment and re-appointment of directors in the future, the Nomination Committee will nominate new directors pursuant to the requirements of the "Board Diversity Policy" to achieve the objective of diversity in Board members. The analysis of the Board diversity is as follows. The Board believes that the composition of the Board, during the reporting period are in line with the requirements of the "Board Diversity Policy".

Item	Category	Number	Proportion to Board members
Gender	Male	10	91%
	Female	1	9%
Age	30 to 40	1	9%
	41 to50	3	27%
	51 to 60	7	64%
Directorship	Independent Non-executive Director	4	36%
	Non-executive Director	5	45%
	Executive Director	2	18%
Economic, accounting and finance professional		5	45%
Outside Directorships (Number of listed companies)	Within 2 (2 inclusive)	9	82%
	Above 3 (3 inclusive)	2	18%

The Board of the Company will change session in 2019. In the selection of candidates for Directors, the Company selects candidates from both inside and outside the Board through the referral of current directors, third-party recommendations, and recommendations from Shareholders of the Company, and through interviews, background checks, brief representations, etc., suitable of candidates are screened out, and finally candidates are identified. The Company fully considers the importance of diversity of Board members, focusing on candidates' experience and expertise to bring diversity, unique insights and valuable contributions to the Board.

5. DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The Board acknowledges its responsibility for preparing the Financial Statements of the Group for the year ended 31 December 2018.

6. RISK MANAGEMENT AND INTERNAL CONTROLS

In 2018, three risk management tasks commenced, which were the annual risk assessment, material risk pre-warning and response to material risk. During the reporting period, based on the latest risk data of the provincial SASAC, by combining the actual situation of the Group, the Company improved the filing and analysis of risk data, prepared and submitted the "2018 Risk Assessment Report". The material risk pre-warning mechanism and indicators for the systems of the Company were improved and the quarterly "Material Risk Pre-Warning Indicators Control Report" was submitted in a timely manner. Based on the risk assessment response strategy formulated at the beginning of the year and combined with the risk pre-warning of this year, the Company has formulated practical and feasible risk response measures, and carried out risk prevention work on a quarterly basis, including implementation of countermeasures to effectively prevent and control risks, which effectively minimised our exposure to risks and played a significant role in safeguarding the Group's production and operation.

Based on the Company's needs for the establishment of internal control systems to further strengthen and standardize our internal control and improve the operation management and risk prevention capability of the Company, we continued to proceed with the building of management system in 2018 and completed the standardization of the various departmental and management unit systems: according to the different types of business operation of the Company, 18 separate data banks such as the "Administrative Informatization Data Bank" and "Financial Accounting Data Bank" were created for the incorporation of 249 effective systems for our 11 departments. The systems managed by each department were to be fully implemented down to the relevant position, and each department has completed the preparation of "Job Responsibilities and Departmental System Comparison Table", so that each system can be properly worked out by the staff concerned which provides strong support for the effective implementation of the system.

In order to ensure the implementation of the system management is effective, the audit department of the Company sent staff to selected branches of the Company, starting from the training on the basic knowledge of internal control, explanation on key risks mentioned in the internal control manual, and the internal control promotion, to the provision of onsite guidance and communication and answering questions and solving problems, both theoretical and practical support for internal control and risk prevention were thus provided for frontline staff.

The Board is responsible for the risk management and internal control systems of the Company and reviewing their effectiveness. The risk management and internal control system of the Company are designed to manage rather than eliminate the risk of failures to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board reviews the risk management and internal controls annually. The statement of the Board has included the examination and review of the Company's risk management and internal control systems as at 31 December 2018. The Board has confirmed that it has reviewed the effectiveness of the risk management and internal control systems and the Board considers that the risk management and internal control systems are effective and sufficient and they can effectively prevent against the existing risks in the Company's operation.

The Company established an internal control system of material information, and a system for processing process and internal control measures for addressing and disseminating inside information. The Company has established systems relating to information disclosure, registration and management of inside information and prevention of misuse and dissemination of sensitive information. Meanwhile, the Company carries out information disclosure in a true, accurate, complete, and timely manner pursuant to the laws and regulations such as the Listing Rules, the "Articles of Association" and "Administrative Measures for the Disclosure of Information of Listed Companies", so as to ensure equal opportunities of all investors to have timely access to relevant Company information.

7. REMUNERATION OF AUDITORS

In 2018, international auditor Ernst & Young was appointed to provide audit services to the Company in accordance with the IFRS. The fees payable to Ernst & Young was RMB3.02 million. The responsibilities of Ernst & Young as to the Financial Statements are set out on pages 83 to 85 of this annual report.

In 2018, Reanda Certified Public Accountants and Ernst & Young Hua Ming LLP were appointed to provide audit services to the Company in accordance with the Accounting Standards for Business Enterprises of PRC. The fees payable to Reanda Certified Public Accountants and Ernst & Young Hua Ming LLP were RMB1,486,600 and RMB1 million respectively.

8. SHAREHOLDERS' RIGHTS

(1) Shareholders are entitled to propose the convening of an extraordinary general meeting

Pursuant to the Articles of Association of the Company, shareholders are entitled to the following right: one or several shareholders holding more than 10% (including 10%) of voting shares of the Company can make written request to the Board to convene an extraordinary general meeting of shareholders.

(2) Shareholders are entitled to put forward provisional proposals in a shareholders' general meeting

Pursuant to the Articles of Association of the Company, shareholder(s) holding more than 3% (including 3%) of voting shares of the Company shall be entitled to put forward written provisional proposals to the Company when a shareholders' general meeting is convened. The Board office of the Company located at its registered office and headquater in the PRC is responsible for dealing with any proposals put forward by shareholders. The Company shall add any matters in the provisional proposals that fall within the scope of deliberation by the shareholders' general meeting to the agenda of the meeting.

(3) Shareholders are entitled to make enquiries

Shareholders are entitled to make enquiries to which the Board should pay attention, directly to the Company at its principal place of business in Hong Kong. The Company will deal with all enquiries in a timely and appropriate manner. The contact information of the Company's office in Hong Kong is as follows:

Address: Suite 2103, 21st Floor, Prudential Tower, The Gateway, Harbour City, Kowloon, Hong Kong
Fax: (852)2153 0925

9. COMMUNICATION WITH SHAREHOLDERS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the business and strategy of the Company. The Company highly appreciates shareholders' opinions and advice, and actively organises various investor relations activities to maintain its communication with shareholders and to meet the reasonable demands of shareholders in a timely manner.

The Company publishes financial information, annual reports, interim reports and other latest information to ensure that its shareholders can keep abreast of the Company's operational position. The Company has also organized a number of on-site visits for shareholders to understand its business operations, as well as meeting with shareholders frequently at roadshows and summits to report on the Company's latest operational position.

The annual general meeting of the Company is also the best way for the exchange of opinions between the Board and the shareholders. Shareholders are encouraged to attend the annual general meetings or appoint proxy(ies) to attend and vote at the annual general meetings. Pursuant to company laws and the Articles of Association of the Company, shareholders shall have legal rights to require that the chairman of the Board, chairmen of specific Board committees and auditors of the Company to answer shareholders' inquiries at the annual general meetings.

During the reporting period, the Company convened the 2017 annual general meeting on 8 June 2018, in which various resolutions were voted upon by poll respectively. Directors of the Company answered enquiries raised by shareholders on the operation of the Company. The Company also convened extraordinary general meetings on 25 April 2018, 18 September 2018 and 27 December 2018 respectively in which resolutions in relation to the entering of the Asset Financing Services Framework Agreement, A Share offering plan and relevant matters, to renew the Renewed Financial Services Framework Agreement, were respectively voted on by poll. All resolutions were duly passed.

During the reporting period, details of Directors of the Company that attended the shareholders' general meetings are as follows:

Name	Position	No. of shareholders' general meetings attended/ required to attend
Cao Xin	Non-executive Director/Chairman of the Board	1/4
Li Lian Ping	Non-executive Director	0/4
Qin Gang	Non-executive Director	3/4
Sun Min	Non-executive Director	3/4
Wu Hui Jiang	Non-executive Director	0/4
Mei Chun Xiao	Executive Director/President	2/4
Wang Hong Jun	Executive Director	3/4
Qin Hai Yan	Independent non-executive Director	0/4
Ding Jun	Independent non-executive Director	0/4
Wang Xiang Jun	Independent non-executive Director	3/4
Yue Man Yiu Matthew	Independent non-executive Director	0/4

10. INVESTOR RELATIONS

As of 31 December 2018, the total number of shares in issue of the Company was 3,715,160,396, comprising of 1,876,156,000 domestic shares and 1,839,004,396 H shares.

The Company believes that good investor relations can help to build a more stable base of shareholders. Accordingly, the Company is committed to maintaining high transparency, providing investors with comprehensive and accurate information in a timely manner and continuously performing the information disclosure obligations of listed companies in compliance with the Listing Rules.

During the reporting period, the Company strengthened its communication with its investors through annual and interim results roadshows, approximately 100 investor summits in Hong Kong and the PRC, and voluntary information disclosure so as to enable the shareholders to understand the corporate strategy and business operations of the Company.

The Company will continue to maintain an open and effective investor communication policy and provide investors with the latest information of the Company's business in a timely manner in accordance with the relevant regulatory requirements.

11. ARTICLES OF ASSOCIATION OF THE COMPANY

During the reporting period, in order to implement the spirit of the 19th National Congress of the Communist Party of China, according to the latest amended version of the Constitution of the Communist Party of China and in view of the actual situation of the Company, and upon approval by shareholders of the Company at the annual general meeting held on 8 June 2018, the amended Articles of Association are as follow (amendments are highlighted in bold and underlined):

Article 11 In accordance with the requirements of the Constitution of the Communist Party of China, an organisation of the Communist Party of China shall be established and **play the leadership role of the Company**, providing direction, managing the overall situation and ensuring implementation. The working committee of the Party shall be established within the Company, and shall be equipped with sufficient staff to deal with Party affairs and provided with sufficient funds to operate the Party organisation.

Article 132 The Party Committee shall perform its duties in accordance with the Constitution of the Communist Party of China and other internal regulations of the Party.

(1) To ensure and supervise the Company's implementation of policies and guidelines of the Party and the State and implement major strategic decisions of the Communist Party of China Central Committee and the State Council, as well as important work arrangements of the superior party organization.

(2) To uphold the integration of the principle of management of cadres by the Party with the function of management team in the lawful exercise of authority of employment of personnel. The Party Committee shall consider and comment on the candidates nominated by the management team, or recommend candidates to the management team. The Party Committee shall establish a management team to evaluate the proposed candidates and put forth comments and suggestions collectively.

(3) To research and discuss the reform, development and stability of the Company, major operational and management issues and major issues concerning employee interests, and provide comments and suggestions thereon.

(4) To undertake the main responsibility to strictly administer the Party in all aspects, lead the Company's ideological and political work, united front work, spiritual civilization construction, corporate culture construction and the work of organisations such as the labour union and the communist youth league, and lead the construction of the party conduct and of an honest and clean administration and support the fulfilment of the supervision responsibility by the discipline inspection committee.

The following is added after Article 132 under Chapter 11 "Party Committee" of the existing Articles of Association:

Article 133 Operating mechanism for the Party Committee to study and discuss major issues will be established. In accordance with the requirement that "study and discussion by the Party Committee of major issues is a prerequisite procedure for any decision-making by the board of directors and the management on such issues," a simple, practicable and efficient operating mechanism for the Party Committee to study and discuss major issues shall be established.

Chapter 11 "Party Committee" is relocated before Chapter 10 "The Board of Directors".

1. COMPOSITION OF THE BOARD OF SUPERVISORS

During the reporting period, Ms. Ma Hui resigned as the employee representative supervisor of the Company on 1 March 2018. Ms. Wang Xiu Ce was appointed as the employee representative supervisor of the third session of the Board of Supervisors of the Company at the employee representatives meeting convened by the Company on the same day.

As of 31 December 2018, the composition of the third session of the Board of Supervisors was as follows:

Name	Age	Position	Date of Appointment	Term of office
Wang Chun Dong	52	Chairman of the Board of Supervisors	10 November 2017	Until expiration of the term of the third session of the Board of Supervisors
Liu Jin Hai	46	Supervisor	13 June 2016	3 years, until expiration of the term of the third session of the Board of Supervisors
Qiao Guo Jie	56	Employee representative supervisor	18 March 2016	3 years, until expiration of the term of the third session of the Board of Supervisors
Wang Xiu Ce	49	Employee representative supervisor	1 March 2018	Until expiration of the term of the third session of the Board of Supervisors
Xiao Yan Zhao	45	Independent supervisor	13 June 2016	3 years, until expiration of the term of the third session of the Board of Supervisors
Liang Yong Chun	47	Independent supervisor	13 June 2016	3 years, until expiration of the term of the third session of the Board of Supervisors

2. MEETINGS CONVENED BY THE BOARD OF SUPERVISORS

During the reporting period, the Board of Supervisors of the Company convened three meetings and all supervisors attended the meetings, the details of which were as follows:

1. The fourth meeting of the third session of the Board of Supervisors of the Company was held on 19 March 2018, at which the "Report on the Final Accounts of the Company for 2017", the "Financial Budget for 2018", the "Resolution Regarding the Profit Distribution Plan for 2017", the "Resolution Regarding the Audited Financial Statements for 2017" and the "Resolution Regarding the Consideration and Approval of the 2017 Annual Report and Results Announcement" were considered and approved.

2. The third extraordinary meeting of the third session of the Board of Supervisors of the Company was held on 2 August 2018, at which the "Resolution on the Amendment to the Plan for the Initial Public Offering and Listing of A Share of China Suntien Green Energy Corporation Limited" and the "Resolution on the Report on the Use of Proceeds Previously Raised by China Suntien Green Energy Corporation Limited" were considered and approved.

3. The fifth extraordinary meeting of the third session of the Board of Supervisors of the Company was held on 28 August 2018, at which the "Interim Work Report of the President for 2018", "Resolution Regarding the Changes in Accounting Policies of the Company", and "Resolution Regarding the Provision for Impairment for the First Half of 2018" and the "Resolution Regarding the Consideration and Approval of the Interim Results Announcement and Report as at 30 June 2018" were considered and approved.

3. MAJOR INSPECTION AND SUPERVISION WORK UNDERTAKEN BY THE BOARD OF SUPERVISORS

During the reporting period, the major inspection and supervision work of the Board undertaken by Supervisors of the Company was as follows:

(1) Monitoring the Company's operation

During the reporting period, members of the Board of Supervisors of the Company attended all Board meetings and shareholders' general meetings to review each resolution submitted to those meetings and supervised the business activities of the Company. The Board of Supervisors is of the opinion that the Company has strictly complied with all laws and regulations and the Articles of Association of the Company when conducting its business activities, and that the Company has not involved in business activities which violate laws and regulations or fall beyond its legally approved scope of business.

(2) Monitoring the performance of the Company's Directors and Senior Management

During the reporting period, members of the Board of Supervisors of the Company attended Board meetings to review each resolution of the Board and supervised the performance of the Company's Directors and senior management by inspecting the Company's routine management of operations. The Board of Supervisors is of the opinion that the Company's Directors and senior management have diligently and dutifully fulfilled their duties, and have not found any illegal, non-compliant behavior or behavior which harms the interests of the Company and its shareholders in the course of discharging their duties.

(3) Monitoring the Company's financial condition

During the reporting period, the Board of Supervisors carefully reviewed the relevant financial information and auditors' report of the Company. The Board of Supervisors is of the opinion that the preparation of the financial statements has been in conformity with the financial reporting standards, and were consistent, thus accurately, completely, truthfully and fairly reflecting the Company's financial condition and operating results.

(4) Monitoring the Company's connected transactions

During the reporting period, the Board of Supervisors reviewed the information of the connected transactions between the Company and the controlling shareholders. The Board of Supervisors is of the opinion that such connected transactions are conducted on normal commercial terms, are fair, justified and reasonable and have not caused any harm to the interests of the Company and its shareholders.

(5) Monitoring the Company's disclosure of information

During the reporting period, the Board of Supervisors reviewed the relevant documents publicly disclosed by the Company. The Board of Supervisors is of the opinion that the Company has conducted information disclosure strictly in accordance with laws, regulations and the requirements of the Hong Kong Stock Exchange, such as the Listing Rules, and the information publicly disclosed is true, accurate and complete without false or misleading statements.

Wang Chun Dong
Chairman of the Board of Supervisors

Shijiazhuang, PRC, 12 March 2019

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話：+852 2846 9888
Fax 傳真：+852 2868 4432
ey.com

To the shareholders of China Suntien Green Energy Corporation Limited
(Established in the People's Republic of China as a joint stock limited company with limited liability)

OPINION

We have audited the consolidated financial statements of China Suntien Green Energy Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 86 to 207, which comprise the consolidated statement of financial position as at 31 December 2018, and 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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	**How our audit addressed the key audit matter**
Impairment assessment of trade and bills receivables	
As at 31 December 2018, the Group had trade and bills receivables of RMB3,823 million before a provision for impairment of RMB526 million. The determination as to whether a trade or bill receivable is collectable and whether a provision for impairment is required involves management judgement. During the year, due to the adoption of a new accounting standard, a change in accounting policy on impairment assessment of trade receivables was noted. The new accounting policy for impairment assessment of trade receivables has been detailed in section 2.4 summary of significant accounting policies of the consolidated financial statements. Management made assessment on the expected credit loss rate based on the historical default rate of the group and considered the specific factors, including customer type, ageing and recent historical payment, as well as forward-looking information. The Group's disclosures about trade and bills receivables and impairment of trade and bills receivables are included in note 22 to the consolidated financial statements.	Our audit procedures included: checking the ageing analysis of the trade receivables throughout the year to gain an understanding of movements in the ageing and the settlement pattern of the customers; testing the ageing analysis of the trade receivables, on a sample basis, against the source documents, including sales invoices and advice of settlements for electricity and nature gas; and assessing the reasonableness of allowance for doubtful debts with reference to the credit profile including default or delay in payments, settlement records, subsequent settlements, ageing analysis of the trade receivables, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year. In addition, we also assessed the adequacy of the related disclosures in financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment	
As at 31 December 2018, the Group had goodwill of RMB39 million. Under IFRS, the Group is required to annually test the goodwill for impairment. Management's assessment for impairment is complex and highly judgemental and is based on assumptions, including the revenue growth rate budgeted gross margin and the discount rate, which are affected by expected future market or economic conditions. The Group's disclosures about goodwill are included in note 15 to the consolidated financial statements.	Our audit procedures included the involvement of internal valuation specialists to assist us in evaluating the assumptions and methodologies and the discount rate used by the Group. We also assessed the forecast revenue growth and budgeted gross margins for the natural gas business used in the impairment assessment, which included a comparison of the 2018 actual results with the prior year forecast. We then focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test was most sensitive, that was, those that had the most significant effect on the determination of the recoverable amount of goodwill.
Provision for site restoration costs	
The Group has two service concession arrangements with a government authority concerning the operation of two of its self-constructed wind power plants. The arrangements involve the Group as an operator operating the infrastructure for a period of 25 years (the "service concession period"). Meanwhile, the Group has contractual obligations to restore the site of the infrastructure to a specified condition at the end of the service concession period. The contractual obligation to restore the site of the infrastructure is recognised and measured by management based on its estimate of the expenditure required to settle the present obligation, at the end of the reporting period. The estimation of the expenditure requires the Group to estimate the expected future cash outflows regarding the obligation over the service concession period and also to determine the discount rate in order to calculate the present value of those cash flows. Such assessment process is complex and involves significant management judgement and estimation. As at 31 December 2018, the provision for site restoration costs amounted to RMB45 million. The Group's disclosures about the provision for restoration costs are included in note 3 to the consolidated financial statements.	Our audit procedures included a review of the service concession agreements, inspection of the condition of the relevant wind power plants, and an evaluation of the estimated site restoration expenditure and the bases and the assumptions used in the discounted cash flow model.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

As part of an audit in accordance with ISAs, 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Tong Ka Yan Augustine.

Ernst & Young
Certified Public Accountants

Hong Kong
12 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
REVENUE	5	**9,975,409**	7,057,582
Cost of sales	6	**(7,115,564)**	(4,749,677)
Gross profit		**2,859,845**	2,307,905
Other income and gains, net	5	**100,275**	80,605
Selling and distribution expenses		**(473)**	(478)
Administrative expenses		**(501,684)**	(452,935)
Other expenses		**(219,421)**	(170,853)
PROFIT FROM OPERATIONS		**2,238,542**	1,764,244
Finance costs	7	**(785,249)**	(774,096)
Share of profits and losses of:			
Joint ventures		**(5,774)**	(1,445)
Associates		**295,639**	215,171
PROFIT BEFORE TAX	6	**1,743,158**	1,203,874
Income tax expense	9	**(167,994)**	(99,147)
PROFIT FOR THE YEAR		**1,575,164**	1,104,727
Attributable to:			
Owners of the Company		**1,268,506**	939,616
Non-controlling interests		**306,658**	165,111
		1,575,164	1,104,727
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,575,164**	1,104,727
Total comprehensive income attributable to:			
Owners of the Company		**1,268,506**	939,616
Non-controlling interests		**306,658**	165,111
		1,575,164	1,104,727
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	11	**RMB33.37 cents**	RMB25.29 cents
Diluted	11	**RMB 33.37 cents**	RMB 25.29 cents

Consolidated Statement of Financial Position

31 December 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**26,584,025**	22,466,159
Investment properties	13	**29,348**	30,739
Prepaid land lease payments	14	**457,070**	421,512
Goodwill	15	**39,412**	47,666
Intangible assets	16	**1,756,582**	1,870,014
Investments in associates	17	**1,831,205**	1,625,815
Investments in joint ventures	18	**86,476**	61,495
Available-for-sale investments	19	**–**	103,400
Equity investments designated at fair value through other comprehensive income	19	**115,206**	–
Deferred tax assets	20	**195,720**	126,304
Trade receivables	22	**–**	182,943
Prepayments and other receivables	23	**1,647,611**	1,819,259
Total non-current assets		**32,742,655**	28,755,306
CURRENT ASSETS			
Prepaid land lease payments	14	**11,162**	11,768
Inventories	21	**45,809**	40,230
Trade and bills receivables	22	**3,296,067**	2,563,641
Prepayments, deposits and other receivables	23	**811,925**	789,249
Pledged deposits	24	**12,885**	17,860
Cash and cash equivalents	24	**2,240,325**	2,110,035
Total current assets		**6,418,173**	5,532,783
CURRENT LIABILITIES			
Trade and bills payables	25	**148,445**	161,530
Other payables and accruals	26	**3,655,242**	3,498,300
Finance lease payables	27	**84,908**	56,439
Interest-bearing bank and other borrowings	28	**4,643,777**	5,707,549
Tax payable		**70,073**	49,167
Total current liabilities		**8,602,445**	9,472,985
NET CURRENT LIABILITIES		**(2,184,272)**	(3,940,202)
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,558,383**	24,815,104

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Consolidated Statement of Financial Position

31 December 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**30,558,383**	24,815,104
NON-CURRENT LIABILITIES			
Finance lease payables	*27*	**1,269,309**	1,027,469
Interest-bearing bank and other borrowings	*28*	**16,683,183**	13,217,189
Other payables and accruals	*26*	**183,954**	69,356
Deferred tax liabilities	*20*	**25,385**	–
Total non-current liabilities		**18,161,831**	14,314,014
Net assets		**12,396,552**	10,501,090
EQUITY			
Equity attributable to owners of the Company			
Issued share capital	*29*	**3,715,160**	3,715,160
Reserves	*30*	**6,321,197**	4,889,674
		10,036,357	8,604,834
Non-controlling interests		**2,360,195**	1,896,256
Total equity		**12,396,552**	10,501,090

Cao Xin
Director

Mei Chun Xiao
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

		Attributable to owners of the Company								
		Issued share capital RMB'000 (note 29)	Other equity instruments RMB'000	Other comprehensive income RMB'000	Capital reserve RMB'000	Reserve funds RMB'000 (note 30)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017		**3,715,160**	**–**	**–**	**2,135,064**	**210,715**	**2,543,895**	**8,604,834**	**1,896,256**	**10,501,090**
Effect of adoption of IFRS 9	2.2	**–**	**–**	**6,493**	**–**	**–**	**–**	**6,493**	**5,313**	**11,806**
At 1 January 2018(Restated)		**3,715,160**	**–**	**6,493**	**2,135,064**	**210,715**	**2,543,895**	**8,611,327**	**1,901,569**	**10,512,896**
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**–**	**1,268,506**	**1,268,506**	**306,658**	**1,575,164**
Final 2017 dividend declared (note 10)		**–**	**–**	**–**	**–**	**–**	**(382,662)**	**(382,662)**	**–**	**(382,662)**
Dividends declared to non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(117,409)**	**(117,409)**
Contributions by non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**255,200**	**255,200**
Changes in non-controlling interests due to capital injection		**–**	**–**	**–**	**(921)**	**–**	**(12,859)**	**(13,780)**	**13,780**	**–**
Transfer from retained profits		**–**	**–**	**–**	**–**	**73,638**	**(73,638)**	**–**	**–**	**–**
Issuance of first tranche of 2018 renewable green corporate bonds		**–**	**587,640**	**–**	**–**	**–**	**–**	**587,640**	**–**	**587,640**
Other equity instruments' distribution		**–**	**–**	**–**	**–**	**–**	**(35,164)**	**(35,164)**	**–**	**(35,164)**
Others		**–**	**–**	**–**	**490**	**–**	**–**	**490**	**397**	**887**
At 31 December 2018		**3,715,160**	**587,640**	**6,493**	**2,134,633**	**284,353**	**3,308,078**	**10,036,357**	**2,360,195**	**12,396,552**
At 31 December 2016		3,715,160	–	–	2,136,197	174,327	1,874,722	7,900,406	1,633,528	9,533,934
Profit and total comprehensive income for the year		–	–	–	–	–	939,616	939,616	165,111	1,104,727
Final 2016 dividend declared		–	–	–	–	–	(234,055)	(234,055)	–	(234,055)
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	(83,011)	(83,011)
Acquisition of subsidiaries		–	–	–	–	–	–	–	4,883	4,883
Disposal of subsidiaries		–	–	–	–	–	–	–	(2,798)	(2,798)
Contributions by non-controlling shareholders		–	–	–	–	–	–	–	177,410	177,410
Transfer from retained profits		–	–	–	–	36,388	(36,388)	–	–	–
Others		–	–	–	(1,133)	–	–	(1,133)	1,133	–
At 31 December 2017		3,715,160	–	–	2,135,064*	210,715*	2,543,895*	8,604,834	1,896,256	10,501,090

* These reserve accounts comprise the consolidated reserves of RMB6,321,197,000 (31 December 2017: 4,889,674,000) in the consolidated statement of financial position as at 31 December 2018.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,743,157**	1,203,874
Adjustments for:			
Finance costs	7	**785,248**	774,096
Foreign exchange loss, net		**4,365**	15,135
Interest income	5	**(14,528)**	(11,816)
Share of profits and losses of joint ventures		**5,774**	1,445
Share of profits and losses of associates		**(295,639)**	(215,171)
Gain from entrusted loans		**(509)**	(1,186)
Gain from available-for-sale investments	5	**–**	(2,619)
Gain from equity investment designated at fair value through other comprehensive income	5	**(4,694)**	–
Depreciation of items of property, plant and equipment	6	**1,061,696**	1,003,454
Depreciation of investment properties	6	**1,391**	1,534
Amortisation of prepaid land lease payments	6	**13,166**	12,375
Amortisation of intangible assets	6	**105,811**	107,533
Impairment of intangible assets		**14,433**	–
Impairment of property, plant and equipment, net		**5,950**	–
Impairment of goodwill		**8,255**	–
(Gain)/loss on disposal of items of property, plant and equipment, net	6	**12,328**	(971)
Loss on disposal of a subsidiary		**–**	2,933
Impairment of prepayments, deposits and other receivables	6	**7,816**	32,473
Reversal of impairment of prepayments, deposits and other receivables	6	**(1,210)**	–
Impairment of trade receivables	6	**177,589**	128,268
Reversal of impairment of trade receivables	6	**(10,105)**	(5,024)
		3,620,294	3,046,333
(Increase)/Decrease in inventories		**(5,579)**	5,163
Increase in trade and bills receivables		**(699,671)**	(1,152,672)
(Increase)/Decrease in prepayments, deposits and other receivables		**(83,901)**	299,693
Decrease in trade and bills payables		**(365,803)**	(21,858)
Increase in other payables and accruals		**881,855**	591,047
Cash generated from operations		**3,347,195**	2,767,706
Income tax paid		**(191,119)**	(125,910)
Net cash flows from operating activities		**3,156,076**	2,641,796

continued/...

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(3,993,100)**	(3,491,936)
Payments for prepaid land lease payments		**(9,469)**	(11,874)
Payments for intangible assets		**(6,158)**	(4,495)
Proceeds from disposal of items of property, plant and equipment		**103**	3,313
Capital contribution to a joint venture		**(30,750)**	(2,940)
Capital contribution to an associate		**(40,770)**	(78,636)
Purchases of an entrusted loan		**–**	(11,209)
Proceeds from acquisition of a subsidiary		**–**	7,029
Gain from entrusted loans		**509**	1,186
Gain from available-for-sale investments	5	**–**	2,619
Gain from financial assets at fair value through other comprehensive income		**4,694**	–
Proceeds from settlement of entrusted loans		**–**	7,500
(Increase)/Decrease in restricted bank balances and time deposits		**4,975**	(17,795)
Dividends received from associates		**88,552**	28,514
Payments for disposal of subsidiaries		**–**	(13,513)
Interest received	5	**14,528**	11,816
Net cash flows used in investing activities		**(3,966,886)**	(3,570,421)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions by non-controlling shareholders		**205,200**	282,410
New bank and other borrowings		**10,907,393**	9,558,113
Repayment of bank and other borrowings		**(8,505,169)**	(6,918,284)
Interest paid		**(1,024,235)**	(948,013)
Dividends paid to non-controlling shareholders		**(97,998)**	(82,852)
Dividend paid to owners of the Company		**(382,662)**	(234,055)
Capital element of finance lease payments		**(829,704)**	(94,680)
Proceeds from finance lease payables		**85,000**	–
Issuance of first tranche of 2018 renewable green corporate bonds		**587,640**	–
Net cash flows from financing activities		**945,465**	1,562,639
NET INCREASE IN CASH AND CASH EQUIVALENTS		**134,655**	634,014
Cash and cash equivalents at beginning of year		**2,110,035**	1,491,173
Effect of exchange rate changes on cash and cash equivalents		**(4,365)**	(15,152)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**2,240,325**	2,110,035

1. CORPORATE AND GROUP INFORMATION

China Suntien Green Energy Corporation Limited (the "Company") was established as a joint stock company with limited liability on 9 February 2010 in the PRC. The registered office of the Company is located at 9th Floor, Block A, Yuyuan Plaza, No. 9 Yuhua West Road, Shijiazhuang, Hebei Province, the PRC.

The Company's H shares were issued and listed on the Main Board of The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange") in 2010.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the investment, development, management and operation of wind power and solar energy generation, sale of natural gas and gas appliances, and the connection and construction of natural gas pipelines.

In the opinion of the directors of the Company (the "Directors"), the holding company and the ultimate holding company of the Company is Hebei Construction & Investment Group Co., Ltd. (河北建设投資集團有限責任公司, "HECIC"), a state-owned enterprise in the PRC.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name*	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
HECIC New-energy Co., Ltd. ("HECIC New-energy") (河北建投新能源有限公司)	The PRC/ Mainland China 17 July 2006	RMB3,767,300,000	100	–	Wind power generation, wind farm investment and service consulting
HECIC New-energy (Tangshan) Co., Ltd. (建投新能源(唐山)有限公司)	The PRC/ Mainland China 19 June 2014	RMB86,000,000	100	–	Wind power and solar energy generation
Suntien Green Energy (Fengning) Co., Ltd. (新天綠色能源(豐寧)有限公司)	The PRC/ Mainland China 9 December 2010	RMB6,000,000	92	–	Wind power generation
HECIC Offshore Wind Power Co., Ltd. (河北建投海上風電有限公司)	The PRC/ Mainland China 19 February 2011	RMB1,111,110,000	51.40	–	Wind power generation

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name*	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Heilongjiang Suntien Hadian New Energy Investment Co., Ltd. ("Suntien Hadian") (黑龍江新天哈電新能源投資有限公司)	The PRC/ Mainland China 19 April 2012	RMB42,600,000	95.31	–	Wind power and solar energy generation
Suntien Green Energy Investment (Beijing) Co., Ltd. (新天綠色能源投資(北京)有限公司)	The PRC/ Mainland China 27 July 2012	RMB60,000,000	100	–	Project investment and investment management
Jianshui Suntien Wind Energy Co., Ltd. (建水新天風能有限公司)	The PRC/ Mainland China 18 July 2012	RMB318,000,000	100	–	Wind power generation
Suntien Green Energy (Hong Kong) Corporation Limited. ("Suntien Green Hong Kong") (新天綠色能源(香港)有限公司)	The PRC/ Hong Kong 29 June 2012	RMB106,296,700	100	–	Project investment and investment management
Xingyang Suntien Wind Energy Co., Ltd. (滎陽新天風能有限公司)	The PRC/ Mainland China 1 July 2013	RMB90,000,000	100	–	Wind power generation
Ruoqiang Suntien Green Energy Co., Ltd. (若羌新天綠色能源有限公司)	The PRC/ Mainland China 30 May 2013	RMB143,000,000	100	–	Wind power generation
Wulian County Suntien Wind Energy Co., Ltd. (五蓮縣新天風能有限公司)	The PRC/ Mainland China 1 July 2013	RMB9,000,000	100	–	Wind power generation
Shenzhen Suntien Green Energy Investment Co., Ltd. (深圳新天綠色能源投資有限公司)	The PRC/ Mainland China 30 October 2013	RMB270,000,000	100	–	Project investment and investment management

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name*	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Junan Suntien Wind Energy Co., Ltd. (莒南新天風能有限公司)	The PRC/ Mainland China 30 September 2013	RMB83,000,000	100	–	Wind power generation
Hebei Fengning CIC New Energy Co., Ltd. (河北豐甯建投新能源有限公司)	The PRC/ Mainland China 4 July 2013	RMB243,000,000	100	–	Wind power generation
Suntien Liquefied Natural Gas Shahe Co., Ltd. (新天液化天然氣沙河有限公司)	The PRC/ Mainland China 2 April 2014	RMB50,000,000	70	–	Sale of natural gas and gas appliances, connection and construction of natural gas pipelines
Suntien Hebei Solar Energy Development Co., Ltd. ("Suntien Solar Energy Development") (新天河北太陽能開發有限公司)	The PRC/ Mainland China 24 April 2014	RMB100,000,000	69	–	Investment and sale of solar energy appliances and service consultancy
Guangxi Suntien Green Energy Co., Ltd. (廣西新天綠色能源有限公司)	The PRC/ Mainland China 18 December 2014	RMB20,000,000	100	–	Wind power generation
Huludao Liaohe Oil Field Gas Co., Ltd. ("Huludao Gas") (葫蘆島遼河油田燃氣有限公司)	The PRC/ Mainland China 11 July 2011	RMB20,408,200	51	–	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Yunnan Pushi Natural Gas Co., Ltd. ("Yunnan Pushi") (雲南普適天然氣有限公司)	The PRC/ Mainland China 6 March 2009	RMB33,333,300	70	–	Research and development of natural gas, investment and technical development

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name*	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Weihui Suntien Green Energy Co., Ltd. (衛輝新天綠色能源有限公司)	The PRC/ Mainland China 21 July 2015	RMB6,000,000	100	–	Technical consultation for solar energy and wind power generation
Tongdao Suntien Green Energy Co., Ltd. (通道新天綠色能源有限公司)	The PRC/ Mainland China 21 July 2015	RMB6,000,000	100	–	Wind power and solar energy generation, relevant technical consultation
Chaoyang Suntien New Energy Co., Ltd. (朝陽新天新能源有限公司)	The PRC/ Mainland China 14 September 2015	RMB32,000,000	100	–	Solar energy generation
Fuliang Zhongling Suntien Green Energy Co., Ltd. (浮梁中嶺新天綠色能源有限公司)	The PRC/ Mainland China 24 November 2016	RMB15,000,000	100	–	Wind power and solar energy generation
Suntien Green Energy Xuyi Co., Ltd. (新天綠色能源盱眙有限公司)	The PRC/ Mainland China 27 December 2016	RMB234,000,000	70	30	Wind power and solar energy generation
Fangchenggang Suntien Green Energy Co., Ltd. (防城港新天綠色能源有限公司)	The PRC/ Mainland China 21 July 2016	RMB10,000,000	100	–	Wind power and solar energy generation
Suntien Hebei Power Sale Co., Ltd. (新天河北電力銷售有限公司)	The PRC/ Mainland China 28 September 2016	RMB200,000,000	100	–	Sale and management
Fuping Jixin Suntien Green Energy Co., Ltd. (富平冀新綠色能源有限公司)	The PRC/ Mainland China 1 November 2016	RMB10,000,000	100	–	Wind power generation

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Company name*	Note	Place and date of establishment/ place of operations	Registered capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
Hebei Natural Gas Company Limited ("Hebei Natural Gas") (河北省天然氣有限責任公司)	(i)	The PRC/ Mainland China 27 April 2001	RMB920,000,000	55	–	Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Heibei Gas Co.,Ltd. (河北燃气有限公司)		The PRC/ Mainland China 3 December 2018	RMB100,000,000	55		Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Caofeidian Suntien Liquefied Natural Gas Co.,Ltd. (曹妃甸新天液化天然气有限公司)		The PRC/ Mainland China 22 March 2018	RMB50,000,000	100		Sale of natural gas and gas appliances and the connection and construction of natural gas pipelines
Suntine green energy Lianyungang Co.,Ltd. (新天綠色能源連雲港有限公司)		The PRC/ Mainland China 24 July 2018	RMB197,300,900	75		Wind power and solar energy generation
Ruian Xin Yun new energy Co.,Ltd. (瑞安市新運新能源有限公司)		The PRC/ Mainland China 8 January 2018	RMB5,000,000	70		Wind power and solar energy generation

* Except for Suntien Green Hong Kong, which was established in Hong Kong, and Hebei Natural Gas, which is a Sino-foreign joint venture company, with a registered English company name, the companies registered in the PRC do not have registered English names and the English names shown above represent the best efforts of the management of the Company in directly translating the Chinese names of the companies.

All the above subsidiaries are limited liability companies.

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Note:

(i) Hebei Natural Gas is a Sino-foreign equity joint venture with limited liability established under the Company Law of the PRC and the Law of Sino-foreign Equity Joint Venture. According to the articles of association of Hebei Natural Gas, the Company is able to nominate four out of seven directors at the board of Hebei Natural Gas and a simple majority of the board is sufficient to approve and make normal daily financial and operating decisions of Hebei Natural Gas. The voting power attached to the equity interest held by the Company in Hebei Natural Gas allows the Company to have the power to govern the financial and operating activities of Hebei Natural Gas according to the articles of association of Hebei Natural Gas. The Directors are of the opinion that the Company has been able to control Hebei Natural Gas since its establishment. Therefore, the financial statements of Hebei Natural Gas have been consolidated by the Company in its consolidated financial statements since the establishment of Hebei Natural Gas.

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise standards and interpretations approved by the International Accounting Standards Board ("IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the equity investments and bills receivable which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately RMB2,184 million. The directors of the Company have considered the Group's available sources of funds as follows:

- the Group's expected net cash inflows from operating activities in 2019
- unutilised banking and other financial institution facilities aggregating to the extent of approximately RMB15,682 million as at 31 December 2018
- other available sources of financing from banks and other financial institutions given the Group's credit history

The directors of the Company believe that the Group has adequate resources to continue operations for the foreseeable future, which is at least twelve months from 31 December 2018. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

2.1 BASIS OF PRESENTATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 4 and Annual Improvements 2014-2016 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs amendments are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, The Group has recognised the transition adjustments against the applicable opening balances in of equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement				IFRS9 measurement	
	Notes	Category	Amount	Re-classification	Others	Amount	Category
			RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets							
Equity investments designated at fair value through other comprehensive income		N/A	–	103,400	11,806	115,206	FVOCI[1] (equity)
From: Available-for-sale investments	(i)			103,400	–		
Available-for-sale investments		AFS[2]	103,400	(103,400)	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	(i)			(103,400)	–		
Trade receivables		L&R[3]	2,293,680	–	–	2,293,680	AC[4]
Bill receivables		L&R	452,904	–	–	452,904	FVOCI
Financial assets included in prepayments, deposits and other receivables		L&R	89,478	–	–	89,478	AC
Pledged deposits		L&R	17,860	–	–	17,860	AC
Cash and cash equivalents		L&R	2,110,035	–	–	2,110,035	AC
			5,067,357	–	11,806	5,079,163	
Financial liabilities							
Trade and bills payables		AC	575,744	–	–	575,744	AC
Financial liabilities included in other payables and accruals		AC	2,243,170	–	–	2,243,170	AC
Interest-bearing bank and other borrowings		AC	18,924,738	–	–	18,924,738	AC
Finance lease payables		AC	1,083,908	–	–	1,083,908	AC
			22,827,560	–	–	22,827,560	

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Classification and measurement (continued)

[1] FVOCI: Financial assets at fair value through other comprehensive income
[2] AFS: Available-for-sale investments
[3] L&R: Loans and receivables
[4] AC: Financial assets or financial liabilities at amortised cost

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments at fair value through other comprehensive income.

Impairment

The adoption of the ECL requirements of IFRS 9 did not have any material impact on the opening balance of retained earnings as at 1 January 2018.

Impact on other comprehensive income

	RMB'000
Balance as at 31 December 2017 under IAS 39	–
Adjustment to other comprehensive income from adoption of IFRS 9	
– Reclassification and remeasurement of equity investments	6,493
Balance as at 1 December 2018 under IFRS 9	6,493

Impact on non-controlling interests

	RMB'000
Balance as at 31 December 2017 under IAS 39	–
Adjustment to non-controlling interests from adoption of IFRS 9	
– Reclassification and remeasurement of equity investments	5,313
Balance as at 1 December 2018 under IFRS 9	5,313

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) IFRS 15 and its amendments replace IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15, establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of IFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related interpretations.

The Group's principal activities consist of the sale of natural gas and gas appliances and the sale of electricity. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

(1) Sale of natural gas and gas appliances

The Group engages in the sale of natural gas and gas appliances. The contracts with customers for the sale of natural gas and gas appliances generally include one performance obligation. Revenue from the sale of natural gas and gas appliances is recognised at the point when the goods are delivered, title has passed and the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amount of revenue recognition.

(2) Sale of electricity

The Group develops, manages and operates wind power and solar energy plants and generates electric power for sales to external power grid companies. The contracts with customers for the sale of electricity generally include one performance obligation. Revenue from sale of electricity is recognised upon the transmission of electric power to the power grid companies, as determined based on the volume of electric power transmitted and the applicable fixed tariff rates agreed with the respective electric power grid companies periodically. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amount of revenue recognition.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

(3) Presentation and disclosure

As required for the condensed interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 5 for the disaggregated revenue.

In addition, the reclassification was made as at 1 January 2018 to be consistent with the terminology used under IFRS 15: contract liabilities in relation to nature gas and construct activities were previously presented as advances from customers. The impact on the Group's financial position as at 1 January 2018 by adoption of IFRS 15 is as follows:

	Increase/(decrease)
	RMB'000
Advances from customers	(778,445)
Contract liabilities	778,445

The adoption of IFRS 15 has had no impact on consolidated statement of profit or loss and other comprehensive income the year ended 31 December 2018 or on the Group's operating, investing and financing cash flows.

The impact on consolidated statement of financial position as at 31 December 2018 is as follows:

	Amounts prepared under		**Increase/**
	IFRS 15	**Previous IFRS**	**(decrease)**
	RMB'000	RMB'000	RMB'000
Advances from customers	–	691,578	(691,578)
Contract liabilities	691,578	–	691,578

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) IFRIC-Int 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IFRS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

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

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

IFRS 16, replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group determined the adoption of IFRS 16 will have no significant impact on the Group's financial statements.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (continued)

Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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

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

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations and goodwill

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

Fair value measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

(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 parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

Buildings	2.38% to 4.75%
Wind turbines and related equipment	4.75%
Natural gas pipelines	3.17%
Other machinery and equipment	5.28% to 19.00%
Motor vehicles	11.88% to 19.00%
Office equipment and others	9.50% to 31.67%
Leasehold improvements	12.50% to 20.00%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and impairment losses.

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of investment properties. The estimated useful life is 30 years. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

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

Office software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life.

Operating concession

Operating concession represents the right to operate a wind power plant and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concession granted to the Group of 25 years.

Exclusive rights of natural gas operations

Exclusive rights of natural gas operations represent the right to sell and distribute piped gas in certain cities and are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the exclusive rights of natural gas operations granted to the Group of 28 to 30 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Service concession arrangement

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge for usage of the concession infrastructure. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "intangible assets (other than goodwill)" above.

Revenue and costs relating to operating service are accounted for in accordance with the policy for "Revenue recognition (applicable from 1 January 2018) – sale of electricity" and "Revenue recognition (applicable before 1 January 2018) - sale of electricity" below.

The Group has the contractual obligation which it must fulfil as a condition of its right, that is to restore the site of the infrastructure to a specified condition at the end of the service concession arrangement. The contractual obligation to restore the site of the infrastructure is recognised and measured in accordance with the policy set out for "Provisions" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments and other financial assets. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 January 2018)" below.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

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

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

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

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

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

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

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

Financial assets carried at amortised cost

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018) (continued)

Financial assets carried at amortised cost (continued)

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

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and bills payables, other payables, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss (policies under IFRS 9 applicable from 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018) (continued)

Financial liabilities at fair value through profit or loss (policies under IAS 39 applicable before 1 January 2018)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and borrowings

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

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

Financial guarantee contracts (policies under IFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018) (continued)

Financial guarantee contracts (policies under IAS 39 applicable before 1 January 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

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

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

Offsetting of financial instruments (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

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

Inventories

Inventories, mainly including natural gas and spare parts, are stated at the lower of cost and net realisable value. Cost which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present locations and conditions are calculated using the first-in, first-out method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance the entity will comply with the conditions attaching to them and that the grant will be received. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of natural gas and gas appliances

Revenue from the sale of natural gas and gas appliances is recognised when the goods are delivered, title has passed and the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Sale of electricity

Revenue is recognised upon the transmission of electric power to the power grid companies, as determined based on the volume of electric power transmitted and the applicable fixed tariff rates agreed with the respective electric power grid companies periodically.

(c) Connection and construction of natural gas pipelines

Revenue in respect of the connection and construction of natural gas pipelines is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a gas connection and the gas pipeline construction contract cannot be estimated reliably, revenue is recognised only to the extent of expenses recognised that are recoverable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable from 1 January 2018) (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue recognition (applicable before 1 January 2018)

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

(a) Sale of natural gas and gas appliances

Revenue from the sale of natural gas and gas appliances is recognised when the goods are delivered, title has passed and the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

(b) Sale of electricity

Revenue is recognised upon the transmission of electric power to the power grid companies, as determined based on the volume of electric power transmitted and the applicable fixed tariff rates agreed with the respective electric power grid companies periodically.

(c) Connection and construction of natural gas pipelines

Revenue in respect of the connection and construction of natural gas pipelines is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a gas connection and the gas pipeline construction contract cannot be estimated reliably, revenue is recognised only to the extent of expenses recognised that are recoverable.

(d) Rental income

Revenue is recognised on a time proportion basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable before 1 January 2018) (continued)

(e) Interest income

Revenue is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

(f) Dividend income

Revenue is recognised when the shareholders' right to receive payment has been established.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

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

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

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

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as expenses in profit or loss as incurred.

Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Consolidation of entities in which the Group does not hold controlling voting power

A subsidiary of the Company (the "Subsidiary") and the Company indirectly either owns half or less than half of the equity interests in certain companies or owns more than half of equity interests but the voting power attached to the equity interests does not allow the Subsidiary or the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. According to the articles of association of these companies, the Subsidiary or the Company is the biggest equity owner of these companies and there are no other equity owners individually or in the aggregate have the power to control these companies. The Subsidiary or the Company signed shareholders' voting agreements with other equity owners of these companies, whereby such equity owners have committed to attend shareholders' meetings, and to vote in shareholders' meetings in the same manner as the representatives of the Subsidiary or the Company. Such equity owners have also confirmed that the above-mentioned attendance and voting arrangements with the Subsidiary or the Company have existed since the establishment of these companies or the Subsidiary or the Company becoming the biggest equity owner of these companies. The PRC lawyer of the Company confirmed that the shareholders' voting agreements are valid under the relevant PRC laws. On top of the shareholders' voting agreements, the Subsidiary or the Company controlled the operation of these companies by appointing senior management, approving the annual budget and determining the remuneration of senior management, etc. Considering the above-mentioned factors, the Directors are of the opinion that the Group has rights to variable returns from its involvement with these companies and that it has the ability to direct the relevant activities of these companies during the years ended 31 December 2018 and 2017. Therefore, the financial statements of these companies are consolidated by the Company during the years ended 31 December 2018 and 2017.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2018 was RMB39,412,000 (31 December 2017: RMB47,666,000). Further details are given in note 15.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 22 to the financial statements, respectively.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group periodically reviews the changes in market conditions, expected physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed, at the end of the reporting period, based on changes in circumstances.

The carrying amount of property, plant and equipment as at 31 December 2018 was approximately RMB26,584,025,000 (31 December 2017: RMB22,466,159,000). More details are given in note 12.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Current income tax

The Group is subject to income taxes in numerous jurisdictions in the PRC. Judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax in the periods in which the differences arise.

The carrying amount of tax payable as at 31 December 2018 was RMB70,073,000 (31 December 2017: RMB49,167,000).

Deferred income tax

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

The carrying amount of deferred tax assets as at 31 December 2018 was RMB195,720,000 (31 December 2017: RMB126,304,000). More details are given in note 20.

Provision for restoring the site of the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfil as a condition of its right to construct and exclusively operate wind power plants and among which is to restore the site of the infrastructure to a specified condition at the end of the service concession arrangement. The contractual obligation to restore the site of the infrastructure is recognised and measured in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, i.e., at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The estimation of the expenditure requires the Group to estimate the expected future cash outflows regarding the obligation over the service concession period and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the provision carried as a liability in the consolidated statement of financial position as at 31 December 2018 was approximately RMB45,055,000 (31 December 2017: RMB45,055,000).

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 39 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 2.

4. OPERATING SEGMENT INFORMATION

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

(a) Natural gas – this segment engages in the sale of natural gas and gas appliances and the provision of construction and connection services of natural gas pipelines.

(b) Wind power and solar energy – this segment develops, manages and operates wind power and solar energy plants and generates electric power for sales to external power grid companies.

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's operating segments for the years ended 31 December 2018 and 2017.

Year ended 31 December 2018

	Natural gas RMB'000	Wind power and solar energy RMB'000	Total RMB'000
Segment revenue *(note 5)*			
Sales to external customers	6,550,854	3,422,314	9,973,168
Intersegment sales	–	–	–
Total revenue	6,550,854	3,422,314	9,973,168
Segment results	646,046	1,941,738	2,587,784
Interest income	3,412	9,078	12,490
Finance costs	(82,508)	(688,762)	(771,270)
Income tax expense	(95,638)	(72,327)	(167,965)
Profit of segments for the year	471,312	1,189,727	1,661,039
Unallocated revenue			2,241
Unallocated interest income			2,038
Corporate and other unallocated expenses			(75,776)
Unallocated income tax expense			(29)
Unallocated finance costs			(13,979)
Unallocated share of profits and losses of an associate			7,263
Unallocated share of profits and losses of a joint venture			(5,774)
Profit for the year			1,575,164
Segment assets	6,335,983	31,986,944	38,322,927
Corporate and other unallocated assets			837,901
Total assets			39,160,828
Segment liabilities	4,085,424	22,373,664	26,459,088
Corporate and other unallocated liabilities			305,188
Total liabilities			26,764,276
Other segment information:			
Unallocated Impairment of other receivables			(468)
Impairment of prepayments, deposits and other receivables, net	(1,714)	(4,424)	(6,138)
Impairment/(reversal)of trade and bills receivables, net	(167,894)	410	(167,484)
Impairment of intangible assets	(14,433)	–	(14,433)
Impairment of property,plant and equipment	(5,950)	–	(5,950)
Impairment of goodwill	(8,254)	–	(8,254)
Depreciation and amortisation	(120,759)	(1,057,366)	(1,178,125)
Unallocated depreciation and amortisation			(3,939)
			(1,182,064)
Unallocated share of profits and losses of joint ventures			(5,774)
Share of profits and losses of associates	250,363	38,013	288,376
Unallocated share of profits and losses of an associate			7,263
Investments in associates	944,632	644,281	1,588,913
Investments in joint ventures	58,555	27,921	86,476
Unallocated investments in an associate			242,292
Capital expenditure*	638,546	4,484,152	5,122,698
Unallocated capital expenditure*			2,107
			5,124,805

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2017

	Natural gas RMB'000	Wind power and solar energy RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	3,957,244	3,100,338	7,057,582
Intersegment sales	–	–	–
Total revenue	3,957,244	3,100,338	7,057,582
Segment results	350,943	1,694,128	2,045,071
Interest income	3,303	6,576	9,879
Finance costs	(108,589)	(655,870)	(764,459)
Income tax expense	(37,774)	(60,896)	(98,670)
Profit of segments for the year	207,883	983,938	1,191,821
Unallocated interest income			1,937
Corporate and other unallocated expenses			(81,471)
Unallocated income tax expense			(477)
Unallocated finance costs			(9,637)
Unallocated share of profits and losses of an associate			2,554
Profit for the year			1,104,727
Segment assets	5,979,557	27,693,270	33,672,827
Corporate and other unallocated assets			615,262
Total assets			34,288,089
Segment liabilities	4,171,293	19,264,699	23,435,992
Corporate and other unallocated liabilities			351,007
Total liabilities			23,786,999
Other segment information:			
Impairment of trade receivables	(127,256)	(1,012)	(128,268)
Reversal of impairment of trade receivables	5,024	–	5,024
Impairment of prepayments, deposits and other receivables	(10,295)	(22,170)	(32,465)
Unallocated impairment of prepayments, deposits and other receivables			(8)
Depreciation and amortisation	(97,005)	(1,024,004)	(1,121,009)
Unallocated depreciation and amortisation			(3,887)
			(1,124,896)
Share of profits and losses of joint ventures	(1,445)	–	(1,445)
Share of profits and losses of associates	164,452	48,165	212,617
Unallocated share of profits and losses of an associate			2,554
Investments in associates	777,386	649,618	1,427,004
Investments in joint ventures	58,554	2,941	61,495
Unallocated investments in an associate			198,811
Capital expenditure*	443,506	3,477,966	3,921,472
Unallocated capital expenditure*			279
			3,921,751

Note:

* Capital expenditure mainly consists of additions to property, plant and equipment, prepaid land lease payments and intangible assets as well as the non-current prepayment on acquisition of items of property, plant and equipment.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

No further geographical segment information is presented as the Group's revenue is derived from customers based in Mainland China, and the Group's non-current assets are located in Mainland China.

Information about major customers

For the year ended 31 December 2018, revenue generated from sales to a single customer in the wind power and solar energy segment amounting to RMB2,223,581,000 (2017: RMB1,966,947,000) individually accounted for over 10% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

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

	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	**9,965,463**	–
Sale of natural gas	–	3,788,066
Sale of electricity	–	3,094,252
Construction and connection of natural gas pipelines	–	135,261
Natural gas transportation revenue	–	22,606
Wind power services	–	1,910
Others	–	10,419
Revenue from other sources		
Gross rental income	**9,946**	5,068
	9,975,409	7,057,582

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	Natural gas RMB'000	Wind power and solar energy RMB'000	Total RMB'000
Type of goods or services			
Sale of natural gas	6,330,787	–	6,330,787
Sale of electricity	–	3,413,579	3,413,579
Construction and connection of natural gas pipelines	172,348	–	172,348
Natural gas transportation revenue	36,242	–	36,242
Wind power services	–	2,722	2,722
Others	8,824	961	9,785
Total revenue from contracts with customers*	6,548,201	3,417,262	9,965,463
Timing of revenue recognition			
Goods transferred at a point in time	6,332,730	3,413,579	9,746,309
Services transferred over time	215,471	3,683	219,154
Total revenue from contracts with customers	6,548,201	3,417,262	9,965,463

* All the revenue from contracts with customers is generated from Mainland China.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of natural gas	570,171
Construction and connection of natural gas pipelines	124,774
	694,945

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of natural gas

The performance obligation is satisfied upon delivery of the natural gas and payment in advance is normally required. No contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Sale of electricity

The performance obligation is satisfied upon delivery of the electricity and payment is generally due within 30 days from delivery, except for the subsidy for renewable energy tariff, where payment has no fixed terms of settlement. No contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations (continued)

Construction and connection of natural gas pipelines

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required.

The remaining performance obligations are expected to be recognised within one year.

	2018 RMB'000	2017 RMB'000
Other income and gains, net		
Value-added tax refunds	**38,821**	52,337
Gain from available-for-sale investments	**–**	2,619
Gain from equity investments designated at fair value through other comprehensive income	**4,694**	–
Bank interest income	**14,528**	11,816
Gain on disposal of items of property, plant and equipment	**–**	971
Certified Emission Reductions ("CERs") income, net	**1,102**	544
Government grants	**4,665**	4,067
Others	**36,465**	8,251
	100,275	80,605

6. PROFIT BEFORE TAX

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

	Notes	2018 RMB'000	2017 RMB'000
Cost of goods sold		**6,985,328**	4,656,471
Cost of services rendered		**130,236**	93,206
Total cost of sales		**7,115,564**	4,749,677
Depreciation of items of property, plant and equipment *(note a)*	*12*	**1,061,696**	1,003,454
Depreciation of investment properties	*13*	**1,391**	1,534
Amortisation of prepaid land lease payments	*14*	**13,166**	12,375
Amortisation of intangible assets	*16*	**105,811**	107,533
Total depreciation and amortisation		**1,182,064**	1,124,896
Minimum lease payments under operating leases of land and buildings		**23,349**	17,269
Auditor's remuneration		**6,491**	5,118
Employee benefit expenses (including directors', supervisors' and chief executive's remuneration):			
Wages, salaries and allowances		**303,057**	253,876
Pension scheme contributions (defined contribution schemes) *(note b)*		**44,354**	24,342
Welfare and other expenses		**91,776**	75,071
		439,187	353,289
(Gain)/loss on disposal of items of property, plant and equipment, net		**12,328**	(971)
Foreign exchange loss/(gain), net		**4,365**	15,135
Reversal of impairment of trade receivables	*22*	**(10,105)**	(5,024)
Impairment of trade receivables	*22*	**177,589**	128,268
Impairment of prepayments, deposits and other receivables	*23*	**7,816**	32,473
Reversal of impairment of prepayment, deposits and other receivables	*23*	**(1,210)**	–
Impairment of goodwill	*15*	**8,255**	–
Impairment of intangible assets	*16*	**14,433**	–
Impairment of construction in progress	*12*	**5,950**	–
Rental income on investment properties		**(2,142)**	(1,953)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**1,391**	1,534

6. PROFIT BEFORE TAX (continued)

Notes:

(a) Depreciation of approximately RMB1,037,724,000 (2017: RMB979,493,000) is included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

(b) All of the Group's full-time employees in Mainland China are covered by various government-sponsored retirement plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group is required to make monthly contributions to these plans at 20% of the employees' salaries. Contributions to these plans are expensed as incurred. As at 31 December 2018 and 2017, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.

7. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Interest on bank loans and other borrowings wholly repayable within five years	**663,546**	617,075
Interest on bank loans and other borrowings wholly repayable beyond five years	**311,209**	302,066
Total interest expense	**974,755**	919,141
Less: Interest capitalised to items of property, plant and equipment *(note 12)*	**(172,210)**	(154,958)
	802,545	764,183
Other finance costs:		
Discounted amounts of non-current portion of trade receivables charged/(reversed)	**(17,296)**	9,913
	785,249	774,096

Borrowing costs capitalised for the year are calculated by applying the following capitalisation rates per annum to expenditure on qualifying assets:

	2018	2017
Capitalisation rates	**3.1%-5.9%**	3.1%-5.6%

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors', supervisors' and chief executive's remuneration

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

	2018 RMB'000	2017 RMB'000
Fees	**426**	430
Other emoluments:		
– Salaries, allowances and benefits in kind	**1,761**	1,169
– Performance-related bonuses	**1,267**	2,133
– Pension scheme contributions (defined contribution schemes)	**682**	453
	3,710	3,755
	4,136	4,185

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors', supervisors' and chief executive's remuneration (continued)

The names of the Directors, supervisors and chief executive and their remuneration for the years ended 31 December 2018 and 2017 are as follows:

2018

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors					
Mr. Wang Hong Jun	–	494	391	209	1,094
Mr. Mei Chun Xiao (Chief executive)	–	500	404	205	1,109
	–	994	795	414	2,203
Non-executive directors					
Dr. Cao Xin (Chairman)	–	–	–	–	–
Mr. Li Lian Ping	–	–	–	–	–
Mr. Qin Gang	–	–	–	–	–
Ms. Sun Min	–	–	–	–	–
Mr. Wu Hui Jiang	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Qin Hai Yan	85	–	–	–	85
Mr. Ding Jun	85	–	–	–	85
Mr. Wang Xiang Jun	85	–	–	–	85
Mr. Yue Man Yiu, Matthew	85	–	–	–	85
	340	–	–	–	340
Supervisors					
Mr. Qiao Guo Jie	–	474	343	179	996
Mr. Liu Jin Hai	–	–	–	–	–
Ms. Ma Hui (i)	–	28	–	–	28
Mr. Wang Chun Dong	–	–	–	–	–
Ms. Wang Xiu Ce (ii)	–	265	129	89	483
	–	767	472	268	1,507
Independent supervisors					
Mr. Liang Yong Chun	43	–	–	–	43
Mr. Xiao Yan Zhao	43	–	–	–	43
	86	–	–	–	86
	426	1,761	1,267	682	4,136

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors', supervisors' and chief executive's remuneration (continued)

2017

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors					
Mr. Gao Qing Yu (iii)	–	62	632	11	705
Mr. Wang Hong Jun	–	322	522	126	970
Mr. Mei Chun Xiao (Chief executive)	–	294	448	117	859
	–	678	1,602	254	2,534
Non-executive directors					
Dr. Cao Xin (Chairman)	–	–	–	–	–
Mr. Li Lian Ping	–	–	–	–	–
Mr. Qin Gang	–	–	–	–	–
Ms. Sun Min	–	–	–	–	–
Mr. Wu Hui Jiang	–	–	–	–	–
	–	–	–	–	–
Independent non-executive directors					
Mr. Qin Hai Yan	86	–	–	–	86
Mr. Ding Jun	86	–	–	–	86
Mr. Wang Xiang Jun	86	–	–	–	86
Mr. Yue Man Yiu, Matthew	86	–	–	–	86
	344	–	–	–	344
Supervisors					
Mr. Yang Hong Chi	–	–	–	–	–
Mr. Qiao Guo Jie	–	290	448	117	855
Mr. Liu Jin Hai	–	–	–	–	–
Ms. Ma Hui (i)	–	201	83	82	366
Mr. Wang Chun Dong	–	–	–	–	–
	–	491	531	199	1,221
Independent supervisors					
Mr. Liang Yong Chun	43	–	–	–	43
Mr. Xiao Yan Zhao	43	–	–	–	43
	86	–	–	–	86
	430	1,169	2,133	453	4,185

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors', supervisors' and chief executive's remuneration (continued)

(i) As disclosed in the announcement of the Company on 2 February 2018, Ms. Ma Hui resigned as a supervisor of the Company with effect from 1 March 2018.

(ii) Ms. Wang Xiu Ce was designated as a supervisor of the Company with effect from 1 March 2018.

(iii) As disclosed in the announcement of the Company on 16 March 2017, Mr. Gao Qing Yu resigned as an executive director and the chief executive of the Company with effect from 16 March 2017.

(b) Five highest paid employees

An analysis of the headcounts of the five highest paid employees within the Group for the years is as follows:

	2018	2017
Directors and supervisors	**3**	3
Non-director and non-supervisor employees	**2**	2
	5	5

Details of the remuneration of the above non-director and non-supervisor, highest paid employees are as follows:

	2018 **RMB'000**	2017 RMB'000
Salaries, allowances and benefits in kind	**873**	658
Performance-related bonuses	**683**	987
Pension scheme contributions	**406**	292
	1,962	1,937

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid employees (continued)

The number of the non-director and non-supervisor, highest paid employees whose remuneration fell within the following band is as follows:

	2018	2017
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	2	1
	2	2

During the years ended 31 December 2018 and 2017, no directors, supervisors, chief executive or any of the non-director and non-supervisor, highest paid individuals waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the directors, supervisors, chief executive or any of the non-director and non-supervisor, highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX EXPENSE

Pursuant to Caishui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment (財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知), certain subsidiaries of the Company, which were set up after 1 January 2008 and are engaged in public infrastructure projects, are entitled to a tax holiday of a three-year full exemption followed by a three-year 50% exemption commencing from their respective first years generating operating income (the "3+3 tax holiday"). As at 31 December 2018, certain entities were in the process of enjoying the 3+3 tax holiday, keeping the relevant documents in case of the investigation of the respective tax authorities.

Under the relevant PRC Corporate Income Tax Law and respective regulations, except for certain preferential treatments available to certain subsidiaries of the Company as mentioned above, the PRC entities within the Group were subject to corporate income tax at a rate of 25% during the years ended 31 December 2018 and 2017.

No Hong Kong profits tax has been provided because the Group did not generate any assessable profits in Hong Kong for the years ended 31 December 2018 and 2017.

9. INCOME TAX EXPENSE (continued)

	2018 RMB'000	2017 RMB'000
Current income tax – Mainland China	**212,025**	148,361
Deferred income tax *(note 20)*	**(44,031)**	(49,214)
Tax charge for the year	**167,994**	99,147

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate applicable to the Company to the income tax expense at the Group's effective income tax rate for the year is as follows:

	2018 RMB'000	2017 RMB'000
Profit before tax	**1,743,158**	1,203,874
Income tax charge at the statutory income tax rate of 25%	**435,789**	300,969
Effect of tax exemption for specific locations or enacted by local authorities	**(247,289)**	(190,209)
Deductible temporary differences not recognised	**9,883**	6,452
Tax effect of share of profits and losses of associates	**(73,915)**	(53,792)
Tax effect of share of profits and losses of joint ventures	**1,449**	361
Non-taxable income	**(1,077)**	(654)
Expenses not deductible for tax	**2,071**	5,117
Tax losses not recognised	**43,554**	34,323
Tax losses utilised from previous periods	**(2,471)**	(3,420)
Tax charge for the year at the effective rate	**167,994**	99,147

10. DIVIDENDS

The dividends for the year are set out below:

	2018 RMB'000	2017 RMB'000
Proposed final dividend – RMB12.5 cents (2017: RMB10.3 cents) per share	**464,395**	382,662

The board of directors of the Company proposed, on 12 March 2019, the payment of a final dividend of RMB0.125 per share in respect of the year ended 31 December 2018, based on the issued share capital of the Company of 3,715,160,396 shares. The proposed final dividend is subject the approval of the Company's shareholders at the forthcoming annual general meeting.

At the annual general meeting held on 8 June 2018, the Company's shareholders approved the payment of the final dividend for the year ended 31 December 2017 of RMB0.103 per share, which amounted to RMB382,662,000 and was settled in full in July 2018.

Pursuant to the State Administration of Taxation Circular Guoshuihan [2008] No. 897, the Company is required to withhold a 10% enterprise income tax when it distributes dividends to its non-resident enterprise shareholders out of the profit earned in 2008 and beyond. In respect of the shareholders who are not individuals with names appearing on the Company's register of members, who are considered as non-resident enterprise shareholders, the Company will distribute the dividend after deducting the enterprise income tax at the rate of 10%.

Due to the repeal of Guoshuifa [1993] No. 45 *Circular on the Questions Concerning Tax on the Profits Earned by Enterprises with Foreign Investment, Foreign Enterprises and Individual Foreigners from the Transfer of Stocks (Stock Rights) and on Dividend Income* (關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知(國稅發[1993]45號)), the Company is required from 4 January 2011 under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation rules and regulations to withhold and pay individual income tax at rates ranging from 10% to 20% when it distributes dividends to its non-PRC resident individual shareholders out of the profit earned in 2010 and beyond.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts for the years ended 31 December 2018 and 2017 is based on the respective profits attributable to ordinary equity holders of the Company for those years, and the respective weighted average numbers of ordinary shares in issue during those years.

For the financial instruments classified as equity, the distributions are cumulative, the undeclared amount of the cumulative distributions is deducted in arriving at earnings for the purposes of the basic earnings per share calculation.

The Company did not have any dilutive potential ordinary shares during the years ended 31 December 2018 and 2017.

	2018	2017
	RMB'000	RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent	**1,268,506**	939,616
Less: Distribution relating to the 2018 renewable green corporate bonds (i)	**(28,717)**	–
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**1,239,789**	939,616

	Number of shares	
	2018	2017
Shares:		
Weighted average number of ordinary shares in issue during the years used in the basic earnings per share calculation	**3,715,160,396**	3,715,160,396

(i) The first tranche of 2018 renewable green corporate bonds issued by the Company in March 2018 were classified as other equity instruments with deferrable cumulative interest distribution and payment. The interest which has been generated but not yet declared, from issue date to 31 December 2018, was deducted from earnings when calculating the earnings per share for the year ended 31 December 2018.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Wind turbines and related equipment RMB'000	Natural gas pipelines RMB'000	Other machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Leasehold improve-ments RMB'000	Construction in progress RMB'000	Total RMB'000
2018									
Cost:									
At 1 January 2018	1,242,565	17,643,409	1,847,498	440,009	102,910	89,729	56,060	5,407,799	26,829,979
Additions	11,635	7,843	459	15,535	1,330	12,510	5,229	5,158,487	5,213,028
Transfer to prepaid land lease payments *(note 14)*	–	–	–	–	–	–	–	(19,200)	(19,200)
Transfer to intangible assets *(note 16)*	–	–	–	–	–	–	–	(667)	(667)
Transfers	358,452	2,438,389	629,832	173,591	–	2,747	–	(3,603,011)	–
Disposals	(1,111)	–	(14,376)	(4,241)	(3,120)	(842)	–	–	(23,690)
At 31 December 2018	1,611,541	20,089,641	2,463,413	624,894	101,120	104,144	61,289	6,943,408	31,999,450
Accumulated depreciation and impairment:									
At 1 January 2018	(183,270)	(3,285,546)	(547,200)	(182,417)	(69,973)	(55,200)	(40,214)	–	(4,363,820)
Depreciation provided during the year *(note 6)*	(78,280)	(853,210)	(61,897)	(42,605)	(7,784)	(13,464)	(4,456)	–	(1,061,696)
Provision for impairment *(note 6)*	–	–	–	–	–	–	–	(5,950)	(5,950)
Disposals	328	–	9,434	2,683	2,848	748	–	–	16,041
At 31 December 2018	(261,222)	(4,138,756)	(599,663)	(222,339)	(74,909)	(67,916)	(44,670)	(5,950)	(5,415,425)
Net carrying amount:									
At 31 December 2018	1,350,319	15,950,885	1,863,750	402,555	26,211	36,228	16,619	6,937,458	26,584,025
At 1 January 2018	1,059,295	14,357,863	1,300,298	257,592	32,937	34,529	15,846	5,407,799	22,466,159

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Wind turbines and related equipment RMB'000	Natural gas pipelines RMB'000	Other machinery and equipment RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Leasehold improve-ments RMB'000	Construction in progress RMB'000	Total RMB'000
2017									
Cost:									
At 1 January 2017	895,467	14,348,061	1,430,045	351,208	108,839	70,642	54,108	5,785,612	23,043,982
Additions	1,122	11,956	6,811	4,277	1,084	10,082	2,133	3,803,014	3,840,479
Acquisition of a subsidiary	–	–	1,186	21	158	85	–	12,324	13,774
Transfers to prepaid land lease payments *(note 14)*	–	–	–	–	–	–	–	(49,431)	(49,431)
Disposal of subsidiaries	–	–	–	–	(17)	(212)	(181)	(456)	(866)
Transfers	346,017	3,283,392	414,265	84,681	47	10,681	–	(4,143,264)	(4,181)
Disposals	(41)	–	(4,809)	(178)	(7,201)	(1,549)	–	–	(13,778)
At 31 December 2017	1,242,565	17,643,409	1,847,498	440,009	102,910	89,729	56,060	5,407,799	26,829,979
Accumulated depreciation:									
At 1 January 2017	(134,231)	(2,462,225)	(497,960)	(135,209)	(68,274)	(42,624)	(35,441)	–	(3,375,964)
Depreciation provided during the year *(note 6)*	(49,060)	(827,502)	(52,471)	(47,298)	(8,509)	(13,806)	(4,808)	–	(1,003,454)
Acquisition of a subsidiary	–	–	(52)	–	(35)	(16)	–	–	(103)
Disposal of subsidiaries	–	–	–	–	4	45	35	–	84
Transfers	–	4,181	–	–	–	–	–	–	4,181
Disposals	21	–	3,283	90	6,841	1,201	–	–	11,436
At 31 December 2017	(183,270)	(3,285,546)	(547,200)	(182,417)	(69,973)	(55,200)	(40,214)	–	(4,363,820)
Net carrying amount:									
At 31 December 2017	1,059,295	14,357,863	1,300,298	257,592	32,937	34,529	15,846	5,407,799	22,466,159
At 1 January 2017	761,236	11,885,836	932,085	215,999	40,565	28,018	18,667	5,785,612	19,668,018

Interest expenses of approximately RMB172,210,000 were capitalised to construction in progress for the year ended 31 December 2018 (2017: RMB154,958,000) prior to being transferred to buildings and machinery (note 7).

12. PROPERTY, PLANT AND EQUIPMENT (continued)

As at the date of approval of these financial statements, the Group was in the process of applying for the title certificates of certain of its buildings with an aggregate net carrying amount of approximately RMB138,514,000. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2018.

The Group's property, plant and equipment with a net carrying amount of RMB11,008,000 as at 31 December 2018 (31 December 2017: RMB11,481,000) were pledged to secure a long term bank loan of the Group (note 28).

The net carrying amount of the Group's property, plant and equipment held under sale-leaseback included in the total amount of wind turbines and related equipment at 31 December 2018 was RMB1,054,885,000 (31 December 2017: RMB1,005,055,000). More details are given in note 35(a).

The net carrying amount of the Group's property, plant and equipment held under finance leases at 31 December 2018 was RMB1,244,020,000 (31 December 2017: RMB229,204,000). More details are given in note 35(a).

13. INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January and 31 December	**37,410**	37,410
Accumulated depreciation:		
At 1 January	**(6,671)**	(5,137)
Charge for the year *(note 6)*	**(1,391)**	(1,534)
At 31 December	**(8,062)**	(6,671)
Carrying amount at end of the year	**29,348**	30,739

The Group's investment properties are several commercial properties in Beijing. The investment properties were valued by management based on the market approach with reference to market transaction prices of similar properties, taking into account of other factors, i.e., characteristics of the properties, locations, etc. The fair value of investment properties was estimated to be approximately RMB40,045,000 as at 31 December 2018 (2017: RMB46,265,000).

The investment properties are leased to third parties and a fellow subsidiary under operating leases, further details of which are included in note 32 and note 35(a).

13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Fair value measurement for:				
Commercial properties	**–**	**40,045**	**–**	**40,045**

	Fair value measurement as at 31 December 2017 using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Fair value measurement for:				
Commercial properties	–	46,265	–	46,265

14. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**433,280**	384,350
Additions	**30,440**	11,874
Transfer from construction in progress *(note 12)*	**19,200**	49,431
Disposals	**(1,522)**	–
Amortisation for the year *(note 6)*	**(13,166)**	(12,375)
Carrying amount at 31 December	**468,232**	433,280
Portion classified as current assets	**(11,162)**	(11,768)
Non-current portion	**457,070**	421,512

As at the date of approval of these financial statements, the Group was in the process of applying for the title certificates of certain of its land use rights with an aggregate net carrying amount of approximately RMB7,108,000. The directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned land. The directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2018.

The Group's prepaid land lease payments with a net carrying amount of RMB3,537,000 as at 31 December 2018 (31 December 2017: RMB3,612,000) were pledged to secure a long term bank loan of the Group (note 28).

15. GOODWILL

	2018 RMB'000	2017 RMB'000
Cost and carrying amount at 1 January	**47,666**	47,666
Provision for impairment *(note 6)*	**(8,254)**	
Acquisition of a subsidiary	**–**	–
Cost and carrying amount at 31 December	**39,412**	47,666

15. GOODWILL (continued)

Goodwill acquired through four significant business combinations in 2016, 2015, 2014 and 2011 in the amounts of RMB9,468,000, RMB3,352,000, RMB14,883,000 and RMB6,843,000, respectively, have been allocated to four natural gas cash-generating units for impairment testing.

The recoverable amounts of these four cash-generating units have been determined based on a value in use calculation using cash flow projections based on a financial budget covering a 5-year period approved by senior management. The discount rate applied to the cash flow projections is 10.6%.

Assumptions were used in the value in use calculation of these four cash-generating units for 31 December 2018. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

16. INTANGIBLE ASSETS

	Office software RMB'000	Operating concession RMB'000 (note)	Exclusive rights of natural gas operations RMB'000	Patent RMB'000	Total RMB'000
2018					
Cost:					
At 1 January	24,362	2,540,635	25,547	100	2,590,644
Additions	6,145	–	–	–	6,145
Transfers from construction in process *(note 12)*	667	–	–	–	667
At 31 December	31,174	2,540,635	25,547	100	2,597,456
Accumulated amortisation and impairment:					
At 1 January	(17,488)	(700,921)	(2,199)	(22)	(720,630)
Amortisation for the year *(note 6)*	(3,091)	(102,074)	(636)	(10)	(105,811)
Provision for impairment	–	–	(14,433)	–	(14,433)
At 31 December	(20,579)	(802,995)	(17,268)	(32)	(826,441)
Net carrying amount:					
At 31 December 2018	10,595	1,737,640	8,279	68	1,756,582
At 1 January 2018	6,874	1,839,714	23,348	78	1,870,014

16. INTANGIBLE ASSETS (continued)

	Office software RMB'000	Operating concession RMB'000 (note)	Exclusive rights of natural gas operations RMB'000	Patent RMB'000	Total RMB'000
2017					
Cost:					
At 1 January	19,859	2,540,635	25,547	100	2,586,141
Additions	4,495	–	–	–	4,495
Acquisition of a subsidiary	8	–	–	–	8
At 31 December	24,362	2,540,635	25,547	100	2,590,644
Accumulated amortisation:					
At 1 January	(12,951)	(598,847)	(1,287)	(12)	(613,097)
Amortisation for the year	(4,537)	(102,074)	(912)	(10)	(107,533)
At 31 December	(17,488)	(700,921)	(2,199)	(22)	(720,630)
Net carrying amount:					
At 31 December 2017	6,874	1,839,714	23,348	78	1,870,014
At 1 January 2017	6,908	1,941,788	24,260	88	1,973,044

Note: In 2010 and 2011, the Group respectively entered into two service concession arrangements with a governmental authority concerning the operation of two of its self-constructed wind power plants. Pursuant to these service concession arrangements, the Group transferred the carrying amounts of the related property, plant and equipment and the prepaid land lease payments to operating concession in intangible assets. The arrangements involve the Group as an operator operating and maintaining the infrastructure at a specified level of serviceability for a period of 25 years (the "service concession period") and restoring the sites of the infrastructure at a specified level of serviceability at the end of the service concession periods, and the Group will be paid for its service over the relevant periods of the service concession arrangements at a price stipulated through a pricing mechanism.

17. INVESTMENTS IN ASSOCIATES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	**1,807,163**	1,601,773
Goodwill on acquisition	**24,042**	24,042
	1,831,205	1,625,815

Particulars of the material associates of the Group are as follows:

Company name*	Place and date of establishment/place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Percentage of equity interest attributable to the Company Indirect	Principal activities
Hebei Weichang Longyuan CIC Wind Energy Generation Co., Ltd. ("Longyuan CIC") (河北圍場龍源建投風力發電有限公司)	The PRC/ Mainland China 25 August 2006	RMB209,300,000	–	50	Wind power generation
Longyuan CIC (Chengde) Wind Energy Generation Co., Ltd. ("Chengde Wind Energy") (龍源建投(承德)風力發電有限公司)	The PRC/ Mainland China 27 March 2009	RMB446,170,000	–	45	Wind power generation
Huihai Financing and Leasing Co., Ltd. ("Huihai Leasing") (匯海融資租賃有限公司)	The PRC/ Mainland China 27 August 2015	RMB650,000,000	–	30	Financial leasing, purchase and maintenance of leased properties
PetroChina Jingtang Liquefied Natural Gas Co., Ltd. ("Jingtang LNG") (中石油京唐液化天然氣有限公司)	The PRC/ Mainland China 28 September 2012	RMB1,069,490,000	–	11**	Natural gas storage and production

17. INVESTMENTS IN ASSOCIATES (continued)

Company name*	Place and date of establishment/place of operations	Registered capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Hebei Fengning Pumped Storage Co., Ltd. ("Fengning Pumped Storage") (河北豐寧抽水蓄能有限公司)	The PRC/ Mainland China 2 September 2010	RMB676,310,000	20	–	Pumped storage
CNOOC North China Natural Gas Pipeline CO.,Ltd ("CNOOC North China Natural Gas")*** (中海油華北天然氣管道有限公司)	The PRC/ Mainland China 29 December 2018	RMB2,317,210,000	34	–	Natural gas storage and production

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

** Jingtang LNG is a 20%-owned associate of Hebei Natural Gas, which is a 55%-owned subsidiary of the Company.

*** As at 31 December 2018, Hebei Natural Gas has not paid the registered capital subscribed.

All the above associates are considered material associates of the Group, and they are strategic partners of the Group engaged in wind power generation or natural gas business. They are accounted for using the equity method.

17. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of the above associates adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

Longyuan CIC

	31 December 2018 RMB'000	31 December 2017 RMB'000
Current assets	**147,465**	132,624
Non-current assets	**563,560**	607,631
Current liabilities	**(270,920)**	(255,375)
Non-current financial liabilities, excluding trade and other payables and provisions	**(166,859)**	(204,820)
Net assets	**273,246**	280,060
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**136,623**	140,030
Carrying amount of the investment	**136,623**	140,030

	2018 RMB'000	2017 RMB'000
Revenue	**111,786**	123,057
Profit for the year	**28,624**	39,378
Total comprehensive income for the year	**28,624**	39,378
Dividend received	**–**	9,199

17. INVESTMENTS IN ASSOCIATES (continued)

Chengde Wind Energy

	31 December 2018 RMB'000	31 December 2017 RMB'000
Current assets	**171,664**	154,212
Non-current assets	**676,629**	729,283
Current liabilities	**(187,623)**	(141,576)
Non-current financial liabilities, excluding trade and other payables and provisions	**(109,859)**	(186,820)
Net assets	**550,811**	555,099
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**45%**	45%
Group's share of net assets	**247,865**	249,795
Carrying amount of the investment	**247,865**	249,795

	2018 RMB'000	2017 RMB'000
Revenue	**156,783**	149,147
Profit for the year	**52,667**	56,433
Total comprehensive income for the year	**52,667**	56,433
Dividend received	**–**	19,315

Longyuan CIC (Weichang Wind Energy) Co., Ltd. ("Weichang Wind Energy")

	January to August 2017 RMB'000
Revenue	15,910
Profit for the year	6,847
Total comprehensive income for the year	6,847
Dividend received	–

In August 2017, Weichang Wind Energy was absorbed by Chengde Wind Energy.

17. INVESTMENTS IN ASSOCIATES (continued)

Jingtang LNG

	31 December 2018 RMB'000	31 December 2017 RMB'000
Current assets	**903,644**	1,057,176
Non-current assets	**4,864,569**	4,875,085
Current liabilities	**(1,113,853)**	(2,114,232)
Non-current financial liabilities, excluding trade and other payables and provisions	**–**	–
Net assets	**4,654,360**	3,818,029
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**20%**	20%
Group's share of net assets	**930,872**	763,606
Carrying amount of the investment	**930,872**	763,606

	2018 RMB'000	2017 RMB'000
Revenue	**2,370,853**	1,750,765
Profit for the year	**1,251,917**	822,278
Total comprehensive income for the year	**1,251,917**	822,278
Dividend received	**84,000**	–

17. INVESTMENTS IN ASSOCIATES (continued)

Fengning Pumped Storage

	31 December 2018 RMB'000	31 December 2017 RMB'000
Current assets	**908,816**	734,059
Non-current assets	**5,944,334**	4,449,962
Current liabilities	**(120,550)**	(1,025,264)
Non-current financial liabilities, excluding trade and other payables and provisions	**(5,350,000)**	(2,980,000)
Net assets	**1,382,600**	1,178,757
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**20%**	20%
Group's share of net assets, excluding goodwill	**276,520**	235,751
Goodwill on acquisition	**24,042**	24,042
	300,562	259,793
Carrying amount of the investment	**300,562**	259,793

	2018 RMB'000	2017 RMB'000
Revenue	**–**	–
(Loss)/profit for the year	**–**	(24)
Total comprehensive loss for the year	**–**	(24)
Dividend received	**–**	–

17. INVESTMENTS IN ASSOCIATES (continued)

Huihai Leasing

	31 December 2018 RMB'000	31 December 2017 RMB'000
Current assets	**1,191,972**	74,406
Non-current assets	**876,827**	1,205,049
Current liabilities	**(1,146,801)**	(156,751)
Non-current financial liabilities, excluding trade and other payables and provisions	**(245,000)**	(460,000)
Net assets	**676,998**	662,704
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**30%**	30%
Group's share of net assets	**201,522**	198,811
Carrying amount of the investment	**201,522**	198,811

	2018 RMB'000	From July to December 2017 RMB'000
Revenue	**94,087**	26,681
Profit for the year	**24,211**	8,515
Total comprehensive income for the year	**24,211**	8,515
Dividend received	**4,552**	–

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Carrying amount of the Group's investments in the associates	**13,761**	13,780

	2018 RMB'000	2017 RMB'000
Share of the associates' profit for the year	**2**	–
Share of the associates' total comprehensive income for the year	**–**	–
Dividend received	**–**	–

18. INVESTMENTS IN JOINT VENTURES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Share of net assets	**86,476**	61,495

Particulars of the Group's material joint venture is as follows:

Company name*	Place and date of establishment/place of operations	Registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Hebei Suntien Guohua Gas Co., Ltd. ("Suntien Guohua") (河北新天國化燃氣有限責任公司)	The PRC/ Mainland China 26 September 2013	RMB120,000,000	50	–	Construction of natural gas pipelines

* The English name of the company registered in the PRC represents the best efforts of the management of the Company in directly translating the Chinese name of the company as no English name has been registered.

The Group's investments in joint ventures are accounted for using the equity method.

The following table illustrates the summarised financial information of Suntien Guohua, which is considered a material joint venture of the Group and reconciled to the carrying amount in the financial statements:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cash and cash equivalents	**22,895**	11,638
Other current assets	**46,822**	8,088
Non-current assets	**441,524**	422,774
Current liabilities	**(210,671)**	(295,390)
Non-current financial liabilities, excluding trade and other payables and provisions	**(195,000)**	(30,000)
Net assets	**105,570**	117,110
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**52,785**	58,555
Carrying amount of the investment	**52,785**	58,555

18. INVESTMENTS IN JOINT VENTURES (continued)

	2018 RMB'000	2017 RMB'000
Loss for the year	**(11,548)**	(2,890)
Total comprehensive loss for the year	**(11,548)**	(2,890)
Dividend received	**–**	–

The following table illustrates the aggregate financial information of the Group's a joint venture that is not individually material:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Aggregate carrying amount of the Group's investment in the joint venture	**33,691**	2,940

	2018 RMB'000	2017 RMB'000
Share of a joint venture's profit for the year	**–**	–
Share of a joint venture's total comprehensive profit for the year	**–**	–
Dividend received	**–**	–

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Equity investment designated at fair value through		
Other comprehensive income		
Unlisted equity investments, at fair value		
HECIC Group Financial Company Limited	**100,000**	–
Baoding PetroChina Kunlun Gas	**15,206**	–
	115,206	–
Available-for-sale investments		
Unlisted equity investments, at cost	**–**	103,400

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2018, the Group received dividends in the amounts of RMB4,306,000 and RMB387,000 from HECIC Group Financial Company Limited, and Baoding PetroChina Kunlun Gas, respectively.

20. DEFERRED TAX ASSETS/LIABILITIES

The movements in deferred tax assets during the years are as follows:

	2018 RMB'000	2017 RMB'000
Deferred tax assets:		
At 1 January	**126,304**	77,090
Deferred tax credited to profit or loss during the year *(note 9)*	**69,416**	49,214
At 31 December	**195,720**	126,304

The deferred tax assets are attributed to the following items, which are reflected in the consolidated statement of financial position:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Deferred tax assets:		
Impairment of trade receivables	**132,558**	91,759
Unrealised gains arising from intra-group transactions	**11,870**	11,870
Losses available for offsetting against future taxable income	**2,146**	2,278
Others	**49,146**	20,397
	195,720	126,304

The movement in deferred tax liabilities during the years is as follows:

	2018 RMB'000	2017 RMB'000
Deferred tax liabilities:		
At 1 January	**–**	–
Deferred tax credited to profit or loss during the year *(note 9)*	**25,385**	–
At 31 December	**25,385**	–

20. DEFERRED TAX ASSETS/LIABILITIES (continued)

The deferred tax liabilities are attributed to the following item, which is reflected in the consolidated statement of financial position:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Fixed assets cost fully deducted from taxable income:		
	25,385	–

As at 31 December 2018, tax losses of the Group arising in the PRC were RMB577,411,000 (31 December 2017: RMB408,643,000), which had not been recognised as deferred tax assets. The tax losses were available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

21. INVENTORIES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Natural gas	**26,400**	18,164
Spare parts and others	**19,194**	21,868
Low-value consumables	**215**	198
	45,809	40,230

22. TRADE AND BILLS RECEIVABLES

The majority of the Group's revenues are generated through the sale of natural gas and electricity. The credit periods offered by the Group to customers of natural gas and electricity generally range from one month to two months. The Group seeks to maintain strict control over its outstanding receivables and minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group holds collateral or other credit enhancements over certain receivable balances. Trade and bills receivables are non-interest-bearing.

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade and bills receivables	**3,822,543**	3,105,576
Impairment	**(526,476)**	(358,992)
	3,296,067	2,746,584
Portion classified as non-current assets	**–**	(182,943)
Current portion	**3,296,067**	2,563,641

As part of its normal business, the Group endorsed some of its bills receivable to suppliers of the Group for the purchase of items of property, plant and equipment. Bills receivable is held within a business model whose objective is achieved by both collecting contractual cash flows and selling bills receivable. Therefore, from 1 January 2018, the Group classified bills receivable presented in trade and bills receivable as at 31 December 2018 amounting RMB491,465,636 as financial assets measured at fair value through other comprehensive income.

Included in the trade receivables as at 31 December 2018 were receivables under two service concession arrangements in the aggregate amount of RMB190,528,000 (31 December 2017: RMB133,320,000).

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 3 months	**1,286,461**	1,126,973
3 to 6 months	**397,264**	389,249
6 months to 1 year	**804,586**	628,023
1 to 2 years	**698,670**	259,059
2 to 3 years	**65,166**	259,795
Over 3 years	**43,920**	83,485
	3,296,067	2,746,584

22. TRADE AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**358,992**	242,561
Impairment losses recognised *(note 6)*	**177,589**	128,268
Reversal *(note 6)*	**(10,105)**	(5,024)
Write-off	**–**	(6,813)
At 31 December	**526,476**	358,992

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Gross carring amount RMB'000	Expected credit losses RMB'000
Individual evaluation of expected credit losses	553,515	509,014
Assessment of expected credit losses by credit risk portfolio	2,777,563	17,462
	3,331,078	526,476

	Benchmark electricity price and the subsidy for renewable energy tariff	Less than 1year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	–	0.35%	30.00%	50.00%	100.00%	14.11%
Gross carrying amount (RMB'000)	2,653,839	100,311	4,858	5,792	12,762	123,724
Expected credit losses (RMB'000)	–	346	1,457	2,896	12,762	17,462

22. TRADE AND BILLS RECEIVABLES (continued)

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of RMB358,992,000 with an aggregate carrying amount before provision of RMB682,052,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in default in principal payments or were in financial difficulties and only a portion of the receivables is expected to be recovered.

An ageing analysis of the trade and bills receivables as at 31 December 2017 that were neither individually nor collectively considered to be impaired under IAS 39 is as follows:

	31 December 2017 RMB'000
Neither past due nor impaired	1,977,481
Less than 3 months past due	281,764
3 to 6 months past due	164,279
6 months to 1 year past due	–
1 to 2 years past due	–
More than 3 years past due	–
	2,423,524

22. TRADE AND BILLS RECEIVABLES (continued)

Receivables that were neither past due nor impaired primarily relate to local power grid companies and certain long-term customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the Directors were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

The weighted average effective interest rate on the non-current trade receivables is as follows:

	31 December 2018	31 December 2017
Effective interest rate	**not applicable**	4.75%

The weighted average effective interest rate was determined by reference to the prevailing commercial bank borrowing interest rate for bank loans with similar maturity.

The carrying amount of the current trade and bills receivables approximates to their fair value. As the non-current trade receivables have been discounted based on the effective interest rate, the carrying amount of the non-current trade receivables approximates to their fair value.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Prepayments to suppliers	**1,071,750**	1,274,624
Deductible VAT	**1,236,988**	1,203,784
Deposits and other receivables	**191,312**	164,008
	2,500,050	2,642,416
Less: Impairment	**(40,514)**	(33,908)
	2,459,536	2,608,508
Portion classified as non-current assets	**(1,647,611)**	(1,819,259)
Current portion	**811,925**	789,249

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	2018 RMB'000	2017 RMB'000
At 1 January	**33,908**	1,435
Impairment losses recognised *(note 6)*	**7,816**	32,473
Reversal *(note 6)*	**(1,210)**	–
At 31 December	**40,514**	33,908

Included in the above provision for impairment of is a provision for individually impaired other receivables of RMB40,514,000 (31 December 2017: RMB33,908,000) with an aggregate carrying amount before provision of RMB50,384,000 (31 December 2017: RMB42,348,000).

The amounts due from related parties included in prepayments, deposits and other receivables are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
HECIC	**804**	1,224
Associates	**46,896**	5,342
	47,700	6,566

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cash and bank balances	**2,188,210**	2,108,895
Time deposits	**65,000**	19,000
	2,253,210	2,127,895
Less: Time deposits pledged for letters of guarantee	**(12,885)**	(17,860)
Cash and cash equivalents in the consolidated statement of financial position	**2,240,325**	2,110,035
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**–**	–
Cash and cash equivalents in the consolidated statement of cash flows	**2,240,325**	2,110,035
Cash and bank balances and time deposits denominated in:		
– RMB	**2,154,289**	1,960,906
– Hong Kong dollar	**98,921**	166,989
	2,253,210	2,127,895

The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

25. TRADE AND BILLS PAYABLES

Trade and bills payables are non-interest-bearing and are normally settled within six months.

	31 December 2018 RMB'000	31 December 2017 RMB'000
Bills payable	**74,315**	126,644
Trade payables	**74,130**	34,886
	148,445	161,530

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within 6 months	**133,539**	150,336
6 months to 1 year	**4,112**	3,612
1 to 2 years	**6,214**	3,785
2 to 3 years	**1,570**	1,125
More than 3 years	**3,010**	2,672
	148,445	161,530

The amounts due from related parties included in prepayments, deposits and other receivables are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Joint venture	**7,926**	1,272

26. OTHER PAYABLES AND ACCRUALS

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000
Wind turbine and related equipment payables		**802,965**	1,013,286
Retention money payables		**667,177**	621,697
Advances from customers		**–**	778,445
Contract liabilities	*(a)*	**691,578**	–
Construction payables		**1,212,471**	798,628
Accrued salaries, wages and benefits		**108,177**	94,061
Other taxes payable		**39,965**	37,766
Interest payable		**74,414**	46,071
Dividend payable to non-controlling shareholders		**19,568**	159
Dividend payable to the renewable green corporate bonds		**35,164**	–
Others		**187,717**	177,543
		3,839,196	3,567,656
Portion classified as non-current liabilities		**(183,954)**	(69,356)
Current portion		**3,655,242**	3,498,300

Note:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 RMB'000	1 January 2018 RMB'000
Short-term advances received from customers	**488,824**	570,171
Sales of nature gas	**193,502**	193,137
Construction and connection of natural gas pipelines	**9,252**	1,549
Others	**691,578**	764,857

Contract liabilities include short-term advances received to deliver nature gas and render construction and connection of natural gas pipelines services. The decrease in contract liabilities in 2018 was mainly due to the decrease in short-term advances received from customers in relation to sales of nature gas at the end of the year.

26. OTHER PAYABLES AND ACCRUALS (continued)

For retention money payables in respect of warranties granted by the suppliers, the due dates usually range from one to three years after the completion of the construction work or the preliminary acceptance of equipment.

The amounts due to related parties included in the other payables and accruals are as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
HECIC	**671**	51,101
Fellow subsidiaries	**1,190**	1,039
Associates	**1,157**	1,166
	3,018	53,306

Except for the retention money payables which have fixed repayment terms, other payables and accruals are non-interest-bearing and have no fixed terms of repayment.

27. FINANCE LEASE PAYABLES

	Minimum lease payments 31 December 2018 RMB'000	Present value of minimum lease payments 31 December 2018 RMB'000
Amounts payable:		
Within one year	**143,200**	84,908
In the second year	**164,049**	105,569
In the third to fifth years, inclusive	**592,910**	438,337
After five years	**837,140**	725,404
Total minimum finance lease payments	**1,737,299**	1,354,218
Future finance charges	**(383,081)**	
Total net finance lease payables	**1,354,218**	
Portion classified as current liabilities	**(84,908)**	
Non-current portion	**1,269,310**	

The Group entered into several finance lease transactions with one of its associate and a third party. The lease terms were from eight years to twelve years. Upon the expiry of the lease and after the Group has paid all rentals to according to corresponding specific contracts, the Group shall purchase the equipment at a nominal price.

The aggregate amount of finance lease payables to its associate at 31 December 2018 was RMB 1,236,476,000.

Certain finance lease payables of the Group in an aggregate amount of RMB673,998,000 were secured by the right of future electricity fee collection as at 31 December 2018.

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2018			As at 31 December 2017		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Short term bank loans:						
– Unsecured	2.1-4.8	2019	1,272,254	3.2-4.6	2018	1,814,000
– Secured	–	–	–	–	–	–
			1,272,254			1,814,000
Short term other borrowings:						
– Unsecured	3.9-5.1	2019	1,500,000	4.9-5.1	2018	1,000,000
Current portion of long term bank loans:						
– Unsecured	1.2-5.0	2019	1,195,065	1.2-5.2	2018	1,413,487
– Secured	4.4-5.9	2019	676,458	4.4-5.9	2018	480,062
			1,871,523			1,893,549
Current portion of long term other borrowings:						
– Unsecured	–	–	–	–	–	–
Current portion of corporate bonds (i):						
– Unsecured	–	–	–	5.4	2018	1,000,000
Total current portion			4,643,777			5,707,549
Non-current						
Long term bank loans:						
– Unsecured	1.2-5.0	2019-2034	8,081,977	1.2-6.0	2019-2034	8,076,835
– Secured	4.4-5.9	2019-2038	6,901,206	4.4-5.9	2019-2036	4,640,354
			14,983,183			12,717,189
Long term other borrowings:						
– Unsecured	5.4-6.2	2021-2022	1,700,000	6.2	2022	500,000
Corporate bonds (i):						
– Unsecured	–	–	–	–	–	–
Total non-current portion			16,683,183			13,217,189
			21,326,960			18,924,738

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

(i) In November 2011, the Company issued corporate bonds with an aggregate value of RMB2 billion. The corporate bonds were issued at a price of RMB100 each. On 23 December 2011, the corporate bonds were listed on the Shanghai Stock Exchange.

The corporate bonds were separated into two types of bonds amounting to RMB1 billion each, namely 6-year and 7-year bonds, which were repayable respectively on 18 November 2017 and 2018, and their respective applicable interest rates were 5.3% and 5.4% per annum. The corporate bonds were fully repaid respectively in 2017 and 2018.

The maturity profile of the interest-bearing bank and other borrowings as at the reporting date is as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**3,143,777**	3,707,549
In the second year	**2,215,697**	1,931,610
In the third to fifth years, inclusive	**5,198,221**	3,755,727
Beyond five years	**7,569,265**	7,029,852
	18,126,960	16,424,738
Other borrowings repayable:		
Within one year	**1,500,000**	1,000,000
In the third to fifth years, inclusive	**1,700,000**	500,000
	3,200,000	1,500,000
Corporate bonds repayable:		
Within one year	**–**	1,000,000
	–	1,000,000
	21,326,960	18,924,738

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

Certain interest-bearing bank loans of the Group in an aggregate amount of RMB7,576,245,000 were secured by the right of future electricity fees collection as at 31 December 2018 (31 December 2017: RMB5,118,825,000).

The corporate bonds of the Company of RMB1,000,000,000 were guaranteed by HECIC, the ultimate holding company as at 31 December 2017 (note 35(a)).

A long term bank loan of RMB218,219,000 (31 December 2017: RMB235,991,000) is secured by certain of the Group's property, plant and equipment and prepaid land lease payments (note 12 and note 14).

29. ISSUED SHARE CAPITAL

	At 31 December 2018		At 31 December 2017	
	Number of shares '000	**Nominal value RMB'000**	Number of shares '000	Nominal value RMB'000
Registered, issued and fully paid:				
– State legal person shares	**1,876,156**	**1,876,156**	1,876,156	1,876,156
– H shares	**1,839,004**	**1,839,004**	1,839,004	1,839,004
	3,715,160	**3,715,160**	3,715,160	3,715,160

30. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2018 and 2017 are presented in the consolidated statement of changes in equity on page 10 of the financial statements.

31. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary, Hebei Natural Gas, that has material non-controlling interests are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests	**45%**	45%

	2018 RMB'000	2017 RMB'000
Profit for the year allocated to non-controlling interests	**225,993**	102,748
Dividends paid to non-controlling interests	**83,161**	56,096
Accumulated balances of non-controlling interests at the reporting date	**924,253**	721,528

The following table illustrates the summarised financial information of Hebei Natural Gas. The amounts disclosed are before any inter-company eliminations:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Current assets	**1,374,571**	1,552,265
Non-current assets	**4,618,670**	4,110,136
Current liabilities	**(2,761,563)**	(2,714,021)
Non-current liabilities	**(1,172,266)**	(1,225,999)

	2018 RMB'000	2017 RMB'000
Revenue	**6,566,612**	3,957,591
Total expenses	**(6,062,369)**	(3,732,197)
Profit for the year	**504,243**	225,394
Total comprehensive income for the year	**504,243**	225,394
Net cash flows from operating activities	**500,034**	590,567
Net cash flows used in investing activities	**(251,595)**	(319,679)
Net cash flows from financing activities	**(500,500)**	22,275
Net increase in cash and cash equivalents	**(252,061)**	293,163

32. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms of two, three or six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within one year	**2,166**	938
In the second to fifth years, inclusive	**1,069**	1,638
	3,235	2,576

As lessee

The Group leases certain of its properties and equipment under operating lease arrangements, with leases negotiated for terms ranging from three to twenty years.

At the reporting date, the Group had the following total future minimum lease payments under non-cancellable operating leases in respect of land and buildings:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Within one year	**1,575**	1,575
In the second to fifth years, inclusive	**3,381**	4,915
Beyond five years	**323**	363
	5,279	6,853

33. COMMITMENTS

In addition to the operating lease commitments detailed above, the Group had the following capital commitments as at the end of the reporting period:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**7,125,477**	11,465,443
Capital contributions	**1,357,656**	20,000
	8,483,133	11,485,443

34. CONTINGENT LIABILITIES

As at 31 December 2018, the banking facility granted to a joint venture subject to a guarantee given to two banks (2017: a bank) by the Group was utilised to the extent of approximately RMB127,500,000 (31 December 2017: RMB180,000,000).

A subsidiary of the Group is currently a defendant in a lawsuit with claim amount of RMB125,869,000 brought by a party alleging that the subsidiary breached and repudiated a contract to purchase wind turbines and related equipment. The directors, based on the advice from the Group's legal counsel, believe that the subsidiary has a valid defence against the allegation and, accordingly, have not provided for any claim arising from the litigation, other than the related legal and other costs.

35. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the years ended 31 December 2018 and 2017:

(i) *Transactions with HECIC**

On 19 September 2010, the Company entered into an agreement with HECIC which governs the use of trademarks granted by HECIC to the Group.

In December 2015, the Group and HECIC renewed certain lease agreements, pursuant to which HECIC leased office spaces at Yu Yuan Plaza to the Group. The total rental expense in 2018 was RMB4,707,000 (2017: RMB4,335,000).

On 30 August 2011, the Company entered into an agreement with HECIC, pursuant to which HECIC agreed to provide a guarantee to the Company for the issuance of domestic corporate bonds with an aggregate nominal value of up to RMB2.0 billion. The guarantee is unconditional and irrevocable with an annual charge of 0.3% of the nominal value of the corporate bonds to the Company by HECIC. On 18 November 2011, the Company issued domestic corporate bonds with an aggregate nominal value of RMB2.0 billion. A guarantee fee of approximately RMB3,000,000 (2017: RMB6,000,000) was payable or charged by HECIC for the year ended 31 December 2018. The corporate bonds were fully repaid respectively in 2017 and 2018.

The Company issued the first tranche of 2018 renewable green corporate in March 2018. HECIC agreed to provide a guarantee to the Company for the issuance of renewable green corporate bonds with an aggregate nominal value of up to RMB0.59 billion. The guarantee was unconditional and irrevocable with an annual charge of 0.2% of the nominal value of the corporate bonds to the Company by HECIC. A guarantee fee of approximately RMB950,000 was charged by HECIC for the year ended 31 December 2018.

35. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2018 and 2017: (continued)

(ii) *Transactions with fellow subsidiaries**

Transactions with HECIC Group Finance Company Limited

The Company and HECIC Group Finance Company Limited (河北建投集團財務有限公司, "Group Finance Company"), a fellow subsidiary of the Company, entered into financial service framework agreements in 2015, pursuant to which the Group will, on a voluntary and non-compulsory basis, utilise the financial services provided by Group Finance Company, including the deposit service, the loan service and other financial services.

The Company directly holds a 10% equity interest in Group Finance Company.

The Group had certain of its cash and cash equivalents and outstanding interest-bearing loans with Group Finance Company summarised as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Cash and cash equivalents	**1,595,810**	1,614,291
Bills payable	**74,315**	–
Short term loans	**714,000**	454,000
Current portion of long term loans	**30,000**	179,000
Long term loans	**110,000**	140,000

	2018 RMB'000	2017 RMB'000
Interest income	**16,034**	12,467
Interest expense	**35,795**	36,557

In the opinion of the directors, the above related party transactions were conducted in the ordinary course of business.

35. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2018 and 2017: (continued)

(ii) *Transactions with fellow subsidiaries* (continued)*

Transactions with Hebei Construction & Investment State Financing Energy Services Ltd.

The Company entered into the Greenhouse Gas Voluntary Emission Reduction Project ("GHGER Project") Agreement with Hebei Construction & Investment State Financing Energy Services Ltd. (河北建投國融能源服務有限公司, "CISF") on 8 June 2017 and 28 December 2017. CISF shall continue to be responsible for the unified management of the emission reduction units generated by the GHGER Projects (including wind power and photovoltaic power projects) of the Group that satisfy the development conditions in 2017 and 2018. CISF charges the Group 40% of the emission reduction revenue as management fees. The Group paid CISF management fees of approximately RMB427,000 (2017: RMB869,000) for the year ended 31 December 2018.

Transactions with Hebei Construction & Investment Rongtan Asset Management Co., Ltd.

On 1 April 2016, CISF and a subsidiary of the Company entered into an operating lease agreement of commercial property for two years. In 2017, the lessee changed from CISF to Hebei Construction & Investment Rongtan Asset Management Co., Ltd. (河北建投融碳資產管理有限公司, "Rongtan"). The total rental income in 2018 was RMB93,000 (2017: RMB93,000).

Transactions with HECIC Mingjia Property Managerment Service Co., Ltd.

In 2018, HECIC replaced the property management company of its Yu Yuan Plaza to HECIC Mingjia Property Managerment Service Co., Ltd. (河北建投明佳物業服務有限公司, "Mingjia"), a company under its control. The tenant of Yu Yuan Plaza, including the Company and related subsidiaries, signed new property management agreement with Mingjia, the property management fee of approximately RMB3,336,000 was charged by Mingjia for the year ended 31 December 2018.

35. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2018 and 2017: (continued)

(iii) Transaction with the Company's joint venture

	31 December 2018 RMB'000	31 December 2017 RMB'000
Sales of natural gas	**7,170**	**4,200**
Purchase natural gas transportation service	**35,160**	–

The Company has guaranteed two bank facilities (2017: a bank facility) made to a joint venture of up to RMB127,500,000 in 2018 (2017: RMB180,000,000) (note 34).

In August 2018, an agreement was signed between the Company and the joint venture, in which the coalbed methane (CBM) pipeline project of the joint venture with carring amount approximately RMB440,000,000 was mortgaged to provide counter-guarantee for the Company.

*(iv) Transaction with the Company's associate**

Huihai Leasing was a subsidiary of the Group before 1 July 2017. Upon completion of the equity transfer, the total equity interests of Huihai Leasing held by the Group reduced from 100% to 30%. Prior to this transaction, several wind energy subsidiaries of the Group entered into various finance lease transactions with Huihai Leasing under the Financial Leasing Contracts. Finance lease receivables and payables were fully eliminated when preparing consolidated financial statements. After Huihai Leasing became an associate of the Group, the existing continuing finance lease transactions between Huihai Leasing and the Group became related party transactions of the Group. The total amount of the finance lease transactions of principal, interest and handling fee was RMB872,566,000 (six-month period from July to December 2017: RMB96,618,000) and the Group received RMB85,000,000 from Huihai Leasing as principal of sale-leaseback for the year ended 31 December 2018.

In addition, the Group also entered into the Guarantee Contract with Ping An Bank ("the bank") in order to provide a guarantee of RMB1,000,000,000 to Huihai Leasing, of which RMB500,000,000 was utilised before 22 August 2018, when the Company entered into an agreement with the bank, in which, transferred its guarantee right and obligation under the associate to HECIC.

35. RELATED PARTY TRANSACTIONS (continued)

(a) The Group had the following material transactions with related parties during the years ended 31 December 2018 and 2017: (continued)

(v) *Transactions with other state-owned enterprises in the PRC*

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "SOEs"). During the year, the Group had transactions with other SOEs, other than HECIC and its subsidiaries, including, but not limited to, sale of electricity, depositing and borrowing money and purchase of natural gas, and entering into service concession arrangements, in the normal course of business on terms comparable to those with other non-SOEs.

* These related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) Outstanding balances with related parties

Except for the Group's cash and time deposits and outstanding interest-bearing loans with Group Finance Company set out in note 35(a)(ii) above, details of the outstanding balances with related parties are set out in notes 23,25 and 26 to these financial statements.

Details of the Group's finance lease payables to its associate as at the end of the reporting period are included in note 27 to the financial statements, and details of the Group's property, plant and equipment under finance leases and sale-leaseback from its associate are included in note 12 to the financial statements.

(c) Compensation of key management personnel of the Group

	2018	2017
	RMB'000	RMB'000
Short term employee benefits	**7,223**	7,208
Pension scheme contributions	**1,564**	968
Total compensation paid to key management personnel	**8,787**	8,176

Save as disclosed in note 8 to these financial statements, no remuneration has been paid or is payable to the directors in respect of any of the period referred to in these consolidated financial statements by the Company or any of the companies now comprising the Group.

36. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Non-cash transactions

During the year ended 31 December 2018, bills receivable amounting to RMB252,066,000 (2017: RMB206,717,000) were endorsed by the Group to the suppliers of the Group for the purchase of items of property, plant and equipment.

During the year ended 31 December 2018, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of RMB1,085,472,000.

(b) Changes in liabilities arising from financing activities

	Interest payable RMB'000	Dividend payable to non-controlling shareholders RMB'000	Interest-bearing bank and other borrowings RMB'000	Finance lease payables RMB'000	Amount due to the ultimate holding company RMB'000
At 1 January 2018	46,071	159	18,924,738	1,083,908	–
Changes from financing cash flows	(953,777)	(97,998)	2,402,222	(900,162)	(382,662)
Declaration of dividends	–	152,571	–	–	382,662
Interest expense	982,120	–	–	–	–
New finance lease	–	–	–	1,085,472	–
Proceeds from finance lease payables	–	–	–	85,000	–
At 31 December 2018	74,414	54,732	21,326,960	1,354,218	–

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial Assets

	31 December 2018		
	Financial assets at amortised cost RMB'000	Fair value through other comprehensive income RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	–	115,206	115,206
Trade receivables	2,804,601	–	2,804,601
Bills receivable	–	491,466	491,466
Financial assets included in prepayments, deposits and other receivables	111,706	–	111,706
Pledged deposits	12,885	–	12,885
Cash and cash equivalents	2,240,325	–	2,240,325
	5,169,517	606,672	5,776,189

	31 December 2017		
	Loans and receivables RMB'000	Available-for-sale investments RMB'000	Total RMB'000
Available-for-sale investments	–	103,400	103,400
Trade and bills receivables	2,746,584	–	2,746,584
Financial assets included in prepayments, deposits and other receivables	66,779	–	66,779
Pledged deposits	17,860	–	17,860
Cash and cash equivalents	2,110,035	–	2,110,035
	4,941,258	103,400	5,044,658

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	31 December 2018 RMB'000	31 December 2017 RMB'000
Financial assets at amortised cost		
Trade and bills payables	**148,445**	161,530
Financial liabilities included in other payables and accruals	**2,946,918**	2,649,580
Interest-bearing bank loans	**21,326,960**	18,924,738
Finance lease payables	**1,354,218**	1,083,908
	25,776,541	22,819,756

38. TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

In 2018, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with a carrying amount of RMB61,860,000 (31 December 2017: RMB72,228,000) to certain of its suppliers in order to settle trade payables and other payables due to such suppliers (the "Endorsement"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which include default risks relating to the undue Endorsed Bills, and accordingly, the Group continued to recognise the full carrying amounts of such Endorsed Bills and the associated trade payables and other payables settled. Subsequent to the Endorsement, the Group does not retain any rights on the use of the Endorsed Bills, including sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amount of the trade payables and other payables settled by the Endorsed Bills during the year to which the suppliers have recourse was RMB61,860,000 as at 31 December 2018 (31 December 2017: RMB72,228,000).

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments are as follows:

	Carrying amount		Fair value	
	31 December 2018 RMB'000	31 December 2017 RMB'000	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	**115,206**	–	**115,206**	–
Bills receivable	**491,466**	–	**491,466**	–
Trade receivables	**–**	182,943	**–**	182,943
	606,672	182,943	**606,672**	182,943
Financial liabilities				
Financial liabilities included in other payables and accruals	**183,952**	69,356	**136,906**	49,462
Interest-bearing bank and other borrowings	**16,683,183**	13,217,189	**16,719,398**	13,197,894
Finance lease payables	**1,269,310**	1,027,469	**1,269,310**	1,027,469
	18,136,445	14,314,014	**18,125,614**	14,274,825

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, financial assets included in prepayments, deposits and other receivables, the current portion of trade and bills receivables, trade and bills payables, the current portion of other payables and accruals, the current portion of interest-bearing bank and other borrowings and the current portion of finance lease payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the financial controller and the audit committee. At each reporting date, the corporate finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

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

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

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant.

The fair values of unlisted equity investments designated at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

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

Fair value hierarchy:

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
31 December 2018				
Equity investments designated at fair value through other comprehensive income	–	115,206	–	115,206
Bills receivable	–	491,466	–	491,466
	–	606,672	–	606,672
31 December 2017				
Trade receivables	–	182,943	–	182,943

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
31 December 2018				
Financial liabilities included in other payables and accruals	–	164,058	–	164,058
Interest-bearing bank and other borrowings	–	16,663,888	–	16,663,888
Finance lease payables	–	1,269,310	–	1,269,310
	–	18,097,256	–	18,097,256
31 December 2017				
Financial liabilities included in other payables and accruals	–	49,462	–	49,462
Interest-bearing bank and other borrowings	–	13,197,894	–	13,197,894
Finance lease payables	–	1,027,469	–	1,027,469
	–	14,274,825	–	14,274,825

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are fair value and cash flow interest rate risks, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the senior management of the Group holds meetings regularly to analyse and approve the proposals made by the management of the Company. Generally, the Group introduces conservative strategies on its risk management. The senior management of the Group reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With its borrowings issued at fixed and floating interest rates, the Group is exposed to both fair value and cash flow interest rate risks.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank loans and short term deposits are stated at amortised cost and not revalued on a periodic basis. Floating rate interest expenses are charged to profit or loss as incurred.

If there have been a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the consolidated pre-tax profit would have decreased/increased by approximately RMB171,130,000 (2017: RMB150,925,000) for the year, but there would have been no impact on other components of the consolidated equity, except for retained profits, of the Group. The sensitivity analysis above has been determined assuming that the change in interest rates had occurred as at the end of the reporting period and the exposure to interest rate risk had been applied to those financial instruments in existence at those dates. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk on cash balances which are derived from the issue of new H shares in 2014 that are denominated in Hong Kong dollars. The Directors do not anticipate any significant impact resulting from the changes in foreign exchange rates because the majority of the Group's business is transacted in RMB, the Group's functional currency. RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The following table indicates the appropriate change in the Group's profit before tax in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at 31 December 2018 and 2017.

Effect on profit before tax

	Increase/ (decrease) in foreign exchange rate	**2018 RMB'000**	2017 RMB'000
If RMB weakens against the Hong Kong dollar	5%	**4,946**	8,349
If RMB strengthens against the Hong Kong dollar	(5%)	**(4,946)**	(8,349)

The sensitivity analysis above has been determined assuming that the change in foreign exchange rates had occurred as at 31 December 2018 and has applied the exposure to foreign currency risk to those monetary assets and liabilities in existence at that date. The estimated percentage increase or decrease represents management's assessment of a reasonably possible change in foreign exchange rates over the year until the next reporting date. The sensitivity analysis was performed on the same basis for the years ended 31 December 2018 and 2017.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

Credit risk is derived from the losses incurred if the holders of financial assets cannot fulfil their obligations.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	Lifetime ECLs Simplified approach RMB'000
Trade and bills receivables*	3,822,543
Financial assets included in prepayments, other receivables and other assets	
–Normal**	101,836
–Doubtful**	50,384
Pledged deposits	12,885
Cash and cash equivalents	2,240,325
Guarantees given to banks in connection with facilities granted to an associate	127,500
	6,355,473

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

Maximum exposure as at 31 December 2017

The carrying amounts of cash and cash equivalents, pledged deposits, trade and bills receivables, other receivables, investments and other financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements. As at 31 December 2017, 67.2% of the Group's trade and bills receivables were due from the provincial power grid companies.

The maximum exposure to credit risk is represented by the carrying amounts of financial assets in the statement of financial position after deducting any impairment allowance.

(d) Liquidity risk

The Group's net current liabilities amounted to approximately RMB2,184 million as at 31 December 2018, its net cash inflow from operating activities and financing activities amounted to approximately RMB3,156 million and RMB945 million, respectively, and its net cash outflow used in investing activities was approximately RMB3,967 million for the period then ended. The Group recorded an increase in cash and cash equivalents of approximately RMB135 million as at 31 December 2018.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure. With regard to its future capital commitments and other financing requirements, the Group had already obtained banking facilities from several PRC banks and Group Finance Company of an amount up to RMB27,238 million as at 31 December 2018, of which approximately RMB11,556 million has been utilised as at 31 December 2018.

In addition, the Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligations are not exposed to excessive repayment risk in any one year.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Liquidity risk (continued)

After taking into account the above, the Directors are of the view that the Group is able to meet its debt obligations as they fall due in the normal course of business and to continue as a going concern.

The maturity profile of the Group's financial liabilities as at 31 December 2018 and 2017, based on the contractual undiscounted payments, is as follows:

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
31 December 2018					
Interest-bearing bank and other borrowings	**4,643,777**	**2,215,697**	**6,898,221**	**7,569,265**	**21,326,960**
Interest payments on financial liabilities	**1,017,818**	**751,705**	**1,529,662**	**2,129,004**	**5,428,189**
Trade and bills payables	**148,445**	**–**	**–**	**–**	**148,445**
Financial liabilities included in other payables and accruals	**2,815,524**	**14,390**	**43,170**	**73,834**	**2,946,918**
Finance lease payables	**143,200**	**164,049**	**592,910**	**837,140**	**1,737,299**
	8,768,764	**3,145,841**	**9,063,963**	**10,609,243**	**31,587,811**
31 December 2017					
Interest-bearing bank and other borrowings	5,707,549	1,931,610	4,255,727	7,029,852	18,924,738
Interest payments on financial liabilities	760,082	574,524	1,321,083	2,280,394	4,936,053
Trade and bills payables	161,530	–	–	–	161,530
Financial liabilities included in other payables and accruals	2,588,028	16,497	–	45,055	2,649,580
Finance lease payables	105,429	173,063	503,396	552,788	1,334,676
	9,322,618	2,695,694	6,080,206	9,908,089	28,006,607

(e) Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Capital management (continued)

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. No change was made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade and bills payables, other payables and accruals, financial lease payables, interest-bearing bank and other borrowings, less cash and cash equivalents and pledged deposits. Capital includes the equity attributable to owners of the Company and non-controlling interests stated in the consolidated statement of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The Group's policy is to maintain the gearing ratio at not higher than 70%. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios at the end of the reporting periods were as follows:

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade and bills payables *(note 25)*	**148,445**	161,530
Other payables and accruals *(note 26)*	**3,839,196**	3,567,656
Interest-bearing bank and other borrowings *(note 28)*	**21,326,960**	18,924,738
Finance lease payables *(note 27)*	**1,354,218**	1,083,908
Less: Cash and cash equivalents *(note 24)*	**(2,240,325)**	(2,110,035)
Less: Pledged deposits *(note 24)*	**(12,885)**	(17,860)
Net debt	**24,415,609**	21,609,937
Total equity	**12,396,552**	10,501,090
Capital and net debt	**36,812,161**	32,111,027
Gearing ratio	**66%**	67%

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**30,680**	20,396
Intangible assets	**1,075**	954
Investments in subsidiaries	**7,697,119**	6,546,660
Investment in a joint venture	**86,476**	61,495
Available-for-sale investments	**–**	100,000
Equity investments designated at fair value through other comprehensive income	**100,000**	–
Investments in associates	**311,062**	270,292
Other receivables	**2,322,961**	2,810,430
Total non-current assets	**10,549,373**	9,810,227
CURRENT ASSETS		
Prepayments, deposits and other receivables	**1,103,870**	1,195,760
Cash and cash equivalents	**384,111**	228,420
Total current assets	**1,487,981**	1,424,180
CURRENT LIABILITIES		
Other payables and accruals	**107,380**	58,796
Interest-bearing bank loans	**1,667,420**	2,409,320
Total current liabilities	**1,774,800**	2,468,116
NET CURRENT LIABILITIES	**(286,819)**	(1,043,936)
TOTAL ASSETS LESS CURRENT LIABILITIES	**10,262,554**	8,766,291
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**2,251,190**	1,661,110
Total non-current liabilities	**2,251,190**	1,661,110
Net assets	**8,011,364**	7,105,181
EQUITY		
Issued share capital	**3,715,160**	3,715,160
Reserves *(note)*	**4,296,204**	3,390,021
Total equity	**8,011,364**	7,105,181

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	Other equity instruments RMB'000	Capital reserve RMB'000	Reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017	–	2,212,205	174,327	873,670	3,260,202
Profit for the year	–	–	–	363,874	363,874
Total comprehensive income for the year	–	–	–	363,874	363,874
Declared final 2016 dividend	–	–	–	(234,055)	(234,055)
Transfer from retained profits	–	–	36,388	(36,388)	–
At 31 December 2017	–	2,212,205	210,715	967,101	3,390,021
Profit for the year	**–**	**–**	**–**	**736,365**	**736,365**
Total comprehensive income for the year	**–**	**2,212,205**	**210,715**	**1,703,466**	**4,126,386**
Issuance of first tranche of 2018 renewable green corporate bonds	**587,640**	**–**	**–**	**–**	**587,640**
Declared final 2017 dividend	**–**	**–**	**–**	**382,662**	**382,662**
Other equity instruments' distribution	**–**	**–**	**–**	**35,164**	**35,164**
Transfer from retained profits	**–**	**–**	**73,637**	**(73,637)**	**–**
Others	**–**	**4**	**–**	**–**	**4**
At 31 December 2018	**587,640**	**2,212,209**	**284,352**	**1,212,003**	**4,296,204**

42. EVENT AFTER THE REPORTING PERIOD

The Company made public offering of the first tranche of 2019 renewable green corporate bonds (the "Bonds") to qualified investors on 5 March 2019 with an aggregate issuance size of RMB910,000,000. Both the par value and the issue price of the Bonds will be RMB100. The final coupon rate of the Bonds is 4.7%. The proceeds are intended to be used for construction, operation and acquisition of green projects and repayment of borrowings for green projects. Each term of the Bonds shall be 3 interest accruing years. At the end of each term, the Company is entitled to renew the Bonds for an additional term (i.e. 3 years), or repay and redeem the Bonds in full as they fall due at the end of the term.

43. COMPARATIVE AMOUNTS

The Group reclassified its liabilities related to property, plant and equipment from trade and bills payables to other payables and accruals. Accordingly, comparative amounts of trade and bills payables and other payables and accruals have been reclassified to conform with the current year's presentation. The financial impact of the reclassification did not have any significant impact on the Group's financial statements for the year ended 31 December 2018.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 12 March 2019.

"Accounting Standards for Business Enterprises of PRC"	the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC in 2006, and other related regulations and the amendments from time to time
"availability factor"	the amount of time that a power plant is able to produce electricity after it starts commercial operations over a certain period divided by the amount of time in such period
"average utilization hours"	the consolidated net power delivered to grid in a specified period (in MWh or GWh) divided by the consolidated operating capacity in the same period (in MW or GW)
"CISF"	Hebei Construction & Investment State Financing Energy Services Ltd. (河北建投國融能源服務有限公司), a company incorporated in the PRC, which is a subsidiary of HECIC and a connected person of the Company
"Company" or "we"	China Suntien Green Energy Corporation Limited (新天綠色能源股份有限公司)
"CNG"	compressed natural gas
"consolidated gross power generation" or "consolidated net power delivered to grid"	for a specified period, the aggregate gross power generation or net power delivered to grid (as the case may be) of the project companies that the Group fully consolidates in its Financial Statements
"consolidated installed capacity" or "consolidated operating capacity"	the aggregate installed capacity or operating capacity (as the case may be) of the project companies that the Group fully consolidates in its consolidated Financial Statements. This is calculated by including 100% of the installed capacity or operating capacity of the project companies that the Group fully consolidates in its consolidated Financial Statements and are deemed as its subsidiaries. Consolidated installed capacity and consolidated operating capacity do not include the capacity of the Group's associated companies
"Financial Statements"	the audited financial statements for the year ended 31 December 2018
"gross power generation"	for a specified period, the total amount of electricity produced by a power plant in that period, consisting of auxiliary electricity and electricity generated during the construction and testing period
"Group"	the Company and its subsidiaries
"Group Finance Company"	HECIC Group Finance Company Limited (河北建投集團財務有限公司), a company in which the Company has shareholding, jointly set up by the Company, HECIC, JEI, HECIC Communications and HECIC Water

"Hebei Natural Gas"	Hebei Natural Gas Company Ltd. (河北省天然氣有限責任公司), a non-wholly owned subsidiary of the Company
"Hebei SASAC"	State-owned Assets Supervision and Administration Commission of Hebei Province (河北省人民政府國有資產監督管理委員會)
"HECIC"	Hebei Construction & Investment Group Co., Ltd. (河北建設投資集團有限責任公司), a state-owned enterprise established in the PRC and the controlling shareholder of the Company, which is primarily engaged in the investment in and development of projects in the foundation, infrastructures and provincial pillar industries, such as energy, transportation, water supply and commercial real estates
"HECIC Communications"	HECIC Communications Investment Co., Ltd. (河北建投交通投資有限責任公司)
"HECIC New-energy"	HECIC New-energy Co., Ltd., a wholly-owned subsidiary of the Company
"HECIC Water"	HECIC Water Investment Co., Ltd. (河北建投水務投資有限公司), a wholly-owned subsidiary of HECIC
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huihai Leasing"	Huihai Financial Leasing Co., Ltd. (匯海融資租賃股份有限公司) (formerly known as Shenzhen Suntien Huihai Financial Leasing Co., Ltd. (深圳新天匯海融資租賃有限公司)), a limited liability company established in Shenzhen, the PRC, a connected person of the Company
"IFRS"	International Financial Reporting Standards, including the standards and interpretation announcements approved by the International Accounting Standard Board and its predecessor, the International Accounting Standard Committee
"installed capacity"	the capacity of the wind turbines that have been completely assembled and erected
"JEI"	Jointo Energy Investment Co., Ltd. Hebei (河北建投能源投資股份有限公司)
"kW"	unit of power, kilowatt. 1 kW = 1,000 watts
"kWh"	unit of energy, kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be consumed by a 1 kW electrical appliance in one hour

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"LNG"	liquefied natural gas
"Ministry of Finance"	Ministry of Finance of the People's Republic of China (中華人民共和國財政部)
"MW"	unit of power, megawatt. 1MW = 1,000 kW. The installed capacity of power plants is generally expressed in MW
"MWh"	unit of energy, megawatt-hour. 1 MWh=1,000 kWh
"NDRC"	National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會)
"net power delivered to grid"	for a specified period, the total amount of electricity sold to the relevant local grid companies by a power plant in that period, which equals to gross power generation less (i) auxiliary electricity and (ii) the electricity generated during the construction and testing period. Income attributable to the sales of electricity generated during the construction and testing period is not included in the revenue of electricity sales, but is offset against the cost of property, plant and equipment
"PetroChina"	PetroChina Company Limited (中國石油天然氣股份有限公司), a joint stock company incorporated in China with limited liability and listed on the Hong Kong Stock Exchange (Stock code: 857)
"reporting period"	the fiscal year from 1 January 2018 to 31 December 2018
"RMB"	Renminbi, the lawful currency of the PRC
"Yanshan International Investment"	Yanshan International Investment Company Limited (燕山國際投資有限公司), a company incorporated in Hong Kong with limited liability and a connected person of the Company

REGISTERED NAME:
新天綠色能源股份有限公司

NAME IN ENGLISH:
China Suntien Green Energy Corporation Limited

REGISTERED OFFICE AND HEADQUARTERS:
9th Floor
Block A
Yu Yuan Plaza
No. 9 Yuhua West Road
Shijiazhuang City
Hebei Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG:
Suite 2103, 21st Floor
Prudential Tower
The Gateway
Harbour City
Kowloon
Hong Kong

COMPANY'S WEBSITE:
www.suntien.com

STOCK CODE:
00956

LEGAL REPRESENTATIVE OF THE COMPANY:
Dr. Cao Xin

JOINT COMPANY SECRETARIES:
Mr. Ban Ze Feng
Ms. Lam Yuen Ling, Eva

DIRECTORS OF THE COMPANY:

Non-executive Directors
Dr. Cao Xin
Dr. Li Lian Ping
Mr. Qin Gang
Ms. Sun Min
Mr. Wu Hui Jiang

Executive Directors
Mr. Mei Chun Xiao
Mr. Wang Hong Jun

Independent non-executive Directors
Mr. Qin Hai Yan
Mr. Ding Jun
Mr. Wang Xiang Jun
Mr. Yue Man Yiu Matthew

SUPERVISORS OF THE COMPANY:
Mr. Wang Chun Dong
Mr. Liu Jin Hai
Mr. Qiao Guo Jie
Mr. Xiao Yan Zhao
Mr. Liang Yong Chun
Ms. Wang Xiu Ce

AUTHORIZED REPRESENTATIVES:
Mr. Mei Chun Xiao
Ms. Lam Yuen Ling, Eva

INDEPENDENT AUDITORS:

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

LEGAL ADVISERS:

As to Hong Kong law

Latham & Watkins LLP
18th Floor
One Exchange Square
Central
Hong Kong

As to PRC law

Jia Yuan Law Offices, Beijing
F407-F408, Ocean Plaza
158 Fuxing Men Nei Avenue
Beijing
PRC

H SHARE REGISTRAR:

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

PRINCIPAL BANKS:

China Construction Bank

Shijiazhuang Ping'an Street Sub-branch
No. 30 Ping'an South Street
Shijiazhuang City, Hebei Province
PRC

Bank of China

Shijiazhuang Yuhua Sub-branch
No. 168 Yuhua West Road
Shijiazhuang City, Hebei Province
PRC

Agricultural Bank of China

Shijiazhunang Xicheng Sub-branch
No. 85 Yuhua West Road
Shijiazhuang City, Hebei Province
PRC

Bank of Communications

Shijiazhuang Yuhua West Road Sub-branch, Hebei Branch
2nd Floor, Block A, Yu Yuan Plaza
No. 9 Yuhua West Road
Shijiazhuang City, Hebei Province
PRC

www.suntien.com