GOLDWIND

新疆金风科技股份有限公司

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.*

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

Stock Code: 2208

Annual Report 2018

*For identification purpose only

Company Profile

Goldwind was established in Urumqi, Xinjiang, the PRC in 1998, became a joint stock limited liability company in 2001, and its ordinary shares were listed on the Small and Medium-sized Enterprise Board of SZSE in December 2007 (SZSE: 002202) and the main board of the Stock Exchange in October 2010 (HK: 2208).

Goldwind is one of China's earliest manufacturers in the wind power industry. Our core technical and management personnel have more than 20 years of experience in this industry. We have three primary business of WTG Manufacturing, Wind Power Services, and Wind Farm Investment and Development and other business of water treatment and etc., that provide us with diversified sources of profitability. Drawing from our extensive experience in R&D and manufacturing of WTGs and wind farm development, we are able to provide our customers with high quality WTGs as well as comprehensive solutions which include wind power services and wind farm development, allowing us to meet our customers' demands in multiple segments of the wind power industry's value chain.

Adopting the permanent magnet direct-drive technology, the Company constantly improves and refines its product roadmap to keep pace with the rapid market growth and meet customers' varied demands. Our 1.5MW, 2S, 2.5S, 3S and 6S series DDPM WTGs are capable of sustained operation in many different environments; from high to low temperatures, high altitude, low wind speed, and coastal environments. According to the statistics of Bloomberg New Energy Finance, in 2018, Goldwind installed new capacity of more than 7GW (including offshore capacity of 400MW) in China, with a market share of 33.5%, ranking first for eight consecutive years. The Company ranked second in the world in 2018.

Contents

Definitions

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

"A Shares"	ordinary shares issued by the Company, with RMB-denominated par value of RMB1.00 each, which are listed on the SZSE and traded in RMB;
" A Shareholders"	the holders of the A Shares;
"AGM"	annual general meeting of the Company;
"Articles"	the Articles of Association of the Company, as amended, modified or otherwise supplemented from time to time;
"associate"	has the meaning as ascribed in the Listing Rules;
"attributable capacity"	represents the capacity attributed to the Group calculated by multiplying the Group's percentage ownership in a power project by the total capacity of such power project;
"availability rate"	a percentage calculated by dividing the amount of time for that a WTG is not experiencing technical defaults over a certain period by the amount of time in such period;
"Beijing Tianrun"	Beijing Tianrun New Energy Investment Co., Ltd. (北京天潤新能投資有限公司), a company incorporated under the laws of the PRC on 11 April 2007 and a wholly owned subsidiary of the Company;
"Beijing Tianyuan"	Beijing Tianyuan Science & Creation Wind Power Technology Co., Ltd. (北京天源科創風電技術有限責任公司), a company incorporated under the laws of the PRC on 29 September 2005 and a wholly owned subsidiary of the Company;
"Board"	the board of directors of the Company;
"Board Committees"	specialized committees of the Board established by the Board and include members of the Board, namely the Audit Committee, Nomination Committee, Remuneration and Assessment Committee, and Strategic Committee;
"CASBE"	China Accounting Standards for Business Enterprises;
"CEO"	the chief executive officer of the Company;
"Chairman"	the chairman of the Board;
"chief executive"	has the meaning as ascribed in the Listing Rules;
"China" or "PRC"	the People's Republic of China. References in this annual report to the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"China Three Gorges"	China Three Gorges Corporation (中國長江三峽集團公司), a company incorporated under the laws of the PRC and the parent company of China Three Gorges New Energy;

"China Three Gorges New Energy"	China Three Gorges New Energy Co., Ltd. (中國三峽新能源有限公司), a company incorporated under the laws of the PRC, a wholly-owned subsidiary of China Three Gorges, and a substantial shareholder of the Company;
"Company"	Xinjiang Goldwind Science & Technology Co., Ltd. (新疆金風科技股份有限公司), a joint stock limited liability company incorporated in the PRC on 26 March 2001;
"connected person"	has the meaning as ascribed in the Listing Rules;
"Connected Persons Group"	a group of connected persons of the Company comprising China Three Gorges New Energy, Xinjiang Wind Power, and their respective associates;
"Corporate Governance Code"	Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 of the Listing Rules;
"CWEA"	China Wind Energy Association (中國可再生能源學會風能專業委員會);
"DDPM"	direct-drive permanent magnet, a technology that combines a) a drive-train concept in which the need for a gearbox is eliminated and the turbine rotor directly drives the generator rotor; and b) a synchronous generator in which permanent magnet is used on the generator;
"Directors"	the directors of the Company;
"EGM"	extraordinary general meeting of the Company;
"EPC"	Engineering, Procurement and Construction, a construction arrangement where a company that is contracted to construct the project will be responsible for the design, procurement and construction of such project, and will deliver such project to the owner after completion of the project construction and passing of the final acceptance inspection;
"Financial Statements"	the audited consolidated financial statements of the Group for the financial year ended 31 December 2018, prepared in accordance with IFRSs;
"gearing ratio"	net debt divided by the sum of capital and net debt;
"Group", "Goldwind", "us" or "we"	the Company and its subsidiaries;
"Goldwind International"	Goldwind International Holdings (Hong Kong) Limited (金風國際控股(香港)有限公司) is a wholly owned subsidiary of the Company incorporated under the laws of Hong Kong on 6 October 2010;
"GW"	gigawatt, a unit of power, 1GW equals 1,000MW;
"H Shares"	ordinary shares issued by the Company, with RMB-denominated par value of RMB1.00 each, which are listed on the Stock Exchange and traded in HKD;
"H Shareholders"	the holders of the H Shares;

"HKD"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"IFRSs"	International Financial Reporting Standards;
"independent shareholders"	has the meaning as ascribed in the Listing Rules;
"kV"	kilovolt, a unit of potential difference between two terminals, 1kV equals 1,000 volts;
"kW"	kilowatt, a unit of power, 1kW equals 1,000 watts;
"kWh"	kilowatt hour, the unit of measurement for calculating the quantity of power production output. 1kWh is the work completed by a kilowatt generator running continuously for one hour at the rated output capacity;
"Latest Practicable Date"	18 April 2019, being the latest practicable date prior to printing this annual report for ascertaining certain information contained in this report;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules;
"MW"	megawatt, a unit of power, 1MW equals 1,000kW;
"NEA"	National Energy Administration of the PRC（中國國家能源局）;
"NDRC"	National Development and Reform Commission of the PRC（中國國家發展和改革委員會）;
"President"	the president of the Company;
"R&D"	research and development;
"RMB"	Renminbi, the lawful currency of the PRC;
"Senior Management"	the members of the senior management of the Company, their profiles as at 31 December 2018 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 48 of this annual report;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
"Shareholders"	shareholders of the Company;
"State Council"	the State Council of the PRC（中國國務院）;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;

"Subscribers"	the Individual Subscribers and Haitong Asset Management;
"subsidiary"	has the meaning as ascribed in the Listing Rules;
"Supervisors"	the supervisors of the Company;
"Supervisory Committee"	the supervisory committee of the Company;
"SZSE"	Shenzhen Stock Exchange;
"Three-North region"	China's Three-North region, which includes northeast, northwest and northern China;
"Vice Chairman"	the vice chairman of the Board;
"Wind Farm Investment and Development"	the Group's Wind Farm Investment and Development segment, one of the three primary business segments of the Group;
"Wind Power Services"	the Group's Wind Power Services business segment, one of the three primary business segments of the Group;
"WTG"	wind turbine generator;
"WTG Manufacturing"	the Group's WTG R&D, Manufacturing and Sales business segment, the core business of the Group and one of the three primary business segments of the Group;
"Xinjiang"	the Xinjiang Uyghur Autonomous Region of the PRC;
"Xinjiang Wind Power"	Xinjiang Wind Power Co., Ltd. (新疆風能有限責任公司), a state-owned enterprise incorporated under the laws of the PRC and a substantial shareholder of the Company;
"YoY"	year-over-year, a method of evaluating two or more measured events to compare the results at one time period with those from another time period on an annualized basis; and
"%"	percent, in this annual report, calculations of percentage shall be based on the financial data contained in the Financial Statements including the relevant notes (where applicable).

Corporate Information

As at the Latest Practical Date, relevant details are as follows:

BOARD OF DIRECTORS

Executive Directors
Mr. Wu Gang *(Chairman)*
Mr. Wang Haibo
Mr. Cao Zhigang

Non-executive Directors
Mr. Zhao Guoqing
Mr. Gao Jianjun
Ms. Gu Hongmei

Independent Non-executive Directors
Mr. Yang Xiaosheng
Mr. Luo Zhenbang
Dr. Tin Yau Kelvin Wong

SUPERVISORS

Mr. Wang Mengqiu *(President of Supervisory Committee)*
Mr. Luo Jun
Ms. Xiao Hong
Mr. Lu Min
Ms. Ji Tian

COMPANY SECRETARY

Ms. Ma Jinru

AUTHORISED REPRESENTATIVES

Mr. Wu Gang
Ms. Ma Jinru

AUDIT COMMITTEE

Mr. Luo Zhenbang
Mr. Zhao Guoqing
Dr. Tin Yau Kelvin Wong

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Yang Xiaosheng
Mr. Wang Haibo
Mr. Luo Zhenbang

NOMINATION COMMITTEE

Mr. Yang Xiaosheng
Mr. Luo Zhenbang
Mr. Cao Zhigang

STRATEGIC COMMITTEE

Mr. Wu Gang
Mr. Wang Haibo
Mr. Yang Xiaosheng
Mr. Gao Jianjun
Ms. Gu Hongmei

PLACE OF BUSINESS

In the PRC
No. 107
Shanghai Road
Economic & Technological Development District
Urumqi
Xinjiang

In Hong Kong
Edinburgh Tower, 33/F
The Landmark
15 Queen's Road Central
Hong Kong

LEGAL COUNSEL

Morrison & Foerster

AUDITORS

International Auditor
Ernst & Young

PRC Auditor
Ernst & Young Hua Ming LLP

LISTING PLACES

H Shares:
The Stock Exchange of Hong Kong Limited
Stock name: Goldwind
Stock code: 2208

A Shares:
Shenzhen Stock Exchange
Stock name: Goldwind
Stock code: 002202

SHARE REGISTRARS

H Shares:
Computershare Hong Kong Investor Services Limited

A Shares:
China Securities Depository and Clearing Corporation Limited, Shenzhen Branch

PRINCIPAL BANKERS

China Development Bank
Export-import Bank of China, Xinjiang Branch
Bank of China Limited, Xinjiang Branch
Bank Construction Bank Corporation, Xinjiang Branch
Agricultural Bank of China Limited, Xinjiang Branch
Industrial and Commercial Bank of China Limited, Xinjiang Branch

COMPANY WEBSITE

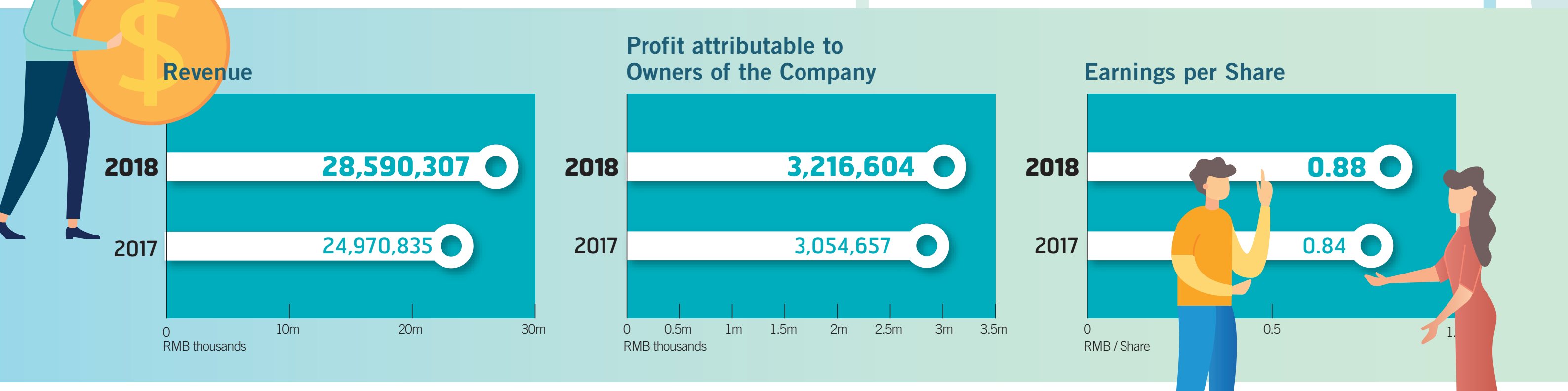
www.goldwindglobal.com

Financial Highlights

SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Except share data, all amounts in RMB thousands)

	Year ended 31 December 2018	2017	Percentage Change
REVENUE	**28,590,307**	24,970,835	14.49%
PROFIT BEFORE TAX	**3,682,431**	3,490,556	5.5%
Income tax expense	**399,833**	341,749	17%
PROFIT FOR THE YEAR	**3,282,598**	3,148,807	4.25%
Profit attributable to:			
Owners of the parent	**3,216,604**	3,054,657	5.3%
Non-controlling interests	**65,994**	94,150	-29.91%
OTHER COMPREHENSIVE INCOME, NET OF TAX	**(455,575)**	284,105	-260.35%
TOTAL COMPREHENSIVE INCOME	**2,761,029**	3,338,762	-17.30%
EARNINGS PER SHARE:			
Basic and diluted (RMB/share)	**0.88**	0.84	4.76%



SUMMARY OF SEGMENT REVENUE

(All amounts in RMB thousands)

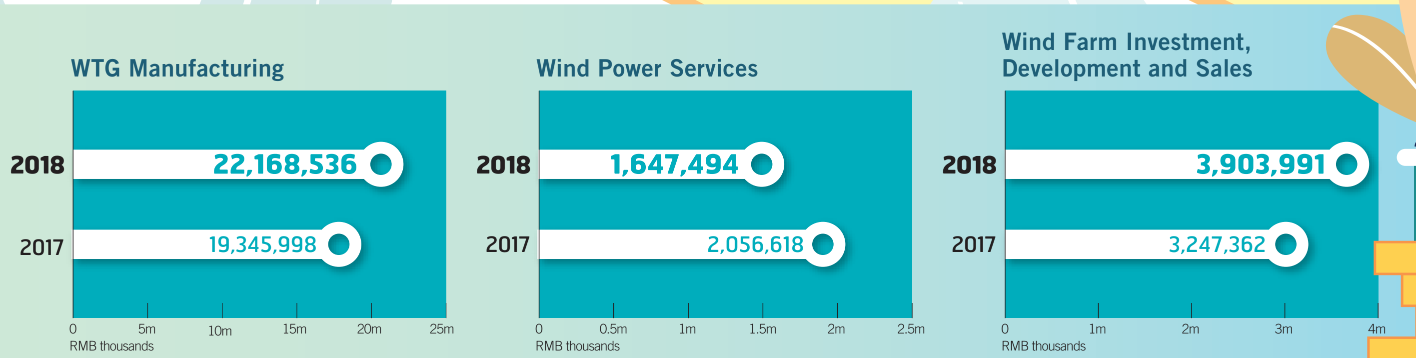
	Year ended 31 December 2018	2017	Percentage Change
WTG Manufacturing	**22,168,536**	19,345,998	14.59%
Wind Power Services	**1,647,494**	2,056,618	-19.89%
Wind Farm Investment, Development and Sales	**3,903,991**	3,247,362	20.22%
Other	**870,286**	320,857	171.24%
Total	**28,590,307**	24,970,835	14.49%

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in RMB thousands)

	As at 31 December 2018	2017	Percentage Change
Total assets	81,364,053	72,787,841	11.78%
Total liabilities	54,888,929	49,312,840	11.31%
NET ASSETS	26,475,124	23,475,001	12.78%
Equity attributable to owners of the Company	24,961,218	22,686,693	10.03%
Non-controlling interests	1,513,906	788,308	92.05%

SUMMARY OF SEGMENT REVENUE



SUMMARY OF CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands)

	As at 31 December 2018	2017
Net cash flows from operating activities	3,125,355	3,023,449
Net cash flows used in investment activities	(6,113,912)	(7,097,947)
Net cash flows from financing activities	1,201,420	3,381,890
Net decrease in cash and cash equivalents	(1,787,137)	(692,608)

Chairman's Letter

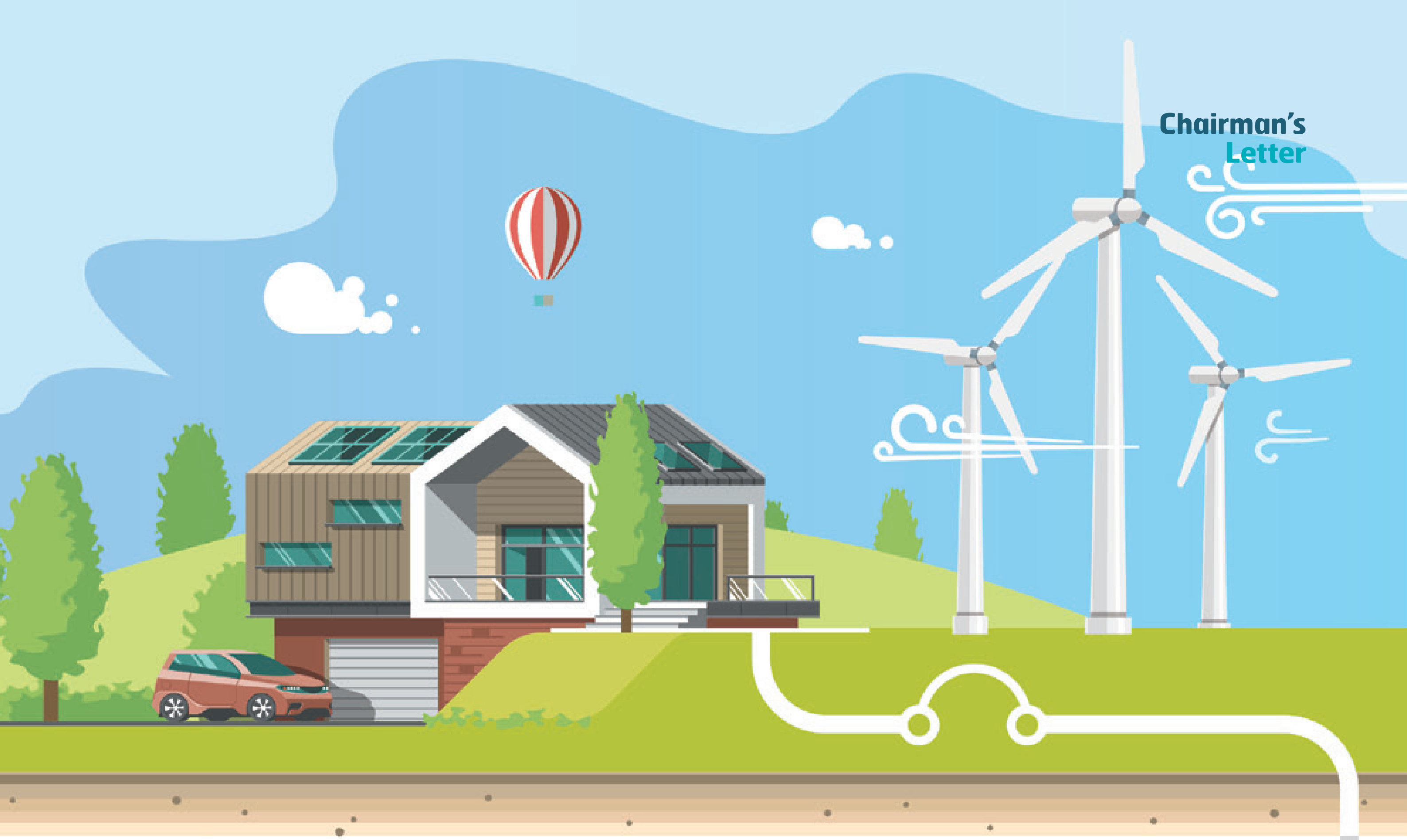
Wu Gang | Chairman

Dear Shareholders,

On behalf of the Board, I hereby present you the 2018 *Annual Report* of Goldwind.

In 2018, China's wind power industry developed steadily, the situation of grid-connected consumption continued to improve, and the proportion of wind power generation continued to increase. In the current structure of energy industry of China, wind power has become China's third largest power source after thermal power and hydropower, and is an important driving force for facilitating energy transformation and reformation. According to the global wind power statistics released by the Global Wind Energy Council, China continued to rank the top in the global new wind turbine capacity in 2018, accounting for 41.33% of the global installed capacity, and China ranked first in the global offshore installed capacity.

As the pioneer of China's wind power industry, Goldwind strives for survival in competition and fights for development with innovation by relying on its ingenuity and 20 years' experience in the field of wind power, thereby steadily improving its operating performance. In 2018, the Company recorded operating income of RMB28,590.31 million, representing a YoY increase of 14.49%. According to the statistics of Bloomberg New Energy Finance, in 2018, Goldwind installed new capacity of more than 7GW (including offshore capacity of 400MW) in China,



with a market share of 33.5%, ranking first for eight consecutive years. The Company ranked second in the world in 2018. The Company's orders in hand reached a record high again by breaking through 18GW, representing a YoY increase of 16.27%.

Goldwind always grasps the trend of cutting-edge technologies, develops on an on-going basis and improves various product platforms. Currently, we have 1.5, 2S, 2.5S, 3S and 6S platforms, and continue to improve the performance of serialized products of each platform, so as to cover a wider range of diversified operating environments. During the reporting period, the Company continued to proceed with the research and development on GW2S, GW2.5S, GW3S and GW6S units, of which the GW131/2.2MW unit launched in the 2S platform passed the high voltage ride-through test for the first time in the industry, for which an international type approval was obtained and mass supply was started accordingly. The "Double140" (GW140-2.5MW-140mHH) unit launched in the 2.5S platform is the world's first 2.5MW product with both the impeller diameter and tower height reaching 140 meters, and type approval issued by a third-party authority was obtained. DNV type approval was obtained for the first GW140/3400 unit of the GW3S platform, which was accredited by Windpower Monthly as the world's best onshore model of the year.

Given the long established background in wind turbine manufacturing and years of wind farm technology service practices, as well as the self-developed customizable intelligent direct drive turbines, New Freemeso, GoldFarm, SOAM™ (Smart Operation Administration & Maintenance), EFarm, POWERNEST, Resmart and other systems and technologies, Goldwind is able to continuously increase the power generation and equipment reliability of its products, reduce costs and improve the overall competitiveness of wind energy. In 2018, the Company's SOAM platform achieved large-scale commercialization, with new orders of over RMB60 million, representing a YoY increase of more than 50%. As of the end of the reporting period, the Company's operating

and maintenance service team provided construction, operation and maintenance and other services and technical support for approximate 33,000 units and about 1,000 wind farms across the globe, with over 20,000 units connected to the global monitoring center of Goldwind.

Benefiting from the continuous improvement of wind power consumption, the wind farm investment and development sector continued to maintain a trend of steady growth. In 2018, the Group's revenue from power generation was RMB3,903.99 million, showing an increase of RMB656.63 million YoY. The market trading volume accounted for 6.9% of the Company's total electricity production volume. During the reporting period, the Company's new grid-connected installed capacity and approved capacity continued to increase. Wind power projects led to significant growth in revenue from power generation, and power generation utilization hours exceeded the industry average. The business volume of the Company's wind farm asset management platform continued to increase, managing its own wind farm installed capacity of more than 4.7 million kW. By relying on the data center and digital platform, the Company achieved improvement in the efficiency and profitability of asset management.

Goldwind has always adhered to the diversified strategic layout, and has been deeply exploring offshore and overseas businesses for many years. By steadily advancing the "offshore and overseas" strategy, remarkable achievement was made in market development. The Company continued to strengthen the establishment of its offshore wind power technology and the engineering and talent teams, providing customers with highly reliable units, accurate assessments on wind farm resources, intelligent lifting, and operation and maintenance solutions. In the overseas markets, the Company has made new business progress in Turkey, Brazil, Kazakhstan and Chile. Goldwind International, a wholly-owned subsidiary of the Company, was listed as a supplier of the five major international clients, namely EDF R, Engie, E.ON, Enel Green Power and EDPR.As of the end of the reporting period, the Company had invested in 1.5GW attributable wind power projects, with a total project capacity of 1.34GW and an attributable capacity of 1.22GW under construction. Installed capacity of the completed overseas wind farms was 739MW and the attributable capacity was 303.1MW.

Goldwind has successfully penetrated into the water environmental protection sector and developed high-quality water environmental protection assets to provide customers with intelligent water solutions. In 2018, the scale of business and profitability continued to grow rapidly. The cumulative water treatment volume exceeded 3 million tons/day, representing a YoY increase of 80%. We had 52 water treatment projects, including 46 sewage projects, 4 water supply projects, one sludge project and one entrusted operation project. During the reporting period, the water business realizes a sales revenue of RMB581.96 million, representing an increase of 259.90% as compared with the same period of last year and a net profit of RMB114.43 million, representing an increase of 40.70% over the same period of last year.

China's renewable energy industry is at the forefront of the world with its huge power market demand, solid equipment manufacturing base and national strategic guidance for green development. China has become one of the world's largest renewable energy markets and manufacturing bases for the entire industry chain. Seizing this opportunity in the era, Goldwind will continue to step up its effort on the development of wind power equipment and wind power service business, and the realization of the upgrade and improvement of onshore and offshore wind power overall solutions. At the same time, we will actively deploy in the industrial chain of smart energy network "source-network-capacity", promote the development and investment of wind farms, accelerate the development of distributed energy and energy service businesses, and develop intelligent overall water solutions in the field of environmental protection, with the aim to gradually grow as the international leader in providing clean energy and energy-saving and environmental protection solutions.

Finally, on behalf of the Board, I would like to express my sincere gratitude to our Shareholders and business partners for their great support and encouragement in 2018, and to each of Goldwind's employees for their efforts.

Wu Gang
Chairman

Beijing, 29 March 2019

Milestones 2018

January

- Goldwind's another new ultra-low wind speed turbine "Double 140" has been put into operation.
- "Goldwind Intelligent Manufacturing" was honored to put offshore wind turbine GW171-6.45 into operation.

March

- The installation of 64 wind turbines of Goldwind Americas' Rattlesnake project was completed.

April

- Goldwind won the "2018 Energy Storage Technology Innovation Award"(2018儲能技術創新大獎).
- Goldwind's GW140-2.5MW received the world's first prototype approval of its kind.
- Goldwind continued to be awarded the title of "Excellent Board of Directors" under the Pegasus Award (天馬獎).

May

- Goldwind Australia has signed the connection agreement for Stockyard Hill project.

July

- Goldwind has been awarded by "Institutional Investor" as "the most respected company in Asia", and honored with the award "Best Investor Relationship Company" in the industrial sector of Asia for the third time in a row.

August

- Goldwind Chile's Punta Sierra project has entered its commercial operation period.
- Goldwind appeared in the "2018 BCG Global Challengers 100 List".

October

- Goldwind appeared in the "Digital transformation Paradigm Top 50 List" of "Harvard Business Review".

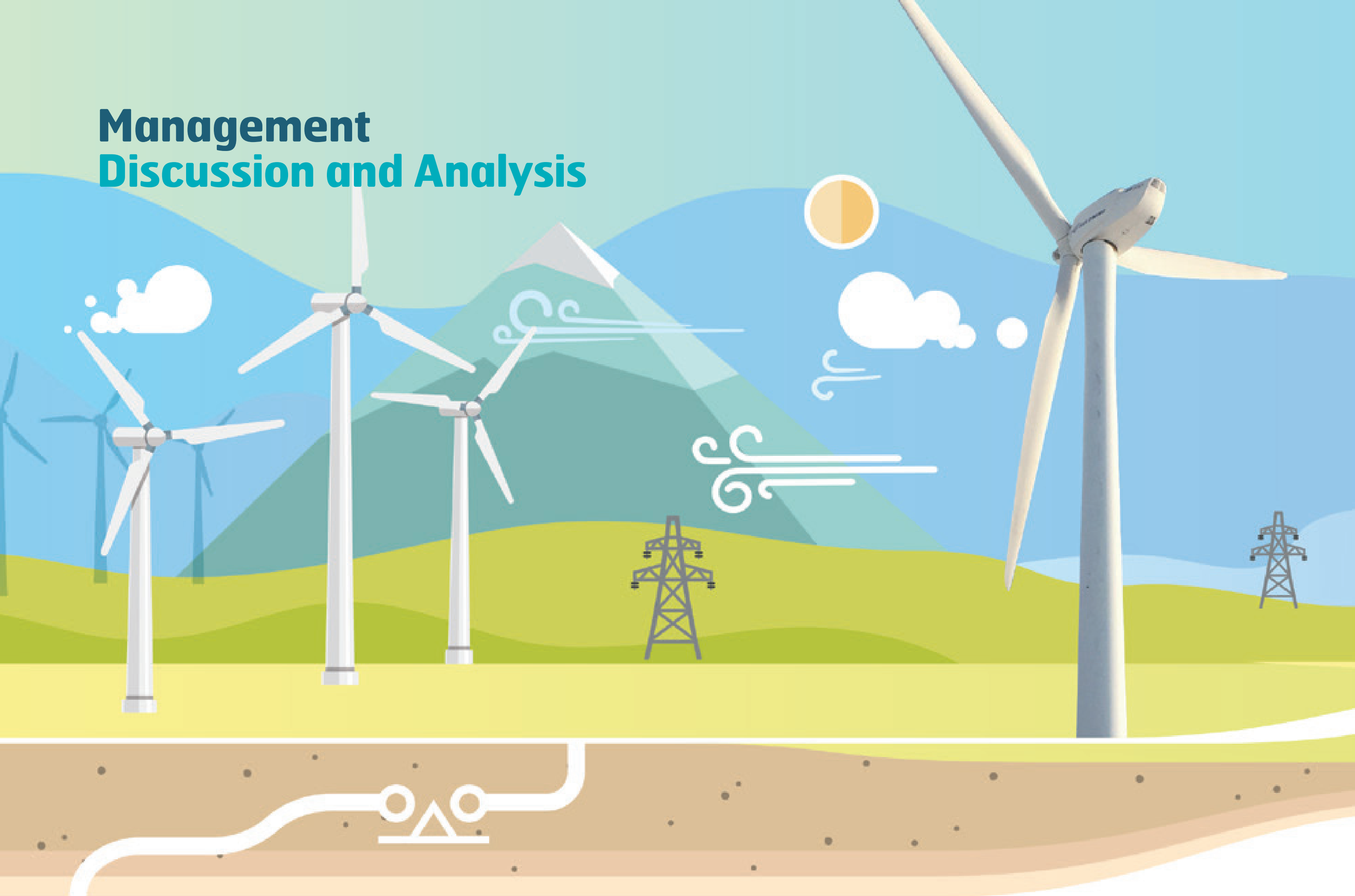
November

- Goldwind was awarded and accredited Intertek's "Satellite Laboratory" certification.
- Goldwind was nominated by the Third China Quality Award.

December

- Goldwind has been awarded the title "2018 International Clean Energy Enterprise of the Year".
- Goldwind has been awarded the silver prize of "China Good Design Award".

Management
Discussion and Analysis



OVERVIEW

In 2018, the world economy continued to grow moderately, but the pace of economic growth slowed down. Except that the United States economic performance exceeded market expectations, the economic growth of the Euro zone and Japan declined. The rise of protectionism, the escalation of trade tensions, and geopolitical factors have intensified the uncertainty of economic development. According to data released by IFM in October 2018, the forecast for global economic growth in 2018 is lowered from 3.9% to 3.7%.

In the intricate international environment, the Chinese government has persisted in promoting high-quality development, and the supply-side structural reform has been further advanced. The national economy has shown overall a stable, steady and positive growth. According to the National Bureau of Statistics, the GDP in 2018 exceeded RMB90 trillion, marking a year-on-year increase of 6.6%, and the growth rate ranked first among the top five economies in the world. According to the *World Economic Situation and Prospects of 2019* issued by the United Nations, the contribution rate of the Chinese economy to the world economic growth in 2018 is close to 30%.

According to global wind power statistics released by the Global Wind Energy Council, the global installed capacity of wind power market in the year 2018 exceeded 51.29GW, and the cumulative installed capacity in the world reached 591GW. In 2018, China's newly installed onshore wind capacity still ranked the first across the globe with an installed capacity of 21.2GW. China accounted for 41.33% of the global installed capacity, and was followed by the United States (7.59GW, 14.8%) and Germany (2.40GW, 4.68%). The three countries that have the most offshore wind installations are China (1.8GW), the United Kingdom (1.3GW) and Germany (0.97GW).

During the reporting period, China's electricity demand continued to grow, power production continued the trend of green and low-carbon, and non-fossil energy generation increased rapidly. According to the statistics of China Electricity Council and the National Energy Administration, the total electricity consumption of the whole country in 2018 was 6.84 trillion kWh, marking an increase of 8.5%. The national installed capacity of power generation was 1.90 billion kilowatts, showing a year-on-year increase of 6.5%, of which installed capacity of non-fossil energy was 770 million kilowatts, an increase of 2 percentage points year-on-year, to 40.8% of the total installed capacity. Total national power generation was 6.99 trillion kWh, of which non-fossil energy generation capacity was 2.16 trillion kWh, accounting for 30.4% of the total power generation, marking a year-on-year increase of 11.1%.

In 2018, newly grid-connected wind installations were 20.59 million kW. Wind power generation capacity was 366 billion kWh, accounting for 5.2% of total power generation, which has increased 0.4 percentage points on a year-on-year basis. National wind power utilization was 2,095 hours, representing an increase of 147 hours year-on-year. Average wind curtailment rate was 7%, which has decreased 5 percentage points year-on-year, and the wind curtailment problem was significantly eased.

I. MAIN POLICIES REVIEW

2018 is the turning point for China's "13th Five-Year Plan" to achieve energy and low carbon transformation. In order to ensure a non-fossil energy focus target, promote the transformation and upgrade of the energy structure, and promote the sustainable and healthy development of renewable energy represented by wind power, the country has successively issued a number of policies during the year to optimize energy supply security capacity and consumption structure. The year witnessed steady reduction of energy consumption and significant improvement of the efficiency of the industry. The trend of stable development and high-quality improvement has been further consolidated.

1. Strengthening the Supervision and Guidance of Renewable Energy to Ensure the Orderly Development of the Industry

On February 26, 2018, the National Energy Administration issued the "Guidelines for Energy Work in 2018" (《2018年能源工作指導意見》), which proposes to strengthen the monitoring and early warning mechanism for wind and solar power investment, build key wind power base projects in an orderly manner, and promote distributed wind power, low wind speed wind power and offshore wind power. *Guidelines* also prompted the construction of grid parity demonstration projects and the study and formulation of roadmaps for true parity. *Guidelines* plans 25 million kW and 20 million kW for newly constructed and newly installed wind power projects, respectively. It aims for 20 million kW projects to conduct preliminary work.

On April 3, 2018, the National Energy Administration issued the "Interim Administrative Measures for the Development and Construction of distributed Wind Power Projects" (《分散式風電項目開發建設暫行管理辦法》), which clearly requires all local governments to simplify the approval process for distributed wind power projects, to establish a simple and efficient regulatory work mechanism, and to encourage trial project approval commitments. The distributed wind power project's on-grid electricity is purchased by the grid enterprises with the local wind power on-grid price benchmarks; the project location is encouraged to carry out pilot projects for market-oriented reforms for distributed wind power.

In June and July 2018, the State Council issued the "Opinions on Strengthening Ecological Environment Protection and Resolutely Fighting for Pollution Prevention and Pollution Control" (《關於全面加強生態環境保護堅決打好污染防治攻堅戰的意見》) and the "Three-Year Action Plan to Win the Blue Sky Defence War" (《打贏藍天保衛戰三年行動計劃》). The State Council proposes to increase the use of clean energy, broaden the channels for clean energy consumption, and implement a indemnificatory purchase policy for renewable energy power generation. The policies further emphasize that by 2020, the goal is to make non-fossil energy account for 15% of total energy consumption.

On September 19, 2018, the National Energy Administration issued the "Notice on Combing the Information on Wind and Solar Power Projects since the 12th Five-Year Plan" (《關於梳理"十二五"以來風電、光伏發電項目信息的通知》), requiring that wind power projects do not meet the requirements be abolished in a timely manner, and the owners of approved yet uncommenced projects should promise a time to commence construction; and the solar and wind power projects owners should determine whether they need to apply for national renewable energy subsidies.

2. Promoting Renewable Power Consumption through Guidance, Control and Various Other Measures

On March 5, 2018, the National Energy Administration issued the "2018 Wind Power Investment Monitoring and Early Warning Results" (《2018年度風電投資檢測預警結果》), which lists Gansu, Xinjiang (including the Corps), and Jilin as the red warning areas. In the above areas, new project approval and grid connection were suspended in 2018 in order to guide the industrial investment and ease wind curtailment.

On October 30, 2018, the National Development and Reform Commission and the National Energy Administration jointly issued the "Notice on Printing and Distributing the Clean Energy Consumption Action Plan (2018-2020)"(《關於印發〈清潔能源消納行動計劃(2018-2020)〉的通知》), clearly stating that by 2020, the national average wind power utilization rate will be among the top tier globally (to strive to achieve a rate of 95%), the wind curtailment rate will be controlled within a reasonable level (strive to control it within 5%), and the problem of clean energy consumption will be fundamentally solved. At the same time, the policy gives guidance and support in terms of planning management, market-oriented transactions, and clean energy consumption.

In March, September and November 2018, respectively, the National Energy Administration and the General Office of the National Development and Reform Commission issued the "Renewable Energy Power Quota and Assessment Measures (Draft for Comment)" (《可再生能源電力配額及考核辦法(徵求意見稿)》) for three times, clarifying the distribution of renewable energy by provincial administrative regions. The proportion index of power consumption, the quotas of renewable energy power consumption of various provinces (autonomous regions and municipalities) and the non-hydropower renewable energy power quota indicators of provinces (autonomous regions and municipalities) are all divided into compulsory and incentive indicators. The third consultation draft clearly states that the quota assessment will be officially commenced on January 1, 2019.

3. Continuing to Improve the Mechanism of Gradual Phase-out of Feed-in tariff (FiTs) and Grant Subsidies to Implement Indemnificatory Renewable Energy Purchase

On May 18, 2018, the National Energy Administration issued the "Notice on the Relevant Requirements for Wind Power Construction Management in 2018" (《關於2018年度風電建設管理有關要求的通知》), clarifying that new centralized onshore wind power projects in the provinces (autonomous regions and municipalities) that have not yet issued the 2018 wind power construction plan and newly approved centralized onshore wind power projects permitted after the beginning of 2019 in all provinces (autonomous regions and municipalities) will be allocated and determined the on-grid tariffs through competitive bidding. The policy is favourable to the healthy development of the wind power industry, promoting the solution of wind power subsidies and consumption problems, and is favourable to promoting the technologies of equipment manufacturing, as well as selecting the superior and eliminating the inferior.

On June 11, 2018, the Ministry of Finance, the National Development and Reform Commission and the Energy Bureau jointly issued the "Notice on Publishing the Catalogue of Subsidies for Renewable Energy (Seventh Batch)" (《關於公布可再生能源電價附加資金補助目錄(第七批)》), which includes more than 55GW of renewable energy power generation projects, including wind power, solar power, biomass, etc.

On September 13, 2018, the National Energy Administration issued the "Notice on Accelerating the Work on Speeding up the Wind Power and Solar Power True Parity (Draft for Comment)" (《關於加快推進風電、光伏發電平價上網有關工作的通知(徵求意見稿)》), which was officially released by the National Development and Reform Commission and the Energy Bureau on January 7, 2019 as the "Notice on Accelerating the Work on Speeding up the Wind Power and Solar Power True Parity (Draft for Comment)" (《關於加快推進風電、光伏發電平價上網有關工作的通知》). It proposes that the construction of true parity and low-price pilot projects are not subject to annual construction scale restrictions; local governments is prohibited to collect any form of resource transfer fee and other fees for related projects; grid enterprises should guarantee priority power generation and indemnificatory renewable energy purchase, while encouraging true parity projects and low-cost projects to receive reasonable income compensation through green certificate transactions; and that power grid enterprises should prepare network construction. The policy also encourages relevant projects to carry out power market transactions, and reduce and exempt transmission and distribution prices and charges for direct transactions. The government and power grid enterprises are asked to solidly promote local consumption of true-parity and low-priced projects and the delivery of trans-provincial and trans-regional transmission channels. In addition, the policy provides support in terms of financial innovation, early warning management, and assessment mechanisms.

4. Power Market Reform Continuing to Promote Energy Structural Adjustment

On March 20, 2018, the National Energy Administration issued the "Circular on Soliciting Opinions on the Management of Distributed Power Generation (Draft for Comment)" (《關於徵求《分布式發電管理辦法(徵求意見稿)》意見的函》). For distributed power generation projects that are connected to the grid and whose power generation is locally absorbed, the policy clarifies measures related to construction and management regulations, grid access, market transactions, operational management, and supervision measures, in order to promote distributed power market mechanisms and business model innovation, and to promote the sustainable and healthy development of distributed wind power.

On April 27, 2018, the National Energy Administration issued the "Notice of the National Energy Administration on Further Promoting the Work Related to Power Generation Transactions" (《國家能源局關於進一步促進發電權交易有關工作的通知》), which calls for the optimization and adjustment of the power industry structural optimization. In principle, the clean energy generator set will replace the inefficient and highly-polluting thermal power generating units. At the same time, the policy encourages clean energy generator sets to replace each other. Power generation enterprises should independently and voluntarily participate in power generation rights transactions, sign and perform trading contract and mutual insurance agreement in accordance with the "Basic Rules for Medium- and Long-Term Electricity Transactions" (《電力中長期交易基本規則》) and other relevant provisions, on the basis of safeguarding their own power and electricity consumption.

On July 16, 2018, the National Development and Reform Commission and the National Energy Administration issued the "Notice on Actively Promoting Power Market-based Transactions to Further Improve the Trading Mechanism" (《關於積極推進電力市場後交易進一步完善交易機制的通知》), clearly supporting power users and clean energy power generation enterprises such as hydropower, wind power, solar power, and nuclear power. It urges the formation of market-based transactions and the establishment of a clean energy quota system to promote clean energy consumption.

On November 8, 2018, the National Energy Administration issued the "Notice on Improving and Completing the Pilot Work Mechanism for the Construction of the Power Spot Market" (《關於健全完善電力現貨市場建設試點工作機制的通知》), requesting that the pilot program for the construction of the spot market be accelerated. The pilot area should, in principle, carries out the spot pilot simulation test run before the end of June 2019.

II. INDUSTRY REVIEW

Under the influence of the above-mentioned policies, the national wind power industry continued to develop steadily in 2018. Wind curtailment and curtailment rate both went down, and new energy consumption improved significantly. The National Development and Reform Commission and the National Energy Administration have actively introduced guiding policies. The paths of wind power cost reduction and the phase-out of feed-in tariffs are becoming clearer, and the competitiveness of the wind power industry is expected to increase significantly. With the industry becoming more mature, efficient market competition has also promoted the continuous optimization of the wind power industry.

1. Orderly Development of the Wind Power Industry

In 2018, the national wind power developed stably and healthily. According to data from the National Energy Administration, by the end of 2018, the cumulative grid-connected capacity of wind power in China reached 184 million kilowatts, accounting for 9.7% of the total installed capacity of power generation in China. Wind power generation capacity was 366 billion kWh, accounting for 5.2% of all domestic power generation. In 2018, the average utilization of wind power in the country was 2,095 hours, marking an increase of 147 hours year-on-year. Wind power curtailment was 27.7 billion kWh, showing a year-on-year decrease of 14.2 billion kWh. Average wind curtailment rate was 7%, representing a decrease of 5 percentage points year-on-year. Among them, the areas with a wind curtailment rate of more than 8% were Xinjiang (23%), Gansu (19%), Inner Mongolia (10%), and the curtailment of wind power in the three provinces (regions) contributed 84% of China's total wind curtailment. According to the red warning mechanism, some provinces are expected to be removed from the red warning list in 2019, and the traditional wind power areas will continue to release market demand.

2. Actively Guiding Industrial Policies and Driving Wind Power Cost Reduction & Efficiency Improvement

In recent years, the state has issued a series of supporting policies to drive the continuous reduction of costs and improvement of efficiency in the wind power industry, and to lead the gradual and orderly evolvement of wind power to low subsidy or even no subsidy. The National Development and Reform Commission successively implemented the guidance adjustments on the renewable energy feed-in tariff mechanism in 2014 and 2016. The on-grid tariff for the wind power benchmark in the first-tier wind resource zone was adjusted from 0.51 yuan/kWh to 0.4 yuan/kWh. The tariff in the second-tier wind resource zone has been adjusted from 0.54 yuan to 0.45 yuan/kWh. The on-grid tariff of wind power benchmarks in the third-tier resource area has been adjusted from 0.58 yuan/kWh to 0.49 yuan/kWh. The tariff price of wind power benchmarks in the fourth-tier resource area was adjusted to 0.57 yuan/kWh from 0.61 yuan/kWh.

With the large-scale development of wind power generation and the rapid advancement of technology in the whole industry, the ability of the wind power industry to compete with traditional energy sources has been continuously enhanced. According to data from the China Wind Energy Association, the average cost of China's wind farm projects has been reduced by about 20-35% between 2008 and 2018, and the cost control capability of wind power is gradually improving. At present, in areas with superior wind resource, consumption market protection, and good investment environment, wind power is able to connect to the grid with coal-fired power on-grid price (no national subsidies required), proving that there are no technical obstacles to true parity.

3. Continuous Optimization of Competition Pattern and Industrial Structure

Under the guidance of the national "13th Five-Year" renewable energy development goals, the market players in all segments of the wind power industry will continue to enhance the grid friendliness and comprehensive competitiveness of wind power through technological advancement and business model iteration, and the equipment products will be more reliable and efficient. Wind farm development should pay more attention to load-side consumption and full-cycle asset efficiency improvement, and market entities jointly promote the sustainable development of wind power industry. According to the Wind Energy Association, in the past five years, the market share of the top five suppliers in the wind turbine equipment market has increased from 54% in 2013 to 67% in 2018, and the market consolidation has helped with cost reduction. In the past ten years, the number of wind farm developers has increased from 38 in 2008 to more than 100 in 2018. This diversified structure will contribute to the market development of the wind power industry and accelerate the cost competitiveness of wind power.

At the same time, with the accelerated reform of the national electricity market, the relevant mechanisms for power spot trading and cross-provincial power generation trading continued to improve, and the incremental distribution network construction and microgrid technology gradually matured. With its characteristics such as flexible, low-carbon and recyclable, renewable energy is expected to take the lead in generating new business models and formats against the backdrop of energy Internet, further enhancing its comprehensive competitiveness and promoting the low-carbon transformation of the national energy structure.

BUSINESS REVIEW

I. Overview

In 2018, under the impetus of a series of policies such as the national quota system, green certificate, subsidy phase-out, and competitive bidding, the competition in the wind power industry has become increasingly fierce. Owing to the Company's anticipation of the trend of true parity and the effective implementation of response strategy, the effect of the Company's strategy in the main business sector, industrial chain, new energy field has been demonstrated. The Company's market strategies that is led by technological innovation, and targeted in cost reduction and efficiency improvement, have also built the backbone for the Company's sales revenue and profit growth.

For the financial year ended 31 December 2018, the Group's operating revenue was RMB28,590.31 million, representing an increase of 14.49% YoY. Net profit attributable to the parent company was RMB3,216.60 million, representing an increase of 5.30% YoY. The Company's wind power market share ranked the first domestically, with a market share of more than 30%; the Company's order backlog reached a record-high level, reaching 18GW, marking an increase of 16.27% year-on-year.

i. WTG R&D, Manufacturing and Sales

According to Bloomberg New Energy Finance, Goldwind has added 6.7GW of domestic installed capacity (including 400MW offshore) in 2018, with a market share of 32%. It ranked the first in China for eight consecutive years and the second in the world.

As of the end of the reporting period, the Company's global cumulative installed capacity exceeded 50GW (31,000 units), of which China's cumulative installed capacity exceeded 48GW (more than 30,000 units). Cumulative installed capacity exceeded 2GW overseas (more than 1,000 units).

1. Product Manufacturing and Sales

During the Reporting Period, the Group's revenue from the sales of WTGs and components was RMB22,168.54 million, representing an increase of 14.59% YoY. The Group realized external sales of 5,861.00MW, an increase of 15.34% YoY, the WTGs sales volumes of model 2.0MW has a significant increase, the share of sales volumes increases to 74.39% from 59.67% in 2017.

The following table provides the details of the Group's WTG sales volumes in 2018 and 2017:

	2018		2017		Change in
Model	**Unit Sold**	**Capacity Sold (MW)**	Unit Sold	Capacity Sold (MW)	Capacity Sold
6.0MW	**9**	**54.00**	–	–	–
3.0MW	**114**	**342.00**	15	45.00	660.00%
2.5MW	**298**	**745.00**	551	1,377.50	–45.92%
2.0MW	**2,180**	**4,360.00**	1,516	3,032.00	43.80%
1.5MW	**240**	**360.00**	418	627.00	–42.58%
Total	**2,841**	**5,861.00**	2,500	5,081.50	15.34%

During the reporting period, the Company's order backlog increased steadily. As of December 31, 2018, the Company's external contract orders were 12,852.35MW, which included 296.1MW of 1.5MW unit (including 1.65MW), 4,562MW of 2.0MW unit, 1,936MW of 2.2MW unit, 1,214.4MW of 2.3MW unit, 3,565MW of 2.5MW unit, 357MW of 3.0MW unit, 188.1MW of 3.3MW unit, 149.6MW of 3.4MW unit, 150.5MW of 3.5MW unit, 212.85MW of 6.45MW unit, 212.8MW of 6.65MW unit, 8MW of 8.0MW unit. The Company had 5657.6MW unsigned orders, which included: 49.5MW of 1.5MW unit, 1,300MW of 2.0MW unit, 1573MW of 2.2MW unit, 552MW of 2.3MW unit, 1,605MW of 2.5MW unit, 459MW of 3.0MW unit, 115.6MW of 3.4MW unit, and 3.5MW unit of 3.5MW unit. External orders totaled 18,509.95MW.

2. R&D and Certification

Scientific and technological innovation are the core driving forces for corporate development. Driven by technological innovation to drive enterprise development and introduce differentiated products that can add value to customers, it is the key to maintain industry leadership and achieve high quality development. During the reporting period, the Company integrated the resources and technical advantages of the seven global R&D centers, optimized and upgraded the existing R&D platforms and products according to the market and customer needs, and combined the key technology applications in various fields of WTGs with the optimization and upgrade of the software and hardware.

During the reporting period, the Company continued to promote the research and development of GW2S, GW2.5S, GW3S and GW6S series units. The GW131/2.2MW unit launched by the Company's 2S platform is the first in the industry to complete high voltage ride-through test, and has been certified with an international type certificate and started supply in a large scale. The serialized unit under this platform has multi-impeller diameter, multi-tower height (form), and more. The technical characteristics of variable power and multiple control modes can respond to the complex and diverse needs of the market.

The "Double140" (GW140-2.5MW-140mHH) unit launched by Goldwind 2.5S platform is the world's first 2.5MW product with impeller diameter and tower height of 140 meters, and has been type-certified by third-party authorities. The unit is a large-capacity, low-speed product launched after GW130/2500, which expands the coverage of the 2.5S product line to the market segment.

The GW3S platform has been continuously upgraded and optimized from the aspects of flexible capacity, life management strategy, tower serial configuration strategy, unit intelligence, and power generation improvement. The platform's first GW140/3400 unit received DNV type certificate and was named the world's best onshore model by *Windpower Monthly*. The GW155/3300 unit was launched, which was mainly designed for the low and medium wind speed onshore market. It can be customized to configure different types of towers. It effectively supports the GW3S platform to achieve coverage of the entire wind zone, providing a solution for higher power generation performance and adaptability for the development of domestic low wind speed resources. The first GW3.0MW(S) platform intelligent WTG completed its hoisting and grid connection in the United States during the reporting period, marking that the design standard of Goldwind's new generation of intelligent complete machine products fully meets the design requirements of North America. The GW136/4200 unit upgrades the rated capacity of the platform product to more than 4MW.

Goldwind's lab was approved to join Intertek's "Satellite Program", becoming the first laboratory in the wind power industry to pass the Intertek satellite program, marking another milestone in the field of wind power testing.

a. *Product Certificate*

In 2018, Goldwind received 50 type certificates, of which international certificates was six. These certificates covered Goldwind's 2S to 6S product platform. In order to better suit the needs of different regions, Goldwind has further tried to obtain certificates for products that adapt to different environments, such as low-temperature or high-altitude adaptive WTGs. It has obtained 80 design certificates for towers.

b. *Property Rights and Standard-setting*

Goldwind continues to attach importance to R&D and innovation investment, and actively protects its core technologies through intellectual property rights. The number of patent applications at home and abroad has gradually increased, and the patent application structure has been continuously optimized.

In 2018, Goldwind filed 941 new patent applications, 228 new overseas patent applications, 188 new software copyright applications, and 150 new domestic trademark applications. There were 553 new patents granted in China, 26 new authorized patents overseas, 21 newly approved registered trademarks in China, and 4 newly approved registered trademarks overseas.

3. Quality Control

The company attaches great importance to the quality of wind turbine products, adheres to the "quality and efficiency" notions, formulates quality strategy, and combines 20 years of experience in WTG R&D and manufacturing to explore and gradually form a "wind power long-run" quality management model. The Company improves the quality of wind turbine products from five dimensions: cultural leadership, technology innovation, leadership-driven, wholly excellent supply chain, and customer experience. During the reporting period, the Company implemented quality benchmarking activities and completed the selection of one quality benchmark supplier, 10 product quality benchmarks and 39 other demonstration projects during the year. To achieve high-quality management of project quality, the Company launched a senior customer quality manager training camp. The Company also organized supplier quality credit evaluation activities, covering quality benchmarking, precise delivery, lean input, etc., to promote its product quality and to optimize project management.

During the reporting period, Goldwind won the Nomination Award of the third "China Quality Award" and the "National Quality Benchmark" honorary title issued by China Quality Association. Goldwind's Dafeng Assembly Plant, Hami Yandun 7th District Wind Farm, Tianyuan Science and Technology Shanxi Shenchi Project won the five-star on-site management award in the "National Site Management Star Rating" evaluation activity organized by China Quality Association.

ii. Wind Power Services

With the continuous growth of domestic wind power installed capacity, business opportunities in the service market have arrived. The traditional evaluation indicators based on internal revenues are gradually replaced by levelized cost of energy (LCOE). Goldwind has long established the strategic positioning of being a wind power solution provider and aimed to reduce costs, enhance market competitiveness, and create value for customers. In terms of business layout, it extends vertically to the industry chain, providing customers with services such as pre-tech development consulting, financing services, EPC engineering services, and life-cycle asset management for wind power projects.

Based on the big data platform, Goldwind's digital wind farm overall solution includes self-developed customizable, intelligent direct-drive WTGs, including New Freemeso, GoldFarm, SOAM™, EFarm, Power Nest, Resmart and other systems and technologies, which help to improve power generation and equipment reliability, reduce cost, and continuously improve the comprehensive competitiveness of wind energy. During the reporting period, the Smart Wind Farm Operation and Management Platform (SOAM) achieved large-scale commercialization, with new orders exceeding 60 million yuan, an increase of more than 50% year-on-year. User-side integrated energy management system currently has more than 297 customers and 312 sites and has initially established data analysis capabilities such as load forecasting and power diagnosis.

Goldwind together with State Grid Qinghai Electric Power Company and other cooperative organizations jointly set up Qinghai New Energy Big Data Innovation Platform to provide green power for Qinghai Province's "9-Day Green Power" event. 6 new energy stations will use remote monitoring through the platform. This is a new practice of zero-emission electricity consumption and maximization of clean energy consumption, and is a further exploration of the domestic energy transformation path.

As of the end of the reporting period, the Company's operation and maintenance service team provided construction, operation and maintenance services and technical support for more than 33,000 units and about 1,000 wind farms worldwide, and approximately 20,000 units were connected to the Goldwind Global Monitoring Center. The domestic and foreign operating wind farm service projects volume is 6,968MW, of which non-Goldwind projects account for 39%, increasing for 70.93% YoY. During the Reporting Period, revenue from the Wind Power Services business segment was RMB1,647.49 million.

iii. Wind Farm Investment and Development

With the continuous improvement of wind curtailment, the Company's wind farm investment and development business achieved good results during the reporting period. The power transaction volume and power generation revenue continued to increase. The installed capacity of the grid and the projects to be built continued to grow steadily. The number of utilization hours exceeds the industry average.

During the Reporting Period, the Group's revenue from power generation was RMB3,903.99 million, showing an increase of RMB656.63 million YoY. The market trading volume accounted for 6.9% of the Company's total electricity production volume

During the reporting period, the Company added 780.90MW of grid-connected capacity in the domestic grid, and added 721.3MW of attributable grid-connected capacity. The capacity of wind farm projects under construction was 2,411.6MW, of which 1,540.04MW was attributable. In 2018, the approved domestic new capacity was 889MW, and the domestically approved yet undeveloped attributable capacity at the end of 2018 was 2,012.21MW. The average utilization of WTGs exceeds 2,200 hours.

In recent years, the scale of the Company's business has continued to expand, and the volume the wind farm asset management platform manages has continued to increase. At present, the Company manages its own wind farm installed capacity of more than 4.7 million kW. It also actively develops corresponding strategies for the management of existing wind farm assets, relies on the data center and digital platform established by Che company, and uses laser radar, Efarm and other technologies to achieve live monitoring of power curve, asset management efficiency management and profitability enhancement.

With the continuous advancement of the power market reform, the mode of fixed-on-grid power prices has gradually phased out, and the price of power outside the indemnificatory renewable energy purchase has entered the market. In terms of promoting market-oriented power trading, the Company currently has six power-selling companies to ensure the price of electricity through the establishment of power-supply companies in technology and management, and to ensure the price of electricity through the power market. The Company is devoted to managing investment income from a full life cycle perspective in order to maximize the return on investment during the entire life cycle for customers.

iv. **Promotion of "Offshore and Overseas" Strategy**

Under the guidance of the "two seas" strategy, the overseas and offshore businesses were smoothly boosted in 2018, which played an active and important role in strengthening the Company's market leading position of the wind power industry and in expanding market share and brand influence.

In 2018, in the context of the accelerated development of offshore wind power in China, Goldwind continuously strengthened the construction of offshore wind power technology, engineering and talent team-building, providing customers with high-reliability WTGs, accurate wind farm resource assessment, intelligent hoisting, and operation and maintenance plan. Focusing on offshore wind power projects, the Company pursues the optimal electricity cost plan and creates a three-dimensional integrated solution for "offshore wind turbines, offshore engineering, and offshore operation and maintenance". Among them, GW154-6.7MW and GW171-6.45MW products launched by GW6S platform have successively obtained type certificates and started mass application. On this basis, the GW184-6.45MW, GW168-6.45MW and GW168-8.0MW series units were further upgraded. These products not only take advantage of the technical advantages of Goldwind's permanent magnet direct-drive (PMDD) technology, but also carry out special adaptation studies on the complex marine environment. This entitles the Company with regional-targeted adaptation models that adapt to various climatic conditions, from low-temperature and low wind speed in the north, low wind speed in the middle intertidal zone, to high-temperature, typhoon and high wind speed in the south. They played a leading and demonstrating role for resource intensive utilization.

During the reporting period, the Company achieved business breakthroughs in various overseas markets and international customer development. The AKSU RES project signed by the Company in Turkey became its first overseas 3S customer order. Mataraca project's first non-Goldwind WTG generator replacement work was completed in Brazil and the WTG successfully connected to the grid for power generation. The Company also signed new generator supply and service agreement with the project owner, providing technical renovation and operation and maintenance services for 223 wind turbines for its 14 wind farms. WTGs for Chilik (Kazakhstan) 5MW wind power project and 32 GW121-2.5MW WTGs of the Punta Sierra project in Chile were all hoisted and entered their commercial operation periods. In terms of international major customer expansion, Goldwind International Holdings (Hong Kong) Limited has made to the supplier list of five major international customers: EDF R, Engie, E.ON, Enel Green Power and EDPR. In the reporting period, the Company received 13 tender invitations from major customers. With a total capacity of 4.2GW, in December 2018, as the exclusive WTG supplier of EDPR, the Company participated in the bidding of the Greek Aerorrachi project (14MW) and was successful in the bidding.

As of the end of the reporting period, the Company had invested in 1.5GW attributable wind power projects, with a total project capacity of 1.34GW and an attributable capacity of 1.22GW under construction. Installed capacity of the completed overseas wind farms was 739MW and the attributable capacity was 303.1MW.

During the reporting period, the Group achieved international sales revenue of RMB2,048.33 million.

v. Water Treatment Business

In August 2018, the State Council issued the "Opinions on Strengthening Ecological Environment Protection and Resolutely Fighting for Pollution Prevention and Pollution Control" (《關於全面加強生態環境保護，堅決打好污染防治攻堅戰的意見》), arranging "Efforts to Fight for Clean Water" and "Fighting the Battle of Black and Stinky Waters in Cities" to promote the three-year action plan of "quality and efficiency improvement" of sewage treatment. It will speed up the recovery of short-term sewage collection and treatment in urban areas, and fully cover, fully collect and fully deal with sewage water as soon as possible. The water industry will also usher in a period of rapid development.

The exploration and practice of Goldwind's water treatment business are aimed at realizing the combination of environmental water technology and new energy technology, and actively promote the development and transformation of water treatment business. The "Smart Water Plant Energy Solution" launched by the Company covers the entire energy consumption process of the water plant from the power generation side, the power supply to the load side, and the energy operation and maintenance, so as to realize the water plant energy usage and intelligent management in a more precise and dynamic way. Distributed energy can make full use of the clean energy resources of the water plant's territory and reduce the energy cost. It conducts aeration precisely, undertaking on-demand aeration based on big data and ensuring that the water reaches the standard while reducing energy consumption. The Company purchases and sells electricity to assist the water plants with enjoying the benefit of new energy policies. With intelligent energy efficiency system, it is easy to achieve visual monitoring of water plant energy consumption and high efficiency management.

The second phase expansion and upgrading project of Hannan Maosha Wastewater Treatment Plant undertaken by the Company won the honor of "Huanghelou Cup" and "Municipal Engineering Gold Award" of Wuhan construction engineering safety civilization demonstration project, and won the silver award in 2018 "Hubei Municipal Demonstration Project".

The first phase of the distributed solar project of Beijing Drainage Group, "Qinghe Reclaimed Water Plant Distributed Solar Project" was officially put into operation in November 2018. The project is an important cooperation between Goldwind and Beijing Drainage Group in the field of green smart energy. It aims to transform the traditional sewage treatment plant into an "energy water plant" and a "resource water plant", leading the transformation of intelligent water treatment industry.

By the end of 2018, the Company's cumulative water treatment business scale exceeded 3 million tons per day, showing an increase of 80%. The Company owned 52 water treatment projects, including 46 sewage projects, 4 water supply projects, 1 sludge project, and 1 outsourcing project.

During the reporting period, the water business realizes a sales revenue of RMB581.96 million, representing an increase of 259.90% as compared with the same period of last year and a net profit of RMB114.43 million, representing an increase of 40.70% over the same period of last year.

vi. Major Subsidiaries

As at 31 December 2018, the Group had 344 subsidiaries, which included 39 directly owned subsidiaries and 305 indirectly owned subsidiaries. In addition, we had 18 joint ventures, 24 associated companies and held 25 equity investments categorised as available-for-sale investments. The Group's subsidiaries included R&D and manufacturing companies for WTG components, wind farm investment and development companies, wind power service companies, and water treatment plants, finance lease service companies and etc. The following table sets out the key financial information of principal subsidiaries of the Group (reported in accordance with CASBE):

As at 31 December 2018
Unit: RMB

No.	Company Name	Registered Capital (RMB ten thousand, unless otherwise stated)	Total Assets	Net Assets	Revenue of Principal Businesses	Net Profits Attributable to the Company
1	Beijing Goldwind Science & Creation Wind Power Equipment Co., Ltd.	99,300.00	6,669,269,551.37	1,480,572,822.41	5,570,657,953.05	73,727,387.85
2	Jiangsu Goldwind Technology Co., Ltd.	75,961.00	4,861,710,203.09	1,490,472,924.11	3,684,530,222.29	84,379,277.26
3	Beijing Techwin Electric Co., Ltd.	10,000.00	6,003,381,692.35	1,513,525,759.84	2,978,246,308.55	243,710,102.11
4	Beijing Tianrun New Energy Investment Co., Ltd.	555,000.00	30,460,076,544.25	10,753,085,092.85	3,587,377,777.83	2,103,363,107.35
5	Goldwind Investment Holding Co., Ltd.	100,000.00	1,914,325,118.91	1,717,041,623.59	–	182,175,588.59
6	Goldwind Environmental Science & Technology Co., Ltd.	100,000.00	5,251,238,693.15	1,253,208,215.36	579,694,592.15	90,216,437.23
7	Tianxin International Finance Lease Co., Ltd.	USD3,000	5,433,948,228.74	623,313,629.66	301,172,705.08	134,894,841.27

III. OPERATIONS PERFORMANCE AND ANALYSIS

The contents of this section should be read in conjunction with the Financial Statements, including the relevant notes, set out in this announcement.

Summary

For the financial year ended 31 December 2018, revenue from operations for the Group was RMB28,590.31 million, representing an increase of 14.49% compared with RMB24,970.84 million for the financial year ended 31 December 2017. Net profit attributable to owners of the Company was RMB3,216.60 million, representing an increase of 5.30% compared with RMB3,054.66 million for the financial year ended 31 December 2017. The Group reported basic earnings per share of RMB0.88.

The following table provides Group's major financial indicators:

	Year ended 31 December 2018	2017	Change (percentage points)
Profitability Index			
Sales margin	**11.25%**	12.23%	–0.98 percentage points
Return on investment index			
Weighted average return on net assets*	**14.03%**	15.04%	–1.01 percentage points

* Calculated according to Announcement No. [2010]2, which is *Information Disclosure Compiling Rule No. 9 of Public Offering Company about the Calculation and Disclosure of Net Asset Income Rate and Earnings Per Share*.

Revenue

The Group's revenue was generated primarily from business segments including, (i) the WTG Manufacturing; (ii) Wind Power Services; (iii) Wind Farm Investment and Development; and (iv) other. Revenue from WTG Manufacturing was mainly generated through sales of WTGs and components. Revenue from Wind Power Services was mainly generated through wind farm EPC, maintenance, and other services. Revenue from Wind Farm Investment and Development was mainly generated from the sale of power produced by our operating wind farms. Revenue from other business segment of Goldwind included revenue from lease financing and water treatment.

For the financial year ended 31 December 2018, revenue from operations for the Group was RMB28,590.31 million, representing an increase of 14.49% compared with RMB24,970.84 million for the financial year ended 31 December 2017. Details are set out below:

Unit: RMB thousand

	Year ended 31 December 2018	2017	Amount Change	Percentage Change
WTG Manufacturing	**22,168,536**	19,345,998	2,822,538	14.59%
Wind Power Services	**1,647,494**	2,056,618	(409,124)	–19.89%
Wind Farm Investment and Development	**3,903,991**	3,247,362	656,629	20.22%
Other	**870,286**	320,857	549,429	171.24%
Total	**28,590,307**	24,970,835	3,619,472	14.49%

The increase in operating revenue of the Group was mainly attributable to: (i) the steady development of China's wind power industry in 2018 and the high market recognition of the Group's products drive the sales volume of WTGs growth; (ii) with the increase of wind farms capacity of the Group officially entering the operation stage, and the situation of curtailment of wind power is improved, the revenue produced from power generation increased significantly; (iii) as this Group's investment in the field of innovation business continued to increase, the investment effect had been initially apparent. The sales revenue of water business increased significantly during the reporting period.

Cost of Sales

The Group's cost of sales consisted primarily of raw materials and components, labour, depreciation and amortisation, other production costs, and changes in inventories and transferred fixed assets. The cost of raw materials and components mainly included blades, generators, structural parts, and electric control systems. Labour costs primarily consisted of salaries and wages for employees directly involved in production and wind power services. Depreciation and amortisation expenses were calculated for the usage of fixed assets and intangible assets, respectively, during the Group's operations. Changes in inventories and transferred assets represented the changes in unfinished and finished goods and the use of our WTGs as fixed assets in wind farms developed by the Group, respectively.

The following table provides a breakdown of the Group's cost of sales:

Unit: RMB thousand

	Year ended 31 December		Amount	Percentage
	2018	2017	Change	Change
Raw materials and components	**19,672,809**	16,779,302	2,893,507	17.24%
Labour	**217,167**	178,343	38,824	21.77%
Depreciation and amortisation	**1,156,284**	971,112	185,172	19.07%
Other production costs	**1,652,844**	1,712,694	(59,850)	–3.49%
Changes in inventories and transferred assets	**(1,452,594)**	(2,136,334)	683,740	–32.01%
Total	**21,246,510**	17,505,117	3,741,393	21.37%

The following table provides a breakdown of the Group's cost of sales by business segments:

Unit: RMB thousand

	Year ended 31 December		Amount	Percentage
	2018	2017	Change	Change
WTG Manufacturing	**18,023,683**	14,529,128	3,494,555	24.05%
Wind Power Services	**1,326,588**	1,744,471	(417,883)	–23.95%
Wind Farm Investment and Development	**1,403,009**	1,109,496	293,513	26.45%
Other	**493,230**	122,022	371,208	304.21%
Total	**21,246,510**	17,505,117	3,741,393	21.37%

The increase in cost of sales of the Group was mainly caused by the increase in operating income of the Group in 2018.

Gross Profit

Unit: RMB thousand

	Year ended 31 December 2018	2017	Amount Change	Percentage Change
WTG Manufacturing	**4,144,853**	4,816,870	(672,017)	–13.95%
Wind Power Services	**320,906**	312,147	8,759	2.81%
Wind Farm Investment and Development	**2,500,982**	2,137,866	363,116	16.98%
Other	**377,056**	198,835	178,221	89.63%
Total	**7,343,797**	7,465,718	(121,921)	–1.63%

Gross profit of the Group mainly comes from WTG Manufacturing business and the wind farm investment & development business, while the wind power services business and other business also contributed.

For the financial years ended 31 December 2018 and 2017, the Group's comprehensive gross profit margins were 25.69% and 29.90%, respectively, and the gross profit margins for the WTG Manufacturing segment were 18.70% and 24.90%, respectively. The following table sets out the gross profit margins for our WTGs (prepared in accordance with CASBE):

Gross Profit Margin	Year ended 31 December 2018	2017	Change (percentage points)
6.0MW	**–7.01%**	–	–
3.0MW	**19.38%**	20.87%	–1.49%
2.5MW	**18.04%**	25.82%	–7.78%
2.0MW	**19.29%**	25.28%	–5.99%
1.5MW	**26.93%**	26.73%	0.20%

As of 31 December, 2018, gross profit margin of 1.5MW series had a certain degree of increase, gross profit margin of 2.0MW series, 2.5MW series and 3.0MW series of WTGs had a certain degree of decrease, 6.0MW WTGs is the newly added product series of the Group, which is in the market development stage at present, with negative gross profit margin.

Other Income and Gains

Other net incomes and gains of the Group mainly consist of sales revenue from investment of the wind farm (including the sales revenue of wind power equipment realized due to the sales of such wind farms), bank interest income, insurance compensation for product quality guarantee, total rental income and government subsidies obtained because of updating of the Group's R&D projects and production facilities, and etc.

Other net incomes and gains of the Group were RMB2,073.16 million for the year as of 31 December, 2018, representing an increase of 27.10% compared with RMB1,631.07 million for the year ending at 31 December, 2017. This is mainly because the gain on remeasurement of fair value of the previously held interest in subsidiaries at the disposal-date fair value in disposal of subsidiaries, the gain on fair value changes of non-listed equity investment, the increase of the Group's bank interest income, the increase gain on disposal of financial assets at fair value through profit or loss, were partially offset by the decrease of net gain on disposals of shareholding in associates and a jointly venture, the gain on disposals of available-for-sale financial assets, gain on disposal of subsidiaries, and etc.

Selling and Distribution Costs

The Group's cost of sales mainly includes reserves for product warranty provisions, freight charges, insurance premiums, bidding service fees, staff costs, handling fees and travel expenses, and etc.

The annual cost of sales of the Group for the year ended 31 December 2018 amounted to RMB1,896.61 million, representing a decrease of 9.73% when compared with RMB2,101.06 million for the year ended 31 December, 2017. This is mainly due to the decrease of product warranty provisions caused by increased number of WTGs beyond warranty, decrease of insurance premiums caused by the increase of insurance payments received, which was offset by the increase of staff costs, freight charges, handling fees, and etc.

Administrative Expenses

The Group's administrative expenses mainly include research & development expenses, staff costs, taxes, depreciation, consultancy fees and travel expenses, and etc.

The Group's administrative expenses for the year ended 31 December 2018 amounted to RMB2,737.78 million, an increase of 8.62%when compared with RMB2,520.46 million for the year ended 31 December, 2017. Due to the purpose of enhance the core competitiveness, the group increases the R&D expense, labor cost and the increase of the amortization of intangible-assets, which was offset by the decrease of consulting's fees and etc.

Other Expenses

Other operating expenses of the Group include bank fees, exchange gains and losses, Changes in the fair value of derivative financial instruments, and etc.

The Group had RMB195.95 million of other operating expenses for the year as of 31 December, 2018, representing an increase of 64.25% compared with RMB119.30 million for the year ended on 31 December, 2017. It is mainly because the increase of bank fees, exchange gains and losses, the provision for impairment of fixed assets, were partially offset by the increase of gains on Changes in the fair value of derivative financial instruments, and etc.

Finance Costs

The Group had RMB1,071.30 million of financial expenses for the year as of 31 December, 2018, which increased by 31.00% compared with RMB817.78 million for the year ended on 31 December, 2017. It is mainly because the Group had an increase of current average amount borrowed on year-on-year basis, resulting in the increase of interest charges.

Income Tax Expense

The Group had RMB399.83 million of income tax for the year as of 31 December, 2018, increased by 16.99% compared with RMB341.75 million for the year ended on 31 December, 2017. It is mainly because of the increase of pre-tax profit.

Capital Expenditures

The Group reported capital expenditures of RMB7,060.53 million for the financial year ended 31 December 2018, representing a 4.37% increase from RMB6,764.69 million for the financial year ended 31 December 2017. Our primary source of funds to finance capital expenditures included bank loans and cash flows from operations of the Group.

Details of the Group's financial resources and liquidity are as follows:

Financial Resources and Liquidity

Unit: RMB thousand

	Year ended 31 December	
Cash Flow Statement	**2018**	2017
Net cash flows from operating activities	**3,125,355**	3,023,449
Net cash flows used in investing activities	**(6,113,912)**	(7,097,947)
Net cash flows from financing activities	**1,201,420**	3,381,890
Net (decrease)/increase in cash and cash equivalents	**(1,787,137)**	(692,608)
Cash and cash equivalents at beginning of year	**6,746,183**	7,526,463
Effect of foreign exchange rate changes, net	**52,971**	(87,672)
Cash and cash equivalents at end of year	**5,012,017**	6,746,183

1. **Cash flows from operating activities**

The net cash receipts of the Group's operations mainly include pre-tax profits, through non-cash items, changes in operating capital, and adjustments of other incomes and earnings.

The Group had RMB3,125.36 million of net cash acquired from operating activities for the year ended on 31 December, 2018. Cash inflow mainly included RMB3,682.43 million of profit before tax, RMB399.83 million of the paid income tax, which has adjusted the increase of RMB2,930.50 million of trade and bills payables, the increase of RMB1,218.02 million of depreciation, the increase of RMB737.93 million of other payables and accruals etc. Such cash inflow was offset by the increase of RMB1,741.66 million of financial receivables, the increase of RMB1,129.14 million of prepayments, other receivables and other assets, the increase of RMB869.01 million of inventory, increase of RMB627.63 million of gain on remeasurement of fair value of the previously held interest in subsidiaries in disposal of subsidiaries, increase of RMB313.89 million of gains on disposal of subsidiaries, the increase of RMB269.78 million of contract assets, and etc.

The Group had RMB3,023.45 million of net cash acquired from operating activities for the year ended on 31 December, 2017. Cash inflow mainly included RMB3,490.56 million of profit before tax, RMB534.70 million of the paid income tax, which has adjusted the increase of RMB1,914.98 million of other payable advance from customers and accruals, the increase of RMB1,066.70 million of depreciation, the increase of RMB1,035.96 million of trade and bills payables, and the increase of RMB817.78 million of financial costs, etc. Such cash inflow was offset by the increase of RMB1,512.61 million of financial receivables, the increase of RMB1,286.46 million of trade and bills receivables, the increase of RMB847.91 million of inventory, increase of RMB387.78 million of gains on disposal of subsidiaries and increase of RMB309.42 million of gains on remeasurement of fair value of the previously held interest in an acquiree at its acquisition-date fair value in a step acquisition of a subsidiary, etc.

2. Cash flows used in investing activities

The net cash consumed by investment activities of the Group mainly consists of purchase of properties, plant and equipment, pledged time deposits, acquisition of subsidiaries, disposal of financial assets at fair value through profit or loss.

The net cash consumed by investment activities of the Group for the year ended on 31 December, 2018 amounted to RMB6,113.91 million. Cash outflow mainly comprised purchase of property, plant and equipment of RMB5,943.04 million, acquisition of subsidiaries, net of cash acquired of RMB995.57 million. Such cash outflow was offset by the cash inflow of RMB1,156.17million of disposal of financial assets at fair value through profit or loss.

The net cash consumed by investment activities of the Group for the year ended on 31 December, 2017 amounted to RMB7,097.95 million. Cash outflow mainly comprised purchase of property, plant and equipment of RMB4,842.70 million, acquisition of subsidiaries, net of cash acquired of RMB1,804.02 million and purchase of available-for-sale financial investments of RMB1,086.83 million. Such cash outflow was offset by the disposal of available-for-sale investments of RMB355.73 million, the disposal of subsidiaries, net of cash disposal of RMB245.37 million (net of cash) and other inflows.

3. Cash flows from financing activities

The net cash consumed in the financing activities of the Group mainly comprises repayment of bank borrowings and dividends paid to shareholders. The net cash obtained from financing activities of the Group mainly includes new bank borrowings and capital contributions from non-controlling shareholders.

The net cash obtained from financing activities of the Group for the year ended 31 December, 2018 amounted to RMB1,201.42 million. Cash inflow mainly comprised new bank and other borrowings increased of RMB12,527.20 million, capital contributions from non-controlling shareholders increased of RMB1,008.89 million. Such cash inflow was offset by repayments of bank and other borrowings of RMB10,918.45 million, interest paid of RMB1,120.94 million and dividends paid to the shareholders of the company of RMB805.21 million.

The net cash obtained from financing activities of the Group for the year ended 31 December, 2017 amounted to RMB3,381.89 million. Cash inflow mainly comprised new bank and other borrowings increased of RMB8,139.08 million. Such cash inflow was offset by repayments of bank and other borrowings of RMB3,327.34 million, interest paid of RMB802.51 million and dividends paid to the shareholders of the company of RMB654.65 million.

Financial Position

As of 31 December, 2018 and 31 December, 2017, the Group's total assets were RMB81,364.05 million and RMB72,787.84 million respectively, current assets were RMB32,917.50 million and RMB33,081.33 million respectively, and the proportions of current assets accounting for the total assets were 40.46% and 45.45% respectively. The amount of current assets in 2018 is essentially flat compared with the amount for the corresponding period in 2017.

As of 31 December, 2018 and 31 December, 2017, the non-current assets of the Group were RMB48,446.55 million and RMB39,706.51 million respectively. The increase in non-current assets was mainly due to the increase in contract assets, the increase in financing lease receivables, the increase in financial receivables caused by the right to charge water franchise, the increase of property, plant and equipment caused by the increase in operating wind power plants and wind power plants under construction, the increase of interests in joint venture, the increase in other intangible– assets caused by the right to charge water franchise, which were offset by the decrease of trade receivables, and etc.

As of 31 December, 2018 and 31 December, 2017, the total liabilities of the Group were RMB54,888.93 million and RMB49,312.84 million respectively, with current liabilities of RMB31,600.59 million and RMB29,600.32 million respectively. The increase in current liabilities was mainly due to the increase of other payables advance from customers and accruals, and etc, which were offset by decrease of bank borrowings repaid within one year and trade and bills payables, and etc.

As of 31 December, 2018 and 31 December, 2017, the non-current liabilities of the Group were RMB23,288.34 million and RMB19,712.52 million respectively. The increase in non-current liabilities was mainly due to the increased long-term interest-bearing bank, deferred tax liabilities and other payables, and etc.

As of 31 December, 2018 and 31 December, 2017, the net current assets of the Group were RMB1,316.91 million and RMB3,481.01 million respectively, with net assets of RMB26,475.12 million and RMB23,475.00 million respectively.

As of 31 December, 2018 and 31 December, 2017, the cash and cash equivalents of the Group were RMB5,027.64 million and RMB6,756.11 million respectively, with interest-bearing bank borrowings and other borrowings of RMB22,334.63 million and RMB21,884.83 million respectively.

Interest-bearing Bank Loans and Other Borrowings

As at 31 December 2018, the amount of the Group's interest-bearing bank loans was RMB21,220.82 million, including bank loans repayable within one year of RMB3,220.29 million, in the second year of RMB5,434.88 million, in the third to fifth year of RMB4,677.33 million, and above five years of RMB7,888.32 million. In addition, as at 31 December 2018, the Group's outstanding amount of corporate bonds and finance lease payables were RMB1,113.81 million, including corporate bonds repayable and finance lease payables within one year of RMB249.83 million, in the second year of RMB295.36 million, in the third to fifth year of RMB387.51 million, above five year of RMB181.11 million. During the Reporting Period, the Group does not have any interest rate hedging.

Capitalization of Interest

During 2018, the Group's capitalised RMB35.61 million of interest expense to property, plant and equipment.

Reserves

As at 31 December 2018, the Company's reserves distributable to shareholders was RMB1,250.12 million. This was the lower of two figures calculated in accordance with CASBE and IFRS.

Restricted Assets

As at 31 December 2018, certain assets of the Group with a total carrying value of RMB17,068.33 million were pledged as security for certain bank loans, other banking facilities and finance leases. Such assets included bank deposits of RMB152.29 million, trade and bills receivables of RMB3,493.58 million, financial receivables of RMB667.26 million, property, plant and equipment of RMB11,925.23 million, prepaid land lease payments of RMB146.63 million, other intangible assets of RMB285.51 million, prepayment,other receivable and other assets of RMB384.78 million and derivative financial instruments of RMB13.05 million.

As at 31 December 2017, certain assets of the Group with a total carrying value of RMB16,672.03 million were pledged as security for certain bank loans and other banking facilities. Such assets included bank deposits of RMB1,086.55 million, trade and bills receivables of RMB3,400.33 million, financial receivables of RMB380.72 million, property, plant and equipment of RMB11,638.83 million, and prepaid land lease payments of RMB165.60 million.

Gearing Ratio

As at 31 December 2018, the Group's gearing ratio, defined as net debt divided by sum of capital and net debt, was 61.51%, representing an increase of 3.55% compared with 57.96% as at 31 December 2017.

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

The Group primarily operated its businesses in China. Over 85% of the Group's revenue, expenditure, and financial assets and liabilities were denominated in RMB. The exchange rate of the RMB against foreign currencies did not have a significant impact on the Group's businesses. The Group's foreign exchange exposure associated with such transactions (except for the functional currency of the relevant operating entities) maintained at a relatively low level. The currency exchange difference incurred by the Group in respect of the long-term equity investment by our subsidiaries incorporated outside China was recorded under the exchange reserve.

Contingent Liabilities

The Group's contingent liabilities primarily consisted of letters of credit issued, letters of guarantee issued, guarantees and compensation arrangements given to a bank in connection with a bank loan granted to a joint venture, an associate or third party.

As at 31 December 2018, the Group's contingent liabilities were RMB18,325.79 million, representing an increase of RMB2,555.53 million compared with RMB15,770.26 million as at 31 December 2017.

IV. OUTLOOK FOR THE FUTURE

With the new round of scientific and technological revolution and industrial transformation in the world, the world's energy structure is gradually evolving toward low-carbon and carbon-free. The development of clean and low-emission renewable energy has become the trend of global energy transformation. China adheres to the five development concepts of "innovation, coordination, green, openness, and sharing". It focuses on building a beautiful China energy development strategy, adheres to the direction of green energy development, and proposes to vigorously develop renewable energy such as wind power and solar to build clean, low-carbon, safe and efficient energy system, and pursues high-quality development of China's energy through a series of policies.

1. Industrial Development Trend

According to *World Energy Outlook 2018* issued by the International Energy Agency (IEA), while the rise of low-carbon technology has led to a major shift in power generation, the share of electricity in global energy consumption is increasing, and electricity is increasingly becoming the preferred "fuel". It estimates that by 2040, electricity demand will increase by 90%. By 2040, one-fifth of the global electricity demand growth will come from China. China has become a global leader in wind, solar, electric vehicles, and the emerging low-carbon technology.

According to *China Renewable Energy Outlook 2018* issued by the Energy Research Institute of the National Development and Reform Commission, the total consumption of fossil energy in China will peak in 2020 and decline steadily before 2035. After 2020, solar and wind power will grow rapidly. In the next 10 years, China will usher in the peak of large-scale construction of solar and wind power. The newly installed solar capacity will be about 80-160 GW per year, and the newly added wind power installed capacity will be about 70-140 GW per year. By 2050, wind and solar energy will become the main force in China's energy system in absolute term.

According to *Global Offshore Wind Power Market Report* released by MAKE, the development scale of the global offshore wind power market is expanding. It is estimated that the installed capacity of offshore wind power will reach 100GW from 2018 to 2027, accounting for 15% of the total new capacity in the next 10 years. It is expected that after 2023, the 10+MW platform will earn more market share. It is estimated that by 2027, the demand for offshore wind power will continue to grow, and a total of 23 countries and regions will develop offshore wind power worldwide.

2. Market Development Trend

With the innovation and development of wind power technology, China's wind power technology is gradually maturing, and true parity will be an inevitable trend of wind power development. According to the "Notice on Accelerating the Work on Speeding up the Wind Power and Solar Power True Parity (Draft for Comment)" (《關於積極推進風電、光伏發電平價上網有關工作的通知》) issued by the National Energy Administration, China's renewable energy will formally enter the era of true parity, which promotes industrial technology and enhances market competition. It is of great practical significance to get rid of subsidy dependence and accumulate true parity experience. At the same time, it has important strategic meaning for boosting wind power and solar power from supplementary energy to mainstream energy.

Under the background of informationization, digitalization, and the Internet, big data, digitization, and data analysis methods are becoming more and more widely used in wind power manufacturing enterprises, and become the key to seize the market and enhance core competitiveness. The introduction of products such as smart WTG, digital operation and maintenance solution and intelligent wind farm management platform can improve the reliability and availability of wind turbines and reduce the cost of wind power operation and maintenance while monitoring the wind farm with no one or few people. The improvement of quality and efficiency is also an important consideration for customers when they choose products. The competition in digital products and smart operation and maintenance will also intensify.

The focus of China's wind power development is accelerating the shift to the central and southern region. More complicated wind conditions and shorter operation and maintenance time windows put forward higher requirements for the reliability and quality of wind power equipment. Offshore wind power has entered the stage of large-scale development. With the advancement of the market, the offshore wind power will gradually move into the deep sea and the distant sea. The increase of offshore distance and water depth will put forward higher requirements for the installation and operation of offshore wind turbines.

3. Company strategy

Goldwind is committed to becoming a global leader in providing clean energy and a comprehensive solution provider of energy conservation and environmental protection by adhering to the mission of "offering white clouds and blue sky to human beings and leaving more resources for the future". The Company insists on the customer-centric business philosophy and provides customers with a complete lifecycle solution. The Company continues to vigorously develop wind power equipment and wind power service business, providing onshore wind power and offshore wind power solutions. At the same time, it actively deploys the "source-network-load" industrial chain of smart energy Internet, actively develops and invests in wind farms, and accelerates the cultivation of distributed energy and energy service business. In the field of environmental protection, the Company quickly accumulates water treatment and environmental protection assets and cultivates a comprehensive solution for smart water services.

The "Two Seas" strategy formulated by the Company aims to actively develop offshore wind power, expand the overseas wind power market, and promote the overseas development of the core business of Goldwind. The Company's digital strategy helps customers achieve digital manufacturing by providing customers with comprehensive digital products and solutions. Through digitization, service, platform and internationalization of business, the Company will build core competitiveness and promote the continuous growth of the Company's business.

4. Company Business Plan and Main Objectives

Goldwind will continue to adhere to the development policy of survival, transformation and development, innovation and breakthrough, value-added and efficiency, with steady operation and sustainable development as the core, consolidate the main business foundation, and leverage the advantages of diversified profit model to earn market share. The Company aims to increase information management coverage, implement project management, improve one-stop integrated energy solutions and asset management service levels. It continues to carry out lean management activities, improve organizational efficiency, and achieve high-quality, sustainable development.

5. Demand for Funds

According to the Company's 2019 annual business objectives and plans, the Company's working capital in 2019 is mainly funded by a combination of its own funds and bank loans. The Company has high solvency ratio, good reputation, stable and smooth financing channels, and sufficient funding sources.

6. Possible Risks

(1) Policy risk

The development of the wind power industry is affected by national policies and industrial policies. The adjustment of relevant policies will have an impact on the manufacturing and sales of the Company's main products.

(2) Risk of Decline in Customer Demand

In 2018, the sales of the top five customers accounted for nearly 40% of the Company's total annual sales. Due to factors such as industry development and policies, if the demand of major customers declines, there will be certain impact on the Company's production and operation.

(3) Market Competition Risk

According to the statistics of the Bloomberg New Energy Finance, the installation volume of the top five WTG manufactures reached 15GW, representing for 73% of the new market share, which increased 9 percentage points YoY. With the increase of industrial consolidation, the need for product quality and efficiency enhancement, the demand for preemptive resources and market share expansion will further exacerbate competition among manufacturing companies, which may result in fluctuations in average selling prices or will have an impact on the Company's revenue.

(4) Wind Curtailment

During the reporting period, although wind curtailment in China has improved significantly, some areas are still in curtailment regions. Wind curtailment will remain an important factor restricting wind power development in a certain period of time.

(5) Economic Environment and Exchange Rate Fluctuations

The growth pattern of the world's major economies has diverged. Global integration and geopolitics have created uncertainties in the development of the world economy. In this context, possible international trade protectionism and fluctuations in the RMB exchange rate may affect the Company's internationalization strategy and international business expansion.

V. CORE COMPETITIVE ADVANTAGES

i. Market Position

Goldwind is one of the earliest enterprises to enter into the field of WTG manufacturing in China. During twenty years of development, we have matured into a leading domestic and global comprehensive wind power solutions provider. Our 1.5MW, 2S, 2.5S, 3S and 6S DDPM WTG series represent the most promising technology in the global wind power industry. Goldwind has consistently ranked first in China's wind power market share for eight years and ranked the second in the world in 2018. We have sustained our market leadership for many years.

ii. Products and Technology

Goldwind's DDPM WTGs are known for their superior performance, including high efficiency, low operations and maintenance costs, grid-friendly features and high availability. Our products are widely recognised by our customers and represent a leading global wind power technology. We have seven R&D centres in the world and more than three thousand seasoned R&D personnel with extensive industry experience, contributing to the advancement of our new products and technology. We have developed a diversified and serialized product portfolio, including specialised WTGs for different terrains and climate conditions to satisfy the diverse demands of our customers. Furthermore, we have reserved the 6S offshore DDPM WTG series for the development of the offshore wind power market. Our diversified products have improved our market position. We currently have a substantial backlog of WTG orders, providing enhanced revenue visibility and demonstrating that our customers value the superior quality of our products and services.

iii. Brand Awareness

Goldwind has successfully established its brand and continues to improve awareness of its products' advanced technology, superior quality, high efficiency, and excellent after-sales services. After years of sedimentation, we have received excellent compliments from the public and gained substantial recognition from government agencies, our customers, our business partners, and investors.

iv. Comprehensive Profit Model

Attributing to its advanced technology, products, and extensive experience in wind farm development, operations and maintenance, we continued to expand alternative sources of profits such as wind farm development and wind power services in addition to sales of WTGs. Over the past years, these businesses have become highly profitable and an important complement to our core business. We have successfully overcome the challenges posed by the market, strengthened our overall competitiveness, and improved our diversified competitive advantages. In the field of energy saving and protection, Goldwind quickly accumulates water treatment and environmental protection assets and nurtures smart treatment service solutions. We are committed to becoming an international leader in providing clean energy and energy-saving environmental protection solutions.

v. Internationalisation

Goldwind was one of China's first wind power manufacturers to expand overseas and we have continued to promote a strategy of internationalisation. By following a principle of "internationalisation through localisation", we achieved breakthroughs in key target markets in the Americas, Australia and Europe. We continued to make progress in emerging markets in Africa and Asia. Our overseas projects are distributed across six continents.

Profiles of Directors, Supervisors and Senior Management

Below are the profiles of Directors, Supervisors and Senior Management that were in office as at 31 December 2018:

EXECUTIVE DIRECTORS

Mr. Wu Gang ("**Mr. Wu**"), aged 61, is currently the Chairman. Mr. Wu graduated from Dalian University of Technology with a master's degree. He is a professor level senior engineer and an expert entitled to a special allowance granted by the State Council. He was appointed as the Chairman in May 2002 and previously served as the Company's general manager between 2002 and 2006, CEO between 2006 and 2013 and President between March 2012 and January 2013.

Mr. Wu served as the Chairman and the Party Secretary of Xinjiang New Energy (Group) Co., Ltd between June 2012 and November 2018. The above company is a non-listed company.

Mr. Wang Haibo ("**Mr. Wang**"), aged 45, is currently an executive Director and the President. Mr. Wang graduated from Xinjiang Finance and Economics University with a bachelor's degree. He joined the Company in 2000 and previously served as the Company's director of Sales and Marketing and director of Investment and Development; Beijing Tianrun's deputy general manager, general manager and chairman of the board of Beijing Tianrun; general manager and director of Goldwind International. Mr. Wang served as vice president of the Company between March 2010 to January 2013. He was appointed as an executive Director in June 2012 and the President in January 2013.

Mr. Cao Zhigang ("**Mr. Cao**"), aged 44, is currently an executive Director, executive vice president of the Company. Mr. Cao graduated from China Europe International Business School with a master of business administration. He is a senior engineer. He joined the Company in 2001 and previously served as the Company's director of electronic control, deputy chief engineer and general manager of the WTG Business Unit of the Group. He served as vice president of the Company between March 2007 to March 2010. He was appointed as an executive vice president of the Company in March 2010, and an executive Director in June 2013.

Mr. Cao is concurrently a director of Swancor (Shanghai) Fine Chemical Co., Ltd.*（上緯新材料科技股份有限公司）and the Deputy Chairman of JL MAG Rare-Earth Co., Ltd.*（江西金力永磁科技股份有限公司）, which is listed on the Shenzhen Stock Exchange.

NON-EXECUTIVE DIRECTORS

Mr. Zhao Guoqing ("**Mr. Zhao**"), aged 50, is currently a non-executive Director. Mr. Zhao holds a bachelor degree. Mr. Zhao worked for China Ministry of Water Resources from November 1995 to February 2010 and held various positions including Officer of Finance Division, Deputy Director of Finance Department of Service Center and Director of Finance Department and Audit Department of Service Bureau. Mr. Zhao held the position of Deputy Chief Accountant of China Water Investment Group Corporation from February 2010 to June 2010. Mr. Zhao also held the position of Deputy Chief Accountant of China Three Gorges New Energy Co., Ltd., one of the substantial shareholders of the Company, from June 2010 to October 2011. From October 2011 to April 2017, Mr. Zhao was the Chief Accountant of China Three Gorges New Energy Co., Ltd., from April 2017 to January 2019, he served as the deputy general manager of Three Gorges New Energy Co., Ltd., during which, he was also the General Counsel of China Three Gorges New Energy from December 2015 to July 2018. Since January 2019, Mr. Zhao has served as the General Manager of the Guangdong branch of China Three Gorges Corporation and the vice general manager of China Three Gorges New Energy Co., Ltd. Mr. Zhao has been appointed as a non-executive Director since January 2016.

Mr. Gao Jianjun ("**Mr. Gao**"), aged 51, is currently a non-executive Director. Mr. Gao graduated from Xinjiang Coal Academy with a major in mining engineering and attained his postgraduate degree from Graduate School of China Academy of Social Sciences with a major in economic management. From April 2001 to August 2008, Mr. Gao served in the Xinjiang Uygur Autonomous Region (the "Autonomous Region") Economic and Trade Commission ("SETC") as Director of Investment and Planning Department, Director of Industrial Park Management Department and Deputy Secretary General of the SETC. From August 2008 to August 2012, Mr. Gao served as party Secretary and Officer of the Autonomous Region Machinery Electronics Industry Management Office. From August 2012 to November 2018, Mr. Gao has served as Deputy Party Secretary, General Manager and Director of Xinjiang New Energy (Group) Co., Ltd.. Since November 2018, he has served as Party Secretary and the Chairman of Xinjiang New Energy (Group) Co., Ltd. Since December 2016, Mr. Gao has served as Party Secretary and Chairman of Xinjiang Wind Energy, a substantial shareholder of the Company. Mr. Gao was appointed as a non-executive Director of the Company in March 2017.

Ms. Gu Hongmei ("**Ms. Gu**"), aged 50, is currently a non-executive Director. Ms. Gu is a PhD is and a vice research associate. From July 1991 to February 1994, Ms. Gu served as a senior public relations officer, public relations manager of Holiday Hotel in China and she was responsible for various business operations of the hotel. She was a senior publisher, general manager of Beijing representative office of Hong Kong Yishi Press from April 1994 to February 1995. Ms. Gu was a principle staff member, deputy chief of Foreign Affairs Office of Haidian District of Beijing from February 1995 to November 1995. She served as a deputy director and a director in the Tourist Administration of Haidian District of Beijing from November 1995 to December 2006. Ms. Gu concurrently served as an assistant to the district mayor, deputy director of Development and Construction Commission of the North and office director of Development Office of the People's Government of Haidian District, Beijing from December 2006 to July 2010. Ms. Gu served as Officer of the People Commerce Commission of Haidian District, Beijing from July 2010 to November 2010. She served as a Vice Principal of Beijing Union University from November 2010 to March 2016, and served as a director of Endowment Insurance in the Global Insurance Business Division of Anbang Insurance Group from March 2016 to December 2016. Ms. Gu has been a chairman of Hexie Health Insurance Co., Ltd. since December 2016 and a director of Financial Street Holdings Co., Ltd. since August 2018 and a non-executive Director of the Company since October 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Tin Yau Kelvin Wong ("**Dr. Wong**"), aged 57, is currently an independent non-executive Director. He obtained his Master of Business Administration from Andrews University in Michigan, the USA and his Doctorate of Business Administration from The Hong Kong Polytechnic University. He currently serves as executive director and deputy managing director of COSCO SHIPPING Ports Limited, which is a company listed on the Hong Kong Stock Exchange. Dr. Wong previously served as an independent non-executive Director of the Company from June 2011 to June 2016 and was appointed as an independent non-executive Director of the Company again in October 2016.

Dr. Wong is currently the past chairman of The Hong Kong Institute of Directors, the chairman of Financial Reporting Council, a member of the Operations Review Committee of the ICAC. Dr. Wong was appointed as Justice of the Peace by the Government of Hong Kong Special Administrative Region in 2013.

Dr. Wong is concurrently an independent non-executive Director of China ZhengTong Auto Services Holdings Limited, I.T Limited, Huarong International Financial Holdings Limited and Bank of Qingdao Co., Ltd.* (青島銀行股份有限公司). The securities of the above companies are listed on the Hong Kong Stock Exchange. He is also an independent non-executive Director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司) and the securities of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

Mr. Yang Xiaosheng ("**Mr. Yang**"), aged 66, is currently an independent non-executive Director. Mr. Yang graduated from Beijing University of Agricultural Engineering with a master's degree in agricultural electrification. He is a senior engineer. He previously served as deputy chief engineer and chief engineer of China Longyuan Power Group Limited between 2000 and 2009, and chief engineer of China Longyuan Power Group Corporation Limited between 2009 and 2012. Mr. Yang was appointed as an independent non-executive Director in June 2013.

Mr. Yang is the director general of the Wind Power Equipment Subcommittee of China Association of Agricultural Machinery Manufacturers. Mr. Yang the independent non-executive director of CGN New Energy Holdings Co., Ltd., the securities of which are listed on the Hong Kong Stock Exchange.

Mr. Luo Zhenbang ("**Mr. Luo**"), aged 53, is currently an independent non-executive Director. Mr. Luo graduated from Tsinghua University with a master's degree in corporate governance and innovation. He is a China Certified Public Accountant, Certified Tax Agent, and Certified Asset Valuer. He previously served as a deputy director accountant of Tianhua Certified Public Accountants between 2002 and 2008. He currently serves as a director and senior partner of BDO China Shu Lun Pan Certified Public Accountants. Mr. Luo was appointed as an independent non-executive Director in June 2013.

Mr. Luo currently also serves as an independent non-executive director of China Aerospace International Holdings Limited, BII Railway Transportation Technology Holdings Company Limited, Glory Properties Limited and Digital China Holding Limited. The securities of China Aerospace International Holdings Limited, BII Railway Transportation Technology Holdings Company Limited and Glory Properties Limited are listed on the Hong Kong Stock Exchange. The securities of Digital China Holding Limited are listed on the Shenzhen Stock Exchange.

SUPERVISORS

Mr. Wang Mengqiu ("**Mr. Wang**"), aged 54, is currently the chairman of the Supervisory Committee. Mr. Wang holds a university degree. He previously served as a deputy director and director of finance center of China Water Investment Group Corp. between 1998 and 2006. He currently serves as an assistant general manager and as director of the internal audit committee for China Three Gorges New Energy, one of the substantial shareholders of the Company. Mr. Wang was appointed as a Supervisor in August 2008 and the chairman of the Supervisory Committee in March 2010.

Mr. Wang currently also serves as a supervisor of Inner Mongolia of Gimhae New Energy Technology Co., Ltd., which is a private company.

Mr. Luo Jun ("**Mr. Luo**"), aged 52, is currently a Supervisor. Mr. Luo holds a bachelor's degree and is an accountant. He previous served as an employee of finance department and reform office, the head of equity management office and director of asset management of Xinjiang Wind Power, one of the substantial shareholders of the Company, between 2002 and 2013. He currently serves as a director and the secretary of the board of Xinjiang Wind Power. Mr. Luo has served as a Supervisor since May 2004.

Mr. Luo currently also serves as a director of Xinjiang Xinfengqi Energy Services Co., Ltd., Xi'an Wind Power Co., Ltd. of China Water Investment Group and Xinjiang New Energy Research Centre Co., Ltd., and an executive director of Xinjiang Yutian New Wind Power Co., Ltd., Urumqi Tianpeng Wind Power Co., Ltd. and Xinjiang Tianxiang Wind Power Co., Ltd. Mr. Luo also currently serves as an executive director and legal representative of Buerjin Tianpeng New Energy Limited Company and Urumqi Xinfeng Tianxiang New Energy Limited Company, respectively. All of the aforementioned companies are private companies.

Ms. Xiao Hong ("**Ms. Xiao**"), aged 52, graduated from Zhongnan University of Economics and Law with a bachelor degree. Ms. Xiao served as chief accountant of Xinjiang Wind Power Research Laboratory from September 1999 to December 2001. Ms. Xiao served as chief accountant of Xinjiang Wind Power from January 2002 to February 2005. Ms. Xiao served as manager of finance department of Xinjiang Wind Power, one of the substantial shareholders of the Company, from March 2005 to April 2013. Ms. Xiao served as finance director of Xinjiang Wind Power Co., Ltd. from May 2013 until now. Ms. Xiao has served as Supervisor since June 2017.

Ms. Xiao currently also serves as supervisor of Urumqi Xinfeng Tianxiang New Energy Limited Company, Fuyun Tianxiang New Energy Limited Company *（富蘊天翔新能源有限公司）, Buerjin Tianpeng New Energy Limited Company, Xinjiang Tianxiang Wind Power Co., Ltd., Urumqi Tianpeng Wind Power Co., Ltd., Xinjiang Yutian New Wind Power Co., Ltd., Xinjiang New Energy Institute Co., Ltd.*（新疆新能源研究院有限責任公司）and Xinjiang Xinfengqi Energy Services Co., Ltd.

EMPLOYEE REPRESENTATIVE SUPERVISORS

Mr. Lu Min ("**Mr. Lu**"), aged 44, is the current employee representative supervisors. Mr. Lu graduated from Liaoning Shihua University with a bachelor's degree. Mr. Lu previously served from 2002 to 2011 as project manager for ShineWing Certified Public Accountants. Mr. Lu previously served as the internal audit manager of the Company from February 2011 to October 2014; He has served as the director of corporate internal audit and legal department since October 2014. Mr. Lu has served as an Employee Representative Supervisor since April 2015.

Ms. Ji Tian ("**Ms. Ji**"), aged 48, is the current employee representative supervisors has a master's degree, Ms. Ji joined the Company in July 2004 and has served in the Investment and Development Department. Since March 2008, Ms. Ji has served as the Security Affairs Representative of the Company. She served as vice officer and officer of the office of board secretary of the Company since 2012. Ms. Ji has served as an Employee Representative Supervisor since June 2016.

SENIOR MANAGEMENT

Mr. Wu Kai ("**Mr. Wu**"), aged 50, is currently an executive vice president. Mr. Wu graduated from China Europe International Business School with a master of business administration. He served as an engineer of China Academy of Launch Vehicle Technology between 1993 and 1998, and held various positions, including sales manager, component and product manager and senior regional sales manager, in SKF China between 1998 and 2008. He joined the Company in 2008 and previously served as the deputy general manager and general manager of Supply Chain Management Centre and R&D Centre. He was appointed as a vice president of the Company in January 2011 and executive vice president of the Company in June 2013.

Mr. Liu Chunzhi ("**Mr. Liu**"), aged 51, is currently the Chief Financial Officer of the Company. He graduated from the Tippie Business School, University of Iowa with an MBA. Mr. Liu served as a process engineer/research & development engineer in No. 1 factory of Wuhan Plastic from 1990 to 1992. Mr. Liu worked for China National Technical Imp. & Exp. Corp. as the section chief of strategic research center from 1995 to 1998. Mr. Liu worked for China General Technology as the manager of capital operation department from 1998 to 2001. Between 2002 and 2007, Mr. Liu worked in General Electric Company and held various positions including director of business finance of GE Energy Group Headquarter, finance manager of Shenyang GE Liming Gas Turbine Components Co. Ltd., chief financial officer of GE Infrastructure Group, chief financial officer of GE Optimization and Control Business Group. Between 2007 and 2009, Mr. Liu worked in Haier Group and worked as the chief financial officer of Customer Solution Group from 2007 to 2009, and concurrently worked as the general manager of Internal Control Center of Haier Group in 2009. Between 2009 and 2012, Mr. Liu worked in Assa Abloy and worked as chief financial officer of Greater China Region from 2009 to 2012, and worked as the general manager of Baodean Security Products Co., Ltd. from 2010 to 2012. Mr. Liu worked for Yutong Bus as the chief financial officer from 2012 to 2016. Mr. Liu served as the chief financial officer of Bestseller Fashion Co., Ltd*（淩致時裝有限公司）from 2016 to 2017. Since 2015, Mr. Liu has worked for Huatai Insurance Group Co., Ltd. as an independent director, and concurrently as the chairman of its audit committee and risk management committee. Mr. Liu has served as the Chief Financial Officer of the Company since August 2018.

Ms. Ma Jinru ("**Ms. Ma**"), aged 53, is currently a vice president of the Company, the Secretary of the Board and the Company Secretary. Ms. Ma graduated from Jilin University and holds a master's degree of engineering and law. Ms. Ma graduated from China Europe International Business School with a master of business administration. She is a senior economist and an fellow of The Hong Kong Institute of Chartered Secretaries. She served as an economist with the Dalian Port Design Institute, head of the foreign trade and economic cooperation of Dalian Port Authority, manager of financial management of Dalian Port Container Integrated Development Company, and secretary of the board of Dalian Port Container Co., Ltd. between August 1990 and November 2005. She then served as the secretary of the board and company secretary of Dalian Port (PDA) Co., Ltd. between November 2005 and March 2010. She joined the Company and was appointed as a vice president of the Company, the Secretary of the Board and the Company Secretary in March 2010. She serves as member of the Second Session, Third Session and Fourth Session of Appeal Review Committee of Shenzhen Stock Exchange from April 2011 until now.

Mr. Zhou Yunzhi ("**Mr. Zhou**"), aged 59, is currently a vice president of the Company. Mr. Zhou graduated from Xi'an Jiao Tong University School of Management with an MBA. He is a researcher level senior engineer and an expert entitled to a special allowance granted by the State Council. He served as, a deputy general manager and general manager of Zhejiang GEMSY Group Co., Ltd. between 2005 and 2007, the general manager of Jiangsu Global Shipbuilding (Yangzhou) Co., Ltd. between 2008 and 2010 and served as a deputy general manager of Zhejiang GEMSY Mechanical and Electrical Co., Ltd. between 2011 and 2012. He joined the Company in 2012 and successively served as the director of the Chief Engineer Office, the general manager of Beijing Techwin, administrative deputy general manager of Beijing Tianyuan and WTG Business Unit of the Group. Mr. Zhou was appointed as a vice president of the Company in March 2014.

Mr. Liu He ("**Mr. Liu**"), aged 54, is currently the Chief Engineer of the Company. Mr. Liu graduated from Northwest A&F University with a bachelor's degree. He is a senior engineer. He joined the Company in 2001 and previously served as the head of Technology, director of Technical Quality Control, deputy chief engineer, director of Quality Control, director of Product Development Centre of the Company and general manager of the Engineering Technology Center of WTG Business Unit of the Group. Mr. Liu was appointed Chief Engineer of the Company in March 2012.

Mr. Liu Rixin ("**Mr. Liu**"), aged 46, is currently a vice president of the Company. Mr. Liu holds a bachelor's degree. From November 2006 to July 2010, Mr. Liu served as deputy general manager of China Resources Power (Wind Energy) Development Co., Ltd. and as deputy general manager of wind power of China Resources Power Holdings Co., Ltd. From July 2010 to May 2012, Mr. Liu served as deputy general manager for China Resources New Energy Holdings Co., Ltd. From May 2012 to April 2016, Mr. Liu served as the first deputy general manager of the new energy division of China Resources Power Holdings Co., Ltd. From April 2016 to February 2017, Mr. Liu served as the vice president for China Resources Power Holdings Co., Ltd. Mr. Liu was appointed as a vice president of the Company in February 2017.

Mr. Zhai Endi ("**Mr. Zhai**"), aged 56, is currently the Chief Engineer of the Company. He has a Ph.D. degree. Mr. Zhai served as the Senior Research Engineer at Powertech Laboratories, Inc. of British Columbia Hydropower Authority in Canada from December 1999 to February 2001, the Senior Engineer of AECOM, USA from February 2001 to May 2002, the Senior Engineer of Group Delta Consultants, Inc. in USA from May 2002 to April 2005, the Senior Engineer to Principal Engineer of Kleinfelder Inc. in USA from April 2005 to November 2008, the Southern California Business Class Area Manager of HDR Inc. in USA from November 2008 to November 2009, the Vice President of Kleinfelder Inc. from November 2009 to June 2014, and the Chief Engineer for Civil Works and Director of chief engineer's office at China Three Gorges from June 2014 to June 2017. Mr. Zhai has served as the Chief Engineer of the Company since July 2017.

The following are Directors, Supervisors and senior management who have resigned or retired between 1 January 2017 and the Latest Practicable Date. The Board expressed its gratitude to the following persons for their contribution during their terms of office:

Mr. Feng Wei, who resigned as a Director with effect from 10 August 2018.

Mr. Huo Changbao, who resigned as the Chief Financial Officer from 7 February 2018.

The Board of Directors' Report

The Board hereby presents to our shareholders its report for the financial year ended 31 December 2018 and the Financial Statements.

PRIMARY BUSINESS

The Group has three primary business, including WTG Manufacturing, Wind Power Services and Wind Farm Investment and Development, and other energy saving and environmental protection business. WTG Manufacturing is our core business and its revenue represents a majority of the Group's total revenue from operations. Fair review of the principal activities of the Group for the financial year ended 31 December 2018 and its likely future development are set out in the section headed "Management Discussion and Analysis" on page 16 of this annual report.

RESULTS AND PROFIT DISTRIBUTION

The annual results of the Group for the financial year ended 31 December 2018 are set out in the Financial Statements.

The Board recommends the payment of a final dividend of RMB2.5 per every 10 Shares (including tax) from the Company's retained undistributed profit for the financial year ended 31 December 2018, based on the issued share capital of the company of 4,225,067,647 Shares after completion of the Rights Issue. This recommendation is subject to approval by the Shareholders at the forthcoming AGM for the year of 2018 in accordance with the provisions of the Articles, and will be implemented thereafter. The final dividend is expected to be paid to the Shareholders on or before 30 August 2019.

FINANCIAL HIGHLIGHTS FOR THE PAST FIVE FINANCIAL YEARS

Financial highlights of the Group's results and balance sheets prepared in accordance with IFRSs for the past five financial years are set out in the section headed "Financial Highlights for the Past Five Financial Years" on page 252 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year ended 31 December 2018, 40.14% and 12.58% of the Group's revenue from operations was attributed to our five largest customers and our largest customer, respectively. During the same period, 44.87% and 27.58% of the Group's total procurement expenditure was attributed to our five largest suppliers and our largest supplier, respectively.

Other than the information disclosed above, none of the Directors, their close associates, or any Shareholders (that, as far as is known to the Directors, own more than 5% of the issued shares of the Company) held any interest in the Group's five largest customers or suppliers.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

Details are set out in the section headed "Management Discussion and Analysis" on page 16 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of adjustments made to property, plant and equipment of the Group during the financial year ended 31 December 2018 are set out in note 12 to the Financial Statements.

RESERVES

The amounts of the Group's reserves and the movements therein as at 31 December 2018 are set out in note 35 to the Financial Statements.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group acquired and disposed certain subsidiaries and interests in certain associates during the financial year ended 31 December 2018 in accordance with the development strategies of the Company and based on changes of the industry and market environments. Details are set out in note 37 and 38 to the Financial Statements.

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 financial year ended 31 December 2018.

TOP FIVE HIGHEST PAID INDIVIDUALS

Details regarding the five highest paid individuals, including the chief executive of the Company, for the financial year ended 31 December 2018 are set out in note 8 to the Financial Statements.

SHARE CAPITAL

The particulars of the issued share capital of the Company as at 31 December 2018 are set out as follows:

Share Category	Number of Shares	As a Percentage of Total Shares
A Shares	2,906,142,460	81.72%
H Shares	650,060,840	18.28%
Total	3,556,203,300	100.00%

NUMBER OF SHAREHOLDERS

As at 31 December 2018, the total number of Shareholders was 118,760, among which the number of A Share Shareholders and H Share Shareholders were 117,493 and 1,267, respectively.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, as far as known to the Directors, the following persons had an interest or short position in shares of the Company which would require disclosure under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in H Shares:

Name of Shareholder	Capacity	Number of Shares	As a Percentage of H Shares	As a Percentage of Total Shares
Anbang Insurance Group Co., Ltd. [1]	Interest of controlled corporation	53,591,200 (L)	8.24%	1.51%
Anbang Life Insurance Co., Ltd. [1]	Interest of controlled corporation	53,591,200 (L)	8.24%	1.51%
Anbang Wealth Insurance Co., Ltd. [1]	Interest of controlled corporation	53,591,200 (L)	8.24%	1.51%
Anbang Assets Management (Hong Kong) Co., Ltd. [1]	Beneficial owner	53,591,200 (L)	8.24%	1.51%
BlackRock, Inc.	Beneficial owner	33,485,611 (L) 161,999 (S)	5.15% 0.02%	0.94% 0.00%

Notes:

1. Anbang Insurance Group Co., Ltd. ("**Anbang Group**") holds 99.98% of the equity interests of Anbang Life Insurance Co., Ltd. ("**Anbang Life**"). Anbang Group and Anbang Life hold 48.92% and 48.65%, respectively, of the equity interests of Anbang Wealth Insurance Co., Ltd. ("**Anbang Wealth**"). Anbang Wealth holds 100% of the equity interests of Anbang Assets Management (Hong Kong) Co., Ltd. Under the SFO, each of Anbang Group, Anbang Life and Anbang Wealth is deemed to be interested in the 41,224,000 H Shares held by Anbang Assets Management (Hong Kong) Co., Ltd.

Long position in A Shares:

Name of Shareholder	Capacity	Number of Shares	Total	As a Percentage of A Shares	As a Percentage of Total Shares
Xinjiang Wind Power	Beneficial owner	488,696,502	488,696,502	16.82%	13.74%
China Three Gorges New Energy [1]	Beneficial owner	373,957,073	862,653,575	29.68%	24.26%
	Interest in controlled corporation	488,696,502			
China Three Gorges [2]	Interest in controlled corporation	862,653,575	862,653,575	29.68%	24.26%
Anbang Insurance Group Co., Ltd. [3]	Interest in controlled corporation	479,483,649	479,483,649	16.50%	13.48%
Anbang Wealth Insurance Co., Ltd. [3]	Interest in controlled corporation	479,483,649	479,483,649	16.50%	13.48%
Hexie Health Insurance Co., Ltd.	Beneficial owner	479,483,649	479,483,649	16.50%	13.48%

Notes:

1. China Three Gorges New Energy directly holds 373,957,073 A Shares. China Three Gorges New Energy, hold 43.33% of the issued share capital of Xinjiang Wind Power. Under the SFO, other than directly holding interests in the Company, China Three Gorges New Energy is deemed to be interested in the 488,696,502 A Shares held by Xinjiang Wind Power.

2. China Three Gorges is the holding company of China Three Gorges New Energy. Under the SFO, the 488,696,502 A Shares held by Xinjiang Wind Power, in which China Three Gorges New Energy is deemed to be interested, and the 373,957,073 A Shares directly held by China Three Gorges New Energy, were deemed to be the interests of China Three Gorges in the Company.

3 Anbang Group holds 99.99% of the equity interests of Anbang Wealth. Anbang Wealth holds 77.698% of the equity interests of Hexie Health Insurance Co., Ltd. ("**Hexie Health**"). Under the SFO, Anbang Group and Anbang Wealth are deemed to be interested in the 479,483,649 A Shares held by Hexie Health respectively.

Other than as disclosed above, as at 31 December 2018, as far as is known to the Directors, no other persons (excluding the Directors, Supervisors and chief executive of the Company) had an interest or short position in shares of the Company which would require disclosure under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PRE-EMPTIVE RIGHTS

The Articles and the laws of the PRC do not have any mandatory provision regarding pre-emptive rights.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the financial year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

From publicly available information and to the best knowledge of the Directors, the Company had maintained a sufficient public float as required under the Listing Rules throughout the financial year ended 31 December 2018 and up to the Latest Practical Date.

TAX RELIEF (H SHAREHOLDERS)

Non-resident enterprise shareholders

Pursuant to the Corporate Income Tax Law of the PRC and relevant implementing regulations, which came into force on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% to non-resident enterprise shareholders whose names appear on the H shares register of members.

Non-resident individual shareholders

Pursuant to the Individual Income Tax Law of the PRC and its implementing regulations of the State Taxation Administration of PRC, the Company is required to withhold individual income tax at the rate of 20% to non-resident individual shareholders of H shares. For Hong Kong residents, Macau residents and other non-resident individual shareholders of H shares in countries and regions which have entered into an agreement with China in respect of a 10% tax rate, the Company withholds individual income tax at the rate of 10%.

The Company implements the requirements of documents of Notice of the State Taxation Administration Regarding Questions on Withholding Enterprise Income tax on the Dividends Paid by PRC Resident Enterprises to Non-resident Enterprise Shareholders of H Shares (Guo Shui Han〔2008〕No. 897)（《國家税務總局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》，國税函[2008]897號）, the Circular of the State Taxation Administration Regarding Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares (Guo Shui Han [2009] No. 81)（《國家税務總局關於執行税收協定股息條款有關問題的通知》（國税函〔2009〕81號）, Administrative Measures on Preferential Treatment Entitled by Non-resident taxpayers under Tax Treaties (SAT Circular [2015] No. 60)（《非居民納税人享受税收協定待遇管理辦法》（國家税務總局公告2015年第60號））, the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (SAT Circular 2017 No.37)《國家税務總局關於非居民企業所得税源泉扣繳有關問題的公告》（國家税務總局公告2017年第37號））.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors in office during the financial year ended 31 December 2018 and up to the Latest Practical Date were:

Name	Effective Date of Appointment/ Effective Date of Reappointment	Effective Date of Resignation
Executive Directors		
Mr. Wu Gang *(Chairman)*	29 June 2016	
Mr. Wang Haibo	29 June 2016	
Mr. Cao Zhigang	29 June 2016	
Non-executive Directors		
Mr. Feng Wei	29 June 2016	10 August 2018
Mr. Zhao Guoqing	13 January 2016 29 June 2016	
Mr. Gao Jianjun	1 March 2017	
Ms. Gu Hongmei	27 October 2018	
Independent Non-executive Directors		
Dr. Tin Yau Kelvin Wong	22 October 2016	
Mr. Yang Xiaosheng	29 June 2016	
Mr. Luo Zhenbang	29 June 2016	
Supervisors		
Mr. Wang Mengqiu *(Chairman of the Supervisory Committee)*	29 June 2016	
Ms. Xiao Hong	29 June 2017	
Mr. Luo Jun	29 June 2016	
Mr. Lu Min *(employee representative Supervisor)*	29 June 2016	
Ms. Ji Tian *(employee representative Supervisor)*	29 June 2016	

Save as disclosed above, there were no changes to the Directors and Supervisors during the financial year ended 31 December 2018 and up to the Latest Practical Date.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The profiles of the Directors, Supervisors and senior management of the Company in office as at 31 December 2018 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 48 of this annual report.

INTERESTS AND SHORT POSITIONS IN SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS BY DIRECTORS AND SUPERVISORS

Based on the information known to the Directors, as at 31 December 2018, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the securities of the Company are set out as follows:

Long position:

			As at 31 December 2018		
Name	Capacity	Share Category	Number of Shares	As a Percentage of A Shares	As a Percentage of Total Shares
Mr. Wu Gang	Beneficial owner	A Shares	52,217,152	1.80%	1.47%
Mr. Wang Haibo	Beneficial owner	A Shares	715,000	0.02%	0.02%
Mr. Cao Zhigang	Beneficial owner	A Shares	12,893,431	0.44%	0.36%

Other than as disclosed above, as at 31 December 2018, as far as known to the Company, none of the Directors, Supervisors or chief executive of the Company had any interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than as disclosed in the paragraph headed "Interests and Short Positions in Shares of the Company and its Associated Corporations by Directors and Supervisors" in this report, at no time, during the financial year ended 31 December 2018 or the period following 31 December 2018 and up to the Latest Practical Date, was the Company, or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company, a party to any arrangement to enable the Directors or Supervisors or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate body, and none of the Directors and Supervisors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during such period.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors had a service contract with the Company. If a Director or Supervisor is dismissed from the position of Director or Supervisor by the shareholders' general meeting of the Company, or the circumstances of the Director or Supervisor are not in accordance with the relevant regulations of the *Company Law* of the PRC or the Articles, the contract will be terminated automatically.

The Company did not enter into a service contract with any Director or Supervisor that is not terminable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SUPERVISORS' REMUNERATION

The relevant resolutions relating to Directors' remuneration and independent non-executive Directors' allowance were approved by the Shareholders. In accordance with the relevant resolutions, for the financial year ended 31 December 2018, the Chairman and executive Directors received remuneration from the Company, non-executive Directors did not receive any remuneration from the Company, and independent non-executive Director's allowance were paid to the independent non-executive Directors.

For the financial year ended 31 December 2018, employee representative Supervisors received remuneration from the Company in accordance with their offices held in the Company while the other Supervisors did not receive any remuneration from the Company.

Details of the remuneration paid to the Directors, Supervisors and chief executive of the Company are set out in note 8 to the Financial Statements and Corporate Governance Report.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at 31 December 2018 or at any time during the financial year ended 31 December 2018, other than the service contract, there were no transaction, arrangement or contracts of significance to the Group in which the Company or any of its subsidiaries was a party and in which a Director or Supervisor, whether directly or indirectly, had a material interest.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors had interests in any business apart from the Company's business, which competed or is likely to compete, either directly or indirectly, with the business of the Company.

PERMITTED INDEMNITY

The Company has maintained appropriate directors' and officers' liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year ended 31 December 2018.

CONNECTED TRANSACTIONS

Non-exempt continuing connected transactions under Listing Rules

The Group had several non-exempt continuing connected transactions with the Connected Persons Group during the financial year ended 31 December 2018.

On 23 October 2015, the Company, Xinjiang Wind Power and China Three Gorges New Energy entered into certain framework agreements in connection with (1) purchase of components from, (2) product sales to, and (3) wind power services to, the Connected Persons Group for a term of three years commencing on 1 January 2016. The independent shareholders of the Company approved, at the first EGM of 2016 convened on 12 January 2016, the continuing connected transactions between the Group and the Connected Persons Group in relation to the product sales and the relevant annual caps for the three years commencing from 1 January 2016 and ending on 31 December 2018.

Below sets out the relevant annual caps of the continuing connected transactions:

	Annual Cap for 2016 (RMB million)	**Annual Cap for 2017** (RMB million)	**Annual Cap for 2018** (RMB million)
Purchase of Components	115.38	115.38	125.64
Product Sales	3,214.32	4,019.88	4,409.90
Wind Power Services	321.00	330.00	340.00

Each of Xinjiang Wind Power and China Three Gorges New Energy is a connected person of the Company by virtue of being a substantial shareholder of the Company. Xinjiang Wind Power also is an associate of China Three Gorges New Energy as China Three Gorges New Energy holds more than 30% of its issued share capital. Accordingly, the continuing transactions with any member of the Connected Persons Group which comprises Xinjiang Wind Power, China Three Gorges New Energy and each of their respective associates constitute a continuing connected transaction for the Company.

The following table sets out a summary of the nature, annual caps and actual amounts of such non-exempt continuing connected transactions during the year ended 31 December 2018:

Connected Transactions	**Annual Cap for 2018** (RMB million)	**Actual Amount for 2018** (RMB million)
Purchase of Components	125.64	–
Product Sales	4,409.90	2,047.69
Wind Power Services	340.00	7.65

Purchase of Components

The Group purchased, and will continue to purchase, components from the Connected Persons Group for the manufacture of WTGs in the ordinary and usual course of business.

The purchase of components from the Connected Persons Group for the manufacture of WTGs has been, and will continue to be, made in accordance with the Group's purchasing procedures. The Group has put into place a purchase monitoring process in its procurement department and has also formed a dedicated team to carry out its purchasing.

Under the relevant written agreements, the consideration payable in connection with any purchase of components from the Connected Persons Group has been, and will continue to be, determined through public tenders or based on the market price in the event that public tenders were not required. Such market price is defined by reference to the price at which the Group is able to purchase identical or similar products from an independent third party in the ordinary and usual course of business.

Product Sales

The Group sold, and will continue to sell, WTGs to the Connected Persons Group in the ordinary and usual course of business.

The sale of WTGs to the Connected Persons Group is usually carried out pursuant to public tenders in accordance with the applicable laws and regulations of the PRC, i.e. the relevant companies forming part of the Connected Persons Group will invite bids for the WTGs they propose to purchase, and the Group, as the tenderer, shall submit tender documents in response to the invitation to tender. The Group has put into place a sales supervision system and has also formed a dedicated team to carry out its product sales.

Under the relevant written agreements, the consideration in connection with any sale of WTGs to the Connected Persons Group has been, and will continue to be, determined through public tenders or based on the market price in the event that public tenders were not required. Such market price is defined by reference to the price at which the Group is able to sell identical or similar products to an independent third party in the ordinary and usual course of business.

Wind Power Services

Wind power service is one of the Group's main businesses and has recorded a significant growth since 2011. Similar to the Group's product sales to the Connected Persons Group, contracts for the provision of wind power services are usually awarded pursuant to public tenders in accordance with the applicable laws and regulations of the PRC. The Group has put into place a supervision system and has also formed a dedicated team to carry out its service provisions.

Under the relevant written agreements, the consideration in connection with providing wind power services to the Connected Persons Group shall be determined through public tenders or based on the market price in the event that public tenders were not required. Such market price is defined by reference to the price at which the Group is able to provide identical or similar services to an independent third party in the ordinary and usual course of business.

The independent non-executive Directors have reviewed the Group's continuing connected transactions mentioned above, and confirmed that the transactions carried out during the financial year ended 31 December 2018:

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

2. were conducted on normal commercial terms or better, or if there were insufficient number of comparable transactions to determine whether or not they can be determined as on normal commercial terms or better, then as far as the Group is concerned, the conditions of such transactions were no less favourable than those received from, or offered to, an independent third party; and

3. were conducted according to the terms of agreement of the relevant transactions, where the terms of agreement were fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The Company's auditors have confirmed that the respective counterparties to the aforementioned continuing connected transactions had allowed them sufficient access to their records for the purpose of reporting on the transactions as set out in this report, and the aforementioned continuing connected transactions carried out during the financial year ended 31 December 2018:

1. had been approved by the Board;

2. were, in all material respects, in accordance with the requirements of pricing policies of the Company;

3. had been entered into in accordance with the relevant agreements governing the transactions; and

4. had not exceeded the annual caps disclosed in the announcement of the Company dated 23 October 2015 and the circular of the Company dated 24 November 2015.

On 26 October 2018, the Company, Xinjiang Wind Power and China Three Gorges New Energy entered into new framework agreements in connection with (1) sales of WTGs, and (2) provision of wind power service to, the Connected Persons Group for a term of three years commencing on 1 January 2019. The independent shareholders of the Company approved, at the first EGM of 2019 convened on 1 March 2019, the continuing connected transactions between the Group and the Connected Persons Group and the relevant annual caps for the three years commencing from 1 January 2019 and ending on 31 December 2021.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards during the financial year ended 31 December 2018. Save as the non-exempt continuing connected transactions as set out in the section headed "Connected Transactions" on page 63 of this annual report, these related party transactions were not regarded as connected transactions under the Listing Rules or were fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A of the Listing Rules. Details are set out in note 44 to the Financial Statements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Exchange Listing Rules.

CHARITABLE DONATIONS

Charitable donations made by the Group during the financial year ended 31 December 2018 was RMB7.05 million.

RELATIONSHIP WITH EMPLOYEES

The Group is committed to provide our staff with a stable working environment and continues to uphold the principles of impartiality, fairness and merit-based employment, and constantly improves the criteria for personnel selection and appointment. The Group also provides lifelong learning and career development to our employees. Details are set out in the Company's *2018 Sustainable Development Report*.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group values mutually benefitting relationship with its customers and suppliers. The Group places strong emphasis on the protection of consumer's interests and pays strong attention to product quality. The Group has been committed to the development of the supply chain construction and has a number of regular suppliers. Details of the Group's relationship with customers and suppliers are set out in the Company's *2018 Sustainable Development Report*.

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

Details are set out in the section headed "Management Discussion and Analysis" on page 16 of this annual report.

ENVIRONMENTAL SOCIAL AND GOVERNANCE REPORT

The Group, on the basis of realizing its own personal business development goals, strives to maximize the long-term interest of all parties by making use of their professional advantages and resources to emphasize the value of production and business activities for all of its customers, staff, suppliers, environment, villages and other influences as far as possible while protecting the interest of all the Shareholders, providing conditions for further development, and minimizing adverse impacts on Shareholders. For a comprehensive disclosure on the Company's social responsibility within 2018, the Group has published the *2018 Environmental Social and Governance Report* covering its yearly corporate governance, products and services, environmental protection, employee development, supply chain management, social and public interests, as well as action and performance. For more information about the Group's 2018 annual environmental, social, and governance performance, please refer to the *2018 Sustainable Development Report* available online for download on the Company's official website.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year-end date, the Company has proposed the rights issue which will comprise an offer of H rights shares and an offer of A rights shares, on the basis of 1.9 H rights shares for every 10 existing H shares at HK$8.21 per H right share and on the basis of 1.9 A rights shares for every 10 existing A shares at RMB7.02 per A rights share. For details, please see the announcement of the Company dated 18 March 2019. For details of the allotment results of the offer of A rights shares, please see the announcement of the Company dated 28 March 2019.

Saved for the disclosed, there are no significant events subsequent to 31 December 2018 which would materially affect the Group's operating and financial performance as at the Latest Practicable Date.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board pays attention to the Group's policies and practices on compliance with legal and regulatory requirements. For the year ended 31 December 2018, to the best of knowledge of the Board, the Company has remained in strict compliance with the relevant laws and regulations of Hong Kong and the PRC, which included the *Company Law* of the PRC, *Securities Law* of the PRC, *Code of Corporate Governance for Listed Companies* (《上市公司治理準則》) issued by the CSRC, Corporate Governance Code, the Listing Rules, and the listing rules of the SZSE.

REVIEW OF 2018 ANNUAL REPORT

The Audit Committee of the Company has reviewed and approved the 2018 Annual Report of the Company. Information on works performed by the Audit Committee and its composition are set out in the section headed "Board Committees" on page 73 of this annual report.

Yours Sincerely,
Wu Gang
Chairman
Xinjiang Goldwind Science & Technology Co., Ltd.

Supervisory Committee Report

During the reporting period, the Company's Supervisory Committee acted strictly in accordance with the relevant regulations of *Company Law*, Goldwind Company Regulations, and Goldwind Supervisory Committee Regulations. All members of the Supervisory Committee assumed responsibility towards the Company's shareholders, acted with integrity, carried out our supervisory duties to the best of their abilities, actively participated in supervision works, carefully deliberated on major decisions, protected the interest of our shareholders and the Company, and supported the Company's management and sustainable development.

SUPERVISORY COMMITTEE MEETINGS

During the reporting period, a total of 4 meetings were held, and 22 proposals were considered and approved. Except for certain special circumstances, all Supervisory Committee members attended the meetings in person or by proxy.

OBJECTIVE FINDINGS OF THE SUPERVISORY COMMITTEE

The Supervisory Committee made the following observations regarding relevant aspects of the Company during 2018:

1. Compliance with Laws and Regulations in the Course of Operations

During the reporting period, the members of the Supervisory Committee attended all the Board meetings and general meetings. The Supervisory Committee also supervised procedures of the Board meetings and general meetings and proposal discussions, the Board's implementation of decisions made at the Company's general meetings, performance of the Senior Management, implementation of various management policies of the Company, and its operational performance. The Supervisory Committee believes that the Company operated in compliance with the required standards, made lawful and rational decisions, acted in compliance with its corporate governance procedures, and established adequate internal controls. The Supervisory Committee also believes that Directors and Senior Management discharged their duties with prudence, integrity and diligence, and strictly implemented various decisions made at the general meetings. The Supervisory Committee did not find any activities that were unlawful, or violating the applicable government regulations or the internal rules, harm the Company's or the shareholders' interests.

2. Financial Position

The Supervisory Committee carefully inspected the Company's periodic financial report and financial policies during the reporting period. The Committee believes that the Company's financial department's internal control system is adequate, and is continuously being improved. The Supervisory Committee believes all policies and systems were strictly implemented, and therefore effectively supported the Company's production and operation. In 2018, the Company's financial position was sound, financial management was effective, the Financial Statements were complete and fair, and truthfully reflected the Company's financial position and operational performance. The committee believes that the Annual Report with unqualified opinion issued by Ernst & Young Hua Ming LLP was true and fair.

3. Share Proceeds Information

The Company acted in strict accordance with the Regulations for the Use and Management of Share Proceeds. The Company did not use share proceeds during 2018 for pledges, entrusted loans, or other prohibited purposes. All proceeds were used in accordance with project plans. There were no cases of regulation violation with regards to the use of share proceeds during 2018. All proceeds were used in accordance with the relevant regulations and followed the appropriate approval procedures. The Supervisory Committee believes that the relevant information disclosed by the Company was on time, truthful, accurate and complete.

4. Connected Transactions

During the reporting period, the Company's connected transactions were in compliance with the government laws and regulations, as well as the Company's regulations with regards to their decision-making procedures. The pricing method of the connected transaction agreements were in accordance with accepted business practices and the relevant rules and regulations, demonstrating fairness and equality. When making decisions on connected transactions, all interested Directors and shareholders abstained from voting. The Supervisory Committee believes, during the year 2018 there were no internal transactions that would harm the Company's or shareholders' interests including the public shareholders' interests.

5. Self-assessment of Internal Controls

Goldwind has established an outstanding internal control system. The system integrates the Company's operations management activities at all levels and in all sectors. All the Company's operations followed the internal controls guidelines and were strictly complied with their recommended procedures. After close inspection, we believe the Company's internal control structure was effective during 2018. The committee reviewed the 2018 Annual Internal Control Self-assessment Report and believes the report is truthful and fair.

6. Other Major Issues

During the reporting period, the Board reviewed major proposals relating to guarantee and investment. The Supervisory Committee believes that during planning and execution of the aforementioned proposals there was no evidence of insider trading nor any other actions that might result in the loss of the Shareholders' or the Company's assets and interests.

Corporate Governance Report

The Company is committed to maintaining high standards of corporate governance and to continually improve its corporate governance structure, optimize its management and internal controls in order to safeguard the interests of Shareholders and enhance corporate value.

Being listed on the Stock Exchange and the SZSE, the Company has remained in strict compliance with the relevant laws and regulations of Hong Kong and the PRC during the year ended 31 December 2018, which included the *Company Law* of the PRC, *Securities Law* of the PRC, *Code of Corporate Governance for Listed Companies*（上市公司治理準則）issued by the CSRC, Corporate Governance Code, the Listing Rules, and the listing rules of the SZSE.

The Directors are, and will continue to be, committed to improving the corporate governance of the Company to ensure that formal and transparent procedures are in place to protect the interests of the Shareholders.

CORPORATE GOVERNANCE PRACTICES

The Board is responsible for implementing the Corporate Governance Code and managing the Group's corporate governance matters. The Board has reviewed the corporate governance policies and practices of the Company and its policies and practices relating to compliance with legal and regulatory requirements, as well as training and continuous professional development of the Directors and Senior Management. The Board has also reviewed the disclosure of its Corporate Governance Report for the year ended 31 December 2018.

The Company has complied with all applicable code provisions under the Corporate Governance Code during the year ended 31 December 2018.

SHAREHOLDERS

The Board and Senior Management recognize their responsibilities towards all Shareholders and to represent their interests and maximize shareholder value.

As the highest authority of the Company, the shareholders' general meeting is responsible for the decision-making of all major Company issues in accordance with the relevant laws and regulations. The Company has remained in strict compliance with the Rules on Shareholders' General Meetings of Listed Companies（《上市公司股東大會規則》）issued by the CSRC, the Articles, the Company's Rules on Procedures of Shareholders' General Meetings, and other relevant laws, rules and regulations. The Company convenes shareholders' general meetings each year and standardizes the meeting procedures in accordance with the relevant laws to ensure fair treatment towards all Shareholders, especially minority Shareholders, and enable them to fully exercise their rights.

The Company regards the shareholders' general meeting as an important event and all Directors, Supervisors and Senior Management are encouraged to attend. The Company also encourages all Shareholders to attend, exercise their rights and express their opinions.

Pursuant to the Articles, Shareholders have the right to obtain information and documents from the Company. They also have the right to request, convene, and preside over shareholders' general meetings, as well as the right to vote on matters put before the meetings based on their respective voting rights and within the boundaries of the law.

Pursuant to the Articles, Shareholders that, either individually or jointly, hold over 10% of the shares of the Company have the right to propose to the Board in writing for the convening of an EGM. The Board will, in accordance with the relevant laws, administrative regulations and the Articles, provide a written reply within 10 days after receiving such proposal with respect to whether it agrees with the convening of an EGM. In the event that the Board disagrees with the convening of an EGM, or fails to provide any feedback within 10 days after receiving the proposals, such Shareholders have the right to propose to the Supervisory Committee in writing for the convening of an EGM.

Pursuant to the Articles, the Board, Supervisory Committee and Shareholders that, either individually or jointly, hold over 3% of the shares of the Company have the right to make proposals to the Company for approval at shareholders' general meetings. The Company shall include all matters in the proposals that fall within the jurisdiction of the shareholders' general meeting into the agenda of such meetings. In addition, Shareholders that, either individually or jointly, hold over 3% of the shares of the Company have the right to submit temporary proposals to the convener of the shareholders' general meeting in writing at least 10 days prior to such meetings. The convener of the meeting shall give a supplementary notice of the shareholders' general meeting within 2 days after receiving such proposals and announce the contents of the temporary proposals.

The Articles set out the rights of the Shareholders, including those mentioned above. The Company has taken all necessary steps to comply with all provisions of the relevant laws, regulations, the Listing Rules, and the listing rules of the SZSE to ensure the protection of Shareholders' rights.

Shareholders are welcome to send their written enquiries to the Company's Office of Secretary of the Board at No. 8 Bo Xing Yi Road, Economic & Technological Development District, Beijing, the PRC, PC: 100176. Alternatively, Shareholders may also contact us through our Investor Relations Hotline +86-10-6751 1996, Investor Relations facsimile +86-10-6751 1985, Investor Relations e-mail at goldwind@goldwind.com.cn, or raise their enquiries directly by questions at an AGM or EGM.

THE BOARD

The Board is charged with directing and managing the Company's affairs and continued to pursue the sustainable development of the Company in the year ended 31 December 2018. Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all Shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

The decisions and responsibilities undertaken by the Board include those relating to:

- the Group's business strategies and investment proposals;
- the Group's management process and internal controls;
- the Group's compliance matters;
- proposed amendments of the Articles;
- evaluation, appointment or dismissal of the President and Senior Management;
- determine the Company's salary, benefits and bonuses plan;
- determine the structure of Board Committees and the appointment or dismissal of committee members;
- convening of shareholders' general meetings, implementation of resolutions of shareholders' general meetings; and
- other significant matters.

Board Composition

As at the Latest Practicable Date, the Board comprised of nine Directors, which included three executive Directors, three non-executive Directors, and three independent non-executive Directors. The Board is characterized by its diversity in terms of professional background and skills, age and gender, among other aspects, which promotes critical review of significant decisions and contributes to the effective direction of the Group. The Board includes members from engineering, business administration, economics, corporate governance, and financial backgrounds.

The Board composition during the year ended 31 December 2018 and up to the Latest Practicable Date is set out below:

Executive Directors

Mr. Wu Gang *(Chairman)*
Mr. Wang Haibo
Mr. Cao Zhigang

Non-executive Directors

Mr. Zhao Guoqing
Mr. Gao Jianjun
Ms. Gu Hongmei

Independent non-executive Directors

Mr. Yang Xiaosheng
Mr. Luo Zhenbang
Dr. Tin Yau Kelvin Wong

The current Board is the sixth session of the Board. The term of office of the sixth session of the Board began on 29 June 2018, with a term of three years. The Company has already entered into a service contract with each of the Directors for their services to the Company, stating, among other things, their respective annual remuneration and length of service with the Company.

The executive and non-executive Directors have extensive expertise, experience, and skills in the wind power industry and other professional areas, and thus provided a knowledgeable resource on strategic decisions of the Group. The independent non-executive Directors have extensive experience in the industry and possess professional qualifications in areas such as finance and business administration. The profiles of the Directors in office as at the Latest Practicable Date are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 48 of this annual report.

During the year ended 31 December 2018, the Board complied with the requirements of the Listing Rules relating to having at least three independent non-executive directors, representation of at least one-third of the Board by independent non-executive directors, and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. During the same period, there were no financial, business, family or other major or relevant relationships between members of the Board or the Chairman and the President.

Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Board has received a written confirmation from each independent non-executive Director of his independence to the Company for the year ended 31 December 2018, and considers all of the independent non-executive Directors are independent.

Changes to Information on Directors, Supervisors and President

Mr. Feng Wei, who resigned as a Supervisor with effect from 10 August 2018.

Chairman and President

As at the Latest Practicable Date, the roles of Chairman and President were vested in Mr. Wu Gang and Mr. Wang Haibo, respectively.

The Chairman is responsible for establishing the Company's strategies, ensuring the proper functioning of the Board, and monitoring the Company's corporate governance practices and procedures. In addition, the Chairman is responsible for encouraging all Directors to fully contribute to the Board's affairs, to express their opinions and ensuring that decisions of the Board reflect their consensus fairly, creating a culture of openness and constructive discussions, maintaining an effective communications channel with the Shareholders, and ensuring the Board acts in the best interests of the Company. During the year ended 31 December 2018, the Chairman held a meeting with each of the non-executive Directors and independent non-executive Directors and obtained independent opinions relating to affairs of the Board and the Company without the presence of other executive Directors.

The President is responsible for the day-to-day management of the Company's operations, including implementing corporate strategies set out by the Board, making day-to-day management decisions, coordinating the Company's businesses, and submitting operational reports to the Board.

Directors' and Supervisors' Securities Transactions

The interests in the Company's securities held by Directors or Supervisors as at 31 December 2018 are set out in the section headed "The Board of Directors' Report – Interests and Short Positions in Shares of the Company and its Associated Corporations by Directors and Supervisors" on page 61 of this annual report.

The Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the required standard set out in the Model Code. The Company has strictly complied with other relevant binding clauses imposed by the regulatory authorities of Hong Kong and the PRC, and we adhere to the principle of complying with the stricter regulations between the two jurisdictions. Having made specific enquiry, all Directors and Supervisors have confirmed to the Company that they have complied with the Model Code during the year ended 31 December 2018.

Board Committees

The Board established the Audit Committee, the Nomination Committee, the Remuneration and Assessment Committee and the Strategic Committee in accordance with the requirements of the Listing Rules. The written terms of reference of the Board Committees clearly set out their respective roles and authorities and are available on the websites of the Stock Exchange and the Company for review.

The composition of the Board Committees as at the Latest Practicable Date and their respective responsibilities are set out below:

1. **Audit Committee**

The Audit Committee consisted of two independent non-executive Directors and one non-executive Director, namely Mr. Luo Zhenbang, Mr. Zhao Guoqing, and Dr. Tin Yau Kelvin Wong. The committee chairman was Mr. Luo Zhenbang.

The primary responsibilities of the Audit Committee are to review and propose recommendations relating to the Company's external auditors and audit services provided by them, review the integrity of the Company's periodic financial statements, oversee matters relating to the Company's internal audit, risk management and internal controls, review significant transactions of the Company, and report to the Board on matters of the Corporate Governance Code.

The work performed by the Audit Committee during the year ended 31 December 2018 included reviewing the Company's annual, interim and quarterly reports, effectiveness of internal audit, risk management and internal control procedures and systems, and monitoring external audit services and providing recommendations for the appointment of external auditors.

2. **Nomination Committee**

The Nomination Committee consisted of two independent non-executive Directors and one executive Director, namely Mr. Yang Xiaosheng, Mr. Luo Zhenbang, and Mr. Cao Zhigang. The committee chairman was Mr. Yang Xiaosheng.

The primary responsibilities of the Nomination Committee are to review the composition of the Board in line with the Company's structure and strategy, select and recommend to the Board suitable candidates to become Directors or Senior Management, and review the qualifications, and the selection procedures of, such candidates.

The work performed by the Nomination Committee during the year ended 31 December 2018 included reviewing the structure and composition of the Board, reviewing the qualification of Directors, and assessing the independence of the independent non-executive Directors.

The Company has recognized the importance of board diversity to corporate governance and board effectiveness in terms of examination and evaluation of corporate issues from different perspectives. As such, the Company adopted a board diversity policy (the "Diversity Policy") which sets out the objectives and principle regarding board diversity in 2014. Pursuant to the Diversity Policy, the Company considers board diversity from a number of aspects, including but not limited to gender, race, language, cultural and educational background, industry and professional experience. The ultimate decision would be based on merit and contribution the selected candidates would bring to the Board as well as the Company's business needs. Having reviewed the Diversity Policy and the Board's composition, the Nomination Committee considers that the requirements set out in the Diversity Policy had been met.

Nomination Policy

The Nomination Policy sets out the nomination procedures and the process and criteria adopted by the Nomination Committee to select and recommend suitable candidates of directorship.

In assessing the suitability of a candidate as Director, the Nomination Committee would consider character and integrity; qualities in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional and educational qualifications, skills, knowledge, expertise, experience and accomplishment that are relevant to the Group's business and corporate strategy; commitment to devote adequate time to effectively discharge duties as a member of the Board and relevant committees of the Company; requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and such other perspectives applicable to the Group. These factors are for reference only, and not meant to be exhaustive.

3. Remuneration and Assessment Committee

The Remuneration and Assessment Committee consisted of two independent non-executive Directors and one executive Director, namely Mr. Yang Xiaosheng, Mr. Luo Zhenbang, and Mr. Wang Haibo. The committee chairman was Mr. Yang Xiaosheng.

The primary responsibilities of the Remuneration and Assessment Committee are to establish the Company's remuneration policy and monitor its implementation, make recommendations to the Board and review the remuneration proposals for Directors and Senior Management, review and assess their performance, and review and approve compensation payable for their termination in accordance with their contractual terms.

The work performed by the Remuneration and Assessment Committee during the year ended 31 December 2018 included reviewing the Company's human resources report, determining the remuneration and bonus of relevant Directors and Senior Management based on the performance of the Company and in accordance with the Company's Administration Rules for Remuneration.

4. Strategic Committee

The Strategic Committee consisted of two executive Directors, two non-executive Directors, and one independent non-executive Director, namely Mr. Wu Gang, Mr. Wang Haibo, Mr. Yang Xiaosheng, Mr. Gao Jianjun and Ms. Gu Hongmei. The committee chairman was Mr. Wu Gang.

The primary responsibilities of the Strategic Committee are to review and propose recommendations for the Group's long-term strategies, significant decisions, investment and financing plans, and capital operations.

Board and Committee Meetings

Pursuant to the Articles, the Board is required to hold at least four Board meetings each year, to be convened by the Chairman. In case of urgent matters, extraordinary Board meetings may be convened upon proposal by the Chairman or more than one-third of all the Directors. A notice period of at least 14 days shall be given to every Director and Supervisor for a Board meeting pursuant to the Corporate Governance Code, and the notice for such meetings shall be sent to every Director and Supervisor at least 10 days in advance pursuant to the Articles. The notice of a Board meeting shall include the time and place of the meeting, matters and resolutions to be considered at the meeting, and the date of the notice.

A Board meeting must have over half of all the Directors in attendance. The Directors may attend the Board meeting in person or appoint another Director in writing to attend the Board meeting by proxy. The Board shall keep minutes of decisions on matters discussed at the meeting and ensure that such minutes are available for inspection by any Director.

Details of Directors' attendance at Board meetings, committee meetings, and shareholders' general meetings of the Company during the year ended 31 December 2018 are set out below:

Name	Board	Audit Committee	Nomination Committee	Remuneration & Assessment Committee	Shareholders' General Meeting
Executive Directors					
Mr. Wu Gang	8/8				4/4
Mr. Wang Haibo	6(2) [1]/8			1/1	4/4
Mr. Cao Zhigang	6(2) [1]/8		1/1		3/4
Non-executive Directors					
Mr. Zhao Guoqing	5(3) [1]/8	5/5			0/4
Mr. Feng Wei[2]	4/4				0/4
Mr. Gao Jianjun	5(2) [1]/7				0/4
Ms. Gu Hongmei[3]	1/1				0/1
Independent Non-executive Directors					
Mr. Yang Xiaosheng	6(2) [1]/8		1/1	1/1	4/4
Mr. Luo Zhenbang	7(1) [1]/8	5/5	1/1	1/1	0/4
Dr. Tin Yau Kelvin Wong	6(2) [1]/8	5/5			4/4

Notes:

1. The director attended the board meetings by proxy.
2. Mr. Feng Wei resigned as a non-executive Director with effect from 10 August 2018.
3. Ms. Gu Hongmei was appointed as a non-executive Director with effect from 27 October 2018.

Appointment of Directors

The Company has a formal and transparent procedure in place for the appointment of new directors. Suitable candidates are first considered by the Nomination Committee, whereby the relevant qualifications of such candidates will be reviewed. The qualified candidate will then be put forward to the Board for consideration before such candidate's appointment as Director is proposed to the Company's shareholders' general meeting.

Pursuant to the Articles, any Director's term of office shall begin on the day after the approval of the relevant resolution of the Company's shareholders' general meeting until the expiration of the current session of the Board. Directors may serve consecutive terms if re-elected upon the expiration of the previous term of office. Independent non-executive Directors may not serve more than two consecutive terms of office.

Directors' Commitments

The Company has received confirmation from each Director that he has given sufficient time and attention to the affairs of the Company for the year ended 31 December 2018. The Directors have disclosed to the Company the number and nature of offices held in listed companies or other significant commitments, including the name of and offices held in such companies or organizations. The Directors are periodically reminded to notify the Company in a timely manner with regards to any change of such information. Offices held in other listed companies or other significant commitments of the Directors in office as at 31 December 2018 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 48 of this annual report. Any changes to such information of the Directors during the year ended 31 December 2018 are set out in the section headed "Corporate Governance Report – Changes to Information on Directors, Supervisors and President" on page 73 of this annual report.

Directors' Training

The Company continuously updates all Directors on latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance of the same by all Directors. The Company also submitted Directors' Monthly Operations Report to brief Directors on the Company's monthly businesses, financial position, industry and market environment, and capital market updates. The Board is encouraged to observe the relevant regulatory requirements. All Directors are encouraged to attend external forums or training courses on relevant topics which may count toward towards continuous professional development training.

Pursuant to the Corporate Governance Code A.6.5, Directors should participate in continuous professional development to refresh and develop their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year, all Directors have participated in appropriate continuous development activities either by attending training courses or by reading materials relevant to the Company's business or the Director's duties and responsibilities.

THE SUPERVISORY COMMITTEE

The Supervisory Committee is the Company's permanent supervisory system. It is responsible for the supervision of the Board, the Directors, the President, and Senior Management in order to prevent such persons from exploiting their authority and violating the legal rights and interests of the Shareholders, the Company and employees of the Company. The Supervisory Committee has remained in strict compliance with the relevant provisions in the *Company Law* of the PRC, the Articles and the Supervisory Committee Regulations of the Company during the year ended 31 December 2018. The Supervisors are aware of their collective and individual responsibilities to all Shareholders and acted to the best of their abilities to protect the interests of the Shareholders and the Company.

The responsibilities undertaken by the Supervisory Committee include:

- review of the Company's periodic reports prepared by the Board and verification of financial reports, business reports, profit distribution proposals and other financial information to be submitted to shareholders' general meetings;
- examination of financial affairs of the Company;
- supervision of the performance of Directors and Senior Management and their compliance with laws, regulations, corporate policies, and resolutions of shareholders' general meetings;
- investigation into any identified irregularities in the Company's operations;
- institution of legal proceedings against Directors and Senior Management in accordance with Article 152 of the Company Law of the PRC; and
- any other duties stipulated by relevant laws, regulations, and the Articles.

Supervisory Committee Composition

As at the Latest Practicable Date, the Supervisory Committee comprised of five Supervisors, which included three Supervisors elected by the Shareholders and two employee representative Supervisors.

The Supervisory Committee composition during the year ended 31 December 2018 and up to the Latest Practicable Date is set out below:

Supervisors

Mr. Wang Mengqiu *(Chairman)*
Mr. Luo Jun
Ms. Xiao Hong

Employee Representative Supervisors

Mr. Lu Min
Ms. Ji Tian

The current Supervisory Committee is the sixth session of the Supervisory Committee. The term of office of the sixth session of the Supervisory Committee began on 29 June 2018, with a term of three years. The Company has already entered into a service contract with each of the Supervisors for their services to the Company, stating, among other things, their respective annual remuneration and length of service with the Company.

The profiles of the Supervisors in office as at 31 December 2018 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 48 of this annual report.

Supervisory Committee Meetings

Pursuant to the Articles, the Supervisory Committee is required to hold at least one committee meeting every six months, to be convened by the chairman of the Supervisory Committee. In case of urgent matters, extraordinary committee meetings may be convened upon proposal by any Supervisor. A notice of meeting shall be given to every Supervisor at least 10 days prior to a committee meeting. The notice of committee meeting shall include the time and place of the meeting, matters and resolutions to be considered at the meeting, and the date of the notice.

A committee meeting must have over two-thirds of all the Supervisors in attendance. The Supervisors may attend the committee meeting in person or appoint another Supervisor in writing to attend the committee meeting by proxy. The Supervisory Committee shall keep minutes of decisions on matters discussed at the meeting and ensure that such minutes are available for inspection by any Supervisor.

Details of Supervisors' attendance at committee meetings of the Company during the year ended 31 December 2018 are set out below:

Name	Attendances/ Meetings Held
Supervisors	
Mr. Wang Mengqiu	4/4
Mr. Luo Jun	4/4
Ms. Xiao Hong	4/4
Employee Representative Supervisors	
Mr. Lu Min	4/4
Ms. Ji Tian	4/4

RISK MANAGEMENT AND INTERNAL CONTROL

The Group is committed to establishing and continually improving our risk management and internal control. As the Group developed our business over the years, we strengthened our corporate management and risk control through analysis of past performance and implementation of innovative ideas.

Risk Management

Risk Management Framework Objectives and Principles

The Group established its risk management system based on the *Central Enterprises Comprehensive Risk Management Guidelines*（中央企業全面風險管理指引）and *COSO Comprehensive Risk Management Framework*（COSO全面風險管理框架）. The Company defines risks as uncertainty towards business objectives including possible gains or losses.

The Company's overall risk management objectives are:

- Ensure that the risk is within the scope of the Company's development strategy;
- Ensure that the Company is in compliance with the relevant laws and regulatory requirements;
- Ensure the implementation of the Company's relevant regulations for major measures that achieve business objectives, ensure the validity of the Company's management, improve the efficiency and effect of business activities, and reduce uncertainty when achieving business objectives;
- Ensure that the Company has a critical risk plan, mitigates heavy losses, and safeguards its assets.

The Company's risk management program was established on the basis of its:

- Complete implementation principle: risk management should be implemented before, during and after every event; it should be implemented in every level within the Company's operations, covering all business of the Company and influencing every operating decision. From administration to supervision to feedback on information, the Company's risk management process aims to be one without gaps or loopholes;
- Importance principle: risk management should be based on overall control, focusing on important business issues and high risk areas, strengthening the risk management of the *Three Priorities*（三重一大）;
- Checks and balances principle: risk management requires the Company's departments and positions have separate rights and responsibilities with mutual dependence and full supervision of each other;
- Integrated management principle: risk management and internal control system methods should be fully integrated and standardized. Risk prevention, anti-fraud, and standardized management, when combined achieve the coordinated operation of the management system, promote each other, and constantly strengthen the ability of risk prevention and control, effectively enhancing the Company's performance;
- Cost-benefit principle: the Company must evaluate the cost and expected return to achieve effective control at the appropriate cost;
- Macro management principle: the Company develops policies while each business unit, branch office, and subsidiary company implements them in accordance with their own respective risk management and internal control program.

Risk Management Organization and Responsibilities

The Company's risk management is equipped with three lines of defense: each business unit, affiliated company, and level of management are its first line of defense; the Audit and Legal Affairs department alongside other functional departments of the group are its second line of defense; the Group's Board and its Audit Committee are its third line of defense.

The Board and its Audit Committee	• Responsible for the risk management of the Company's unified leadership and deployment, is the highest risk management decision-making body; • Examine and approve significant risks alongside coping strategies, write significant risk accident investigation reports, responsible for the significant accident disposal program, author opinions on liability for significant accidents; • Review the Company's risk management oversight report;
Audit and Legal Affairs department	• Responsible for the supervision and evaluation of risk management; • Create the risk management organization system, optimize the process and system while supervising its implementation; • Prepare the risk monitoring report, periodically report to the Board and its Audit Committee the Group's risk management situation, listen to the suggestions of committee members to carry out improvement work;
Other functional departments	• Responsible for the implementation of the business and management process, the implementation of the fundamental process of risk management, as well as identifying, evaluating, and responding to risk; • Participate in the formulation of the risk control plan and implementation; • Participate in risk assessment and the implementation of high risk business; • Responsible for supervising and inspecting the business and management for the centralized management;
Every business unit, affiliated company, and level of management	• Responsible for risk management within the business units and affiliated companies, implementing the basic process of risk management, as well as identifying, evaluating and responding to risks; • Make the risk control plan, responsible for the implementation of risk assessment and implementation of high risk business plan; • After undergoing any change, business units or affiliated companies must report the specific nature of their risk issues in a timely manner to the relevant departments for recording.

Risk Management Processes and Procedures

The Company's risk management general procedure is to first classify risk, second identify risk, third assess risk, and lastly respond to risk. The Company's risk management system requires participation in departments at every level, regardless of the level of risk management or business area, all must adhere to this universal procedure.

Risk classification – establish a risk classification framework according to the Company's business activities, sort out the classification of risk, risk categories can be expanded according to the level.

Risk identification – the process of analysis and discovery of potential factors that may affect the Company's strategic objectives and business objectives. Risk identification can be carried out by means of a questionnaire, report analysis, process analysis and expert discussion.

Risk assessment – Assess the possibility of the risk and its impact, make a comparison to other risks to determine its significance, and determine the priorities of management and response strategies.

Risk response – the Company responds to the risk according to their own conditions and external environment, combined with the actual situation of the project to determine the risk management intentions, including risk aversion, risk reduction, risk sharing and risk acceptance.

Risk Management Characteristics

The Company has practiced risk management for many years which has formed its own characteristics in its style of risk management.

Integrated – the risk management system of the Company is a comprehensive management system that is integrated within other management systems, it is a part that cannot be separated from its whole. Risk management and internal control are integrated within: standardized management, lean management in goal setting, division of labor organization, guaranteeing measures and implementation procedures, the Company's continual exploration, its integrated management system, and the process of improving the overall management efficiency.

Harmonized – the Company's risk management system requires full coverage in the management of all aspects. For instance, the annual business development plan, project investment examination and approval, bidding and purchasing, and policy-making all require a risk response plan.

Aligned – the Company's risk management style is aligned with the Company's corporate culture. The Company's corporate culture and value proposition determine the Company' appetite for risk.

Internal Control

The Group established its internal control based on the *Company Law* of the PRC, *Accounting Law* of the PRC, CASBE, and the *Basic Administration Rules on Corporate Internal Control*（企業內部控制基本規範）jointly issued by five regulatory bodies of the PRC in 2008, and other relevant rules and regulations. The basic principles of the internal control system of Group are the principle of comprehensiveness, the principle of importance, the principle of balance, the principle of adaptability and the principle of cost efficiency.

Organizational System and Responsibilities

Everyone in Group has a role to undertake within the Company's internal control system:

- The Board is responsible for the establishment and improvement of internal control. The Board has established the Audit Committee which is responsible for the review of internal control, the effective implementation of monitoring internal control and internal control self-assessment, as well as coordination of the internal control audit and other related matters.
- The Supervisory Committee shall supervise the establishment and implementation of the internal control of the Board.
- The managers are responsible for organizing and leading the daily operation of internal control.
- The Audit and Legal Affairs department supervise and check the effectiveness of the internal control of the Group in conjunction with the internal control and internal audit. Internal control deficiencies found the by the Audit and Legal Affairs department will be reported in accordance with the working procedures of the internal audit; report directly to the Board and its Audit Committee as well as the Supervisory Committee any major defects found in internal control supervision and inspection.
- Staff at all levels are responsible for the implementation of specific internal controls in accordance with the requirements of the Company's internal control manual and the control of evidence.

Internal Control Mechanism

The Group, according to *Basic Administration Rules on Corporate Internal Control*（企業內部控制基本規範）, established an internal control system based on its internal environment, risk assessment, control activities, information and communication, and internal supervision. The *Internal Control Manual of Xinjiang Goldwind Science & Technology Co. Ltd.*（新疆金風科技股份有限本公司內部控制手冊）is one of the fundamental documents detailing the construction and evaluation of Group's internal control system, it is a guide for the construction and implementation of Group's internal control system, it promotes the further standardization of production and business activities, and once implemented it strengthens the ability of risk prevention.

The Company advocates integrity as the core of positive corporate culture. The Company developed the *Goldwind Science & Technology Culture Handbook*（金風科技文化手冊）which covers the Company's mission, vision and core values, business philosophy, and other content so that all employees have a clear understanding of the principles and norms of the Company. The Company's governance structure is a standardized and stable operation. Human Resources has developed a comprehensive introduction, development, use, and exit related system processes.

The Company has different levels of coping strategies for risk, either the Company's level of risk or business activity level of risk. At the Company level, it determines its overall goal and objectives for mitigation according to the business objectives of the Company's development strategy and its annual business objectives; it identifies the factors that influence the realization of its goals (collection, analysis, and arrangement of risk), it creates a preliminary risk database with examples from both its domestic and foreign industry; it uses the Company's risk assessment standards to analyze historical industry data to understand the cause of the risk, the probability and impact of risk, to identify significant risks at the Company level. At the business activity level, the Group takes account of the important accounting items and disclosures in the financial statements to sort out the business of the Company, it determines sales and receivables of project management and 16 other types of business, and basically covers all aspects of the Group's management activities. To aid in the process, the Group has created an important business process directory. After identifying important business processes, the Group evaluates risk in important business by the method of risk identification and analysis, and establishes a risk database. At the same time, the Group identifies new risks according to changes in business activities, and maintains and updates its risk database. The internal control manual's established processes are also regularly updated according to the business process evaluation.

The Group, according to the Company level or business activity level risk assessment results, uses incompatible job separation control, authorization control, accounting system control, property protection control, budgetary control, operation control and performance evaluation control, through the development and deployment of systems and process implements internal control activities. Group's functional departments and business units in their respective duties within the scope of their management, formulate their own rules and regulations; each business unit in different business sectors, such as purchasing, sales, R&D all create their own business system and process documents, as operational rules for business execution. The operation center of the group is responsible for the collection and compilation of the system processes of all levels, units and departments.

The Company gradually formed a scientific standardization, wherein different levels, through various forms of internal information transmission mechanism, protect the internal control of the transfer of information and support the internal monitoring operation. The Company attaches importance to the construction of its information system, and gives full play to the role of information technology in internal control. The Company has established a complaint reporting system and set up a hotline which is open to all of its staff to ensure the smooth flow of complaints; it has become one of the important steps in the Company's measures against fraud.

Internal Audit

The Company has established an internal audit function and formulated the *Internal Control Supervision and Inspection System*（內部控制監督檢查制度）, which clearly defines the internal audit department as accepting the guidance and supervision of the Board's Audit Committee, carrying out the functions of inspection and supervision independently, and specify the qualitative and quantitative standards for defects. The audit department is equipped with full-time staff whose daily work includes risk assessment, internal control audits, financial audits, complaint handling, and special inspection work. At least once a year, the department conducts a comprehensive inspection and supervision of the group's internal control, and carries out regular inspections of the internal control of the Group on a regular basis. The audit department reports directly to the Chairman.

The Audit and Legal Affairs department regularly reports to the Board on its work about internal control inspection and supervision. The Audit and Legal Affairs department submits an annual report on internal control supervision to the Board's Audit Committee within three months after the end of the year. The Audit Committee of the Board is responsible for the supervision and inspection of the internal control and reviewing the report of the internal control inspection and supervision submitted by the Audit and Legal Affairs department.

As of year-end, the Company has been in accordance with the requirements in the *Company Internal Control Evaluation Guideline*（企業內部控制評價指引）, which focus on the internal environment, risk assessment, control activities, information and communication, internal supervision and other factors, forming a comprehensive self-evaluation on internal control. The scope of the evaluation includes all of the Company's key business areas and business processes. The annual internal control evaluation comprises the internal control evaluation team, a clear division of labor and rate of progress schedule, an on-site inspection amongst other ways to organize the implementation of an internal control evaluation. The main person in charge of each unit is responsible for the authentication of the internal control self-assessment process and its conclusion.

Internal Control Defect Handling

The Company established defect identification standards for its internal control according to its business scale, characteristics, and risk tolerance. There are two standards: general defects and major defects, these standards were formed from two aspects of qualitative and quantitative identification according to the severity of the defects. This identification criteria was adopted by the Board.

After an audit, the internal audit department of the Company will report all internal control anomalies and improvement proposals in a work report to the chairman and the management of the Company. The management of the Company will propose corrective actions while the internal audit department will supervise its implementation, after immediately sending a report to the Board's Audit Committee. For instance, there were defects in the Company's annual internal control self-assessment that were reported to the Board, the Board identified the major defects, and then implemented remedial measures.

Due to negligence in relevant personnel resulting in significant defects or significant risks in the internal control report to the Company which caused serious damage, the Company will start the accountability process and find out who is to blame.

Review of Risk Management and Internal Control Results

According to the *Fundamental Norms of Enterprise Internal Control*（企業內部控制基本規範）and its supporting guidelines, the Company's internal control system and evaluation methods, on the basis of daily supervision of internal control and special supervision as well as the Board's Audit Committee submitting an assessment determining the nature and level of risk that the Company is willing to undertake to achieve its strategic objectives and tweaking their internal control system at least once a year are sufficient for its risk management and internal control system implementation and supervision. The Board has reviewed the Company's risk management and internal control system for the year ended 31 December 2018, and has concluded that the risk management and internal control as of 31 December 2018 there are no significant deficiencies in its risk management and internal control systems and that such systems are sufficient and effective.

Risk management and internal control have inherent limitations, as these systems are designed to manage risk rather than completely eliminate any risk of failure when achieving business objectives. Nevertheless, the Board and the Company's management will continue to improve the company's risk management and internal control system.

The Board is ultimately responsible for the effectiveness of the Group's risk management and internal control system. Each year, the Board reviews the Company's financial report while simultaneously reviewing and forming resolutions for the *Internal Control Evaluation Report*（內部控制評價報告）, after which it is responsible for disclosing information to relevant departments for handling.

Inside Information

The Company was in strict compliance with the *Securities Law* of the PRC, *Securities and Futures Ordinance*, the *Listing Rules of the Shenzhen Stock Exchange* and other relevant laws and regulations. The Company established and improved internal control procedures related to handling and dissemination of insider information.

- The Company deeply understood and followed the principle of timely disclosure of inside information and safe harbor provisions.
- The Company created the *Information Disclosure Management System* (資訊披露管理制度) which states that the Board bears the ultimate responsibility for ensuring that the Company performs its disclosure obligations. This system has established an effective information disclosure management system, standardized the responsibility and procedure of information disclosure, and listed the situation of the stock price sensitive information and inside information.
- The Company established the insider registration management system which clearly states the scope of knowledge and confidentiality obligations of those with inside information.
- The Company regularly provided training on inside information to relevant personnel.
- The Company is listed on the Hong Kong and Shenzhen Stock Exchange, and has ensured that the disclosure of inside information was timely, accurate and consistent in the two markets.

SENIOR MANAGEMENT

The Senior Management is charged with implementing the strategies and directions as determined by the Board. In discharging their responsibilities, Senior Management must comply with business principles and ethics which are consistent with those expected by the Board, the Shareholders and other stakeholders.

The responsibilities undertaken by the Senior Management include:

- management of the Company's production and operations;
- establishment of corporate policies and the management framework of the Company;
- appointment, evaluation or dismissal of employees of the Company; and
- implementation of resolutions of the Board.

Senior Management Composition

As at the Latest Practicable Date, the Senior Management comprised of eight members, which included the President, two executive vice presidents, two vice presidents and the Secretary of the Board who concurrently holds the position of vice president, the Chief Financial Officer, and the Chief Engineer.

The Senior Management composition during the year ended 31 December 2018 and up to the Latest Practicable Date is set out below:

President

Mr. Wang Haibo

Executive Vice Presidents

Mr. Cao Zhigang
Mr. Wu Kai

Vice Presidents

Ms. Ma Jinru
Mr. Zhou Yunzhi
Mr. Liu Rixin

Secretary of the Board

Ms. Ma Jinru

Chief Financial Officer

Mr. Liu Chunzhi(Note)

Chief Engineer

Mr. Liu He
Mr. Zhai Endi

Note: Mr. Liu Chunzhi was appointed as CFO on 24 August 2018.

The profiles of the Senior Management in office as at 31 December 2018 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 48 of this annual report.

Shares Held by Senior Management

Based on information known to the Company, as at 31 December 2018, details of Senior Management who hold shares in the Company are set out below:

Name	Position	Date of Appointment	Share Category	Number of Shares
Mr. Wang Haibo	President	5 July 2016	A Shares	715,000
Mr. Cao Zhigang	Executive Vice President	5 July 2016	A Shares	12,893,431
Mr. Wu Kai	Executive Vice President	5 July 2016	A Shares	715,000
Mr. Huo Changbao[1]	Chief Financial Officer	5 July 2016	A Shares	715,000
Mr. Liu Chunzhi[2]	Chief Financial Officer	24 August 2018	–	–
Ms. Ma Jinru	Vice President and Secretary of the Board	5 July 2016	A Shares	715,000
Mr. Zhou Yunzhi	Vice President	5 July 2016	A Shares	715,000
Mr. Liu He	Chief Engineer	5 July 2016	–	–
Mr. Liu Rixin	Vice President	28 February 2017	H Shares	79,300
Mr. Zhai Endi	Chief Engineer	7 July 2017	–	–

Note:

1. Mr. Huo Changbao resigned as CFO on 7 February 2018.
2. Mr. Liu Chunzhi was appointed as CFO on 24 August 2018.

Remuneration of Directors, Supervisors and Senior Management

For the year ended 31 December 2018, the remuneration of Directors, Supervisors and Senior Management during their term of office is set out below:

Unit: RMB ten thousands

Name	Position	Total Remuneration before tax received from the Company during the Reporting Period
Mr. Wu Gang	Chairman	446.33
Mr. Wang Haibo	Executive Director and President	460.42
Mr. Cao Zhigang	Executive Director and Executive Vice President	438.15
Mr. Zhao Guoqing	Non-executive Director	–
Mr. Gao Jianjun	Non-executive Director	–
Ms. Gu Hongmei[1]	Non-executive Director	–
Mr. Yang Xiaosheng	Independent Non-executive Director	20
Mr. Luo Zhenbang	Independent Non-executive Director	20
Dr. Tin Yau Kelvin Wong	Independent Non-executive Director	20
Mr. Wang Mengqiu	Chairman of the Supervisory Committee	–
Mr. Luo Jun	Supervisor	–
Ms. Xiao Hong	Supervisor	–
Mr. Lu Min	Supervisor	104.41
Ms. Ji Tian	Supervisor	106.02
Mr. Wu Kai	Executive Vice President	376.48
Mr. Huo Changbao[2]	Chief Financial Officer	110.71
Mr. Liu Chunzhi[3]	Chief Financial Officer	217.13
Ms. Ma Jinru	Vice President and Secretary of the Board	362.08
Mr. Zhou Yunzhi	Vice President	357.81
Mr. Liu He	Chief Engineer	271.93
Mr. Liu Rixin	Vice President	363.02
Mr. Zhai Endi	Chief Engineer	437.1

Notes:

1. Ms. Gu Hongmei was appointed with effect from 27 October 2018.
2. Mr. Huo Changbao resigned as Chief Financial Officer with effect from 7 February 2018.
3. Mr. Liu Chunzhi was appointed as Chief Financial Officer with effect from 24 August 2018.

Company Secretary

The Company Secretary as at the Latest Practicable Date is Ms. Ma Jinru. She supports the Chairman, the Board and the Board Committees by ensuring good information flow and that Board policies and procedures are followed. She advises the Board on corporate governance matters and facilitates the training and professional development of the Directors. Ms. Ma Jinru is an employee of the Company and was appointed by the Board. Any Director may call upon her for advice and assistance at any time in respect of their duties and the effective operations of the Board. She also plays an essential role in managing the Company's disclosure obligations and maintaining the relationship between the Company and the Shareholders, including assisting the Board in discharging its obligations to the Shareholders pursuant to the Listing Rules.

Ms. Ma Jinru participated in approximately 43 hours of relevant professional training during the year ended 31 December 2018 relating to, among others, regulatory updates, corporate governance and business and market related topics of the Company and our industry in order to develop and refresh her knowledge and skills.

ARTICLES

At the AGM held on 12 June 2018, the Shareholders approved the amendment to the Articles in respect of Articles 8.41 to reflect the latest shareholding structure of the Company.

AUDITORS

Ernst & Young and Ernst & Young Hua Ming LLP were re-appointed as the Company's auditors for the financial year ended 31 December 2018. The Audit Committee reviewed and confirmed the auditors' independence and that there were no relationships between the auditors and the Company which may reasonably be thought to bear on their independence.

The services received from our auditors and the respective fees payable (excluding tax) by the Company for the financial year ended 31 December 2018 are set out below:

Unit: RMB million

	Year ended 31 December	
Service	**2018**	2017
Audit		
Audit of annual report and other related services	**7.39**	6.64
Audit of internal control	**0.51**	0.51
Non-audit		
Review of interim report	**1.65**	1.65
Total	**9.55**	8.80

DIRECTORS' AND AUDITORS' RESPONSIBILITIES

The Directors acknowledge their responsibility for preparing the financial statements for each financial year which give a true and fair view of the state of affairs, results and cash flows of the Group. In preparing the Financial Statements, the Directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that were prudent, fair and reasonable and prepared the Financial Statements on a going concern basis. The Directors are responsible for keeping proper accounting records and accurately disclosing the financial position, results, cash flows, and changes in equity of the Group in a timely manner.

The Directors' and auditors' responsibilities for the Financial Statements are set out in the section headed "Independent Auditors' Report" on page 92 of this annual report.

INVESTOR RELATIONS

The Company is committed to protecting the interests of its investors. The Company adheres to strict disclosure principles and strives to ensure that the information disclosed in its announcements, circulars and periodic reports are true, accurate and complete, and disclosures are made in a timely manner. In addition, the Company encourages regular communication and interaction with its investors and potential investors in order to allow them to better understand the wind power industry, the Company, and its long-term development strategies. The Company has established the Investor Relations division within its Office of Secretary of the Board which is responsible for organising investor visits and conferences, responding to queries from the Investor Relations Hotline, attending to the Investor Relations email inbox and SZSE's investor interactive platform, analysing information contained in the Company's disclosure documents and assisting investors with related queries, and updating the "Investor Relations" section on the Company's website in a timely manner.

In 2018, the Company strictly complied with its disclosure obligations, improved its communications with investors, and strived to provide investors with a fair and transparent investment environment. During the same period, the Company's Investor Relations division organized two results announcement road shows and four results announcement telephone conferences, and accommodated 82 investor visits. The Company hosted a total of 1,088 investors through such events.

Independent Auditor's Report

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To the shareholders of Xinjiang Goldwind Science & Technology Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Xinjiang Goldwind Science & Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 98 to 251, 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 the 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. 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 *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, 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
Provision for product warranties	
As at 31 December 2018, the provision for product warranties amounted to approximately RMB3,442 million. The Group grants various types of product warranties to the customers of wind turbine generator ("WTG") products under which the performance of products delivered is generally guaranteed for a period of two to five years. During the warranty period, the Group is required to provide operation and maintenance services including repairs and renewal of spare parts. Provision for product warranties made by the Group for certain products was recognised based on sales volume and historical experience of the level of repairs. The changes in the assumptions could materially affect the level of provision recorded in the financial statements. More details are included in note 3 and note 36 to the consolidated financial statements.	We obtained an understanding of the warranty provision process. Our audit procedures included assessing the Group's methodology; evaluating the assumptions used in determining the warranty provisions by comparing historical data and subsequent claim expenses incurred; testing the validity of the data used in the calculations by reviewing the warranty terms as set out in the respective sales contracts; testing the arithmetic accuracy of the warranty provision made; reviewing any amounts reversed as unconsumed after the warranty period and evaluating the provision balance against the quantity of products sold but still in warranty periods.
Impairment of trade receivables	
As at 31 December 2018, the carrying amount of trade receivables was approximately RMB14,823 million which represented 18.22% of the Group's total assets. In accordance with the impairment method of *IFRS 9 Financial Instruments*, the Group established a provision matrix that based on its historical credit loss experience and existence of disputes adjusted for forward-looking factors specific to the debtors and the economic environment, considered the credit risk characteristics of different customers and calculated expected credit losses ("ECLs") on trade receivables based on the combination of individual and collective assessment. The Group recognised a loss allowance based on lifetime ECLs. Making the allowance involved the use of significant management judgement and estimates. More details are included in note 3 and note 25 to the consolidated financial statements.	We assessed the adequacy and accuracy of the impairment allowance for trade receivables with following procedures: reviewing the accounting policy for impairment of trade receivables; assessing the appropriateness of the policy and the reasonableness of the expected credit loss rate, assessing the reliability of management's assumptions, considering the impact of the forward-looking information; considering whether there were special impairment indications about long ageing receivables and overdue receivables; for impairment allowance determined on an individual assessment basis, assessing the adequacy of impairment allowance determined by management by reviewing the subsequent receipts after the reporting period and evaluating whether the debtors have been experiencing significant financial difficulties, default or delinquency in interest or principal payments; for impairment allowance determined on a collective assessment basis, testing the accuracy of the ageing of trade receivable balances by tracing details of ledger accounts and delivery evidence; and analysing the amounts written off as uncollectible.

Key audit matter	How our audit addressed the key audit matter
Accounting for business combinations	
During 2018, the Group acquired several entities from third parties. The accounting for business combinations involved the use of significant management judgements and estimates for identifying a business combination, determining the acquisition date, recognising intangible assets acquired and measuring identifiable assets acquired and liabilities assumed at fair value. More details are included in note 3 and note 41 to the consolidated financial statements.	We examined the supporting documents including the share transfer agreements, amended articles of associates, related documents about changes of directors and transfer of control right and assets. We evaluated management's judgements on business combinations, the identification of the acquisition date and the determination of the purchase consideration and checking the financial statements of the acquirees on the date of acquisition. We assessed the allocation of purchase price to all identifiable assets acquired including intangible assets and liabilities assumed, and reviewed the accounting treatment of the business combinations. We evaluated the independent valuers' qualifications, professional competence and independence and reviewed the profit forecast and cash flow projections, the key assumptions used in evaluation and involved our internal valuation expert in assessing the valuation method adopted in determining the fair values of identifiable assets acquired and liabilities assumed and the discounted rate used by management. We also assessed the adequacy of the related disclosures in the financial statements.
Accounting for loss of control	
During 2018, the Group lost control of several subsidiaries due to equity transfer transaction and change in power over the subsidiaries. The accounting treatment for loss of control of subsidiaries involved the use of significant management judgements and estimates for determining the date and business substance of the Group's lost control over the entities, and measuring the consideration received from the disposal, and the fair value of the remaining interests. More details are included in note 3 and note 42 to the consolidated financial statements.	We examined the disposal agreements, the amended articles of associates and other supporting documents and evaluated management's judgement on whether and when the transaction resulted in loss of control of subsidiaries. We reviewed the accounting treatment of loss of control. We evaluated the independent valuers' qualifications, professional competence and independence and reviewed the profit forecast and cash flow projections, the assumptions used in evaluation and involved our internal valuation expert in assessing the valuation method adopted in determining the fair values of the remaining interests, and the discounted rate used by management. We also assessed the adequacy of the related disclosures in the financial statements.

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 Yee Chung Man.

Ernst & Young
Certified Public Accountants
Hong Kong
29 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	28,590,307	24,970,835
Cost of sales		(21,246,510)	(17,505,117)
Gross profit		7,343,797	7,465,718
Other income and gains	5	2,073,163	1,631,065
Selling and distribution expenses		(1,896,605)	(2,101,058)
Administrative expenses		(2,737,783)	(2,520,463)
Impairment losses on financial and contract assets, net		(99,346)	(257,933)
Other expenses		(195,952)	(119,302)
Finance costs	7	(1,071,300)	(817,782)
Share of profits and losses of:			
Joint ventures	17	203,078	144,911
Associates	18	63,379	65,400
PROFIT BEFORE TAX	6	3,682,431	3,490,556
Income tax expense	9	(399,833)	(341,749)
PROFIT FOR THE YEAR		3,282,598	3,148,807
Profit attributable to:			
Owners of the parent		3,216,604	3,054,657
Non-controlling interests		65,994	94,150
		3,282,598	3,148,807

	Notes	2018 RMB'000	2017 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Reclassification adjustments for losses included in the consolidated statement of profit or loss:			
losses on disposal of available-for-sale investments, net of tax		–	(22,949)
Reclassification adjustments for gains included in the consolidated statement of profit or loss:			
gains on disposal of an associate, net of tax		–	48,953
Share of other comprehensive (loss)/income of associates and joint ventures		(4,591)	167,926
Cash flow hedges, net of tax:			
– Effective portion of changes in fair value of hedging instruments arising during the year		(31,556)	16,052
Changes in fair value of available-for-sale investments		–	51,012
Exchange differences on translation of foreign operations		(167,277)	23,111
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods, net of tax		(203,424)	284,105
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of financial assets designated at fair value through other comprehensive income, net of tax		(252,151)	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		(455,575)	284,105
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,827,023	3,432,912
Attributable to:			
Owners of the parent		2,761,029	3,338,762
Non-controlling interests		65,994	94,150
		2,827,023	3,432,912
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	11	0.88	0.84

Consolidated Statement of Financial Position

31 December 2018

	Notes	As at 31 December 2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**25,508,730**	22,838,479
Investment properties	13	**119,988**	67,904
Prepaid land lease payments	14	**292,453**	302,092
Goodwill	15	**487,749**	497,601
Other intangible assets	16	**3,477,115**	2,254,558
Investments in joint ventures	17	**3,068,338**	1,802,594
Investments in associates	18	**592,054**	588,151
Equity investments designated at fair value through other comprehensive income	19	**408,717**	–
Financial assets at fair value through profit or loss	20	**679,851**	–
Available-for-sale investments	19	**–**	1,168,210
Other non-current financial assets	21	**309,717**	–
Deferred tax assets	22	**1,634,991**	1,601,385
Held-to-maturity investments	23	**–**	49,996
Trade receivables	25	**–**	2,324,143
Financial receivables	26	**7,287,309**	4,536,746
Prepayments, other receivables and other assets	27	**1,407,300**	1,555,448
Contract assets	28	**3,005,214**	–
Derivative financial instruments	33	**53,032**	16,070
Pledged deposits	29	**113,995**	103,136
Total non-current assets		**48,446,553**	39,706,513
CURRENT ASSETS			
Inventories	24	**4,996,682**	4,083,012
Trade and bills receivables	25	**16,895,231**	17,048,220
Contract assets	28	**907,433**	–
Financial receivables	26	**386,762**	497,481
Prepayments, other receivables and other assets	27	**4,525,833**	2,650,442
Available-for-sale investments	19	**–**	1,050,000
Derivative financial instruments	33	**25,331**	12,640
Pledged deposits	29	**38,300**	983,419
Cash and cash equivalents	29	**5,027,638**	6,756,114
		32,803,210	33,081,328
Assets of disposal groups classified as held for sale	34	**114,290**	–
Total current assets		**32,917,500**	33,081,328
CURRENT LIABILITIES			
Trade and bills payables	31	**19,999,759**	15,256,882
Other payables and accruals	32	**6,371,768**	6,359,880
Interest-bearing bank and other borrowings	35	**3,470,114**	5,999,023
Tax payable		**189,399**	211,244
Provision	36	**1,569,546**	1,773,288
Total current liabilities		**31,600,586**	29,600,317
NET CURRENT ASSETS		**1,316,914**	3,481,011
TOTAL ASSETS LESS CURRENT LIABILITIES		**49,763,467**	43,187,524

	Notes	As at 31 December 2018 RMB'000	2017 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**49,763,467**	43,187,524
NON-CURRENT LIABILITIES			
Trade payables	31	**1,090,612**	884,593
Other payables and accruals	32	**93,552**	38,541
Interest-bearing bank and other borrowings	35	**18,864,519**	15,885,810
Deferred tax liabilities	22	**806,843**	452,420
Provision	36	**1,982,892**	2,096,893
Government grants	37	**298,056**	339,109
Derivative financial instruments	33	**126,417**	–
Deferred income		**25,452**	15,157
Total non-current liabilities		**23,288,343**	19,712,523
Net assets		**26,475,124**	23,475,001
EQUITY			
Equity attributable to owners of the parent			
Share capital	38	**3,556,203**	3,556,203
Reserves	39	**21,405,015**	19,130,490
		24,961,218	22,686,693
Non-controlling interests		**1,513,906**	788,308
Total equity		**26,475,124**	23,475,001

Wu Gang
Director

Wang Haibo
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Notes	Attributable to owners of the parent											
		Share capital RMB'000 (note 38)	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Available-for-sale investment/ Financial assets at fair value revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Other equity instruments RMB'000 (note 40)	Hedging reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
As at 31 December 2017		3,556,203	8,374,759	–	1,197,319	106,611	(151,365)	1,495,118	16,052	8,091,996	22,686,693	788,308	23,475,001
Effect of adoption of IFRS 9, net of tax (note 2.2)		–	(179,424)	–	–	(78,645)	–	–	–	63,183	(194,886)	–	(194,886)
As at 1 January 2018 (restated)		3,556,203	8,195,335	–	1,197,319	27,966	(151,365)	1,495,118	16,052	8,155,179	22,491,807	788,308	23,280,115
Profit for the year		–	–	–	–	–	–	–	–	3,216,604	3,216,604	65,994	3,282,598
Other comprehensive (loss)/income for the year:													
Changes in fair value of equity investment at fair value through other comprehensive loss, net of tax		–	–	–	–	(252,151)	–	–	–	–	(252,151)	–	(252,151)
Cash flow hedges, net of tax		–	–	–	–	–	–	–	(31,556)	–	(31,556)	–	(31,556)
Share of other comprehensive loss of associates		–	(4,591)	–	–	–	–	–	–	–	(4,591)	–	(4,591)
Exchange differences on translation of foreign operations		–	–	–	–	–	(167,277)	–	–	–	(167,277)	–	(167,277)
Total comprehensive (loss)/income for the year		–	(4,591)	–	–	(252,151)	(167,277)	–	(31,556)	3,216,604	2,761,029	65,994	2,827,023
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	1,008,893	1,008,893
Acquisition of subsidiaries	41	–	–	–	–	–	–	–	–	–	–	39,630	39,630
Disposal to non-controlling shareholders		–	(7,466)	–	–	–	–	–	–	–	(7,466)	7,466	–
Disposal of subsidiaries	42	–	–	–	–	–	–	–	–	–	–	(360,553)	(360,553)
Final 2017 dividend declared		–	–	–	–	–	–	–	–	(711,241)	(711,241)	–	(711,241)
Profit appropriation to reserves		–	–	–	101,552	–	–	–	–	(101,552)	–	–	–
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(35,832)	(35,832)
Transfer to special reserve (note (i))		–	–	(59,156)	–	–	–	–	–	59,156	–	–	–
Utilisation of special reserve (note (i))		–	–	59,156	–	–	–	–	–	(59,156)	–	–	–
Capital contributions from other equity instruments		–	–	–	–	–	–	498,500	–	–	498,500	–	498,500
Distribution of other equity instruments		–	–	–	–	–	–	–	–	(71,411)	(71,411)	–	(71,411)
At 31 December 2018		3,556,203	*8,183,278	*–	*1,298,871	*(224,185)	*(318,642)	*1,993,618	*(15,504)	*10,487,579	24,961,218	1,513,906	26,475,124

	Attributable to owners of the parent											
	Share capital RMB'000 (note 38)	Capital Reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Available–for-sale investment revaluation reserve RMB'000	Hedging reserve RMB'000	Exchange fluctuation reserve RMB'000	Other equity instruments RMB'000 (note 40)	Retained profits RMB'000	Total RMB'000	Non–controlling interests RMB'000	Total equity RMB'000
As at 1 January 2017	2,735,541	*8,167,993	–	*1,094,426	*78,548	–	*(174,476)	*1,495,118	*6,579,002	19,976,152	722,642	20,698,794
Profit for the year	–	–	–	–	–	–	–	–	3,054,657	3,054,657	94,150	3,148,807
Other comprehensive income for the year:												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	51,012	–	–	–	–	51,012	–	51,012
Losses on disposal of available-for-sale investments, net of tax	–	–	–	–	(22,949)	–	–	–	–	(22,949)	–	(22,949)
Cash flow hedges, net of tax	–	–	–	–	–	16,052	–	–	–	16,052	–	16,052
Share of other comprehensive income of associates and joint ventures	–	167,926	–	–	–	–	–	–	–	167,926	–	167,926
Gains on disposal of an associate, net of tax	–	48,953	–	–	–	–	–	–	–	48,953	–	48,953
Exchange differences on translation of foreign operations	–	–	–	–	–	–	23,111	–	–	23,111	–	23,111
Total comprehensive income for the year	–	216,879	–	–	28,063	16,052	23,111	–	3,054,657	3,338,762	94,150	3,432,912
Final 2016 dividend declared	820,662	–	–	–	–	–	–	–	(1,367,770)	(547,108)	–	(547,108)
Profit appropriation to reserves	–	–	–	102,893	–	–	–	–	(102,893)	–	–	–
Dividend declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(36,538)	(36,538)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	21,383	21,383
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(83,792)	(83,792)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	64,895	64,895
Acquisition of non-controlling interests	–	559	–	–	–	–	–	–	–	559	(5,104)	(4,545)
Changes in non-controlling interests due to capital injection	–	(10,672)	–	–	–	–	–	–	–	(10,672)	10,672	–
Transfer to special reserve (note (i))	–	–	33,797	–	–	–	–	–	(33,797)	–	–	–
Utilisation of special reserve (note (i))	–	–	(33,797)	–	–	–	–	–	33,797	–	–	–
Distribution of other equity instruments	–	–	–	–	–	–	–	–	(71,000)	(71,000)	–	(71,000)
As at 31 December 2017	3,556,203	*8,374,759	–	*1,197,319	*106,611	*16,052	*(151,365)	*1,495,118	*8,091,996	22,686,693	788,308	23,475,001

* As at 31 December 2018, these reserve accounts comprised the consolidated other reserves of RMB21,405,015,000 (31 December 2017: RMB19,130,490,000) in the consolidated statement of financial position.

note (i) In preparation of these consolidated financial statements, the Group has appropriated certain amounts of retained profits to a special reserve fund for each of the years ended 31 December 2017 and 2018, for safety production expense purposes as required by directives issued by the relevant People's Republic of China ("PRC") government authorities. The Group charged the safety production expenses to profit or loss when such expenses were incurred, and at the same time the corresponding amounts of special reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

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		**3,682,431**	3,490,556
Adjustments for:			
Finance costs	7	**1,071,300**	817,782
Bank interest income	5	**(222,409)**	(75,042)
Share of profits of joint ventures	17	**(203,078)**	(144,911)
Share of profits of associates	18	**(63,379)**	(65,400)
Depreciation	6	**1,218,020**	1,066,701
Amortisation of prepaid land lease payments	6	**8,246**	7,159
Amortisation of other intangible assets	6	**126,527**	50,279
Loss on disposal of items of property, plant and equipment and other intangible assets, net	6	**2,456**	2,942
Gain on disposal of subsidiaries	5	**(313,889)**	(387,778)
Gain on remeasurement of the previously held interest in acquirees at its disposal date in disposal of subsidiaries	5	**(627,627)**	(309,416)
Gain on disposal of investments in associates and joint ventures, net	5	**(5,212)**	(136,652)
Gain on disposal of available-for-sale investments	5	**–**	(84,036)
Gain on disposal of financial assets at fair value through profit or loss	5	**(42,716)**	–
Gain on remeasurement of the previously held interest in an acquiree at its acquisition-date in a step acquisition of a subsidiary	5	**–**	(4,297)
Dividend income from other non-current financial assets	5	**(19,382)**	–
Dividend income from available-for-sale investments	5	**–**	(21,698)
Dividend income from equity investments at fair value through other comprehensive income	5	**(14,958)**	–
Interest from other investments		**(50,908)**	(15,169)
Fair value gains on derivative financial instruments – transactions not qualifying as hedges	5	**–**	(12,640)
Fair value gains on equity investments at fair value through profit or loss	5	**(209,359)**	–
Gains on disposal of derivative instruments – Transactions not qualifying as hedges	5	**–**	(15,244)
Impairment of trade and other receivables	6	**75,554**	257,933
Impairment of financial receivables	6	**22,249**	–
Impairment of contract assets	6	**1,532**	–
Impairment of other non-current financial assets	6	**11**	–
Reversal of write-down of inventories to net realisable value	6	**(17,982)**	(9,956)
Impairment of property, plant and equipment	6	**17,422**	11,186
Impairment of goodwill	6	**11,998**	–
Government grants and deferred revenue		**(117,788)**	(45,797)
		4,329,059	4,376,502

	Notes	2018 RMB'000	2017 RMB'000
Increase in inventories		**(869,008)**	(847,911)
Increase in contract assets		**(269,784)**	–
Increase in trade and bills receivables		**(166,155)**	(1,286,460)
Increase in financial receivables		**(1,741,662)**	(1,512,607)
Increase in prepayments, other receivables and other assets		**(1,129,135)**	(181,385)
Increase in trade and bills payables		**2,930,495**	1,035,960
Increase in other payables and accruals		**737,925**	1,914,977
Decrease in provision		**(317,741)**	(95,701)
(Decrease)/increase in government grants and deferred income		**(30,758)**	88,139
Cash generated from operations		**3,473,236**	3,491,514
Income tax paid		**(399,833)**	(534,698)
Interest received		**51,952**	66,633
Net cash flows from operating activities		**3,125,355**	3,023,449
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(5,943,037)**	(4,842,701)
Additions of prepaid land lease payments		**(16,006)**	(14,197)
Additions of other intangible assets		**(66,840)**	(48,465)
Acquisitions of subsidiaries, net of cash acquired	41	**(995,570)**	(1,804,017)
Investments in joint ventures		**(213,672)**	(39,725)
Investments in associates		**(100,600)**	(50,000)
Purchases of available-for-sale investments		**–**	(1,086,831)
Purchases of equity investments at fair value through other comprehensive income		**(12,012)**	–
Purchases of financial assets at fair value through profit or loss		**(59,730)**	–
Purchases of other non-current financial assets		**(136,748)**	–
Proceeds from disposal of available-for-sale investments		**–**	355,731
Receipt of government grants for property, plant and equipment		**–**	57,585
Proceeds from disposal of items of property, plant and equipment and other intangible assets		**4,345**	4,548
Disposals of financial assets at fair value through profit or loss		**1,156,169**	–
Disposals of subsidiaries, net of cash disposed of	42	**(83,805)**	245,369
Disposals of shareholding in associates and joint ventures		**437,719**	62,089
Decrease in pledged deposits		**572,550**	175,062
Interest received		**7,415**	362
Dividend received from available-for-sale investments		**–**	10,763
Dividend received from other non-current financial assets		**4,622**	–
Dividend received from joint ventures and associates		**95,923**	121,503
Dividend received from equity investments at fair value through other comprehensive income		**10,101**	–
Increase in non-pledged time deposits with original maturity of three months or more when acquired		**(5,691)**	(2,223)
Loans to joint ventures, associates and third parties		**(383,011)**	(291,115)
Cash and cash equivalents included in assets held for sale		**–**	(20,814)
Cash (to)/from other investments		**(386,034)**	69,129
Net cash flows used in investing activities		**(6,113,912)**	(7,097,947)

	Notes	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		12,527,203	8,139,078
Repayment of bank and other borrowings		(10,918,454)	(3,327,343)
Increase in an amount due to the non-controlling shareholders		1,022	2,216
Increase in loans to jointly-controlled entities and associates		10,400	–
Interest paid	43	(1,120,935)	(802,514)
Acquisitions of non-controlling interests		–	(4,545)
Capital contributions from non-controlling shareholders		1,008,893	64,895
Dividend paid	43	(805,209)	(654,646)
Proceeds from issuance of perpetual securities, net of issuance costs		498,500	–
Payments of corporate bonds issue expense		–	(35,251)
Net cash flows from financing activities		1,201,420	3,381,890
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,787,137)	(692,608)
Cash and cash equivalents at beginning of year		6,746,183	7,526,463
Effect of foreign exchange rate changes, net		52,971	(87,672)
CASH AND CASH EQUIVALENTS AT END OF YEAR	29	5,012,017	6,746,183

1. CORPORATE AND GROUP INFORMATION

Xinjiang Goldwind Science & Technology Co., Ltd. is a joint stock company with limited liability established in Xinjiang in the People's Republic of China (the "PRC"), which was established on 26 March 2001. The Company's shares have been listed on the Shenzhen Stock Exchange from 26 December 2007 and the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") from 8 October 2010. The registered office of the Company is located at 107 Shanghai Road, Economic & Technology Development District, Urumqi, Xinjiang, the PRC.

During the year, the Group was involved in the following principal activities:

- Manufacture and sale of wind turbine generators and wind power components;
- Provision of wind power related consultancy, wind farm construction and maintenance services;
- Development and operation of wind farms, consisting of wind power generation service provided by the Group's wind farms as well as the sale of wind farms, if appropriate; and
- Development and operation of water treatment plants and finance lease services.

In the opinion of the directors of the Company (the "Directors"), the Company has no controlling shareholders.

Information about subsidiaries

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

Name*	Place of incorporation/ registration and business**	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Goldwind Science & Creation Wind Power Equipment Co., Ltd. (北京金風科創風電設備有限公司)	The PRC/ Mainland China	RMB993,000,000	100	–	Manufacture and sale of wind power equipment and accessories
Goldwind Windenergy GmbH	Germany	EUR350,000	100	–	Investment holding
Vensys Energy AG	Germany	EUR5,000,000	–	70	Provision of technical services and manufacture and sale of wind power equipment and accessories
Vensys Elektrotechnik GmbH	Germany	EUR100,000	–	63	Provision of technical services and manufacture and sale of wind power equipment and accessories

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name*	Place of incorporation/ registration and business**	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Tianrun New Energy Investment Co., Ltd. ("Beijing Tianrun") (北京天潤新能投資有限公司)	The PRC/ Mainland China	RMB5,550,000,000	100	–	Investment holding
Beijing Tianyuan Science & Creation Wind Power Technology Co., Ltd. (北京天源科創風電技術有限責任公司)	The PRC/ Mainland China	RMB200,000,000	100	–	Provision of construction and technical services for wind farms
Gansu Goldwind Wind Power Equipment Manufacture Co., Ltd. (甘肅金風風電設備製造有限公司)	The PRC/ Mainland China	RMB88,600,000	100	–	Manufacture and sale of wind power equipment and accessories
Beijing Techwin Electric Co., Ltd. (北京天誠同創電氣有限公司)	The PRC/ Mainland China	RMB100,000,000	100	–	Manufacture and sale of wind power equipment and accessories
Urumqi Goldwind Tianyi Wind Power Co., Ltd. (烏魯木齊金風天翼風電有限公司)	The PRC/ Mainland China	RMB426,060,000	100	–	Development and operation of wind farms
Beijing Goldwind Tiantong Science and Technology Development Co., Ltd. (北京金風天通科技發展有限公司)	The PRC/ Mainland China	RMB3,000,000	100	–	Trading of wind power equipment and accessories
Jiangsu Goldwind Wind Technology Co., Ltd. (江蘇金風科技限公司)	The PRC/ Mainland China	RMB759,610,000	100	–	Manufacture and sale of wind power equipment and accessories
Goldwind Investment Holding Co., Ltd. (金風投資控股有限公司)	The PRC/ Mainland China	RMB1,000,000,000	100	–	Investment holding
Hami Goldwind Wind Power Equipment Manufacture Co., Ltd. (哈密金風風電設備有限公司)	The PRC/ Mainland China	RMB10,000,000	100	–	Manufacture and sale of wind power equipment and accessories
Tianze Jiangsu Goldwind Wind Power Co., Ltd. (江蘇金風天澤風電有限公司)	The PRC/ Mainland China	RMB52,000,000	100	–	Development and operation of wind farms
Goldwind New Energy (HK) Investment Limited	The PRC/Hong Kong	HK$501,000,000	100	–	Investment holding
Goldwind International Holdings (HK) Limited ("Goldwind International Holdings (HK)")	The PRC/Hong Kong	HK$20,000,000	100	–	Investment holding
Goldwind Environmental Science & Technology Co., Ltd. (金風環保有限公司)	The PRC/ Mainland China	RMB1,000,000,000	100	–	Investment holding, development and operation of water treatment plants

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name*	Place of incorporation/ registration and business**	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xilingol league Area Goldwind Science & Technology Co., Ltd. (錫林郭勒盟金風科技有限公司)	The PRC/ Mainland China	RMB50,000,000	100	–	Manufacture and sale of wind power equipment and accessories
Tianxin International Finance Lease Co., Ltd. (天信國際租賃有限公司)	The PRC/ Mainland China	US$30,000,000	–	100	Finance lease services
Hami Tianrun New Energy Co., Ltd. (哈密天潤新能源有限公司)	The PRC/ Mainland China	RMB25,800,000	–	100	Development and operation of wind farms
Tacheng Tianrun New Energy Co., Ltd. (塔城天潤新能源有限公司)	The PRC/ Mainland China	RMB67,000,000	–	100	Development and operation of wind farms
Jinzhou Quanyi New Energy Wind Power Co., Ltd. (錦州市全一新能源風電有限責任公司)	The PRC/ Mainland China	RMB55,060,000	–	51	Development and operation of wind farms
Pinglu Tianrun Wind Power Co., Ltd. (平陸天潤風電有限公司)	The PRC/ Mainland China	RMB32,000,000	–	100	Development and operation of wind farms
Zhongning Tianrun Wind Power Co.,Ltd. (中寧天潤風電有限公司)	The PRC/ Mainland China	RMB4,000,000	–	100	Development and operation of wind farms
Keyou Zhongqi Tianyou New Energy Co., Ltd. (科右中旗天佑新能源有限公司)	The PRC/ Mainland China	RMB75,000,000	–	100	Development and operation of wind farms
Hami Yandun Tianrun Wind Power Co., Ltd. (哈密煙墩天潤風電有限公司)	The PRC/ Mainland China	RMB31,000,000	–	100	Development and operation of wind farms
Xiaxian Tianrun Wind Power Co., Ltd. (夏縣天潤風電有限公司)	The PRC/ Mainland China	RMB46,000,000	–	100	Development and operation of wind farms
Yixian Tianrun Wind Power Co., Ltd. (義縣天潤風電有限公司)	The PRC/ Mainland China	RMB10,000,000	–	100	Development and operation of wind farms
Jiangxian Tianrun Wind Power Co., Ltd. (絳縣天潤風電有限公司)	The PRC/ Mainland China	RMB20,750,000	–	100	Development and operation of wind farms
Guyuan Fengrun Wind Power Co., Ltd. (固原風潤風電有限公司)	The PRC/ Mainland China	RMB4,500,000	–	100	Development and operation of wind farms

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name*	Place of incorporation/ registration and business**	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Hami Tianrun Solar Energy Co., Ltd. (哈密天潤太陽能有限公司)	The PRC/ Mainland China	RMB44,000,000	–	100	Development and operation of solar power generation projects
Buerjin Tianrun New Energy Co., Ltd. (布爾津天潤新能源有限公司)	The PRC/ Mainland China	RMB4,000,000	–	100	Development and operation of wind farms
Fuyun Tianrun Wind Power Co., Ltd. (富蘊天潤風電有限公司)	The PRC/ Mainland China	RMB4,000,000	–	100	Development and operation of wind farms
Jingzhou Tianchu Wind Power Co., Ltd. (絳州天楚風電有限公司)	The PRC/ Mainland China	RMB42,000,000	–	100	Development and operation of wind farms
Yiwu Tianrun Wind Power Co., Ltd. (伊吾天潤風電有限公司)	The PRC/ Mainland China	RMB40,000,000	–	100	Development and operation of wind farms
UEP Penonome I, S.A.	Panama/Penonome	US$53,080,000	–	100	Development and operation of wind farms
Goldwind USA, Inc.	USA/Delaware	US$3,600,000	–	100	Research and sale of wind power equipment and accessories
Goldwind Australia Pty Ltd.	Australia/Victoria	AUD1,974,000	–	100	Research and sale of wind power equipment and accessories
Stockyard Hill Wind Farm Pty Ltd	Australia/Ballarat	AUD100	–	100	Development and operation of wind farms
PARQUE EóLICO LOMA BLANCA S.A	Argentine Republic/ Buenos Aires	Piso150,000	–	100	Development and operation of wind farms
Western Water Corporation	Samoa/Apia	US$5,000,000	–	100	Development and operation of water treatment plants
Zhejiang Ronghuai Environmental Engineering Co., Ltd (浙江榮懷環境工程有限公司)	The PRC/ Mainland China	RMB50,000,000	–	100	Development and operation of water treatment plants

* 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.

** All these companies were incorporated with limited liability.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2018. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, wealth management products and equity investments which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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 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 equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

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").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Classification and measurement (continued)

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					IFRS 9 measurement	
	Notes	Category	Amount RMB'000	Re-classification RMB'000	ECL RMB'000	other RMB'000	Amount RMB'000	Category
Financial assets								
Equity investments designated at fair value through other comprehensive income		N/A	–	695,268	–	(56,385)	638,883	FVOCI[1] (equity)
From: Available-for-sale investments	(i)			695,268	–	–		
Available-for-sale investments		AFS[2]	2,218,210	(2,218,210)	–	–	–	N/A
To: Equity investments designated at fair value through other comprehensive income	(i)			(695,268)	–	–		
To: Financial assets at fair value through profit or loss	(ii)			(1,522,942)	–	–		
Financial assets at fair value through profit or loss		N/A	–	1,522,942	–	2,024	1,524,966	FVPL[5]
From: Available-for-sale investments	(ii)			1,522,942	–	–		
Financial assets included in prepayments, other receivables and other assets		L&R[3]	1,241,939	(255,115)	(31,162)	–	955,662	AC[4]
To: Other non-current financial assets	(iv)			(255,115)	–	–		
Other non-current financial assets		N/A	–	305,111	(305)	–	304,806	AC
From: Held-to-maturity investments	(iv)			49,996	–	–		
From: Financial assets included in prepayments, other receivables and other assets	(iv)			255,115	–	–		
Held-to-maturity investments		AC	49,996	(49,996)	–	–	–	N/A
To: Other non-current financial assets				(49,996)	–	–		
Pledged deposits		L&R	1,086,555	–	–	–	1,086,555	AC
Trade and bills receivables	(iii)	L&R	19,372,363	–	(130,062)	–	17,195,363	AC
							2,046,938	FVOCI (debt)
Financial receivables		L&R	5,034,227	–	(4,976)	–	5,029,251	AC
Cash and cash equivalents		L&R	6,756,114	–	–	–	6,756,114	AC
			35,759,404	–	(166,505)	(54,361)	35,538,538	

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Classification and measurement (continued)

		IAS 39 measurement					IFRS 9 measurement	
	Notes	Category	Amount RMB'000	Re-classification RMB'000	ECL RMB'000	other RMB'000	Amount RMB'000	Category
Other assets								
Contract assets	(iii)		3,085,322	–	(2,920)	–	3,082,402	
Deferred tax assets			1,601,385	–	28,900	–	1,630,285	
			4,686,707	–	25,980	–	4,712,687	
Financial liabilities								
Trade and bills payables		AC	16,141,475	–	–	–	16,141,475	AC
Financial liabilities included in other payables and accruals		AC	987,101	–	–	–	987,101	AC
Interest-bearing bank and and other borrowings		AC	21,884,833	–	–	–	21,884,833	AC
			39,013,409	–	–	–	39,013,409	
Other liabilities								
Deferred tax liabilities			452,420	–	–	–	452,420	

[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
[5]FVPL: Financial assets at fair value through profit or loss

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.

(ii) The Group has classified its equity investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as be designated by managements in IFRS 9.

As of 1 January 2018, the Group has assessed its wealth management products which had previously been classified as AFS investments. The Group has classified these investments as financial assets at fair value through profit or loss.

(iii) The gross carrying amounts of the trade receivables and the contract assets under the column "IAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of IFRS 15 are included in note 2.2(c) to the financial statements.

(iv) The Group has classified its non current investments at amortised cost as other non-current financial assets, including corporate bonds, debt investment.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in notes 21, 25, 26, 27 and 28 to the financial statements.

	Impairment allowances under IAS 39 at 31 December 2017 RMB'000	Re-measurement before tax RMB'000	ECL allowances under IFRS 9 at 1 January 2018 RMB'000
Trade receivables	1,058,213	130,062	1,188,275
Financial receivables	–	4,976	4,976
Contract assets	–	2,920	2,920
Financial assets included in prepayments, other receivables and other assets	10,192	31,162	41,354
Other non-current financial assets	–	305	305
	1,068,405	169,425	1,237,830

Hedge accounting

The Group has applied hedge accounting under IFRS 9 prospectively. At the date of initial application of IFRS 9, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Before the adoption of IFRS 9, the Group designated the change in fair value of the entire foreign currency swap, power price swap and interest rate swap contracts in its cash flow hedge relationships. Upon adoption of IFRS 9, the Group continues to designate the entire foreign currency swap contracts, foreign currency swap, interest rate swap contracts in the cash flow hedge relationships. Under IAS 39, all gains and losses recorded in the cash flow hedge reserve were eligible to be subsequently reclassified to the statement of profit or loss when the hedged items affected profit or loss. However, under IFRS 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change was only applied prospectively from the date of initial application of IFRS 9 and has had no impact on the presentation of comparative figures. The adoption of the hedge accounting requirements of IFRS 9 has had no impact on the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Impact on reserves and retained profits

The impact of transition to IFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits RMB'000
Fair value reserve under IFRS 9 (capital reserve and available-for-sale investment revaluation reserve under IAS 39)	
Balance as at 31 December 2017 under IAS 39	8,481,370
Remeasurement of equity investments designated at fair value through other comprehensive income previously measured at cost under IAS 39	(56,385)
Reclassification of financial assets from available-for-sale investments to financial assets at fair value through profit or loss	(201,684)
Balance as at 1 January 2018 under IFRS 9	8,223,301
Retained profits	
Balance as at 31 December 2017 under IAS 39	8,091,996
Recognition of ECLs for contract assets under IFRS 9	(2,920)
Recognition of ECLs for trade receivables under IFRS 9	(130,062)
Recognition of ECLs for other receivables under IFRS 9	(31,162)
Recognition of ECLs for financial receivables under IFRS 9	(4,976)
Recognition of ECLs for other non-current financial assets under IFRS 9	(305)
Remeasurement of equity investments designated at fair value through profit or loss previously measured at cost under IAS 39	2,024
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	201,684
Deferred tax in relation to the above	28,900
Balance as at 1 January 2018 under IFRS 9	8,155,179

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 manufacture and sale of wind turbine generators, wind power generation and other wind power services. The adoption of IFRS 15 has had no impact on the performance of the Group because of the reasons as described below:

(1) The Group sells wind turbine generators and promises to provide warranties to the wind turbine generators. Under IFRS 15, the warranties will be considered as service-type warranties which are separate performance obligations. Revenue allocated to the service-type warranties will be recognised over the period during which the services are provided. The accounting treatment under IFRS 15 is generally consistent with the current practice of the Group, since the Group has accounted for the revenue from the wind turbine generators and service-type warranties separately and deferred the recognition of the revenue allocated to the service-type warranties.

(2) The Group develops and operates wind farms to generate wind power, and make sales to external electricity power grid companies. The contracts with customers for the sales of electricity generally include one performance obligation. Revenue is recognised upon power transmission, and measured based on the volume of wind power transmitted and the applicable fixed tariff rates. The accounting treatment under IFRS 15 is generally consistent with the current practice of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

Set out below are the amounts by which each financial statement line item was affected as at 1 January 2018 as a result of the adoption of IFRS 15:

	Notes	Increase/ (decrease) RMB'000
Assets		
Inventories	(i)	(57,289)
Financial receivables	(ii)	(161,681)
Trade and bill receivables	(iii)	(2,866,352)
Contract assets	(i) (ii) (iii)	3,085,322
Total assets		–
Liabilities		
Other payables, advance from customers and accruals	(iv)	(4,640,917)
Other payables and accruals – contract liabilities	(iv)	4,640,917
Total Liabilities		–

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

Set out below are the amounts by which each financial statement line item was affected as at 31 December 2018 and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

		Amounts prepared under		
	Notes	IFRS 15 RMB'000	previous IFRS RMB'000	Increase/ (decrease) RMB'000
Assets				
Inventories	(i)	4,996,682	5,266,466	(269,784)
Financial receivables	(ii)	7,674,071	8,355,647	(681,576)
Trade and bills receivables	(iii)	16,895,231	19,856,518	(2,961,287)
Contract assets	(i) (ii) (iii)	3,912,647	–	3,912,647
Total assets		33,478,631	33,478,631	–
Liabilities				
Other payables and accruals	(iv)	2,402,857	6,465,320	(4,062,463)
Other payables and accruals – contract liabilities	(iv)	4,062,463	–	4,062,463
Total liabilities		6,465,320	6,465,320	–

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

The nature of the adjustments as at 1 January 2018 and the reasons for the changes in the statement of financial position as at 31 December 2018 are described below:

(i) Construction services

Before the adoption of IFRS 15, contract costs were recognised as an asset provided it was probable that they would be recovered. Such costs represented an amount due from the customers and were recorded as inventories in the statement of financial position before the construction services were billed to customers. Upon the adoption of IFRS 15, a contract asset is recognised when the Group performs by transferring goods or services to customers and the Group's right to consideration is conditional. Accordingly, the Group reclassified RMB57,289,000 from inventories to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in inventories of RMB269,784,000 and an increase in contract assets of RMB269,784,000.

(ii) Construction services in accordance with IFRIC 12

Before the adoption of IFRS 15, if the entity has an unconditional contractual right to receive cash or another financial asset, the service element that relates to the construction in progress is accounted for in accordance with IFRIC 12 as financial receivables. Upon the adoption of IFRS 15 financial receivables are reclassified to contract assets. Accordingly, the Group reclassified RMB161,681,000 from financial receivables to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in financial receivables of RMB681,576,000 and an increase in contract assets of RMB681,576,000.

(iii) Retention receivables

Before the adoption of IFRS 15, Retention receivables were conditional on the satisfaction of the product quality by the customers over a certain period as stipulated in the contracts and were included in trade receivables. Upon adoption of IFRS 15, retention receivables are reclassified to contract assets. Accordingly, the Group reclassified RMB2,866,352,000 from trade receivables to contract assets as at 1 January 2018.

As at 31 December 2018, the adoption of IFRS 15 resulted in a decrease in trade receivables of RMB2,961,287,000 and an increase in contract assets of RMB2,961,287,000.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) (continued)

(iv) Consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance and amounts due to contract customers as other payables. Under IFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified RMB4,640,917,000 from other payables to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance and amounts due to contract customers as at 1 January 2018.

As at 31 December 2018, under IFRS 15, RMB4,062,463,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the sale of industrial products and the provision of construction service.

(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 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 INTERNATIONAL FINANCIAL REPORTING STANDARDS

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, IAS 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

Further information about those IFRSs that are expected to be applicable to the Group is described below:

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.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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.

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 has estimated that right-of-use assets of RMB826,487,000 and lease liabilities of RMB796,282,000 will be recognised at 1 January 2019 with a corresponding adjustment to the prepayments,other receivables and other assets of RMB30,205,000.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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.

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. 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. 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, respectively. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its derivative financial instruments and listed 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.

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 categorises within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to 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.

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Buildings	2.4% to 3.2%
Machinery	4.8% to 19.2%
Vehicles	9.6% to 19.2%
Electronic equipment and others	9.6% to 19.2%

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

Investment properties

Investment properties are interests in land and 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 stated at cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method over the estimated useful lives of 30 to 40 years. Owner-occupied property is transferred to investment property when there is a change in use evidenced by the end of owner occupation.

An investment property is derecognised upon disposal, transferred to owner-occupation, or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

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

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Other intangible assets (other than goodwill)

Other 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.

Patents, licences, self-developed technology know-how and office software

Purchased patents, licences, self-developed technology know-how and office software are stated at cost less any impairment losses and are amortised on the straight-line basis over the shorter of their estimated useful lives of 7 to 10 years and the relevant licence periods.

Water treatment operating concession

Water treatment operating concession represents the right to operate a water treatment 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 to 30 years. Details are given in “Service concession agreements” below.

Wind farm development and operating permit

Wind farm development and operating permit represents the right to develop and operate a wind farm 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 development and operating permit granted to the Group of 20 to 30 years. If the wind farm is still in development stage, the amortisation will be capitalised in construction in progress.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other intangible assets (other than goodwill) (continued)

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products commencing from the date when the products are put into commercial production.

Service concession agreements

Consideration given by the grantor

A financial asset (receivable under a service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for loans and receivables under "Investments and other financial assets" below.

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

Subsequent to initial recognition, the financial receivable is measured at amortised cost using the effective interest method.

When the Group receives a payment during the concession period, it will apportion such payment among (i) a repayment of the financial receivables (if any), which will be used to reduce the carrying amount of the financial receivables on the statement of financial position, (ii) interest income, which will be recognised as revenue in profit or loss and (iii) revenue from operating and maintaining the WTPs in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Service concession agreements (continued)

Construction or upgrade services

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

Operating services

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

Leases

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

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 the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (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:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 the statement of profit or loss when the asset is derecognised, modified or impaired.

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)

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 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, held-to-maturity investments and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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 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.

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 finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments 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 fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in profit or loss. The loss arising from impairment is recognised in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Available-for-sale financial investments (continued)

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.

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 assets. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

General approach (continued)

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

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 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.

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

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

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

The carrying amount of the asset is reduced 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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, and interest-bearing bank and other borrowings.

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)

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.

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.

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)

Loans and borrowings

After initial recognition, interest-bearing bank loans 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Derivative financial instruments and hedge accounting (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contract and interest rate swap, to hedge its foreign currency risk and interest rate risk, respectively. These derivative financial instruments are initially recognised at fair value on the date on which such derivative contracts are entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

Before 1 January 2018, the documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group assessed the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges were expected to be highly effective in achieving offsetting changes in fair value or cash flows and were assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018) (continued)

Initial recognition and subsequent measurement (continued)

Starting from 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018) (continued)

Fair value hedges

The change in the fair value of a hedging instruments are recognised in profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress, semi-finished goods and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments 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.

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.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs, discounted to their present values as appropriate.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Government grants

Government grants are recognised at their fair values where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. 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.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Perpetual securities

Perpetual securities are classified as equity,as the following conditions have been met:

(i) The financial instruments have no contractual obligation to pay cash or other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavourable circumstances;

(ii) The financial instruments will or may be settled in the Group's own equity instruments: if the financial instrument is non-derivative, it should not have the contractual obligation to be settled by the Group delivering a variable number of its own equity instruments; if the financial instrument is derivative, it should solely be settled by the Group delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or other financial assets.

Interest and distributions on perpetual securities classified as equity are recognised as distributions within equity.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Revenue from contracts with customers (continued)

(a) *Sale of wind turbines and spare parts*

Revenue from the sale of individual wind turbines based on standard solutions (supply-only projects) as well as spare parts sales, at the point in time when control of the promised assets 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;

Some contracts for the sale of industrial products provide customers with rights of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

(b) *Sale of electricity*

Revenue from the sale of electricity, upon the transmission of electric power to electric 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) *Construction services*

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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) from the sale of individual wind turbines based on standard solutions (supply-only projects) as well as spare parts sales, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the sale of electricity, upon the transmission of electric power to electric 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) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts (applicable before 1 January 2018)" below;

(d) from the rendering of wind power services, when the agreed services are performed and provided over the term of the relevant agreement;

(e) rental income, on a time proportion basis over the lease terms;

(f) interest income, 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; and

(g) dividend income, when the shareholders' right to receive payment has been established.

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

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. Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract costs (applicable from 1 January 2018)

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

Pension scheme

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligations beyond the contributions made.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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 service provided by the employee and the obligation can be estimated reliably.

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 borrowings 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, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Accounting for service concession arrangements

The Group engages in certain service concession arrangements in which the Group carries out construction work of the WTPs for the grantors and receives in return a right to operate the WTPs concerned in accordance with the pre-established conditions set by the grantors. In accordance with IFRIC 12 *Service Concession Arrangements*, the WTPs under the service concession arrangements may be classified as intangible assets or financial assets. The WTPs are classified as intangible assets if the Group receives a right (a licence) to charge users of the public service or if the grantors remunerate the Group on the basis of the extent of use of the WTPs by users, but with no guarantees as to the amounts that will be paid to the Group. Whenever only part of the investment by the Group under these service concession arrangements is covered by a payment commitment from the grantors, it is recognised as a financial receivable up to the amount guaranteed by the grantors, and as an intangible asset for the balance. The Group recognises a financial receivable if it has an unconditional contractual right under the service concession arrangements to receive a determinable amount of payments during the concession period irrespective of the usage of the WTPs.

Judgement is also exercised in determining the fair value of the financial receivables. Discount rates, estimates of future cash flows and other factors are used in the valuation process.

Business combination

Several acquisitions of the Group were identified as business combinations involving entities not under common control. Management made judgement on whether the acquire constituted a business, determined the acquisition date, recognised and measured identifiable assets acquired and liabilities assumed at fair value based upon the relevant clauses and other facts and circumstances.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Loss of control

The Group entered into disposal of subsidiaries. Management judgements and estimation are required in determining the substance of loss of control, the date of disposal and fair value measurement of remaining equity interests held by the Group.

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:

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, the 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. Depreciation amounts 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 each reporting period based on changes in circumstances.

Useful lives of items of intangible assets

The useful lives of intangible assets are determined by estimating the periods economic benefits generated by using these assets. The Group reviews at the end of each reporting period based on changes in circumstances and will adjust when needed.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use 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.

Development costs

Development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.4 to the financial statements. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits.

Warranty provision

Provision for product warranties given by the Group for certain products is recognised based on sales volume and historical experience of the level of repairs, discounted to their present values as appropriate.

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.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 50 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 3.

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 taxable profits will be available in the future. In cases where the actual future taxable 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.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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 24 and note 26 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

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

(a) the wind turbine generator manufacturing and sale segment engages in the research and development, manufacture and sale of wind turbine generators and wind power components;

(b) the wind power services segment provides wind power related consultancy, wind farm construction and maintenance services;

(c) the wind farm development segment engages in the development of wind farms, which consists of wind power generation service provided by the Group's wind farms as well as the sale of wind farms, if appropriate; and

(d) the others segment mainly engages in the operation of water treatment plants under the service concession arrangements and finance leasing services which comprise direct finance leasing and sale-lease back.

Management monitors the 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 before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018

	Wind turbine generator manufacturing and sale RMB'000	Wind power services RMB'000	Wind farm development RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 5):						
Sales to external customers	22,168,536	1,647,494	3,903,991	870,286	–	28,590,307
Intersegment sales	1,753,911	1,065,412	–	43,660	(2,862,983)	–
Total revenue	23,922,447	2,712,906	3,903,991	913,946	(2,862,983)	28,590,307
Segment results	974,231	74,450	2,937,424	511,804	33,413	4,531,322
Interest income	285,417	3,814	116,057	74,758	(257,637)	222,409
Finance costs	(182,012)	–	(969,135)	(65,568)	145,415	(1,071,300)
Profit before tax	1,077,636	78,264	2,084,346	520,994	(78,809)	3,682,431
Segment assets	55,876,476	2,981,644	45,458,844	16,320,362	(39,273,273)	81,364,053
Segment liabilities	34,693,821	1,417,923	32,281,067	9,595,052	(23,098,934)	54,888,929
Other segment information:						
Share of profits and losses of:						
Joint ventures	126	–	236,045	(33,093)	–	203,078
Associates	16,161	(183)	14,075	33,326	–	63,379
Depreciation and amortisation	233,133	26,632	1,148,799	70,137	(97,974)	1,380,727
Reversal of write-down of inventories, net	(17,982)	–	–	–	–	(17,982)
Impairment of trade and other receivables, net	26,305	48,916	(2,628)	2,961	–	75,554
Impairment of contract assets, net	676	856	–	–	–	1,532
Impairment of other non-current financial assets, net	–	–	11	–	–	11
Impairment of financial receivables, net	–	–	20,320	1,929	–	22,249
Impairment of property, plant and equipment	–	–	17,422	–	–	17,422
Impairment of goodwill	–	–	11,998	–	–	11,998
Product warranty provision	688,207	–	–	–	(21,775)	666,432
Investments in joint ventures	15,891	–	2,664,565	449,920	(62,038)	3,068,338
Investments in associates	172,021	8,383	193,184	227,024	(8,558)	592,054
Capital expenditure[1]	356,159	7,515	5,960,845	951,323	(215,307)	7,060,535

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2017

	Wind turbine generator manufacturing and sale RMB'000	Wind power services RMB'000	Wind farm development RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	19,345,998	2,056,618	3,247,362	320,857	–	24,970,835
Intersegment sales	1,646,833	537,052	–	10,342	(2,194,227)	–
Total revenue	20,992,831	2,593,670	3,247,362	331,199	(2,194,227)	24,970,835
Segment results	1,456,977	78,457	2,401,632	238,992	57,238	4,233,296
Interest income	228,862	4,796	18,479	42,144	(219,239)	75,042
Finance costs	(100,010)	–	(835,874)	(14,572)	132,674	(817,782)
Profit before tax	1,585,829	83,253	1,584,237	266,564	(29,327)	3,490,556
Segment assets	49,618,994	3,178,156	42,568,078	7,966,214	(30,543,601)	72,787,841
Segment liabilities	28,794,241	1,674,328	31,593,463	4,413,564	(17,162,756)	49,312,840
Other segment information:						
Share of profits and losses of:						
Joint ventures	180	–	136,170	8,561	–	144,911
Associates	1,605	339	38,339	25,117	–	65,400
Depreciation and amortisation	191,335	20,313	1,027,551	6,011	(121,071)	1,124,139
Impairment of write-down of inventories	16,030	–	–	–	–	16,030
Reversal of write-down of inventories	(25,986)	–	–	–	–	(25,986)
Reversal of impairment of trade and other receivables	(183,603)	(11,548)	–	–	–	(195,151)
Impairment of trade and other receivables	408,300	7,744	37,040	–	–	453,084
Impairment of property, plant and equipment	–	–	11,186	–	–	11,186
Product warranty provision	932,871	–	–	–	26,513	959,384
Investments in joint ventures	3,589	–	1,325,635	555,507	(82,137)	1,802,594
Investments in associates	113,193	8,567	308,810	199,956	(42,375)	588,151
Capital expenditure [1]	532,878	31,760	5,709,424	319,912	170,717	6,764,691

(1) Capital expenditure mainly consists of additions to property, plant and equipment, other intangible assets and prepaid land lease payments, including assets from the acquisition of subsidiaries

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Mainland China	26,541,974	22,883,092
Overseas	2,048,333	2,087,743
	28,590,307	24,970,835

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Mainland China	31,138,057	25,917,724
United States of America	1,871,819	1,398,614
Australia	1,984,488	1,177,692
Panama	633,652	656,476
Germany	515,011	478,808
Other countries/regions	1,037,079	22,397
	37,180,106	29,651,711

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

For the year ended 31 December 2018, revenue of approximately RMB3,597,330,000 (for the year ended 31 December 2017: RMB2,887,061,000) was derived from sales by wind turbine generator manufacturing and sale segment to a single customer, including sales to a group of entities which are known to be under common control with that customer, which individually accounted for over 10% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Revenue from contracts with customers	28,331,755	–
Sale of wind turbine generators and wind power components	–	19,345,998
Wind power generation	–	3,247,362
Wind power services	–	2,056,618
Others	–	320,857
Revenue from other sources		
Finance lease service	258,552	–
	28,590,307	24,970,835

Revenue from contracts with customers

(i) Disaggregated revenue information

	Wind turbine generator manufacturing and sale	Wind farm development	Wind power services	Others	Total
Type of goods or services					
Sale of wind turbine generators and wind power components	22,168,536	–	–	–	22,168,536
Wind power generation	–	3,903,991	–	–	3,903,991
Wind power services	–	–	1,647,494	–	1,647,494
Water treatment service and others	–	–	–	611,734	611,734
Total revenue from contracts with customers	22,168,536	3,903,991	1,647,494	611,734	28,331,755
Geographical markets					
Mainland China	20,780,302	3,620,632	1,270,754	611,734	26,283,422
Other Countries/regions	1,388,234	283,359	376,740	–	2,048,333
Total revenue from contracts with customers	22,168,536	3,903,991	1,647,494	611,734	28,331,755
Timing of revenue recognition					
Goods transferred at a point in time	22,168,536	3,903,991	–	29,774	26,102,301
Services transferred over time	–	–	1,647,494	581,960	2,229,454
Total revenue from contracts with customers	22,168,536	3,903,991	1,647,494	611,734	28,331,755

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:

	Year ended 31 December 2018 RMB'000
Sale of wind turbine generators and wind power components	3,143,438
Construction services	982,383
Others	16,849
	4,142,670

(ii) Performance obligations

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

Sale of wind turbine generators and wind power components

The contracts with customers for the sales of wind turbine include one performance obligation, which are satisfied upon delivery of the control rights of goods.

Wind power generation

The performance obligations are satisfied upon power transmission, and measured based on the volume of wind power transmitted and the applicable fixed tariff rates.

Wind power services

Wind power services include service-type warranties and construction services. Performance obligation of service-type warranties will be satisfied over the period during which the services are provided. The construction contracts between the Group and its customers usually include performance obligations for wind farm construction. The performance obligations are satisfied over time in accordance with the progress of construction.

Others

The others revenue engages in the operation of water treatment plants under the service concession arrangements,the performance obligations are satisfied over time in accordance with progress of service provided.

The remaining performance obligations expected to be recognised relate to service-type warranties that are to be satisfied within five years. All the other remaining performance obligations are expected to be recognised within one year.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Other income and gains

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Bank interest income		**222,409**	75,042
Dividend income from available-for-sale investments		**–**	21,698
Dividend income from financial assets at fair value through other comprehensive income		**14,958**	–
Dividend income from other non-current financial assets		**19,382**	–
Gross rental income		**10,542**	5,680
Government grants		**177,719**	186,696
Value-added tax refund		**100,295**	113,495
Insurance compensation on product warranty expenditures		**230,880**	195,273
Provision of technical service		**11,751**	6,611
Cash discounts granted		**2,267**	3,063
Gain on disposal of subsidiaries	42	**313,889**	387,778
Gain on remeasurement of the previously held interest in acquirees at its disposal date in disposal of subsidiaries	42	**627,627**	309,416
Gain on disposal of available-for-sale investments		**–**	84,036
Gain on disposal of financial assets at fair value through profit or loss		**42,716**	–
Gain on disposal of items of property, plant and equipment and other intangible assets		**7,083**	511
Gain on remeasurement of the previously held interest in an acquiree at its acquisition – date in a step acquisition of a subsidiary	41	**–**	4,297
Gain on disposal of associates and joint ventures, net		**5,212**	136,652
Fair value gains on derivative financial instruments – transactions not qualifying as hedges		**–**	12,640
Fair value gains on equity investments at fair value through profit or loss		**209,359**	–
Gain on disposal of derivative instruments: Derivative instruments – transactions not qualifying as hedges		**–**	15,244
Others		**77,074**	72,933
		2,073,163	1,631,065

6. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cost of inventories sold		**18,023,683**	14,529,128
Cost of services provided		**1,326,588**	1,744,471
Cost of wind power generation		**1,403,009**	1,109,496
Cost of others		**493,230**	122,022
		21,246,510	17,505,117
Depreciation (note (a)) provided for:			
Property, plant and equipment	12	**1,213,688**	1,063,804
Investment properties	13	**4,332**	2,897
		1,218,020	1,066,701
Amortisation of prepaid land lease payments (note (b))	14	**8,246**	7,159
Amortisation of other intangible assets (note (b))	16	**126,527**	50,279
		134,773	57,438
Impairment of trade receivables	25	**534,601**	448,430
Reversal of impairment of trade receivables	25	**(485,320)**	(195,151)
		49,281	253,279
Impairment of other receivables	27	**36,403**	4,654
Reversal of impairment of other receivables	27	**(10,130)**	–
		26,273	4,654
Impairment of contract assets	28	**2,168**	–
Reversal of impairment of contract assets	28	**(636)**	–
		1,532	–
Impairment of other non-current financial assets	21	**114**	–
Reversal of impairment of other non-current financial assets	21	**(103)**	–
		11	–

6. PROFIT BEFORE TAX (continued)

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Impairment of financial receivables	26	**22,249**	–
Impairment of write-down of inventories		**18,092**	16,030
Reversal of write-down of inventories		**(36,074)**	(25,986)
		(17,982)	(9,956)
Impairment of property, plant and equipment	12	**17,422**	11,186
Impairment of goodwill	15	**11,998**	–
Loss on disposal of items of property, plant and equipment and other intangible assets, net		**2,456**	2,942
Lease expenses under operating leases of land and buildings (note (c))		**68,182**	27,813
Auditor's remuneration		**9,442**	8,606
Employee benefit expenses (note (d)) (including Directors' and supervisors' remuneration):			
Wages and salaries		**1,782,573**	1,482,588
Pension scheme contributions (note (e))		**128,894**	115,902
Welfare and other expenses		**393,604**	247,693
		2,305,071	1,846,183
Research and development costs:			
Staff costs		**596,623**	494,826
Amortisation and depreciation		**67,216**	60,924
Materials expenditure and others		**398,186**	445,508
		1,062,025	1,001,258

6. PROFIT BEFORE TAX (continued)

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Government grants (note (f))	5	(177,719)	(186,696)
Value-added tax refund	5	(100,295)	(113,495)
Product warranty provision:			
Additional provision	36	1,459,497	1,584,518
Reversal of unutilised provision	36	(793,065)	(625,134)
		666,432	959,384
Insurance compensation on product warranty expenditures	5	(230,880)	(195,273)
Foreign exchange differences, net	5	53,864	(16,614)
Cash discounts granted	5	(2,267)	(3,063)
Fair value gains on derivative financial instruments – transactions not qualifying as hedges	5	–	(12,640)
Fair value gains on equity investments at fair value through profit or loss	5	(209,359)	–
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	5	1,254	4,164
Dividend income from available-for-sale investments	5	–	(21,698)
Dividend income from financial assets at fair value through other comprehensive income	5	(14,958)	–
Dividend income from other non-current financial assets	5	(19,382)	–
Bank interest income	5	(222,409)	(75,042)
Gain on disposal of subsidiaries, including wind farm project companies	5	(313,889)	(387,778)
Gain on remeasurement of the previously held interest in acquirees at its disposal date in disposal of subsidiaries	5	(627,627)	(309,416)
Gain on disposal of available-for-sale investments	5	–	(84,036)
Gain on disposal of financial assets at fair value through profit or loss	5	(42,716)	–
Gain on disposal of items of property, plant and equipment and other intangible assets	5	(7,083)	(511)
Gain on remeasurement of the previously held interest in an acquiree at its acquisition-date in a step acquisition of a subsidiary	5	–	(4,297)
Gain on disposal of derivative instruments:			
Derivative instruments – transactions not qualifying as hedges	5	–	(15,244)
Gain on disposal of associates and joint ventures, net	5	(5,212)	(136,652)

6. PROFIT BEFORE TAX (continued)

Notes:

(a) Depreciation of approximately RMB1,085,886,000 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 (for the year ended 31 December 2017: RMB945,251,000).

(b) Amortisation of prepaid land lease payments and other intangible assets of approximately RMB70,399,000 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(for the year ended 31 December 2017: RMB25,861,000).

(c) Lease expenses under operating leases of land and buildings of approximately RMB17,537,000 are 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 (for the year ended 31 December 2017: RMB11,453,000).

(d) Employee benefit expenses of approximately RMB185,367,000 are 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 (for the year ended 31 December 2017: RMB178,343,000).

(e) As at 31 December 2018, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (31 December 2017: Nil).

(f) Most government grants have been received for setting up research activities. Government grants received for which related expenditure has not yet been undertaken are included in government grants as deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest on bank loans and other borrowings	**1,106,912**	865,363
Less: Interest capitalised	**(35,612)**	(47,581)
	1,071,300	817,782

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors and supervisors' remuneration

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Fees	**600**	600
Other emoluments:		
– Salaries, allowances and benefits in kind	**7,147**	7,380
– Performance related bonuses	**8,173**	9,813
– Pension scheme contributions	**234**	212
	16,154	18,005

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors and supervisors' remuneration (continued)

The names of the Directors and supervisors of the Company (the "Supervisors") and their remuneration for the year are as follows:

Year ended 31 December 2018

	Notes	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						
Wu Gang		–	2,096	2,333	35	4,464
Wang Haibo (the chief executive)		–	1,886	2,663	55	4,604
Cao Zhigang		–	1,751	2,576	55	4,382
		–	5,733	7,572	145	13,450
Non-executive directors						
Zhao Guoqing		–	–	–	–	–
Feng Wei	(i)	–	–	–	–	–
Gao Jianjun		–	–	–	–	–
Gu Hongmei	(ii)	–	–	–	–	–
		–	–	–	–	–
Independent non-executive directors						
Tin Yau Kelvin Wong		200	–	–	–	200
Luo Zhenbang		200	–	–	–	200
Yang Xiaosheng		200	–	–	–	200
		600	–	–	–	600
Supervisors						
Lu Min		–	721	268	55	1,044
Ji Tian		–	693	333	34	1,060
Wang Mengqiu		–	–	–	–	–
Luo Jun		–	–	–	–	–
Xiao Hong		–	–	–	–	–
		–	1,414	601	89	2,104
		600	7,147	8,173	234	16,154

(i) Feng Wei resigned as a non-executive director of the Company with effect from 10 August 2018.

(ii) Gu Hongmei was appointed as a non-executive director of the Company with effect from 27 October 2018.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors and supervisors' remuneration (continued)

Year ended 31 December 2017

	Notes	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						
Wu Gang		–	2,194	975	30	3,199
Wang Haibo (the chief executive)		–	1,982	4,084	51	6,117
Cao Zhigang		–	1,800	4,003	51	5,854
		–	5,976	9,062	132	15,170
Non-executive directors						
Zhao Guoqing		–	–	–	–	–
Feng Wei		–	–	–	–	–
Gao Jianjun	(i)	–	–	–	–	–
		–	–	–	–	–
Independent non-executive directors						
Tin Yau Kelvin Wong		200	–	–	–	200
Luo Zhenbang		200	–	–	–	200
Yang Xiaosheng		200	–	–	–	200
		600	–	–	–	600
Supervisors						
Lu Min		–	714	376	50	1,140
Ji Tian		–	690	375	30	1,095
Wang Mengqiu		–	–	–	–	–
Luo Jun		–	–	–	–	–
Wang Shiwei	(ii)	–	–	–	–	–
Xiao Hong	(iii)	–	–	–	–	–
		–	1,404	751	80	2,235
		600	7,380	9,813	212	18,005

(i) Gao Jianjun was appointed as a non-executive director of the Company with effect from 1 March 2017.

(ii) Wang Shiwei resigned as a supervisor of the Company with effect from 24 March 2017.

(iii) Xiao Hong was appointed as a supervisor of the Company with effect from 29 June 2017.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

(b) Five highest paid employees

An analysis of the headcount of the five highest paid employees within the Group for the year is as follows:

	2018	2017
Directors	3	2
Non-director, non-supervisor and non-chief executive employees	2	3
	5	5

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	4,665	4,942
Performance related bonuses	3,371	10,778
Pension scheme contributions	99	101
	8,135	15,821

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

	2018	2017
HK$4,000,001 to HK$7,000,000	2	3

During the year, no Directors, supervisors, or any of the non-director, non-supervisor and non-chief executive highest paid employees waived or agreed to waive any emoluments and no emoluments were paid by the Group to the Directors, supervisors, or any of the non-director, non-supervisor and non-chief executive highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

9. INCOME TAX EXPENSE

The Company and four subsidiaries of the Company have been identified as “high and new technology enterprises” and were entitled to preferential income tax at a rate of 15% for the years ended 31 December 2018 and 2017 in accordance with the PRC Corporate Income Tax Law.

Certain subsidiaries of the Company in Mainland China, which were established after 1 January 2008 and are engaged in public infrastructure projects including wind farm and urban water treatment projects, are each entitled to a tax holiday of a three-year full exemption followed by a three-year 50% exemption commencing from the respective years when operating income is generated for the first time.

Certain subsidiaries of the Company in Mainland China, which were established after 1 January 2010 are each entitled to a tax holiday of a five-year full exemption until 31 December 2020 commencing from the respective years when operating income is generated for the first time, primarily due to their status as entities engaging in development projects supported by the government in Kashgar and Horgos of the PRC.

Certain subsidiaries of the Company in Mainland China were taxed at a preferential rate of 15% primarily due to their status as entities engaging in development projects supported by the government in the western region of the PRC.

Except for certain preferential treatment available to certain subsidiaries of the Company and the Company as mentioned above, the entities within the Group in Mainland China were subject to corporate income tax at a rate of 25%.

Certain subsidiaries of the Company in overseas countries are subject to corporate income tax at a rate varying from 10% to 35%.

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

		Year ended 31 December	
	Note	2018 RMB'000	2017 RMB'000
Current			
– Hong Kong		**26,141**	20,467
– Mainland China		**229,831**	353,784
– Elsewhere		**28,731**	47,032
		284,703	421,283
Deferred	22	**115,130**	(79,534)
Tax charge for the year		**399,833**	341,749

9. INCOME TAX EXPENSE (continued)

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Profit before tax	**3,682,431**	3,490,556
Tax at the statutory tax rate of 25%	**920,608**	872,639
Effect of different income tax rates for overseas entities	**7,722**	(5,005)
Effect of the preferential income tax rates for domestic entities	**(364,004)**	(288,284)
Tax losses not recognised	**99,893**	13,707
Tax losses utilised from previous periods	**(1,169)**	(4,176)
Effect of not recognised deferred tax assets due to asset impairment	**7,344**	1,858
Income not subject to tax	**(160,751)**	(81,992)
Expenses not deductible for tax	**34,739**	2,695
Additional tax deduction for research and development expenditure	**(80,717)**	(115,161)
Profits attributable to joint ventures	**(50,770)**	(36,228)
Profits attributable to associates	**(15,845)**	(16,350)
Others	**2,783**	(1,954)
Tax charge for the year at the effective rate of 10.9% (2017: 9.8%)	**399,833**	341,749

10. DIVIDENDS

For the year ended 31 December 2018. The board of Directors proposed to distribute cash dividends of RMB2.50 (tax included) per each 10 shares on share capital of 4,225,067,647 without conversion of the capital reserve. The company's H share right issue has not been completed, and the final dividends distribution will been calculated based on the total share capital of the company after H share right issue.

At the annual general meeting held on 12 June 2018,the company's shareholders approved the payment of the final dividend for the year end 31 December 2017 of RMB2 (tax included) per 10 ordinary share which amounted to RMB711,241,000.

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

For those financial instruments classified as equity, if the distributions are cumulative, the undeclared amounts of the cumulative distributions were deducted in arriving at earnings for the purposes of the basic earnings per share calculation. On the other hand, if the distributions are non-cumulative, only the amount of dividends declared in respect of the year should be deducted in arriving at the profit attributable to ordinary equity holders.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

The calculation of basic and diluted earnings per share is based on:

	Year ended 31 December	
	2018 **RMB'000**	2017 RMB'000
Profit attributable to ordinary equity holders of the parent	**3,216,604**	3,054,657
Less: distribution relating to the medium-term notes (i)	**(71,411)**	(71,000)
Profit used to determine basic and diluted earnings per share	**3,145,193**	2,983,657
Weighted average number of ordinary shares in issue ('000)	**3,556,203**	3,556,203
Basic and diluted earnings per share (expressed in RMB per share)	**0.88**	0.84

(i) The long-term option-embedded medium-term notes (the "Perpetual Medium-term Notes") issued by the Company in May 2016, September 2016 and December 2018 were classified as other equity instruments with deferrable cumulative interest distribution and payment. The interest from the Perpetual Medium-term Notes which has been generated but not yet declared, during the year of 2018 and 2017, was deducted from earnings when calculating the earnings per share for the years ended 31 December 2018 and 31 December 2017.

12. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2018					
	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2018	1,229,289	19,060,546	122,675	662,200	4,796,574	25,871,284
Additions	30,023	352,160	13,267	43,731	5,312,192	5,751,373
Disposals	–	(20,526)	(19,161)	(54,990)	(8,498)	(103,175)
Acquisition of subsidiaries (note 41)	3,617	102,582	1,725	–	768	108,692
Disposals of subsidiaries (note 42)	–	(2,259,446)	(1,968)	(665)	(24,807)	(2,286,886)
Transfers	79,200	4,245,397	–	8,429	(4,333,026)	–
Transfer to investment properties (note 13)	(63,666)	–	–	–	–	(63,666)
Transfer to prepaid land lease payments (note 14)	–	–	–	–	(10,072)	(10,072)
Exchange realignment	(5,357)	63,782	(332)	(11,345)	21,975	68,723
At 31 December 2018	1,273,106	21,544,495	116,206	647,360	5,755,106	29,336,273
Accumulated depreciation and impairment:						
At 1 January 2018	(175,894)	(2,487,251)	(46,723)	(285,166)	(37,771)	(3,032,805)
Depreciation provided during the year (note 6)	(41,197)	(1,098,946)	(12,949)	(60,596)	–	(1,213,688)
Disposals	–	5,584	7,122	48,388	6,760	67,854
Acquisition of subsidiaries (note 41)	(3)	(4,944)	(954)	–	–	(5,901)
Disposals of subsidiaries (note 42)	–	372,776	699	350	–	373,825
Transfer to investment properties (note 13)	7,250	–	–	–	–	7,250
Impairment (note 6)	–	(10,022)	–	–	(7,400)	(17,422)
Exchange realignment	(276)	(12,266)	(218)	6,104	–	(6,656)
At 31 December 2018	(210,120)	(3,235,069)	(53,023)	(290,920)	(38,411)	(3,827,543)
Net carrying amount:						
At 31 December 2018	1,062,986	18,309,426	63,183	356,440	5,716,695	25,508,730
At 1 January 2018	1,053,395	16,573,295	75,952	377,034	4,758,803	22,838,479

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Year ended 31 December 2017					
	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2017	895,748	17,667,432	126,664	499,378	2,411,717	21,600,939
Additions	13,423	85,487	13,923	177,194	4,430,168	4,720,195
Disposals	(1,479)	(36,012)	(16,849)	(24,829)	–	(79,169)
Acquisition of subsidiaries	–	6,679	–	4,578	297,201	308,458
Disposal of subsidiaries	–	(558,756)	(821)	(3,919)	(4,477)	(567,973)
Transfers	313,986	1,960,146	–	8,259	(2,282,391)	–
Transfer to prepaid land lease payments (note 14)	–	–	–	–	(7,514)	(7,514)
Exchange realignment	7,611	(64,430)	(242)	1,539	(48,130)	(103,652)
At 31 December 2017	1,229,289	19,060,546	122,675	662,200	4,796,574	25,871,284
Accumulated depreciation and impairment:						
At 1 January 2017	(145,091)	(1,686,485)	(41,954)	(222,133)	(26,585)	(2,122,248)
Depreciation provided during the year (note 6)	(30,210)	(939,499)	(12,923)	(81,172)	–	(1,063,804)
Impairment (note 6)	–	–	–	–	(11,186)	(11,186)
Disposals	324	25,207	8,426	18,790	–	52,747
Acquisition of subsidiaries	–	(3,511)	–	(2,410)	–	(5,921)
Disposal of subsidiaries	–	103,780	164	2,949	–	106,893
Exchange realignment	(917)	13,257	(436)	(1,190)	–	10,714
At 31 December 2017	(175,894)	(2,487,251)	(46,723)	(285,166)	(37,771)	(3,032,805)
Net carrying amount:						
At 31 December 2017	1,053,395	16,573,295	75,952	377,034	4,758,803	22,838,479
At 1 January 2017	750,657	15,980,947	84,710	277,245	2,385,132	19,478,691

The net carrying amount of construction in progress of the Group included capitalised interest of approximately RMB35,612,000 (2017: RMB43,619,000), charged for the year 2018 prior to being transferred to buildings, machinery, vehicles and electronic equipment.

As at 31 December 2018, certain of the Group's property, plant and equipment, with a net carrying amount of approximately RMB11,617,252,000 (31 December 2017: RMB11,638,827,000), were pledged to secure certain of the Group's bank loans (note 35).

As at 31 December 2018, the aggregate net book value of property, plant and equipment held under finance leases of the Group amounted to approximately RMB307,975,000 (31 December 2017: Nil) (Note 35).

13. INVESTMENT PROPERTIES

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cost:			
At beginning of year		**97,997**	97,997
Transfer from owner-occupied property	12	**63,666**	–
At end of year		**161,663**	97,997
Accumulated depreciation:			
At beginning of year		**(30,093)**	(27,196)
Depreciation charge for the year	6	**(4,332)**	(2,897)
Transfer from owner-occupied property	12	**(7,250)**	–
At end of year		**(41,675)**	(30,093)
Net carrying amount:			
At end of year		**119,988**	67,904
At beginning of year		**67,904**	70,801

The Group's investment properties consist of two commercial and one industrial properties in Mainland China. The Directors have determined that the investment properties consist of two classes of asset, i.e., commercial and industrial, based on the nature, characteristics and risks of each property. The Group's investment properties were valued on 31 December 2018 based on valuations performed by Asia-Pacific Consulting and Appraisal Limited, independent professionally qualified valuers, at RMB255,699,000 (31 December 2017: RMB188,500,000). The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 46(a) to the financial statements.

13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

31 December 2018

Recurring fair value measurement for:	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
Industrial property	–	–	149,300	149,300
Commercial properties	–	–	106,399	106,399
	–	–	255,699	255,699

31 December 2017

Recurring fair value measurement for:	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
Industrial property	–	–	146,800	146,800
Commercial property	–	–	41,700	41,700
	–	–	188,500	188,500

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

The industrial property located in Xinjiang was valued by the cost approach with reference to its depreciated replacement cost. It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacing an asset with its modern equivalent asset for improvement, less the deductions for physical deterioration and all relevant forms of obsolescence and optimisation. The commercial properties located in Beijing were valued by the comparison approach with reference to comparable market transactions. Comparison approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

14. PREPAID LAND LEASE PAYMENTS

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Carrying amount at 1 January		302,092	292,332
Additions		16,006	14,197
Disposal of a subsidiary	42	(27,471)	(4,792)
Transfer from construction in progress	12	10,072	7,514
Amortisation charge for the year	6	(8,246)	(7,159)
		292,453	302,092

As at 31 December 2018, certain of the Group's land use rights with a carrying value of approximately RMB146,629,000 (31 December 2017: RMB165,602,000) were pledged to secure certain of the Group's bank loans (note 35).

15. GOODWILL

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Cost and net carrying amount at beginning of year		497,601	474,429
Acquisition of subsidiaries	41	14,405	15,586
Disposal of subsidiaries	42	(14,004)	–
Impairment of goodwill	6	(11,998)	–
Exchange realignment		1,745	7,586
Cost and net carrying amount at end of year		487,749	497,601

15. GOODWILL (continued)

Impairment testing of goodwill

The recoverable amount of Vensys Energy AG has been determined based on a value in use calculation using cash flow projections based on a financial budget covering a three-year period approved by senior management. The discount rate applied to the cash flow projections is 12.75% (2017: 12.12%). The growth rate used to extrapolate the cash flow of Vensys Energy AG beyond the three-year period is 2% (2017: 2%).

The recoverable amounts of other subsidiaries units engaged in wind farm development have been determined based on a value in use calculation using cash flow projections based on installed capacity of wind farms and applicable tariff rates. The discount rate applied to the cash flow projections is from 7.67% to 12.84% (2017: 9.95% to 12.45%).

Except for above mentioned, the recoverable amounts of other subsidiaries have been determined based on a value in use calculation using the net amount of fair value minus disposal costs.

Assumptions were used in the value in use calculation of relevant units for 31 December 2018 and 2017. 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 and expected market development.

Discount rate – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on market development and the discount rates are consistent with external information sources.

16. OTHER INTANGIBLE ASSETS

	Year ended 31 December 2018						
	Technology licence RMB'000	Office software RMB'000	Patents and technology know-how RMB'000	Development costs RMB'000	Water treatment operating concession RMB'000 Note (i)	Wind farm development and operating permit RMB'000	Total RMB'000
Cost:							
At 1 January 2018	19,023	179,959	599,769	87,362	894,272	933,571	2,713,956
Additions	–	29,716	15,652	436,137	9,238	12,234	502,977
Acquisition of subsidiaries (note 41)	–	–	–	–	965,371	–	965,371
Disposal of subsidiaries (note 42)	–	(25)	–	–	–	(58,140)	(58,165)
Disposals	–	(231)	–	–	–	–	(231)
Transfer	–	60,805	–	(60,805)	–	–	–
Exchange realignment	–	123	1,623	–	–	(7,578)	(5,832)
At 31 December 2018	19,023	270,347	617,044	462,694	1,868,881	880,087	4,118,076
Accumulated amortisation:							
At 1 January 2018	(17,104)	(66,384)	(356,844)	–	(19,066)	–	(459,398)
Amortisation provided during the year (note 6)	(1,050)	(23,754)	(29,822)	–	(71,901)	–	(126,527)
Acquisition of subsidiaries (note 41)	–	–	–	–	(54,591)	–	(54,591)
Disposal of subsidiaries (note 42)	–	1	–	–	–	–	1
Disposals	–	224	–	–	–	–	224
Exchange realignment	–	(50)	(620)	–	–	–	(670)
At 31 December 2018	(18,154)	(89,963)	(387,286)	–	(145,558)	–	(640,961)
Net carrying amount:							
At 31 December 2018	869	180,384	229,758	462,694	1,723,323	880,087	3,477,115
At 1 January 2018	1,919	113,575	242,925	87,362	875,206	933,571	2,254,558

16. OTHER INTANGIBLE ASSETS (continued)

	Year ended 31 December 2017						
	Technology licence RMB'000	Office software RMB'000	Patents and technology know-how RMB'000	Development costs RMB'000	Water treatment operating concession RMB'000 Note (i)	Wind farm development and operating permit RMB'000	Total RMB'000
Cost:							
At 1 January 2017	19,023	135,398	491,552	65,543	463,483	–	1,174,999
Additions	–	44,221	1,221	54,297	3,025	–	102,764
Acquisition of subsidiaries	–	–	58,804	–	699,692	933,571	1,692,067
Disposal of subsidiaries	–	–	–	–	(271,928)	–	(271,928)
Disposals	–	(98)	–	–	–	–	(98)
Transfer	–	–	32,478	(32,478)	–	–	–
Exchange realignment	–	438	15,714	–	–	–	16,152
At 31 December 2017	19,023	179,959	599,769	87,362	894,272	933,571	2,713,956
Accumulated amortisation:							
At 1 January 2017	(15,844)	(45,955)	(317,364)	–	(20,032)	–	(399,195)
Amortisation provided during the year (note 6)	(1,260)	(20,101)	(23,864)	–	(5,054)	–	(50,279)
Acquisition of subsidiaries	–	–	(54)	–	(11,198)	–	(11,252)
Disposal of subsidiaries	–	–	–	–	17,218	–	17,218
Disposals	–	72	–	–	–	–	72
Exchange realignment	–	(400)	(15,562)	–	–	–	(15,962)
At 31 December 2017	(17,104)	(66,384)	(356,844)	–	(19,066)	–	(459,398)
Net carrying amount:							
At 31 December 2017	1,919	113,575	242,925	87,362	875,206	933,571	2,254,558
At 1 January 2017	3,179	89,443	174,188	65,543	443,451	–	775,804

Note (i): The arrangements involve the Group as an operator operating and maintaining the infrastructure (a water treatment plant) at a specified level of serviceability for a period of 25 to 30 years (the "service concession period") and transferring the infrastructure with nil consideration at the end of the service concession period.

As at 31 December 2018, certain of the Group's other intangible assets with a carrying value of approximately RMB285,511,000 (31 December 2017:Nil) were pledged to secure certain of the Group's bank loans (note 35).

17. INVESTMENTS IN JOINT VENTURES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Share of net assets	**3,015,902**	1,800,963
Goodwill on acquisition	**59,473**	8,627
	3,075,375	1,809,590
Provision for impairment	**(7,037)**	(6,996)
	3,068,338	1,802,594

The Group's balances of trade receivables, prepayments, other receivables and other assets and other payables and accruals with the joint ventures are disclosed in notes 25, 27,31 and 32 to the financial statements, respectively.

Movements in the provision for impairment of investments in joint ventures are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
At beginning of year	**6,996**	22,602
Impairment written off	**–**	(16,050)
Exchange realignment	**41**	444
At end of year	**7,037**	6,996

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Share of the joint ventures' profit for the year	**203,078**	144,911
Share of the joint ventures' other comprehensive income	**–**	179,422
Share of the joint ventures' total comprehensive income	**203,078**	324,333

17. INVESTMENTS IN JOINT VENTURES (continued)

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the joint ventures	**3,068,338**	1,802,594

18. INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Share of net assets	**576,119**	572,216
Goodwill on acquisition	**15,935**	15,935
	592,054	588,151

The Group's balances of trade receivables, prepayments, other receivables and other assets, trade payables, other payables and accruals with the associates are disclosed in notes 25, 27, 31 and 32 to the financial statements, respectively.

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Share of the associates' profit for the year	**63,379**	65,400
Share of the associates' other comprehensive income	**(4,591)**	(11,496)
Share of the associates' total comprehensive income	**58,788**	53,904

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the associates	**592,054**	588,151

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	Notes	As at 31 December 2018 RMB'000	2017 RMB'000
Equity investments designated at fair value through other comprehensive income			
Listed equity investments at fair value			
Sinoma Science & Technology Co., Ltd.		171,623	–
Unlisted equity investments, at fair value			
Swancor Renewable Energy Co., Ltd.		75,600	–
SKYCATCH INC		52,391	–
ZPARK CAPITAL II, L.P.		46,196	–
Nanjing Turbine & Electric Machinery (Group) Co., Ltd.		21,450	–
State Power Investment Group Xiangshui New Energy Co., Ltd.		12,000	–
Guoshui Investment Group Xi'an Wind Power Equipment Co.,Ltd.		10,619	–
Inner Mongolia Golden Ocean New Energy Technology Co., Ltd.		6,659	–
Tongling Wanjiang Rural Commercial Bank		5,817	–
Beijing Jiutian Weather Technology Co., Ltd.		2,400	–
Nanjing Xinda Meteorological Science and Technology Co.,Ltd.		1,500	–
Innovation Center For Industrial Big Data		1,450	–
Jiuquan Xinmao Technology Wind Power Equipment Manufacturing Co., Ltd.		1,000	–
Ningbo Youshuo New Energy Co., Ltd.		4	–
Ningbo Zhishuo New Energy Co., Ltd.		4	–
Ningbo Keshuo New Energy Co., Ltd.		4	–
		237,094	–
		408,717	–
Available-for-sale investments			
Listed equity investment, at fair value	(i)	–	439,118
Unlisted equity investments, at cost		–	729,092
Other financial assets	(ii)	–	1,050,000
		–	2,218,210
Portion classified as non-current assets		–	(1,168,210)
Current portion		–	1,050,000

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS (continued)

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.

(i) During the year ended 31 December 2017, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB28,063,000, none of which was reclassified from other comprehensive income to the statement of profit or loss for the year ended 31 December 2017.

(ii) The other financial assets represented corporate wealth management products purchased by the Company from the banks. The principals of the above wealth management products are guaranteed by banks with a repayment due date. Anticipated yield for the aforementioned products, which could only be redeemed upon maturity, varies from 1.10% to 4.75%.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Listed equity investments, at fair value	**132,621**	154,766	–
Unlisted equity investments, at fair value	**541,330**	1,370,200	–
Other unlisted investments, at fair value	**5,900**	–	–
	679,851	1,524,966	–
Portion classified as non-current portion	**(679,851)**	(474,966)	–
Current portion	**–**	1,050,000	–

The above equity investments at 31 December 2018 were classified as financial assets at fair value through profit or loss as they were held for trading.

The above unlisted investments at 31 December 2018 were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

21. OTHER NON-CURRENT FINANCIAL ASSETS

	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Corporate bonds	**49,996**	49,996	–
Debt investments	**260,037**	255,115	–
	310,033	305,111	–
Provision for other non-current financial assets	**(316)**	(305)	–
	309,717	304,806	–

The movements in the provision for other non-current financial assets are as follows:

	Note	Year ended 31 December 2018 RMB'000
As at 31 December 2017		**–**
Effect of adoption of IFRS 9		**305**
As at 1 January 2018		**305**
Impairment losses recognised	6	**114**
Impairment losses reversed	6	**(103)**
At end of year		**316**

In December 2016, the Company subscribed for the 2016 corporate bonds issued by Xinjiang New Energy (Group) Co., Ltd. with an aggregate principal amount of RMB50,000,000, maturing in 2021 with an applicable interest rate of 5.1% per annum. The issue price for each of the corporate bonds is RMB100.

22. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Year ended 31 December 2018

Deferred tax assets

	Notes	Provision for impairment of assets RMB'000	Tax losses RMB'000	Provisions and accruals RMB'000	Government grants received not yet recognised as income RMB'000	Unrealised gains arising from intra-group sales RMB'000	Fair value adjustments of equity investments at fair value through other comprehensive income/profit or loss RMB'000	Others RMB'000	Total RMB'000
At 31 December 2017		202,230	43,424	706,043	18,523	599,296	–	31,869	1,601,385
Effect of adoption of IFRS 9		28,900	–	–	–	–	–	–	28,900
At 1 January 2018 (restated)		231,130	43,424	706,043	18,523	599,296	–	31,869	1,630,285
Deferred tax credited/(charged) to profit or loss during the year	9	22,241	6,719	(17,068)	8,879	(74,995)	1,977	24,510	(27,737)
Deferred tax charged to other comprehensive income during the year		–	–	–	–	–	32,259	–	32,259
Deferred tax generated from acquisition of subsidiaries	41	–	–	–	–	–	–	184	184
At 31 December 2018		253,371	50,143	688,975	27,402	524,301	34,236	56,563	1,634,991

Deferred tax liabilities

	Notes	Excess of fair values of identifiable assets over carrying values arising from acquisition of subsidiaries RMB'000	Depreciation of assets RMB'000	Fair value adjustments of equity investments at fair value through other comprehensive income/profit or loss RMB'000	Service concession arrangements RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018		352,185	14,569	–	53,702	31,964	452,420
Deferred tax charged/(credited) to profit or loss during the year	9	(22,137)	7,519	60,455	18,326	23,230	87,393
Deferred tax charged to other comprehensive income during the year		–	–	3,964	–	–	3,964
Deferred tax generated from acquisition of subsidiaries	41	185,151	–	–	58,571	–	243,722
Exchange realignment		18,520	824	–	–	–	19,344
At 31 December 2018		533,719	22,912	64,419	130,599	55,194	806,843

22. DEFERRED TAX (continued)

Year ended 31 December 2017

Deferred tax assets

	Note	Provision for impairment of assets RMB'000	Tax losses RMB'000	Provisions and accruals RMB'000	Government grants received not yet recognised as income RMB'000	Unrealised gains arising from intra-group sales RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017		166,258	33,492	692,349	11,246	584,553	29,493	1,517,391
Deferred tax credited/(charged) to profit or loss during the year	9	35,972	9,932	13,694	7,277	14,743	(1,582)	80,036
Deferred tax generated from acquisition of subsidiaries		–	–	–	–	–	3,958	3,958
At 31 December 2017		202,230	43,424	706,043	18,523	599,296	31,869	1,601,385

Deferred tax liabilities

	Note	Excess of fair values of identifiable assets over carrying values arising from acquisition of subsidiaries RMB'000	Dividend withholding tax RMB'000	Depreciation of assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017		57,309	21,108	14,569	7,880	100,866
Deferred tax charged/(credited) to profit or loss during the year	9	(9,803)	7,059	898	2,348	502
Deferred tax generated from acquisition of subsidiaries		309,650	–	–	47,271	356,921
Exchange realignment		(4,971)	–	(898)	–	(5,869)
At 31 December 2017		352,185	28,167	14,569	57,499	452,420

The Group has tax losses arising in Mainland China of RMB101,416,000 (2017: RMB58,630,000) that will expire in one to five years for offsetting against future taxable profits. The Group also has tax losses arising in the United States of RMB281,785,000 (2017: RMB224,192,000) that are available indefinitely 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 above losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

23. HELD-TO-MATURITY INVESTMENTS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Bonds of Xinjiang New Energy (Group) Co., Ltd.	–	49,996

In December 2016, the Company subscribed for the 2016 corporate bonds issued by Xinjiang New Energy (Group) Co., Ltd. with an aggregate principal amount of RMB50,000,000 maturing in 2021 with an applicable interest rate of 5.1% per annum. The issue price for each of the corporate bonds is RMB100.

24. INVENTORIES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Raw materials	1,932,201	1,166,360
Work in progress, finished and semi-finished goods	3,058,478	2,857,965
Construction contract	–	56,693
low-value consumables and others	6,003	1,994
	4,996,682	4,083,012

25. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables	**16,048,239**	18,383,638
Bills receivable	**2,072,226**	2,046,938
Provision for impairment	**(1,225,234)**	(1,058,213)
	16,895,231	19,372,363
Portion classified as non-current assets	**–**	(2,324,143)
Current portion	**16,895,231**	17,048,220

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As part of its normal business, the Group endorsed or discounted bills receivable accepted by banks, 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 has classified bills receivable presented in trade and bills receivable as at 31 December 2018 amounting RMB2,072,226,000 as financial assets measured at fair value through other comprehensive income.

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 3 months	**6,912,184**	7,822,649
3 to 6 months	**2,114,803**	3,330,321
6 months to 1 year	**2,787,902**	2,296,535
1 to 2 years	**3,036,094**	2,316,191
2 to 3 years	**928,533**	1,863,915
Over 3 years	**1,115,715**	1,742,752
	16,895,231	19,372,363

25. TRADE AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	Note	Year ended 31 December 2018 RMB'000	2017 RMB'000
As at 31 December 2017		**1,058,213**	808,014
Effect of adoption of IFRS 9		**130,062**	–
As at 1 January 2018 (restated)		**1,188,275**	808,014
Impairment losses recognised	6	**534,601**	448,430
Impairment losses reversed	6	**(485,320)**	(195,151)
Amounts written off as uncollectible		**(25,263)**	(5,556)
Acquisition of a subsidiary		**12,387**	4,339
Disposal of a subsidiary		**–**	(693)
Exchange realignment		**554**	(1,170)
As at 31 December 2018		**1,225,234**	1,058,213

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 ageing of the balances for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). 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.

25. TRADE AND BILLS RECEIVABLES (continued)

Impairment under IFRS 9 for the year ended 31 December 2018 (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

Collectively impaired

	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Individually impaired	86.32%	217,568	187,805
Collectively impaired			
Within 6 months	0.13%	7,094,902	9,032
6 months to 1 year	0.75%	2,659,422	19,871
1 to 2 years	4.84%	3,200,532	155,041
2 to 3 years	9.06%	1,022,280	92,622
Over 3 years	41.05%	1,853,535	760,863
	6.55%	15,830,671	1,037,429
Total	7.63%	16,048,239	1,225,234

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 RMB222,912,000 with a carrying amount before provision of RMB278,080,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in default in principal payments and only a portion of the receivables is expected to be recovered.

25. TRADE AND BILLS RECEIVABLES (continued)

Impairment under IAS 39 for the year ended 31 December 2017 (continued)

The ageing analysis of the trade receivables as at 31 December 2017 that are were not individually nor collectively considered to be impaired under IAS 39 is as follows:

	As at 31 December 2017 RMB'000
Neither past due nor impaired	10,359,112
Less than 6 months past due	3,988,974
	14,348,086

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate 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 amount due from benificial shareholders, Xinjiang Wind Power Company Limited ("Xinjiang Wind Power")（新疆風能有限責任公司）and China Three Gorges New Energy Co., Ltd.（中國三峽新能源有限公司）, and the amounts due from the Group's joint ventures and associates included in the Group's trade and bills receivables are as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Benificial shareholders of the Company	**1,421,423**	1,126,813
Joint ventures	**737,228**	75,489
Associates	**7,680**	131,313
	2,166,331	1,333,615

The above balances are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to the independent customers of the Group.

As at 31 December 2018, the Group's trade receivables amounting to RMB3,429,623,000 (31 December 2017: RMB3,036,028,000) were pledged to secure certain of the Group's bank loans (note 35).

As at 31 December 2018, bills receivable amounting to RMB23,954,000 were pledged to secure bank loans (31 December 2017: RMB364,300,000) (note 35).

26. FINANCIAL RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Receivables for service concession agreements	**2,884,777**	1,611,967
Receivables for finance lease services	**4,816,577**	3,422,260
Provision for impairment	**(27,283)**	–
	7,674,071	5,034,227
Portion classified as non-current assets	**(7,287,309)**	(4,536,746)
Current portion	**386,762**	497,481

Receivables for service concession agreements arose from service concession contracts to build and operate water treatment plants and were recognised to the extent that the Group has an unconditional right to receive cash from or at the direction of the designees.

Receivables for finance lease services arose from finance lease contracts to lease equipment to customers and were recognised to the extent that the Group has the right to collect rental income from customers.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. The movements in the loss allowance for impairment of financial receivables are as follows:

	Note	**Year ended 31 December 2018 RMB'000**
As at 31 December 2017		**–**
Effect of adoption of IFRS 9		**4,976**
As at 1 January 2018 (restated)		**4,976**
Impairment losses recognised	6	**22,249**
Exchange realignment		**58**
As at 31 December 2018		**27,283**

As at 31 December 2018, the Group's financial receivables amounting to RMB667,262,000 (31 December 2017: RMB380,719,000) were pledged to secure certain of the Group's bank loans (note 35).

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Advances to suppliers (ii)	**1,982,969**	734,513
Prepayments	**364,497**	210,915
Deductible VAT	**2,205,561**	2,018,523
Deposits and other receivables	**1,473,705**	1,252,131
	6,026,732	4,216,082
Impairment allowance	**(93,599)**	(10,192)
	5,933,133	4,205,890
Portion classified as non-current assets (i)	**(1,407,300)**	(1,555,448)
Current portion	**4,525,833**	2,650,442

(i) The non-current portion of deposits and other receivables mainly represented advances to suppliers and deductible input value-added tax at 31 December 2018 and 2017.

(ii) As at 31 December 2018, the Group's advances to suppliers amounting to RMB384,784,000 (31 December 2017: Nil) were pledged to secure certain of the Group's bank loans (note 35).

Movements in the loss allowance for impairment of prepayments, other receivables and other assets are as follows:

		Year ended 31 December	
	Note	2018 RMB'000	2017 RMB'000
As at 31 December 2017		**10,192**	6,696
Effect of adoption of IFRS 9		**31,162**	–
At beginning of year (restated)		**41,354**	6,696
Impairment losses recognised	6	**36,403**	4,654
Impairment losses reversed	6	**(10,130)**	–
Amounts written off as uncollectible		**(421)**	(1,020)
Acquisition of a subsidiary		**26,329**	–
Exchange realignment		**64**	(138)
At end of year		**93,599**	10,192

27. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

Impairment under IFRS 9 for the year ended 31 December 2018

As at 31 December 2018, the expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rates applied as at 31 December 2018 were as follows:

	As at 31 December 2018
Expected credit loss rate	**6.35%**
Gross carrying amount (RMB'000)	**1,473,705**
Expected credit losses (RMB'000)	**93,599**

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of other receivables which was measured based on incurred credit losses under IAS 39 as at 31 December 2017 was a provision for individually impaired other receivables of RMB10,192,000 with a carrying amount before provision of RMB31,364,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in default in principal payments and only a portion of the receivables is expected to be recovered.

The amounts due from the Group's joint ventures and associates included in prepayments, other receivables and other assets are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Joint ventures	**73,427**	17,394
Associates	**194,816**	34,659
	268,243	52,053

The above amounts are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to the independent third parties.

28. CONTRACT ASSETS

		31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
Contract assets arising from:				
Retention receivables on the sale of wind turbines	(i)	**2,964,288**	2,866,352	–
Construction services	(ii)	**271,236**	57,289	–
Services concession arrangement	(iii)	**681,575**	161,681	–
		3,917,099	3,085,322	–
Impairment		**(4,452)**	(2,920)	–
		3,912,647	3,082,402	–
Portion classified as non-current assets		**(3,005,214)**	(2,485,824)	–
Current portion		**907,433**	596,578	–

(i) The Group normally allows a credit period of not more than three months to its customers. For retention money receivables, the due dates usually range from two to five years after the completion of commissioning for wind turbines.

(ii) Contract assets are initially recognised for revenue earned from the provision of construction services. Upon billing of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

(iii) Before the adoption of IFRS 15, if the entity has an unconditional contractual right to receive cash or another financial asset, the service element that relates to the construction in progress is accounted for in accordance with IFRIC 12 as financial receivables. Upon the adoption of IFRS 15, financial receivables are reclassified to contract assets.

The expected timing of recovery or settlement for contract assets as at 31 December 2018 is as follows:

	As at 31 December 2018 RMB'000
Within one year	**907,433**
More than one year	**3,005,214**
Total contract assets	**3,912,647**

28. CONTRACT ASSETS (continued)

The movements in the loss allowance for impairment of contract assets are as follows:

	Note	As at 31 December 2018 RMB'000
At beginning of year		–
Effect of adoption of IFRS 9		2,920
At beginning of year (restated)		2,920
Impairment losses, net	6	1,532
At end of year		4,452

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). 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 contract assets using a provision matrix:

	As at 31 December 2018
Expected credit loss rate	0.11%
	RMB'000
Gross carrying amount	3,917,120
Expected credit losses	4,452

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
Cash and bank balances		**4,903,096**	5,431,994
Time deposits		**276,837**	2,410,675
		5,179,933	7,842,669
Less: Pledged time deposits – pledged for:			
– Bank loans	35	**(27,164)**	(3,387)
– Letters of credit		**(6,750)**	(10,032)
– Guarantee issued		**(4,386)**	(470,000)
– Provision for risk		**(113,995)**	(103,136)
– Others		**–**	(500,000)
		(152,295)	(1,086,555)
Cash and cash equivalents in the consolidated statement of financial position		**5,027,638**	6,756,114
Less: Non-pledged time deposits with original maturity of more than three months when acquired		**(15,621)**	(9,931)
Cash and cash equivalents in the consolidated statement of cash flows		**5,012,017**	6,746,183
Pledged deposits		**152,295**	1,086,555
Portion classified as non-current assets		**(113,995)**	(103,136)
Current portion		**38,300**	983,419
Cash and cash equivalents and pledged deposits denominated in:			
– RMB		**3,671,962**	4,938,940
– Australian dollar		**612,817**	177,929
– United States dollar		**522,300**	2,266,629
– Euro		**249,758**	313,967
– Hong Kong dollar		**15,644**	109,336
– Other currencies		**107,452**	35,868
		5,179,933	7,842,669

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and ninety days depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

30. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its business. These leases are classified as finance leases.

At 31 December 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments As at 31 December 2018 RMB'000	Present value of minimum lease payments As at 31 December 2018 RMB'000
Amounts payable:		
Within one year	19,211	–
In the second year	42,816	23,605
In the third to fifth years, inclusive	128,449	99,439
After five years	210,416	181,115
Total minimum finance lease payments	400,892	304,159
Future finance charges	(96,733)	
Total net finance lease payables	304,159	

31. TRADE AND BILLS PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables	**14,868,880**	11,475,753
Bills payable	**6,221,491**	4,665,722
	21,090,371	16,141,475
Portion classified as non-current liabilities (i)	**(1,090,612)**	(884,593)
Current portion	**19,999,759**	15,256,882

(i) The non-current portion of trade payables mainly represented retention amounts held by the Group as at 31 December 2018 and 2017.

Trade and bills payables are non-interest-bearing and are normally settled in 180 days. For the retention payables in respect of warranties granted by the suppliers, the due dates usually range from three to five years after the completion of the preliminary acceptance of goods.

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Within 3 months	**13,808,826**	10,909,780
3 to 6 months	**3,799,108**	3,038,854
6 months to 1 year	**1,516,255**	461,290
1 to 2 years	**845,241**	807,451
2 to 3 years	**541,662**	489,493
Over 3 years	**579,279**	434,607
	21,090,371	16,141,475

31. TRADE AND BILLS PAYABLES (continued)

The amounts due to the Group's benificial shareholders, joint ventures and associates included in the trade and bills payables are as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Benificial shareholders of the Company	237	–
Joint ventures	4,442	–
Associates	309,870	213,289
	314,549	213,289

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

32. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Receipt in advance	8,963	4,658,157
Contract liabilities (ii)	4,062,463	–
Accrued salaries, wages and benefits	702,703	629,000
Other taxes payable	273,514	124,163
Interest payable	74,676	95,577
Dividends payable	76,798	76,388
Other payables	1,266,203	815,136
	6,465,320	6,398,421
Portion classified as non-current liabilities (i)	(93,552)	(38,541)
Current portion	6,371,768	6,359,880

(i) The non-current portion of other payables mainly represented guaranteed deposit amounts held by the Group as at 31 December 2018 and 2017.

32. OTHER PAYABLES AND ACCRUALS (continued)

(ii) 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	3,623,954	4,327,811
Amounts due to contract customers	438,509	313,106
Total contract liabilities (ii)	4,062,463	4,640,917

Contract liabilities include short-term advances received from customers, earlier billing than completion of construction service. The decrease in contract liabilities in 2018 was mainly due to the decrease in short-term advances received from customers in relation to the sale of goods at the end of the year.

The amounts due to the Group's beneficial shareholders, joint ventures and associates included in other payables and accruals are as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Benificial shareholders of the Company	55,651	649,072
Joint ventures	84,985	12,293
Associates	4,038	642
	144,674	662,007

The above balances are unsecured, non-interest-bearing and have no fixed terms of settlement.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	As at 31 December 2018 Assets RMB'000	As at 31 December 2018 Liabilities RMB'000
Power price swap contract	(i)	52,929	–
Foreign currency contracts	(ii)	25,331	–
Interest rate swaps – not designated for hedge purposes	(iii)	103	6,815
Interest rate swaps – designated for hedge purposes	(iv)	–	119,602
		78,363	126,417
Portion classified as non-current:			
Power price swap contract	(i)	(52,929)	–
Interest rate swaps	(iii)	(103)	–
		(53,032)	–
Current portion		25,331	126,417

	Notes	As at 31 December 2017 Assets RMB'000	As at 31 December 2017 Liabilities RMB'000
Contingent consideration	(v)	12,640	–
Interest rate swaps	(iii)	18	–
Power price swap contract	(i)	16,052	–
		28,710	–
Portion classified as non-current:			
Interest rate swap		(18)	–
Power price swap contract		(16,052)	–
		(16,070)	–
Current portion		12,640	–

(i) Power price swap contract is designated as a hedging instrument in respect of forecast future power price to which the Group has firm commitments. The power price swap contact balance varies with the expected power price in the power market. The terms of the power price swap contract match the terms of the commitments. The power price swap contract was assessed to be highly effective and a fair value change of RMB34,797,000 (2017: RMB16,052,000) was included in other comprehensive income.

33. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(ii) The functional currency of the Group is RMB. Some forward foreign currency purchases and sales which occurred highly probable in the future will bring foreign exchange risk to the Group. The Group used foreign exchange forward contracts to hedge the exchange rate risk. The currencies involved in the hedged items and the hedging instruments are the same, the amounts are equal, and the terms are matched. Credit risk does not dominant role in the hedging relationship. The hedging ratio is 1:1. The foreign exchange forward contracts were assessed to be highly effective and fair value change of RMB23,447,000 was included in other comprehensive income.

(iii) The interest rate swaps were not designated for hedge purposes and were measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate swaps amounting to RMB6,667,000 (2017: RMB1,916,000) were charged to the statement of profit or loss during the year.

(iv) The interest swaps were designated for hedge purposes and were assessed to be highly effective and fair value change of RMB119,602,000 were included in other comprehensive income.

(v) According to the disposal agreement with Apple signed in 2017, a contingent consideration was contained in the purchase price based on the actual performance of the wind farm projects during the one year period after the commencement of commercial operations. It was related to meteorological and performance data for the wind projects and was to be settled on a future date. The fair value of the contingent consideration was RMB12,640,000 as at 31 December 2017. The two parties to the transaction signed a supplemental agreement in 2018, and the contingent consideration has been settled before 31 December 2018.

As at 31 December 2018, the Group's derivative financial instruments amounting to RMB13,046,000 (31 December 2017: Nil) were pledged to secure certain of the Group's bank loans (note 35).

The carrying amounts of the derivative financial instruments are the same as their fair values.

34. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 7 April 2018, the Group entered into a disposal agreement with an independent third party, Jilin Tongyu Luneng New Energy Co., Ltd ("Jilin Tongyu"), to dispose of its 17.15% equity interests in Jilin Zhanyu Wind Power Co., Ltd. ("Zhanyu Wind Power"), an associate of the Group. The disposal of such investment is due to be completed in December 2019. As at 31 December 2018, the equity investment amounting to RMB114,290,000 was classified as assets of disposal groups classified held for sale.

35. 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	2.65-6 months LIBOR +1.85	2019	1,707,501	2.65-1 month LIBOR+1.5	2018	1,524,767
– Secured (a)	4.16-5.22	2019	330,000	4.20-5.22	2018	530,159
Current portion of long-term bank loans:						
– Unsecured	1.20-6 months LIBOR+3.5	2019	123,293	1.20-6 months LIBOR+3.5	2018	76,631
– Secured (b)	3.25-9.28	2019	1,059,492	2.85-6.00	2018	1,214,551
Corporate bonds (i):						
– Unsecured	–	–	–	2.50-4.98	2018	2,440,957
– Secured	3.90	2019	249,828	3.60	2018	211,958
			3,470,114			5,999,023
Non-current						
Long-term bank loans:						
– Unsecured	1.20-5.00	2020-2026	4,381,185	1.20-5.94	2019-2030	2,072,881
– Secured (b)	3.25-9.16	2020-2035	13,619,350	1.68-6.00	2019-2035	13,003,160
Corporate bonds (i):						
– Unsecured	–	–	–	–	–	–
– Secured	3.40-4.50	2020-2021	559,825	3.90-4.50	2019-2021	809,769
Finance lease payables (Note 30):						
– Secured (c)	5.29	2020-2028	304,159	–	–	–
			18,864,519			15,885,810
			22,334,633			21,884,833
Interest-bearing bank and other borrowings are denominated in:						
– RMB			17,518,679			17,192,819
– United States dollar			4,094,585			4,603,090
– Australian dollar			649,078			7,915
– Euro			72,291			81,009
			22,334,633			21,884,833

35. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(i) In May 2015, the Company received an approval from National Association of Financial Market Institutional Investor (中國銀行間交易商協會) to issue medium-term notes up to RMB2.3 billion. In June 2015, the Company issued the first portion of medium-term notes in an aggregate amount of RMB500 million, which was repayable in June 2018 and its applicable interest rate was 4.98% per annum. The issue price for each of the medium-term notes was RMB100. As at 31 December 2018, the medium-term notes were due and settled by the Group.

In July 2015, Goldwind New Energy (I) Investment Limited, a subsidiary of the Company, issued an overseas corporate bond in an aggregate principal amount of US$300 million, which was repayable in July 2018 and its applicable interest rate was 2.50% per annum. The issue price for the overseas corporate bond was US$100. Subsequent to the completion of the issue of the corporate bond, the corporate bond was listed on the Hong Kong Stock Exchange. As at 31 December 2018, the corporate bond was due and settled by the Group.

ABC Hui Ying • Goldwind electricity charge rights green-asset-backed special plan ("Special Plan") was issued on 3 August 2016, and Agricultural Bank of China (Shanghai) Asset Management Co., Ltd. was appointed as the Special Plan's manager. The Special Plan was officially listed on the Shanghai Stock Exchange on 26 August 2016, which provides the transfer service on a fixed-income securities electronic platform. The priority of asset-backed securities under the Special Plan included Goldwind Green A, Goldwind Green B, Goldwind Green C, Goldwind Green D, and Goldwind Green E. The principals are RMB190 million, RMB215 million, RMB250 million, RMB270 million, and RMB285 million, respectively, with applicable interest rates of 3.4%, 3.6%, 3.9%, 4.2%, and 4.5% per annum. The valuation date is 3 August 2016, and maturity dates are 3 February and 3 August 2017, 3 February and 3 August 2018, 3 February and 3 August 2019, 3 February and 3 August 2020, 3 February and 3 August 2021, respectively. The Special Plan is paid half-yearly, and the expected return on each maturity date is paid with the principal. The Special Plan is secured by ownership of certain of Company's subsidiaries and future electricity charge rights and their future income thereon. As at 31 December 2018, the amount of trade receivables secured was approximately RMB274,647,000.

35. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The maturity profile of the interest-bearing bank and other borrowings as at 31 December 2018 and 2017 is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	3,220,286	3,346,108
In the second year	5,434,877	1,364,409
In the third to fifth years, inclusive	4,677,335	5,537,493
Above five years	7,888,323	8,174,139
	21,220,821	18,422,149
Other borrowings repayable:		
Within one year	249,828	2,652,915
In the second year	295,360	249,828
In the third to fifth years, inclusive	387,509	271,755
Above five years	181,115	288,186
	1,113,812	3,462,684
	22,334,633	21,884,833

Except for the Corporate bonds, the Group's interest-bearing bank loans and other borrowings of approximately RMB15,381,000,000 (31 December 2017: RMB15,029,681,000) were secured or guaranteed by the following:

(a) Certain of the Group's short-term bank loans amounting to approximately RMB330,000,000 (31 December 2017: RMB530,158,000) as at 31 December 2018 were secured by the pledge of the Group's trade receivables amounting to RMB363,432,000 (31 December 2017: RMB651,551,000).

35. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(b) Certain of the Group's long-term bank loans amounting to approximately RMB14,678,841,000 (31 December 2017: RMB14,217,711,000) as at 31 December 2018 were secured by mortgages over certain of the property, plant and equipment and prepaid land lease payments of the Group and by the pledge of the Group's bank deposits, trade and bills receivables, financial receivables bank deposits as provision for risk, derivative financial instruments and prepayments, other receivables and other assets. As at the reporting date, the aggregate carrying values of the assets as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Property, plant and equipment	**11,617,252**	11,638,827
Other intangible assets	**285,511**	–
Prepaid land lease payments	**146,629**	165,602
Bank deposits	**27,164**	3,387
Trade and bills receivables	**2,815,498**	3,400,328
Prepayments, other receivables and other assets	**384,784**	–
Derivative financial instruments	**13,046**	–
Financial receivables	**667,262**	380,719
Bank deposits for provision for risk	**104,741**	103,136
	16,061,887	15,691,999

In addition to the above loans, certain of the bank loans amounting to RMB68,000,000 (31 December 2017: approximately RMB281,748,000) are guaranteed. Certain of the bank loans of the Company's subsidiaries, amounting to RMB51,000,000 (31 December 2017: RMB53,000,000) as at 31 December 2018 were guaranteed by the Company. Certain of the Company's bank loans amounting to approximately RMB17,000,000 (31 December 2017: RMB19,000,000) as at 31 December 2018 were guaranteed by a subsidiary.

Certain of the bank loans of the Company's subsidiaries amounting to approximately US$10,237,000 (equivalent to approximately RMB209,748,000) as at 31 December 2017 were guaranteed by the Company. Such loans were paid off as at 31 December 2018.

(c) The Group's finance leases amounting to RMB304,159,000 (31 December 2017: Nil) were secured by the Group's property, plant and equipments with net carrying amount of approximately RMB307,975,000 (31 December 2017: Nil) (Note 12).

36. PROVISION

Provision mainly represented product warranties, asset retirement obligation and others. The Group generally provides two to five years' warranties to its customers on the wind turbine generators sold by the Group, under which faulty components are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

		Year ended 31 December			
				2018	2017
				RMB'000	RMB'000
	Note	**Product Warranties**	**Asset retirement obligation and others**	**Total**	Product Warranties
At beginning of year		**3,870,181**	**–**	**3,870,181**	3,965,881
Additional provision	6	**1,459,497**	**106,452**	**1,565,949**	1,584,518
Reversal of unutilised amounts	6	**(793,065)**	**–**	**(793,065)**	(625,134)
Amounts utilised during the year		**(1,097,325)**	**–**	**(1,097,325)**	(1,055,508)
Exchange realignment		**2,808**	**3,890**	**6,698**	424
At end of year		**3,442,096**	**110,342**	**3,552,438**	3,870,181
Portion classified as current liabilities		**(1,569,546)**	**–**	**(1,569,546)**	(1,773,288)
Non-current portion		**1,872,550**	**110,342**	**1,982,892**	2,096,893

The carrying amount of the Group's provision approximates to its fair value.

37. GOVERNMENT GRANTS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Government grants	**298,056**	339,109

Government grants are received by the Group as financial subsidies for the research and development projects and improvement of manufacturing facilities of the Group. Government grants are recognised as income over the periods necessary to match the grant on a systematic basis to the research and development costs that they are intended to compensate or over the expected useful life of the relevant property, plant and equipment.

37. GOVERNMENT GRANTS (continued)

The movements in government grants during the year are as follows:

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
At beginning of year		**339,109**	304,770
Additions		**74,829**	84,799
Recognised as income during the year		**(117,788)**	(44,972)
Acquisition of subsidiaries	41	**25,837**	–
Disposal of a subsidiary	42	**(28,701)**	–
Exchange realignment		**4,770**	(5,488)
At end of year		**298,056**	339,109

38. SHARE CAPITAL

	As at 31 December 2018 Number of shares '000	2018 Value RMB'000	2017 Number of shares '000	2017 Value RMB'000
Shares				
Issued and fully paid:				
A shares of RMB1.00 each	**2,906,142**	**2,906,142**	2,906,142	2,906,142
H shares of RMB1.00 each	**650,061**	**650,061**	650,061	650,061
	3,556,203	**3,556,203**	3,556,203	3,556,203

38. SHARE CAPITAL (continued)

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

	Year ended 31 December			
	2018		2017	
	Number of shares in issue '000	Share capital RMB'000	Number of shares in issue '000	Share capital RMB'000
At beginning of year	3,556,203	3,556,203	2,735,541	2,735,541
Bonus shares (a)	–	–	820,662	820,662
At end of year	3,556,203	3,556,203	3,556,203	3,556,203

(a) In June 2017, a distribution of 3 bonus shares per every 10 shares held by the existing shareholders of the Company was approved in the annual general meeting. Accordingly, 820,662,000 shares were issued as bonus shares.

39. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity for the current and prior years on pages 102 and 103 of these financial statements.

40. OTHER EQUITY INSTRUMENT

In May 2016, the Company received an approval from National Association of Financial Market Institutional Investors ("中國銀行間交易商協會") to issue long-term option-embedded medium-term notes (the "Perpetual Medium-term Notes") of RMB3 billion, which shall be effective for two years commencing from the date of the approval. In May 2016 and September 2016, the Company issued the first portion and the second portion of the Perpetual Medium-term Notes in an aggregate amount of RMB1 billion at the initial distribution rate of 5% and an aggregate amount of RMB500 million at the initial distribution rate of 4.2%, respectively. The proceeds from issuance of the Perpetual Medium-term Notes after the issuance costs were RMB996,547,000 and RMB498,571,000, respectively. The issue price for each of the Perpetual Medium-term Notes is RMB100.

In December 2018, the Company issued the Perpetual Medium-term Notes in an aggregate amount of RMB500 million at the initial distribution rate of 6%. The proceeds from issuance of the Perpetual Medium-term Notes after deducted the issuance costs were RMB498,500,000. The issue price for each of the Perpetual Medium-term Notes is RMB100.

Pursuant to the terms of the Perpetual Medium-term Notes, the Company has no contractual obligation to repay their principal or to pay any coupon distribution. The Perpetual Medium-term Notes are classified as equity and subsequent distribution declared will be treated as distribution to equity owners.

41. BUSINESS COMBINATIONS

In 2018, the following entities were acquired from independent third parties for the purpose of expanding business. Acquisitions of equity interests in these entities have been accounted for using the acquisition method of accounting effective from the dates when the entities were controlled by the Group. Details are as follows:

Company name	Acquisition date	Percentage of equity interests acquired		Cash consideration
Jingzhou Fengheyuan Biotechnology Co., Ltd.	February 2018	85%		RMB6,409,000
Zhejiang Ronghuai Environment Engineering Co., Ltd.	April 2018	100%		RMB222,800,000
Jinhua Jinxi HaiYuan Water Service Co., Ltd.	May 2018	100%		RMB119,685,000
Zhuji Haidong Water Service Co., Ltd.	May 2018	100%		RMB154,028,000
Zhuji Lejiatan Water Service Co., Ltd.	May 2018	100%		RMB128,052,000
Zhuji Haiyuan Water Service Co., Ltd.	May 2018	100%		RMB74,246,000
Longquan Haiyuan Water Service Co., Ltd.	May 2018	100%		RMB47,699,000
Changde Jishui Environment Management Co., Ltd.	July 2018	100%		RMB43,821,000
Liucheng County Guanghui Water Supply Co., Ltd.	July 2018	2%	(i)	RMB720,000
Anhui City Construction Huashan Sewage Treatment Co., Ltd.	August 2018	100%		RMB1
Ningguo City Construction Sewage Treatment Co., Ltd.	August 2018	100%		RMB55,054,000
Liaocheng Guohuan Sewage Treatment Co., Ltd.	August 2018	99%		RMB75,541,000
Yanggu County Guohuan Sewage Treatment Co., Ltd.	August 2018	99%		RMB95,312,000
Wuhan Zhengyuan Water Service & Engineering Co., Ltd.	October 2018	100%		RMB84,647,000
Qihe Chujiazhuang New Energy Development Co., Ltd.	October 2018	100%		RMB200,000
Ningbo Deqi Morten Energy Technology Co., Ltd.	October 2018	100%		RMB400,000
Tianjin Etechwin Energy Co., Ltd.	November 2018	100%		RMB30,000
Yuncheng Zhongtian Haorui Wind Power Co., Ltd.	December 2018	100%		RMB14,400,000
Shanghai Tuoshu Photovoltaic Power Co., Ltd.	December 2018	100%		RMB1
Guangzhou Xinhe Photovoltaic Power Co., Ltd.	December 2018	100%		RMB1
Tianjin Shengtong Photovoltaic Power Generation Co., Ltd.	December 2018	100%		RMB1
Suzhou Chunxin Yaojia Photovoltaic Technology Co., Ltd.	December 2018	100%		RMB1
Zhengzhou Yaosheng Photovoltaic Power Co., Ltd.	December 2018	100%		RMB1

41. BUSINESS COMBINATIONS (continued)

Note:

(i) On 1 July 2018, the Group entered into a share purchase agreement with a third party to acquire an additional 2% equity interest in Liucheng County Guanghui Water Supply Co., Ltd ("Liucheng Water Supply"), a joint venture of the Group, at a cash consolidation of RMB720,000. The articles of association of Liucheng Water Supply were revised accordingly upon the completion of the acquisition, and the Group has a total of 51% of equity interests in Liucheng Water Supply and has the power to govern the relevant activities of Liucheng Water Supply. Therefore, on 1 July 2018, Liucheng Water Supply was accounted for as a subsidiary of the Group.

The fair values of the identifiable assets and liabilities of these companies as at the dates of acquisition were as follows:

	Notes	**Fair value recognised on acquisition RMB'000**
Property, plant and equipment	12	102,791
Other intangible assets	16	910,780
Equity investment designated at fair value through other comprehensive income		5,817
Inventories		1,491
Financial receivable		1,662,250
Trade and bills receivables		90,183
Prepayments, receivables and other assets		200,615
Cash and cash equivalents		31,681
Trade and bills payables		(525,146)
Other payables and accruals		(761,955)
Contract liabilities		(1,654)
Interest-bearing bank loans		(268,844)
Deferred tax liabilities	22	(243,722)
Deferred tax assets	22	184
Government grants	37	(25,837)
Total identifiable net assets at fair value		1,178,634
Non-controlling interests		(39,630)
		1,139,004
Goodwill on acquisition	15	14,405
Investment in a joint venture before the step acquisition of a subsidiary		(28,935)
Gain on bargain purchase		(1,429)
Satisfied by cash		1,123,045

41. BUSINESS COMBINATIONS (continued)

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

	RMB'000
Cash consideration	(1,123,045)
Other payable due to certain equity sellers	190,934
Cash and cash equivalents paid	(932,111)
Cash and cash equivalents paid for previous transactions	(95,140)
Cash and cash equivalents acquired	31,681
Net outflow of cash and cash equivalents included in cash flows from investing activities	(995,570)

Since the acquisitions, the acquired companies contributed RMB92,815,000 to the Group's revenue and RMB22,438,000 to the consolidated profit for the year ended 31 December 2018.

Had the acquisitions taken place at the beginning of the year, the revenue of the Group and the profit after tax of the Group for the year would have been RMB28,656,624,000 and RMB3,278,483,000, respectively.

42. DISPOSAL OF SUBSIDIARIES

On 29 June 2018, the Group disposed of its 80% equity interests in Wild Cattle Hill Pty Ltd. to a third party for a cash consideration of AUD9,600,000.

On 31 August 2018, the Group disposed of its 90% equity interest in Funing Water Service Co., Ltd. Wind Power Co., Ltd. to a third party for a cash consideration of RMB33,886,000.

On 30 September 2018, the Group lost control of Pinglu Wolong Wind Energy Electricity Co., Ltd. ("Pinglu Wolong") since the articles of Pinglu Wolong were revised and managements were changed. Therefore, Pinglu Wolong was accounted as an investment in joint venture in the consolidated statement of financial position of the Group.

On 31 December 2018, the Group disposed of its 24% equity interest in Pinglu Tianrui Wind Energy Electricity Co., Ltd. (Pinglu Tianrui) to a third party for a cash consideration of RMB193,557,000. The articles of association of Pinglu Tianrui were revised accordingly upon the completion of the disposal. Therefore, the Group's equity interests decreased from 75% to 51%, and lost it control over the Pinlu Tianrui. Upon the completion of such disposal, Pinglu Tianrui was accounted as an investment in joint venture in the consolidated statement of financial position of the Group.

42. DISPOSAL OF SUBSIDIARIES (continued)

The net assets/liabilities of the subsidiaries disposed of during the year ended 31 December 2018 were as follows:

	Notes	As at the dates of disposal RMB'000
Net assets disposed of:		
Property, plant and equipment	12	1,913,061
Prepaid land lease payments	14	27,471
Other intangible assets	16	58,164
Trade and bills receivables		425,866
Prepayments, deposits and other receivables		163,418
Financial receivables		161,576
Inventories		84
Cash and cash equivalents		153,645
Trade and bills payables		(69,131)
Interest-bearing bank loans		(1,589,450)
Government grants	37	(28,701)
Other payables and accruals		(491,589)
		724,414
Non-controlling interests		(360,553)
Net assets attributable to the parent company		363,861
Investments in joint ventures		(1,045,250)
Goodwill	15	14,004
Gain on remeasurement of the remaining interests at the date of disposal of subsidiaries	5	627,627
Gain on disposal of subsidiaries	5	313,889
Satisfied by cash		274,131

42. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Year ended 31 December 2018 RMB'000
Cash consideration	274,131
Cash received during the year	69,840
Cash and cash equivalents disposed of	(153,645)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(83,805)

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount of RMB10,183,409,000 (2017: RMB6,989,345,000).

(b) Changes in liabilities arising from financing activities

	Bank loans and other borrowings RMB'000	Dividends payable RMB'000	Interest payable RMB'000
At 1 January 2018	21,884,833	76,388	95,577
Changes from financing cash flows	1,608,749	(805,209)	(1,120,935)
Interest expense	–	–	1,106,913
Final 2017 dividend declared	–	711,241	–
Dividend declared to non-controlling shareholders	–	35,832	–
Distribution of other equity instruments	–	71,411	–
Foreign exchange movement	(190,457)	–	(6,879)
Increase arising from acquisition of subsidiaries	316,799	29,986	–
Decrease arising from disposal of subsidiaries	(1,589,450)	(42,851)	–
Increase finance lease payables	304,159	–	–
At 31 December 2018	22,334,633	76,798	74,676

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

	Bank loans and other borrowings RMB'000	Dividends payable RMB'000	Interest payable RMB'000
At 1 January 2017	17,818,061	50,000	91,077
Changes from financing cash flows	4,811,735	(654,646)	(802,514)
Interest expense	–	–	865,363
Final 2016 dividend declared	–	547,108	–
Dividend declared to non-controlling shareholders	–	36,538	–
Distribution of other equity instruments	–	71,000	–
Foreign exchange movement	(28,511)	–	(58,349)
Increase arising from acquisition of subsidiaries	155,497	26,388	–
Decrease arising from disposal of subsidiaries	(462,600)	–	–
Decrease arising from held for sale	(409,349)	–	–
At 31 December 2017	21,884,833	76,388	95,577

44. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Letters of credit issued	**29,890**	55,400
Letters of guarantee issued	**17,696,283**	15,102,615
Guarantees given to banks in connection with bank loans granted to:		
An associate	**324,964**	315,754
A third party	**274,655**	296,487
	18,325,792	15,770,256

44. CONTINGENT LIABILITIES (continued)

In 2015, Beijing Tianrun entered into an agreement with the creditor bank, Chifeng Jinneng New Energy Investment Co., Ltd. and Chifeng Xinneng. According to the agreement, in the case where Chifeng Xinneng fails to repay the bank loans on schedule, Beijing Tianrun shall repurchase the entire share interest in Chifeng Xinneng, and the consideration equals a certain percentage of the net assets of Chifeng Xinneng at that time. Up to 31 December 2018, Chifeng Xinneng operated well, and the risk exposure from the above repurchase clause was insignificant.

The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account the legal advice. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

45. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings, letters of credit, guarantees issued, provision risk and uncompleted transactions, which are secured by the assets of the Group, are included in notes 12, 14, 16, 25, 26, 27, 29, 33 and 35, respectively, to the financial statements.

46. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years.

At 31 December 2018 and 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within one year	6,587	3,842
In the second to fifth years, inclusive	6,281	8,375
	12,868	12,217

46. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

At 31 December 2018 and 2017, the Group had the following total future minimum lease payments under non-cancellable operating leases in respect of land and buildings:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within one year	93,419	9,831
In the second to fifth years, inclusive	230,064	9,061
After five years	628,342	446
	951,825	19,338

47. COMMITMENTS

In addition to the operating lease commitments detailed in note 46(b) above, the Group had the following capital commitments as at the end of the reporting period:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Contracted, but not provided for:		
Property, plant and equipment and land use rights	3,287,895	3,134,131

48. RELATED PARTY TRANSACTIONS

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

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Continuing transactions		
Benificial shareholders of the Company:		
Sales of wind turbine generators and spare parts	**2,050,025**	202,340
Provision of technical services	**7,798**	–
	2,057,823	202,340
Associates:		
Sales of wind turbine generators and spare parts	**63,950**	356,986
Sales of construction services	**–**	702,773
Purchases of spare parts	**198,701**	196,888
Purchases of processing services	**190,768**	195,687
Provision of technical services	**6,220**	1,166
Others	**8,973**	4,095
	468,612	1,457,595
Joint ventures:		
Sales of wind turbine generators	**5,467**	626
Purchases of spare parts and processing services	**5,680**	–
Purchases of services	**63,509**	2,897
Provision of technical services	**31,550**	–
Others	**28,201**	14,215
	134,407	17,738

In the opinion of the directors, the transactions between the Group and the related parties were based on prices mutually agreed between the parties.

In the opinion of the directors, the above related party transactions were conducted in the ordinary course of business.

48. RELATED PARTY TRANSACTIONS (continued)

(b) Commitments with related parties

The amounts of total transactions with related parties for the year are included in note 48(a) to the consolidated financial statements. The Group expects the total transactions with related parties as follows:

	Year ended 31 December	
	2019 RMB'000	2020 RMB'000
Continuing transactions		
Benificial shareholders of the Company:		
Sales of wind turbine generators and spare parts	2,201,488	–
Associates:		
Provision of technical services	30,952	34,792
Sales of spare parts	661	–
Purchases of spare parts	271,753	270,371
	303,366	305,163
Joint ventures:		
Purchases of spare parts	1,300	2,000

(c) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 25, 27, 31 and 32 to these consolidated financial statements.

(d) Guarantee for a related party

Guarantee	Year ended 31 December 2018 RMB'000	2017 RMB'000	Guarantee period
An associate	324,964	315,754	From 28 May 2018 to 21 July 2023

48. RELATED PARTY TRANSACTIONS (continued)

(e) Compensation of key management personnel of the Group

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Short-term employee benefits	**40,602**	47,675
Pension scheme contributions	**514**	469
Total compensation paid to key management personnel	**41,116**	48,144

The related party transactions with benificial shareholders in the Company above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

49. 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:

As at 31 December 2018

Financial assets

	Financial assets at fair value through profit or loss				
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	–	–	408,717	–	408,717
Financial assets at fair value through profit or loss	541,330	138,521	–	–	679,851
Other non-current financial assets	–	–	–	309,717	309,717
Trade and bills receivables	–	–	2,072,226	14,823,005	16,895,231
Financial receivables	–	–	–	7,674,071	7,674,071
Financial assets included in prepayments, other receivables and other assets	–	–	–	1,380,107	1,380,107
Derivative financial instruments	–	1,527	76,836	–	78,363
Pledged deposits	–	–	–	152,295	152,295
Cash and cash equivalents	–	–	–	5,027,638	5,027,638
	541,330	140,048	2,557,779	29,366,833	32,605,990

Financial liabilities

	Financial liabilities at fair value through profit or loss				
	Designated as such upon initial recognition RMB'000	Held for trading RMB'000	Financial liabilities at fair value through other comprehensive income RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	–	–	21,090,371	21,090,371
Financial liabilities included in other payables and accruals	–	–	–	1,400,724	1,400,724
Derivative financial instruments	–	6,815	119,602	–	126,417
Interest-bearing bank and other borrowings	–	–	–	22,334,633	22,334,633
	–	6,815	119,602	44,825,728	44,952,145

49. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2017

Financial assets

	Loans and receivables RMB'000	Held-to-maturity investments RMB'000	Fair value through other comprehensive income RMB'000	Fair value through profit or loss RMB'000	Total RMB'000
Derivative financial instruments	–	–	16,052	12,658	28,710
Held-to-maturity investments	–	49,996	–	–	49,996
Trade and bills receivables	19,372,363	–	–	–	19,372,363
Financial receivables	5,034,227	–	–	–	5,034,227
Financial assets included in prepayments, other receivables and other assets	1,241,939	–	–	–	1,241,939
Available-for-sale financial assets	–	–	2,218,210	–	2,218,210
Pledged deposits	1,086,555	–	–	–	1,086,555
Cash and cash equivalents	6,756,114	–	–	–	6,756,114
	33,491,198	49,996	2,234,262	12,658	35,788,114

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade and bills payables	16,141,475
Financial liabilities included in other payables and accruals	987,101
Interest-bearing bank loans and other borrowings	21,884,833
	39,013,409

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Financial assets				
Available-for-sale investments	–	1,489,118	–	1,489,118
Held-to-maturity investments	–	49,996	–	49,996
Other non-current financial assets	309,717	–	389,701	–
Trade receivables, non-current portion	–	2,324,143	–	2,439,374
Financial receivables, non-current portion	7,287,309	4,536,746	7,287,309	4,536,746
Equity investments designated at fair value through other comprehensive income	408,717	–	408,717	–
Financial assets at fair value through profit or loss	679,851	–	679,851	–
Contract assets	681,575	–	681,575	–
Financial assets included in prepayments, other receivables and other assets, non-current portion	97,261	255,115	97,261	255,115
	9,464,430	8,655,118	9,544,414	8,770,349
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	18,864,519	15,885,810	18,771,641	15,871,023
Trade and bills payables, non-current portion	1,090,612	884,593	1,068,596	899,002
Financial liabilities included in other payables and accruals, non-current portion	93,552	38,541	93,552	30,337
	20,048,683	16,808,944	19,933,789	16,800,362

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, the current portion of trade and bills receivables, the current portion of financial receivables, the current portion of trade and bills payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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 pledged deposits, trade and bills receivables, financial receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, and 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 the non-current portion of interest-bearing bank and other borrowings as at 31 December 2018 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair value 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.

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with the financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts, foreign currency swaps, interest rate swaps and power price swaps contracts, are measured using valuation techniques similar to forward currency and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rate, interest rate curves and power price trend. The carrying amounts of the derivative financial instruments are the same as their fair values.

As at 31 December 2018, the marked to market value of the derivatives was net of a credit/debit valuation adjustment attributable to derivative counterparty default risk. As at 31 December 2018, the marked to market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

50. 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 measured at fair value:

As at 31 December 2018

	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
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments	171,623	–	–	171,623
Unlisted equity investments	–	237,094	–	237,094
	171,623	237,094	–	408,717
Financial assets at fair value through profit or loss:				
Listed equity investments	132,621	–	–	132,621
Unlisted equity investments	–	541,330	–	541,330
Other financial assets	–	5,900	–	5,900
	132,621	547,230	–	679,851
Derivative financial instruments:				
Power price swap contract	–	52,929	–	52,929
Foreign exchange forward contracts		25,331		25,331
Interest rate swaps	–	103	–	103
	–	78,363	–	78,363
	304,244	862,687	–	1,166,931

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2017

	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
Available-for-sale investments:				
Listed equity investments	439,118	–	–	439,118
Other financial assets	–	1,050,000	–	1,050,000
	439,118	1,050,000	–	1,489,118
Derivative financial instruments:				
Interest rate swap	–	18	–	18
Power price swap contract	–	16,052	–	16,052
Contingent consideration	–	–	12,640	12,640
	–	16,070	12,640	28,710
	439,118	1,066,070	12,640	1,517,828

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2018

	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
Derivative financial instruments:				
Interest rate swaps	–	126,417	–	126,417

The Group did not have any financial liabilities measured at fair value as at 31 December 2017.

During the year ended 31 December 2018, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

Assets for which fair values are disclosed:

As at 31 December 2018

	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
Pledged deposits, non-current portion	–	113,995	–	113,995
Financial receivables, non-current portion	–	7,287,309	–	7,287,309
Contract assets	–	681,575	–	681,575
Financial assets included in prepayments, other receivables and other assets, non-current portion	–	97,261	–	97,261
Other non-current financial assets	–	389,701	–	389,701
	–	8,569,841	–	8,569,841

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed: (continued)

As at 31 December 2017

	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
Pledged deposits, non-current portion	–	103,136	–	103,136
Held-to-maturity investment	–	49,996	–	49,996
Trade and bills receivables, non-current portion	–	3,111,298	–	3,111,298
Financial receivables, non-current portion	–	4,536,746	–	4,536,746
Financial assets included in prepayments, other receivables and other assets, non-current portion	–	255,115	–	255,115
	–	8,056,291	–	8,056,291

50. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2018

	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
Interest-bearing bank and other borrowings, non-current portion	–	18,771,641	–	18,771,641
Trade and bills payables, non-current portion	–	1,068,596	–	1,068,596
Financial liabilities included in other payables and accruals, non-current portion	–	93,552	–	93,552
	–	19,933,789	–	19,933,789

As at 31 December 2017

	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
Interest-bearing bank and other borrowings	–	15,871,023	–	15,871,023
Trade and bills payables, non-current portion	–	899,002	–	899,002
Financial liabilities included in other payables and accruals, non-current portion	–	30,337	–	30,337
	–	16,800,362	–	16,800,362

51. TRANSFERRED FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

(a) At 31 December 2018, the Group endorsed or discounted certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills" or the "Discounted Bills") with a carrying amount of RMB1,548,870,000 (2017: RMB982,402,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement" or the "Discount"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which included default risks relating to such Endorsed Bills or Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills or Discounted Bills and the associated trade payables settled. Subsequent to the Endorsement or the Discount, the Group did not retain any rights on the use of the Endorsed Bills or Discounted Bills, including the sale, transfer or pledge of the Endorsed Bills or Discounted Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills or Discounted Bills during the year to which the suppliers have recourse was RMB1,548,870,000 (2017: RMB982,402,000) as at 31 December 2018.

(b) As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "Arrangement") and transferred certain trade receivables to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the Arrangement that have not been settled as at 31 December 2018 was RMB363,432,000 (2017: RMB651,551,000). The carrying amount of the assets that the Group continued to recognise as at 31 December 2018 was RMB363,432,000 (2017: RMB651,551,000) and that of the associated liabilities as at 31 December 2018 was RMB273,000,000 (2017: RMB530,158,000).

Transferred financial assets that are derecognised in their entirety

At 31 December 2018, the Group endorsed or discounted certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB9,773,991,000 (2017: RMB5,846,892,000). The Derecognised Bills had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables or loans. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2018, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank loans 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 and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including interest rate swaps, foreign currency contracts and power price swap contracts. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of finance.

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 Directors hold meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. The Group's accounting policies in relation to derivative financial instruments are set out in note 2.4 to the financial statements.

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 income and expenses are credited/charged to profit or loss as earned/incurred.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this mix in a cost-effective manner, the Group enters into an interest rate swap, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2018, after taking into account the effect of the interest rate swap, approximately 14% (2017: 23%) of the Group's interest-bearing borrowings bore interest at fixed rates.

If there were a general increase/decrease in the interest rates of bank loans with floating interest rates by 1% point, with all other variables held constant, the consolidated pre-tax profit and construction in progress would have decreased/increased by approximately RMB188,651,000 (2017: RMB168,752,000) for the year ended 31 December 2018, and there would be no impact on other components of the consolidated equity, except for retained profits, of the Group.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value and cash flow interest rate risks (continued)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and the Group has applied the exposure to interest rate risk 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.

Foreign currency risk

The Group is exposed to foreign currency risk on cash and cash equivalents, receivables, payables and bank loans that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies giving rise to this risk are primarily Euro, the United States dollar and the Australian dollar.

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group requires all its operating units to use foreign currency forward currency contracts to eliminate the foreign currency exposures on any individual transactions for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The foreign currency forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

At 31 December 2018, the Group had hedged most of its foreign currency sales for which firm commitments existed at the end of the reporting period.

In addition, the Group has currency exposures from its interest-bearing bank borrowings. The Group has used a foreign currency swap contract to reduce the exposure to RMB arising from the borrowings.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The Group's exposures to foreign currencies as at 31 December 2018 and 2017 are as follows:

	As at 31 December					
	2018			2017		
	Euro	United States dollar	Australian dollar	Euro	United States dollar	Australian dollar
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	61,507	–	51,245	5,702	–
Prepayments, other receivables and other assets	29,256	4,899	–	22,518	686	–
Cash and cash equivalents	33,648	(15,188)	153,459	25,342	186,193	59,713
Trade payables	(358,367)	(33,555)	–	(70,223)	(10,617)	–
Other payables and accruals	–	–	–	–	(15,711)	–
Interest-bearing bank and other borrowings	–	–	–	–	(2,268,625)	–
	(295,463)	17,663	153,459	28,882	(2,102,372)	59,713

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in exchange rates by 5%, with all other variables held constant, of the Group's profit after tax and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity RMB'000
2018			
If RMB weakens against Euro	**5%**	**(12,676)**	**50,227**
If RMB strengthens against Euro	**(5%)**	**12,676**	**(50,227)**
If RMB weakens against United States dollar	**5%**	**2,163**	**50,856**
If RMB strengthens against United States dollar	**(5%)**	**(2,163)**	**(50,856)**
If RMB weakens against Australian dollar	**5%**	**5,755**	**37,368**
If RMB strengthens against Australian dollar	**(5%)**	**(5,755)**	**(37,368)**
2017			
If RMB weakens against Euro	5%	932	50,023
If RMB strengthens against Euro	(5%)	(932)	(50,023)
If RMB weakens against United States dollar	5%	(80,440)	(8,045)
If RMB strengthens against United States dollar	(5%)	80,440	8,045
If RMB weakens against Australian dollar	5%	2,535	19,458
If RMB strengthens against Australian dollar	(5%)	(2,535)	(19,458)

The sensitivity analysis above has been determined assuming that the change in foreign currency rates had occurred on 31 December 2018 and the Group had applied the exposure to foreign currency risk to those monetary assets and liabilities and net investment operations in existence at those dates. The estimated 5% increase or decrease represents management's assessment of a reasonably possible change in foreign currency rates over the period until the end of the next reporting period. The sensitivity analysis is performed on the same basis for the year.

Credit risk

The Group trades only with recognised and creditworthy parties. The Group has a credit policy in place which requires credit evaluations on all customers who wish to trade on credit terms. Receivable balances are monitored on an ongoing basis. In most instances, advance payments are required for customers of wind turbine generators. Otherwise, the credit quality of customers is assessed after taking into account the customers' financial position and past experience with the customers.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets*	–	–	–	3,917,099	3,917,099
Trade and bills receivables*	–	–	–	18,120,465	18,120,465
Other non-current financial assets	310,033	–	–	–	310,033
Financial receivables	7,701,354	–	–	–	7,701,354
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,467,859	–	–	–	1,467,859
– Doubtful**	–	5,846	–	–	5,846
Pledged deposits					
– Not yet past due	152,295	–	–	–	152,295
Cash and cash equivalents					
– Not yet past due	5,027,638	–	–	–	5,027,638
Guarantees given to banks in connection with facilities granted to an associate					
– Not yet past due	324,964	–	–	–	324,964
– Less than 1 month past due	–	–	–	–	–
– 1 to 3 months past due	–	–	–	–	–
– more than 3 months past due	–	–	–	–	–
Guarantees given to banks in connection with facilities granted to third party					
– Not yet past due	274,656	–	–	–	274,656
– Less than 1 month past due	–	–	–	–	–
– 1 to 3 months past due	–	–	–	–	–
– more than 3 months past due	–	–	–	–	–
	15,258,799	5,846	–	22,037,564	37,302,209

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging as at 31 December 2018 (continued)

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 25 and 28 to the financial statements, respectively.

** 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".

Credit risk (under IAS 39)

The Group establishes an allowance for impairment that represents its estimate of losses to be incurred in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the impaired financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Management evaluates the creditworthiness of the Group's existing and prospective customers and ensures that the customers have adequate financing for the projects as well as the source of the financing.

As at December 31 of 2017, the maximum exposure to credit risk is represented by the carrying amount of financial assets in the statement of financial position.

Cash and bank balances are placed with banks and financial institutions which are regulated.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. The Group's policy is that not more than 50% of borrowings should mature in any 12-month period.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	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
As at 31 December 2018					
Trade and bills payables	**19,999,759**	**321,546**	**591,262**	**208,460**	**21,121,027**
Financial liabilities included in other payables and accruals	**1,307,173**	**–**	**8,479**	**85,072**	**1,400,724**
Interest-bearing bank and other borrowings	**3,470,114**	**5,731,143**	**5,050,642**	**8,069,439**	**22,321,338**
Derivative financial instruments	**–**	**–**	**126,417**	**–**	**126,417**
Interest payments on bank and other borrowings	**947,603**	**815,631**	**1,579,919**	**1,218,583**	**4,561,736**
	25,724,649	**6,868,320**	**7,356,719**	**9,581,554**	**49,531,242**
As at 31 December 2017					
Trade and bills payables	15,256,882	189,725	489,982	275,426	16,212,015
Financial liabilities included in other payables and accruals	948,560	2,942	14,011	21,503	987,016
Interest-bearing bank and other borrowings	6,002,064	1,614,409	6,092,493	8,174,139	21,883,105
Interest payments on bank and other borrowings	945,219	783,490	1,629,432	1,272,616	4,630,757
	23,152,725	2,590,566	8,225,918	9,743,684	43,712,893

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

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. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio between 40% and 65%. Net debt includes trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank loans and other borrowings, less cash and cash equivalents and the current portion of pledged deposits. Capital represents equity attributable to owners of the parent as 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 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.

52. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The gearing ratios at the end of the reporting periods are as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Trade and bills payables	**21,090,371**	16,141,475
Financial liabilities included in other payables and accruals	**1,400,724**	987,101
Derivative financial instruments	**126,417**	–
Interest-bearing bank and other borrowings	**22,334,633**	21,884,833
Less: Cash and cash equivalents	**(5,027,638)**	(6,756,114)
Pledged deposits, current portion	**(38,300)**	(983,419)
Net debt	**39,886,207**	31,273,876
Equity attributable to owners of the parent	**24,961,218**	22,686,693
Capital and net debt	**64,847,425**	53,960,569
Gearing ratio	**61.51%**	57.96%

53. EVENT AFTER THE REPORTING PERIOD

Subsequent to the year-end date, the Company has proposed the rights issue which will comprise an offer of H rights shares and an offer of A rights shares, on the basis of 1.9 H rights shares for every 10 existing H shares at HK$8.21 per H right share and on the basis of 1.9 A rights shares for every 10 existing A shares at RMB7.02 per A rights share. For details, please see the announcement of the Company dated 18 March 2019. For details of the allotment results of the offer of A rights shares, please see the announcement of the Company dated 28 March 2019.

For the year ended 31 December 2018. The board of Directors proposed to distribute cash dividends of RMB2.50 (tax included) per each 10 shares on share capital of 4,225,067,647 without conversion of the capital reserve. The company's H share right issue has not been completed, and the final dividends distribution will been calculated based on the total share capital of the company after H share right issue.

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	233,858	217,437
Investment properties	58,527	60,665
Prepaid land lease payments	19,082	19,641
Other intangible assets	585,833	286,475
Investments in subsidiaries	14,843,496	12,072,027
Investments in associates	98,871	145,151
Investments in joint ventures	2,500	2,500
Held-to-maturity investments	–	49,996
Available-for-sale investments	–	2,400
Equity investments designated at fair value through other comprehensive income	2,400	–
Other non-current financial assets	99,896	–
Deferred tax assets	591,845	641,874
Trade receivables	–	1,365,906
Contract assets	1,825,996	–
Prepayments, other receivables and other assets	7,073,035	3,170,306
Total non-current assets	25,435,339	18,034,378
CURRENT ASSETS		
Inventories	2,282,354	1,800,842
Trade and bills receivables	10,572,983	11,157,046
Contract assets	307,961	–
Prepayments, other receivables and other assets	9,774,142	7,125,224
Available-for-sale investments	–	1,050,000
Pledged deposits	–	500,000
Cash and cash equivalents	2,207,958	2,681,768
Total current assets	25,145,398	24,314,880
CURRENT LIABILITIES		
Trade and bills payables	17,074,816	10,389,962
Other payables and accruals	8,558,773	8,174,410
Interest-bearing bank and other borrowings	3,779,328	2,375,868
Tax payable	–	22
Provision	1,179,951	1,367,929
Total current liabilities	30,592,868	22,308,191

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	As at 31 December	
	2018 **RMB'000**	2017 RMB'000
NET CURRENT (LIABILITIES)/ASSETS	**(5,447,470)**	2,006,689
TOTAL ASSETS LESS CURRENT LIABILITIES	**19,987,869**	20,041,067
NON-CURRENT LIABILITIES		
Trade payables	**642,152**	603,060
Interest-bearing bank and other borrowings	**574,825**	826,769
Provision	**1,262,704**	1,648,374
Government grants	**87,017**	84,834
Total non-current liabilities	**2,566,698**	3,163,037
Net assets	**17,421,171**	16,878,030
EQUITY		
Share capital	**3,556,203**	3,556,203
Reserves	**13,864,968**	13,321,827
Total equity	**17,421,171**	16,878,030

54. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

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

	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Other equity instruments RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2017	8,264,710	–	1,095,483	(1,568)	1,495,118	2,815,470	13,669,213
Total comprehensive income for the year	–	–	–	933	–	1,090,452	1,091,385
Final 2016 dividend declared	–	–	–	–	–	(1,367,771)	(1,367,771)
Distribution of other equity instruments	–	–	–	–	–	(71,000)	(71,000)
Profit appropriation to reserves	–	–	102,893	–	–	(102,893)	–
Transfer to special reserve	–	13,047	–	–	–	(13,047)	–
Utilisation of special reserve	–	(13,047)	–	–	–	13,047	–
At 31 December 2017	8,264,710	–	1,198,376	(635)	1,495,118	2,364,258	13,321,827
Effect of adoption of IFRS 9, net of tax	–	–	–	–	–	(131,909)	(131,909)
At 1 January 2018 (restated)	8,264,710	–	1,198,376	(635)	1,495,118	2,232,349	13,189,918
Total comprehensive income for the year	–	–	–	(740)	–	959,942	959,202
Final 2017 dividend declared	–	–	–	–	–	(711,241)	(711,241)
Distribution of other equity instruments	–	–	–	–	–	(71,411)	(71,411)
Profit appropriation to reserves	–	–	101,552	–	–	(101,552)	–
Issuance of perpetual medium-term notes	–	–	–	–	498,500	–	498,500
Transfer to special reserve	–	15,042	–	–	–	(15,042)	–
Utilisation of special reserve	–	(15,042)	–	–	–	15,042	–
At 31 December 2018	8,264,710	–	1,299,928	(1,375)	1,993,618	2,308,087	13,864,968

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 29 March 2019.

Financial Highlights for the Past Five Financial Years

(Except share data, all amounts in RMB thousands)

SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2014	2015	2016	2017	2018
REVENUE	17,572,601	29,845,998	26,173,892	24,970,835	28,590,307
PROFIT BEFORE TAX	2,108,986	3,246,830	3,551,956	3,490,556	3,682,431
Income tax expense	(255,473)	(371,439)	(446,224)	(341,749)	(399,833)
PROFIT FOR THE YEAR	1,853,513	2,875,391	3,105,732	3,148,807	3,282,598
Profit attributable to:					
Owners of the Company	1,829,682	2,849,497	3,002,982	3,054,657	3,216,604
Non-controlling interests	23,831	25,894	102,750	94,150	65,994
OTHER COMPREHENSIVE INCOME, NET OF TAX	(183,665)	(71,650)	89,174	284,105	(455,575)
TOTAL COMPREHENSIVE INCOME	1,669,848	2,803,741	3,194,906	3,338,762	2,761,029
EARNINGS PER SHARE:					
Basic and diluted (RMB/Share)	0.68	1.05	1.08*	0.84	0.88

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2014	2015	2016	2017	2018
Cash and cash equivalents	9,528,460	6,147,378	7,534,171	6,756,114	5,027,638
Current assets	28,094,889	25,286,642	33,096,620	33,081,328	32,917,500
Non-current assets	17,682,437	27,285,759	31,340,547	39,706,513	48,446,553
Total assets	45,777,326	52,572,401	64,437,167	72,787,841	81,364,053
Current liabilities	(22,319,761)	(20,958,892)	(24,662,979)	(29,600,317)	(31,600,586)
Non-current liabilities	(8,230,556)	(14,222,905)	(19,075,394)	(19,712,523)	(23,288,343)
Total liabilities	(30,550,317)	(35,181,797)	(43,738,373)	(49,312,840)	(54,888,929)
Net assets	15,227,009	17,390,604	20,698,794	23,475,001	26,475,124
Issued share capital	2,694,588	2,735,541	2,735,541	3,556,203	3,556,203
Reserves	12,073,201	14,025,905	17,240,611	19,130,490	21,405,015
Equity attributable to owners of the Company	14,767,789	16,761,446	19,976,152	22,686,693	24,961,218
Non-controlling interests	459,220	629,158	722,642	788,308	1,513,906

* The EPS data was not restated.

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