Beijing Jingneng Clean Energy Co., Limited
北京京能清潔能源電力股份有限公司

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

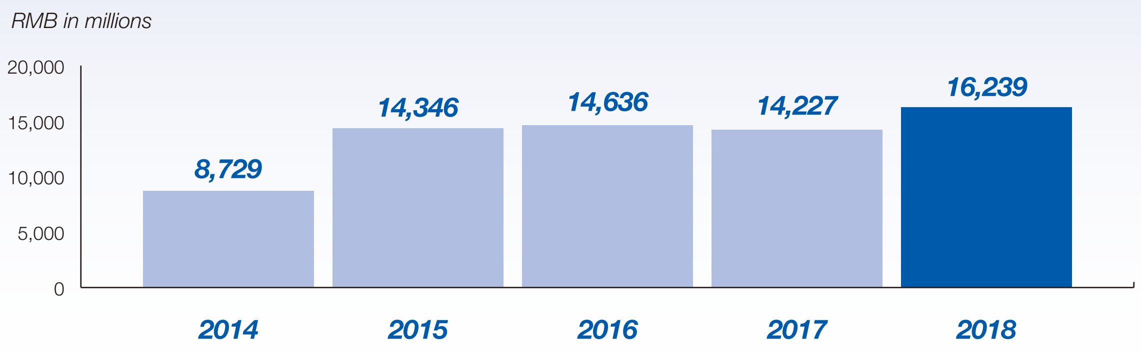
Stock Code: 00579

2018
ANNUAL REPORT

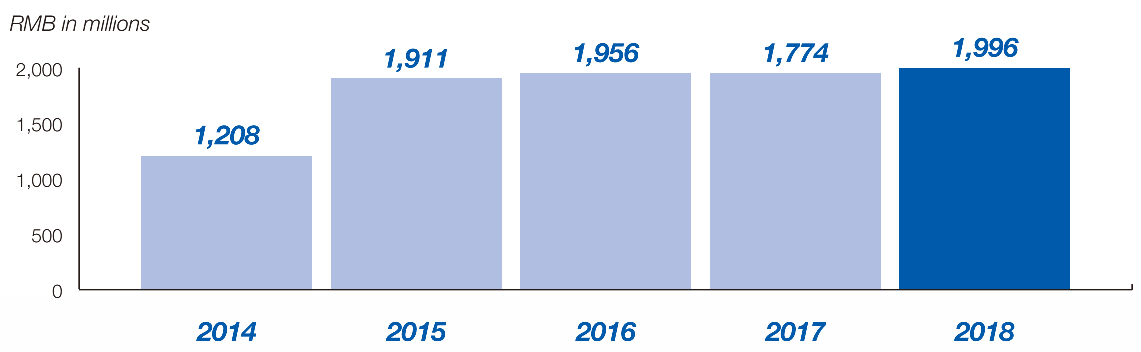
Contents

Financial Highlights

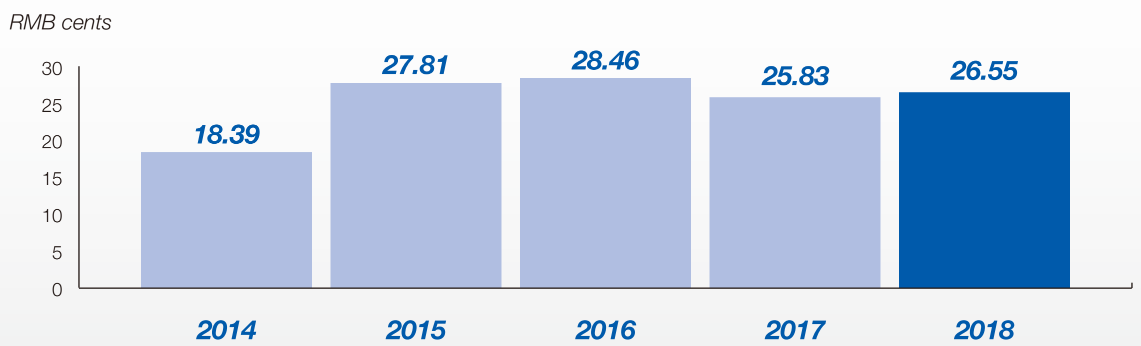
REVENUE



PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY



EARNINGS PER SHARE



Financial Summary

	Year ended December 31				
	2018 *RMB'000*	2017 *RMB'000*	2016 *RMB'000*	2015 *RMB'000*	2014 *RMB'000*
Revenue	**16,238,805**	14,227,365	14,635,836	14,346,034	8,728,687
Other income	**1,029,099**	1,353,370	1,445,079	3,248,431	1,425,623
Profit from operations	**3,761,654**	3,446,769	3,354,176	3,372,923	2,330,090
Profit before taxation	**2,742,575**	2,452,301	2,570,330	2,561,228	1,571,614
Income tax expense	**(626,458)**	(516,716)	(443,296)	(528,478)	(284,321)
Profit for the year	**2,116,117**	1,935,585	2,127,034	2,032,750	1,287,293
Total comprehensive income	**1,904,582**	2,160,586	1,976,498	2,002,859	1,186,701
Profit for the year attributable to:					
– Ordinary shareholders of the Company	**1,995,943**	1,774,473	1,955,569	1,910,643	1,208,330
– Holders of perpetual notes	**35,768**	77,250	77,250	41,482	–
– Non-controlling interests	**84,406**	83,862	94,215	80,625	78,963
	2,116,117	1,935,585	2,127,034	2,032,750	1,287,293
Total comprehensive income for the year attributable to:					
– Ordinary shareholders of the Company	**1,784,408**	1,937,527	1,837,015	1,886,311	1,132,147
– Holders of perpetual notes	**35,768**	77,250	77,250	41,482	–
– Non-controlling interests	**84,406**	145,809	62,233	75,066	54,554
	1,904,582	2,160,586	1,976,498	2,002,859	1,186,701
Earnings per share *(RMB cents)*					
Basic and diluted	**26.55**	25.83	28.46	27.81	18.39

Financial Summary

	As at December 31				
	2018 *RMB'000*	2017 *RMB'000*	2016 *RMB'000*	2015 *RMB'000*	2014 *RMB'000* (restated)
Total assets	**54,941,460**	50,955,684	47,732,887	46,401,607	48,137,748
Non-current assets	**42,809,938**	42,160,577	40,926,643	39,349,821	37,696,064
Current assets	**12,131,522**	8,795,107	6,806,244	7,051,786	10,441,684
Total liabilities	**33,429,860**	32,050,583	30,337,575	30,294,363	35,195,978
Current liabilities	**19,391,917**	19,823,168	20,279,259	14,189,234	16,487,571
Non-current liabilities	**14,037,943**	12,227,415	10,058,316	16,105,129	18,708,407
Net assets	**21,511,600**	18,905,101	17,395,312	16,107,244	12,941,770
Capital and reserves					
Share capital	**8,244,508**	6,870,423	6,870,423	6,870,423	6,870,423
Reserves	**12,869,870**	9,938,168	8,509,052	7,226,480	5,629,414
Equity attributable to ordinary shareholders of the Company	**21,114,378**	16,808,591	15,379,475	14,096,903	12,499,837
Perpetual notes	**–**	1,527,982	1,527,982	1,527,982	–
Non-controlling interests	**397,222**	568,528	487,855	482,359	441,933
Total equity	**21,511,600**	18,905,101	17,395,312	16,107,244	12,941,770

Corporate Profile

Established in August 2010, the Company, a subsidiary of BEH, was listed on the Main Board of the Hong Kong Stock Exchange on 22 December 2011. The Group operates its business in a number of provinces, municipalities and autonomous regions, such as Beijing, Inner Mongolia, Ningxia, Sichuan, Hunan and Guangdong, and involves in gas-fired power and heat energy generation, wind power, photovoltaic power, small-to-medium-sized hydropower and other clean energy generation businesses, which help the Group claim the title of internationally well-known clean energy enterprise, industry-leading clean energy brand, the largest gas-fired heat and power supplier in Beijing and the leading wind power operator in China.

As of 31 December 2018, the total consolidated installed capacity of the Group reached 8,667 MW. Currently, the Company operates seven gas-fired cogeneration plants with a consolidated installed capacity of 4,702 MW in Beijing, accounting for over 50% of gas-fired power generation of Beijing and accounts for over 60% of centralized heating of Beijing. As a result, it is the leading gas-fired heat and power supplier in Beijing. The consolidated installed capacity of wind power generation reached 2,348 MW with the majority located in Inner Mongolia region, Shaan-Gan-Ning region and Beijing-Tianjin-Hebei region in China where wind resources are abundant. The Group's photovoltaic power generation installed capacity is 1,168 MW, which is distributed in northwest China, north China and south China regions with relatively abundant solar resource. The Company also operates other clean energy business like small-to-medium-sized hydropower which has an consolidated installed capacity of 449 MW mainly distributed in southwest China with abundant water resources. Furthermore, the Company continually explores overseas projects and actively develops wind power and photovoltaic projects in Australia.

Bearing in mind the corporate vision of "being an excellent clean energy operator", the Company has clearly defined the development strategy of "rooted in Beijing, tapping into Beijing, Tianjin and Hebei area, covering the whole country and expanding to overseas market". It adheres to the "two-wheel drive" of independent development and project merger and acquisition, and heads on the path of "intensification, regionalization, scale, specialization and high efficiency". In pursuit of economic benefits, the Company produces profits from stock, achieves development from increment, and seeks progress while maintaining stability. It actively adapts to the new normal of economic development and continuously improves the competitiveness and sustainable development capability of the Company.

Chairman's Statement

Dear Shareholders,

In 2018, China's overall macro-economy progressed amid stability with the deepening of the supply-side structural reform and the intensified efforts in reform and opening-up. Year 2018 witnessed our first step towards high-quality development by addressing new challenges and advancing with stability. Firmly adhering to the keynote of "reform and innovation, integrated development, transformation and upgrading, quality improvement and efficiency enhancement", the Group earnestly promoted operation and management as well as cost reduction and efficiency improvement. With the implementation of "five refined" management and "three fundamentals and nine capabilities" team building, it defined the development strategy of "rooted in Beijing, tapping into Beijing, Tianjin and Hebei area, covering the whole country and expanding to overseas market". As of the end of 2018, the Company had a total consolidated installed capacity of 8,667 MW, of which gas-fired power and heat energy generation accounted for 4,702 MW, up by 266 MW and photovoltaic power generation accounted for 1,168 MW, up by 370 MW.

In response to the national call and to implement the Beijing municipal government's decision on state-owned enterprises reform, leveraging on the "Double Hundred Actions", the Group has taken the initiative to deepen the integration reform, optimize the governance structure, adhere to the new development concept, insist on the keynote of seeking progress while maintaining stability, and remain constant on the reform idea of the industrial sector promotion and self-optimization by accelerating the expansion of mergers and acquisitions and implementing the innovation drive. Taking the concept of "people-oriented and benefiting both the enterprise and people" as the fundamental driving force, it continued to adhere to the "semi-organic growth" and "two-wheel drive" model to enhance the competitiveness both at home and abroad, striving to become an excellent clean energy supplier.

2019 ushers in a crucial year for the implementation of the 13th Five-Year Plan and the deepening of supply-side reform. The Group will make full use of the changes in national policies on clean energy and in pursuit of economic benefits, it will produce profits from stock, achieve growth from increment and continue to advance with stability. Under the guidance of the "innovative practice underpinning the 40th anniversary of the reform and opening up" and following the "13th Five-Year Plan", the Group will strive to bring continued, stable and long-term returns to Shareholders, thereby paying a tribute to the upcoming 70th anniversary since the foundation of the New China!

General Manager's Statement

In 2018, against a complex backdrop of profound external changes and mounting domestic downward economic pressure, externally, the Company enhanced marketing and strengthened capital operation, internally, it deepened integration and reform and continued with cost reduction and efficiency improvement approach, thereby securing stable growth in operating results. The Company set clearer development goals, released more dynamic development momentum and unveiled a better development trend.

As at the end of 2018, the Company had total assets of RMB54.941 billion. It had an installed capacity of 8,667 MW under operation, with annual power generation and annual heat generation reaching 27.831 billion kWh and 24.38 million GJ respectively. The operating revenue for the year was RMB16.239 billion and the total profit was RMB2.743 billion. The Company adheres to the development strategy of "rooted in Beijing, tapping into Beijing, Tianjin and Hebei area, covering the whole country and expanding to overseas market" and heads on the path of "intensification, regionalization, scale, specialization and high efficiency". At present, it has an installed capacity of 1,400 MW under construction and quality projects backlog exceeds 10,000 MW. Operation, management and construction of overseas projects are steadily rolled out and project merger and acquisition and reform in regional management achieved solid results, further consolidating the development foundation of the Company.

Riding on the mid and final stages of the "13th Five-year Plan", the Company will firmly grasp the strategic opportunities brought about by the national energy restructuring while sticking to the new development concept and the overall keynote of making progress amid stability. Leveraging its regional advantages in the capital city Beijing as a state-owned enterprise, it will speed up layout of "three energy, two heat and one network", comprehensive energy service and other emerging strategic business, and accelerate projects development, merger and acquisition in key areas such as Beijing, Tianjin, Hebei, Guangdong, Hong Kong and Macao, and countries along the "Belt and Road Initiative". Besides, the Company will carry out regional management, pursue strategic development, build and enhance its core competitiveness, so as to promote industrial transformation and upgrading.

Drawing on the wind, the roc will soar thousands of miles. In 2019, we have embraced a brand-new stage of development. All employees of the Company will join hands together to keep up with innovation, pursue a bright future with spiritual conviction and painstaking efforts. We will strive to promote the Company towards excellent, strong, sound and rapid high-quality development, to make firm progress towards building "an excellent clean energy operator" and bring better investment returns to all Shareholders of the Company.

On behalf of the management and all staff of the Company, I hereby extend my heartfelt gratitude to all Shareholders and investors for your long-term support and trust of the management team.

Management Discussion and Analysis

I. REVIEW OF THE ELECTRIC POWER INDUSTRY

According to the statistics from China Electricity Council, as of the end of December 2018, power plants with a capacity of 6,000 kW and above had an aggregate power generation equipment capacity of 1.9 billion kW, representing a year-on-year growth of 6.5%. Among which, the capacity of thermal power generation was 1.14 billion kW, representing a year-on-year increase of 3%, which was the lowest growth rate in recent years; the capacity of on-grid wind power generation was 180 million kW, representing a year-on-year increase of 12.4%; the capacity of on-grid photovoltaic power generation was 170 million kW, representing a year-on-year increase of 33.9%; and the capacity of hydropower generation was 350 million kW, representing a year-on-year increase of 2.5%. In 2018, the capacity of coal-fired power generation exceeded 1 billion kW, which was 1.01 billion kW, accounting for 53.0% of the total installed capacity, representing a decrease of 2.2 percentage points from the previous year. Benefited from the country's campaign in driving supply-side structural reforms and addressing the overcapacity of coal-fired power generation, the installed capacity of non-fossil fuel power generation amounted to 770 million kW, accounting for 40.8% of the total installed capacity, representing an increase of 2.0 percentage points over the previous year. The clean energy consumption kept rising. In 2018, the utilization rate of national wind power reached 92.8% with a wind power curtailment rate of 7.2%, representing a decrease of 4.9 percentage points from the previous year, and the average annual utilization hour of electricity generation was 2,095 hours; the utilization rate of photovoltaic power equipment reached 97.0% with a photovoltaic power curtailment rate of 3.0%, representing a decrease of 2.8 percentage points from the previous year, and the average annual utilization hour of electricity generation was 1,212 hours; the utilization rate of hydropower equipment was over 95.0%, and the average annual utilization hour of electricity generation was 3,613 hours.

II. BUSINESS REVIEW FOR THE YEAR OF 2018

1. Increase in installed capacity

As at 31 December 2018, consolidated installed capacity of the Group reached 8,667 MW, representing a year-on-year increase of 8%, and the consolidated power generation was 27.83 billion kWh, representing a year-on-year increase of 10%. The installed capacity of the gas-fired power and heat energy generation segment was 4,702 MW, accounting for 54% of the consolidated installed capacity; the installed capacity of the wind power generation segment was 2,348 MW, accounting for 27% of the consolidated installed capacity; the installed capacity of the photovoltaic power generation segment was 1,168 MW, accounting for 14% of the consolidated installed capacity; the installed capacity of the hydropower segment was 449 MW, accounting for 5% of the consolidated installed capacity.

2. Increase in power generation

In October 2018, 北京上莊燃氣熱電有限公司 (Beijing Shangzhuang Gas-fired Power Co., Ltd., English name for identification purpose), a subsidiary of the Group, was put into operation, and achieved immediate stable and profitable operation at the beginning. It was the 7th gas-fired power plants invested and operated by the Group in Beijing, with its power generation accounting for over 50% of the gas-fired power generation in Beijing and centralized heating accounting for over 60%. During the reporting period, the overall power generation and heat supply of the Group's gas-fired power and heat energy generation segment increased due to the heating season and the weather conditions. As at 31 December 2018, the power generation of the segment was 19.344 billion kWh, representing a year-on-year increase of 10.37%; the sales volume of heat amounted to 24.3783 million GJ, representing a year-on-year increase of 16.84%; the average utilization hours of facilities amounted to 4,297 hours, representing a year-on-year increase of 346 hours.

Thanks to the country's campaign in driving supply-side structural reforms and promoting resolution for the overcapacity of coal-fired power generation, the situation of national curtailment of the wind and photovoltaic power generation was effectively alleviated. Benefiting from this, the power generation of the Group's wind power generation segment was 5.112 billion kWh, representing a year-on-year increase of 8.33%, with the average utilization hours of facilities reaching 2,177 hours, which was 82 hours more than the national average; the power generation of the photovoltaic power generation segment was 1.521 billion kWh, representing a year-on-year increase of 32.6%, with the average utilization hours of facilities reaching 1,441 hours, which is 229 hours more than the national average.

3. Diversified financing channels

During the reporting period, the issuance of 902,471,890 domestic shares and 471,612,800 H shares to BEH and Beijing Energy Investment, respectively, was completed. The total proceeds raised from the issuance was approximately RMB3 billion, and will be used for supporting the Company's overall business development. The placement demonstrated the substantial shareholders' confidence in the future development of the Group and laid a foundation for further refinancing.

In order to support the development and construction of overseas investment projects and broaden the financing channels on overseas debt capital markets, the Group and the Hong Kong and Shanghai Banking Corporation Limited announced on 25 June 2018 in Beijing that they successfully completed the first transaction of issuance of green syndicated loans by a Chinese-funded enterprise in Hong Kong. The size of the green syndicated loan was HK$1.72 billion with a term of three years and subscription multiples of 3.7. All funds were used for wind power and photovoltaic power green projects developed and constructed by the Group.

During the reporting period, the Group completed the issuance of RMB4.5 billion ultra-short-term financing debentures, RMB4.0 billion short-term financing debentures and RMB1.5 billion medium-term notes. Amid the changing financing market, the Group repaid the principal and interests of various loans, short-term, ultra-short-term and perpetual bonds upon maturity on time, and actively expanded financing channels through cooperation with several banks, China Export & Credit Insurance Corporation and other institutions on innovative businesses, so as to minimize financing costs and optimize the long and short term capital structure while ensuring the safety of funds.

III. OPERATING RESULTS AND ANALYSIS

1. Overview

In 2018, the Company achieved net profit of RMB2,116.1 million, representing an increase of 9.33% as compared to RMB1,935.6 million for 2017. Profit attributable to the ordinary shareholders of the Company amounted to RMB1,995.9 million, representing an increase of 12.48% as compared to RMB1,774.5 million for 2017.

2. Operating Income

Total revenue increased by 14.14% from RMB14,227.4 million for 2017 to RMB16,238.8 million for 2018. Adjusted total operating income increased by 10.72% from RMB15,276.4 million in 2017 to RMB16,914.6 million in 2018, due to the increase in revenue from sales of electricity as a result of increased utilization hours in the gas-fired power and heat energy generation segment, wind power segment and photovoltaic power segment in 2018.

Gas-fired Power and Heat Energy Generation Segment

The revenue from the gas-fired power and heat energy generation segment increased by 13.60% from RMB11,073.9 million for 2017 to RMB12,579.8 million for 2018. Revenue from sales of electricity increased by 12.80% from RMB9,535.2 million for 2017 to RMB10,755.8 million for 2018, due to the increase in sales volume of electricity resulting from the rise in utilization hours of electricity generation in this segment. Revenue from sales of heat energy increased by 18.55% from RMB1,538.6 million for 2017 to RMB1,824.0 million for 2018, due to the increase in sales volume of heat in this segment.

Wind Power Segment

The revenue from wind power segment increased by 11.17% from RMB1,902.5 million for 2017 to RMB2,115.0 million for 2018, due to the increase in sales volume of electricity as a result of the increase in the utilization hours in this segment.

Photovoltaic Power Segment

The revenue from photovoltaic power segment increased by 34.80% from RMB868.9 million for 2017 to RMB1,171.3 million for 2018, due to the increase in sales volume of electricity as a result of the increase in the installed capacity in this segment.

Hydropower Segment

The revenue from hydropower segment decreased by 0.6% from RMB364.8 million for 2017 to RMB362.6 million for 2018.

Others

Other revenue decreased by 41.62% from RMB17.3 million for 2017 to RMB10.1 million for 2018, due to the decrease in revenue from providing maintenance services to external parties.

3. Other Income

Other income decreased by 23.96% from RMB1,353.4 million for 2017 to RMB1,029.1 million for 2018, due to the decrease in government grants and subsidies related to clean energy production as a result of gas price and power price marketization in the gas-fired power and heat energy generation segment.

4. Operating Expenses

Operating expenses increased by 11.31% from RMB12,134.0 million for 2017 to RMB13,506.3 million for 2018, due to the increase in operating expenses as a result of the increase in the installed capacity in the gas-fired power and heat energy generation segment and the photovoltaic power segment.

(1) Gas Consumption

Gas consumption increased by 11.73% from RMB8,089.8 million for 2017 to RMB9,038.4 million for 2018, due to an increase in gas consumption as a result of the increased sales volume of electricity in the gas-fired power and heat energy generation segment.

(2) Depreciation and Amortization

Depreciation and amortization increased by 5.31% from RMB2,117.9 million for 2017 to RMB2,230.3 million for 2018, due to the increase in the installed capacity in the gas-fired power and heat energy generation segment and the photovoltaic power segment.

(3) Personnel Cost

Personnel cost increased by 8.04% from RMB700.2 million for 2017 to RMB756.5 million for 2018, due to the increase in the number of employees as a result of the business development of the Group and additional personnel costs expensed following the commencement of production of new projects.

(4) Repairs and Maintenance

Repairs and maintenance expenses increased by 17.36% from RMB560.9 million for 2017 to RMB658.3 million for 2018, due to the increase in maintenance expenses in the gas-fired power and heat energy generation segment.

(5) Other Expenses

Other expenses increased by 2.24% from RMB710.4 million for 2017 to RMB726.3 million for 2018.

(6) Other Gains and Losses and Impairment Losses

Other gains and losses and impairment losses decreased from a gain of RMB45.3 million for 2017 to a loss of RMB96.5 million for 2018, due to the increase in the loss from changes in the fair value of H shares of CGN Power Co., Ltd. held by the Company during the holding period.

5. Operating Profit

As a result of the above, the Company's operating profit increased by 9.14% from RMB3,446.8 million for 2017 to RMB3,761.7 million for 2018.

6. Adjusted Segment Operating Profit

The total adjusted segment operating profit increased by 8.46% from RMB3,142.4 million for 2017 to RMB3,408.3 million for 2018.

Gas-fired Power and Heat Energy Generation Segment

The adjusted segment operating profit of our gas-fired power and heat energy generation segment increased by 5.58% from RMB1,993.9 million for 2017 to RMB2,105.1 million for 2018, as a result of the increase in the sales volume of electricity resulting from the rise of utilization hours of electricity generation in this segment.

Wind Power Segment

Adjusted segment operating profit of our wind power segment increased by 17.52% from RMB620.4 million for 2017 to RMB729.1 million for 2018 due to the increase in sales volume of electricity as a result of the rise of utilization hours in this segment.

Photovoltaic Power Segment

The adjusted segment operating profit of our photovoltaic power segment increased by 36.71% from RMB484.1 million for 2017 to RMB661.8 million for 2018, due to the increase in sales volume of electricity as a result of the newly installed capacity in this segment.

Hydropower Segment

The adjusted segment operating profit of our hydropower segment increased by 5.92% from RMB97.9 million for 2017 to RMB103.7 million for 2018.

Others

Other adjusted operating profit decreased from a loss of RMB53.9 million for 2017 to a loss of RMB191.3 million for 2018, due to the increase in the loss from changes in the fair value of H shares of CGN Power Co., Ltd. held by the Company.

7. Finance Costs

Our finance costs increased by 5.99% from RMB1,077.6 million for 2017 to RMB1,142.2 million for 2018 due to the interest payments expensed following the commencement of production of new projects.

8. Share of Results of Associates

The share of results of associates increased by 62.07% from RMB49.3 million for 2017 to RMB79.9 million for 2018, due to the increase in net profit of a subsidiary of Beijing Jingneng International Power Co., Ltd., an associate of the Company, resulting from an increase in utilization hours and power generation.

9. Profit before Taxation

As a result of the above, profit before taxation increased by 11.84% from RMB2,452.3 million for 2017 to RMB2,742.6 million for 2018.

10. Income Tax Expense

Income tax expense increased by 21.25% from RMB516.7 million for 2017 to RMB626.5 million for 2018. The effective tax rate increased from 21.07% for 2017 to 22.84% for 2018.

11. Profit for the Year

As a result of the above, profit for the year increased by 9.33% from RMB1,935.6 million for 2017 to RMB2,116.1 million for 2018.

12. Profit for the Year Attributable to Ordinary Shareholders of the Company

Profit for the year attributable to ordinary shareholders of the Company increased by 12.48% from RMB1,774.5 million in 2017 to RMB1,995.9 million in 2018.

IV. FINANCIAL POSITION

1. Overview

As of 31 December 2018, total assets of the Group amounted to RMB54,941.5 million, total liabilities were RMB33,429.9 million and shareholders' equity reached RMB21,511.6 million, among which equity attributable to the ordinary shareholders amounted to RMB21,114.4 million.

2. Particulars of Assets and Liabilities

Total assets increased by 7.82% from RMB50,955.7 million as at 31 December 2017 to RMB54,941.5 million as at 31 December 2018, due to the increase in investment for the construction of new projects. Total liabilities increased by 4.30% from RMB32,050.6 million as at 31 December 2017 to RMB33,429.9 million as at 31 December 2018, due to the increase in construction loans for new projects. Total equity of shareholders increased by 13.79% from RMB18,905.1 million as at 31 December 2017 to RMB21,511.6 million as at 31 December 2018. Equity attributable to ordinary shareholders of the Company increased by 25.62% from RMB16,808.6 million as at 31 December 2017 to RMB21,114.4 million as at 31 December 2018, due to the private placement in 2018 and operating accretion from businesses.

3. Liquidity

As of 31 December 2018, current assets amounted to RMB12,131.5 million, including monetary capital of RMB5,420.9 million; bills and trade receivables of RMB5,364.9 million (mainly comprising receivables from sales of electricity and heat energy); and prepayment and other current assets of RMB1,345.7 million (mainly comprising deductible value added tax and other account receivables). Current liabilities amounted to RMB19,391.9 million, including short-term borrowings of RMB8,864.5 million, short-term debentures of RMB6,086.8 million, medium-term notes of RMB80.2 million and bills and trade payables of RMB3,708.7 million (mainly comprising payables for gas, payables for engineering and purchase of equipment); other current liabilities amounted to RMB651.7 million, mainly including income tax payable and amounts due to related parties.

Net current liabilities decreased by 34.16% from RMB11,028.1 million as at 31 December 2017 to RMB7,260.4 million as at 31 December 2018. Current ratio increased by 18.19% from 44.37% as at 31 December 2017 to 62.56% as at 31 December 2018, due to the increase in monetary capital.

4. Net Gearing Ratio

Net gearing ratio, calculated by dividing net debts (total borrowings minus cash and cash equivalents) by the sum of net debts and total equity, decreased by 5.10% from 56.69% as at 31 December 2017 to 51.59% as at 31 December 2018 due to the increase in shareholders' equity.

The Group's long-term and short-term borrowings increased by 3.38% from RMB27,420.0 million as at 31 December 2017 to RMB28,346.1 million as at 31 December 2018, comprising short-term borrowings of RMB8,864.5 million, long-term borrowings of RMB9,824.5 million, medium-term notes of RMB3,570.3 million and short-term debentures of RMB6,086.8 million.

Bank deposits and cash held by the Group increased by 102.64% from RMB2,675.1 million as at 31 December 2017 to RMB5,420.9 million as at 31 December 2018, due to the temporary balance of funds raised for project mergers and acquisition.

V. OTHER SIGNIFICANT EVENTS

1. Financing

On 7 March 2018, the Group issued the first tranche of the super-short-term debentures of 240 days to raise proceeds of RMB1,000.0 million, bearing an interest rate of 4.98%. On 27 April 2018, the Group issued the first tranche of the short-term debentures to raise proceeds of RMB1,500.0 million, bearing an interest rate of 4.65%. On 29 May 2018, the Group issued second tranche of the super-short-term debentures of 180 days to raise proceeds of RMB1,500.0 million, bearing an interest rate of 4.35%. On 3 August 2018, the Group issued the third tranche of the super-short-term debentures of 270 days to raise proceeds of RMB2,000.0 million, bearing an interest rate of 3.50%. On 21 November 2018, the Group issued the second tranche of the short-term debentures to raise proceeds of RMB2,500.0 million, bearing an interest rate of 3.67%.

On 3 April 2018, the Group issued the 5-year mid-term notes to raise proceeds of RMB1,500.0 million, bearing an interest rate of 5.19%.

2. Capital Expenditure

In 2018, the Group's capital expenditure amounted to RMB3,620.3 million, including RMB740.5 million incurred for construction projects in the gas-fired power and heat energy generation segment, RMB548.0 million incurred for construction projects in the wind power segment, RMB2,288.1 million incurred for construction projects in the photovoltaic power segment, RMB17.4 million incurred for construction projects in the hydropower segment, and RMB26.3 million incurred for construction projects in other segments.

3. Significant Investment

According to the development plan of the Group, the Group established wholly-owned subsidiaries Inner Mongolia Jingneng Sunite Wind Power Co., Ltd. (內蒙古京能蘇尼特風力發電有限公司) and Jingneng Huainan Hebei Wind Power Company Limited (京能懷南河北風電有限責任公司) in 2018 to engage in the construction of wind power projects. Currently, those projects have not commenced construction yet.

The Group established controlling subsidiaries Shouyang Jingshou Photovoltaic Power Generation Co., Ltd. (壽陽京壽光伏發電有限公司), Hunyuan Jingjing New Energy Co., Ltd. (渾源京晶新能源有限公司) and Haixing Jingxing New Energy Co., Ltd. (海興京興新能源有限公司) in 2018 to engage in the construction of photovoltaic power generation projects. Those projects are currently under construction and are expected to improve the Group's profitability in the future.

The Group acquired wholly-owned subsidiaries Xiangyin County Jinghe New Energy Co., Ltd. (湘陰縣晶和新能源有限公司) and Shenzhou Dianyang New Energy Co., Ltd. (深州電陽新能源有限公司) in 2018 to engage in the construction of photovoltaic power generation projects. Those projects have commenced production during the year and are expected to improve the Group's profitability in the future.

4. Contingent Liabilities

As of 31 December 2018, the Group had no external guarantees.

5. Mortgage of Assets

As of 31 December 2018, the Group's bank borrowings were secured by trade receivables of RMB227.7 million; bank borrowings were secured by fixed assets of RMB1,512.0 million; bank borrowings were secured by the entire equity in New Gullen Range Wind Farm (Holding) Pty Ltd., which was pledged to National Australia Bank.

6. Subsequent Events

Details of the events subsequent to the Reporting Period to the date of this report are set out in note 52 to the financial statements.

VI. RISK FACTORS AND RISK MANAGEMENT

Currently, the operation and development of the Group are not exposed to any material risk factors, but they will be impacted to a certain extent by certain factors in the short run:

Interest Rate Risk

The Group is principally engaged in electricity investment, which requires relatively high capital investments. Thus the uncertainties of interest rate will affect the financing cost of the Group. The Group's good credit standing and sufficient credit facility from banks can ensure safe, stable and successful funding. Also, for the purpose of minimizing financing costs, the Group has secured a large number of stable sources of funding through a variety of means, such as the issue of super short-term debentures, short-term debentures and mid-term notes. It also adhered to the principle of combining short-term and long-term funds, thereby providing stable funding for projects.

The Group closely monitors changes in the economic environment, determines the direction of movement in bank interest rate and enhances the management of debt structure with timely adjustment, so as to minimize the exposure to interest rate risks.

Exchange Rate Risk

The businesses of the Group are mainly located in mainland China, where most of the income and expenses are denominated in Renminbi. The Group has a small portion of overseas investments and loans in foreign currencies (including deposits denominated in Australia dollars, HK dollars and US dollars, as well as borrowings in HK dollars and Australia dollars). Changes in the Renminbi exchange rate may cause exchange loss or gain to the Group's businesses denominated in foreign currencies.

The Group will continue to monitor the exchange rate so as to cope with changes in the foreign exchange market, and enhance the risk management on the exchange rate to reduce exchange loss by various management means.

Safety Production Risk

The Group is mainly engaged in clean energy generation projects. In operation, safe production is the premise to ensure stable power generation and profit generation. Production operations that do not conform to regulations may cause equipment failure or personal injury, which may affect the Company's production and operation.

The Group attaches great importance to the three-level safety training for new employees, pays attention to the professional skills training for production personnel, continuously improves the on-site management mechanism, and regularly organizes emergency drills to prevent the occurrence of such risk.

Policy and Regulatory Risks

The Group primarily invests in and operates clean energy generation projects both within and outside the PRC. At present, China has issued a number of policies on clean energy generation. Changes in green certificate trading policies, laws and regulations, auditing systems and foreign exchange policies involved in domestic and foreign investment and construction projects may affect the Company's decision-making and income from investment projects.

The Group pays close attention to various related policies, laws and regulations related to it, follows up major policy changes, keeps abreast of industry developments in a timely manner, maintains smooth internal information communication channels, and adjusts to policy and market changes in a timely manner to minimize the impact of policy changes.

VII. BUSINESS PROSPECT FOR 2019

1. Continuing to promote incremental assets

In 2019, the Group will continue to adhere to the "two-wheel drive" of independent development and project mergers and acquisitions, and head towards "intensification, regionalization, scale, specialization and high efficiency". After one year of practice, the "two-wheel drive" model has already started to bear fruit. In 2019, we will accelerate our pace of progress to create a new situation through attaching sufficient and equal importance to both M&A and self-construction development. At present, the Group's planed pre-acquisition capacity reached 1,800 MW and reserve capacity reached 2,500 MW.

On the premise of firmly occupying the leading position in Beijing market, we will make great efforts to explore the power market around Beijing, push forward the work of Zhangjiakou-Beijing renewable energy clean heating demonstration project, actively carry out the preliminary work of a number of Beijing-Tianjin-Hebei regional projects such as Shougang Tangshan plant distributed photovoltaic project and Yanqing agriculture-photovoltaic complementary project, and follow up the green power supply project for 2022 Winter Olympics venues.

In 2019, the Group will focus on promoting research on offshore wind power and accelerate the application of emerging strategic projects such as “three energy, two heat and one network” (energy storage, energy conservation, hydrogen energy, geothermal heat, solar thermal energy, energy internet) to advance the transformation and upgrade of clean energy industry. We will actively implement the “going global” strategy, strive to identify investment opportunities for project mergers and acquisitions and new projects, further expand the Australian market, and seek to achieve breakthroughs in Europe and countries along the “Belt and Road Initiative”.

2. Sound operation of on-going projects

At present, the Group has entered a period of steady growth from a period of rapid expansion. Based on the sustained and stable income of gas-fired power generation and heat supply sectors, guaranteed by the steady growth of installed capacity of wind power generation and photovoltaic power generation sectors, and guided by the advantages of state-owned enterprises in utilizing national policy resources, the Group will continue to explore business ideas, broaden its business channels, strengthen marketing, deliver quality projects and stick to the principle of “Every kilowatt-hour counts” for power and heat generation and supply.

In recent years, the state has continued to promote supply-side structural reform and complete the task of “Addressing Overcapacity, Destocking, Deleveraging, Lowering Corporate Costs, and Improving Weak Links”. In view of overcapacity of power generation, the capability of reducing operation costs and construction costs and improving quality and efficiency will become core competitiveness of the Group. The Group will facilitate operation costs and construction costs reduction in practice through taking a combination of measures, including strict control of administrative costs, strengthening industrial synergy, striving for more favorable policies, cutting down financing costs, optimizing procurement methods, reducing inventory, formulating optimal infrastructure plans, and managing project costs, while expanding source of revenue by generating profits through existing operation capacity.

In 2018, the “reform and integration” of the Group has achieved initial results, and 2019 will be the year of capitalizing on and receiving benefit from the reform and integration. Making breakthrough amid the wave of state-owned enterprise reform will be the key task in 2019. Since the “Double Hundred Actions” crosses over the obstacles arising from the mechanism of state-owned enterprises and the “mixed-ownership reform” paves a way for us, the Group will manage to overcome difficulties facing us, deepen integration and reform, accelerate mergers and acquisitions and expansion, implement innovation-driven approach and continuously boost high-quality development, so as to obtain a new momentum of all-round growth characterized of higher quality, better efficiency, better structure, more efficient management and full play of advantages.

Human Resource

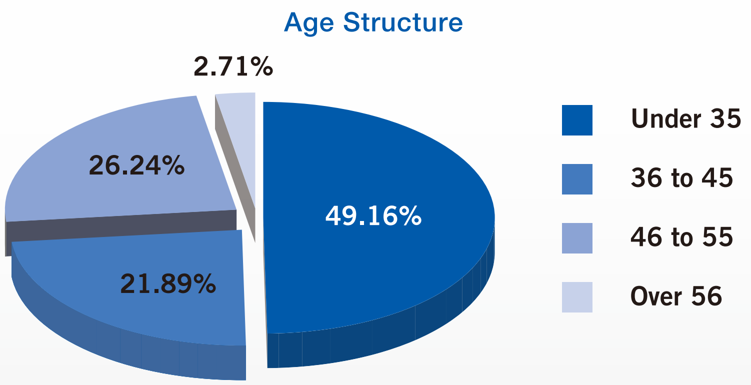
The Company upholds the management philosophy of "people-oriented and pursuit of excellence", strives to create a harmonious working environment, and strengthens efforts in building of talents team. While focusing on the development of the Company, it attaches importance to staff training and employees' benefits. The overall human resources condition of the Company in 2018 is summarized as follows:

I. SUMMARY OF HUMAN RESOURCES

The Group had a total of 2,764 employees as at 31 December 2018. The age of staff tended to be young, with the proportion of employees under the age of 35 accounting for approximately 50%; employees were generally highly educated, with the proportion of holders of Bachelor degree and above accounting for nearly 55% of the total staff. Please refer to the following tables for details of the age and degree structure of employees:

1. Age Structure:

Age distribution	Number of employees	Percentage	Cumulative percentage
Under 35	1,342	49.16%	49.16%
36 to 45	623	21.89%	71.05%
46 to 55	717	26.24%	97.29%
Over 56	82	2.71%	100.00%
Total	**2,764**	**100.00%**	**–**



2. Degree Structure:

Educational background	Number of employees	Percentage	Cumulative percentage
Doctorate degree	2	0.07%	0.07%
Master degree	230	8.41%	8.48%
Bachelor degree	1,321	46.02%	54.50%
College or below	1,211	45.50%	100.00%
Total	**2,764**	**100.00%**	**–**

II. EMPLOYEES INCENTIVES

With an aim to cope with its development, the Company, on the basis of position-oriented targets accountability system, has further established a performance appraisal system for all employees and a multi-level incentive mechanism. Through clearly defining position-oriented performance targets and formulating performance standards, the Company is able to assess and appraise employees' performance in an objective manner. By materializing reward and penalty in the performance-based portion of the employees' remuneration based on appraisal results, the Company is able to fully boost the potential and the morale of employees, thus achieving the coexistence of incentives and restraints.

III. EMPLOYEES' REMUNERATION

The employees' remuneration comprises basic salary and performance-based salary. The total salary is determined by reference to the performance appraisal of all the employees of the Group. Individual performance is associated with personal annual appraisal results.

IV. EMPLOYEES' TRAINING

Talent is the source for the Company's development. The Group utilized training agenda as an important tool of upgrading the level of corporate management and of enhancing the overall quality of the employees. In terms of the design of training courses, the Company emphasized the probe into training needs, in a view to actively motivating all employees' initiatives, and arranged various vocational training for the employees that are geared to the characteristics of profession and position requirements. The Company formed a set of complete system to strictly check and examine the training results for the purpose of training management. The Company offered a variety of training courses, and also encouraged employees to actively participate in external training to provide more opportunities for employees to communicate with and study from the outside and broaden their horizons, thus cultivating more talents for the Company.

Based on corporate characteristics and the actual situations, the Company rolled out the management training program in 2018, which was designed to enhance professional efficiency and cultural literacy. The training program comprises post-specific professional training, new employee training and frontline technical skill training that focused on the actual needs of the generation business and the professional skills characteristics. The content-rich and diversified courses were attended by 100% of staff. The average training time per employee exceeded 100 hours.

V. EMPLOYEES' BENEFITS

The Company has made contributions to the social security fund and housing fund for its employees in strict compliance with the Labor Law, Labor Contract Law and Social Insurance Law. Meanwhile, the Group has also prepared related systems such as the Management Standards for Social Security Fund and Housing Fund, Management Standards for Supplementary Healthcare, Management Standards for Occupational Health, Administrative Measures for Labor Welfare and Administrative Measures for Labor Protective Equipment to increase the benefits of the Company and enhance employees' sense of belonging and happiness.

Profiles of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. LIU Haixia (劉海峽), aged 57, is the Chairman of the Board and a non-executive Director of our Company. Mr. Liu was appointed as technician and assistant engineer of the thermal power plant of Beijing Electric Power Company from July 1983 to August 1985, and engineer and deputy chief engineer of the Equipment Installation Company of Beijing Electric Power Company from August 1985 to May 1991. He served as deputy director of the technical equipment department of Beijing Electric Power Company from May 1991 to March 1994. He served as manager assistant and deputy manager of Beijing Electric Power Company from March 1994 to August 1998. He served as assistant to the general manager of Beijing International Power Development and Investment Company from August 1998 to February 2000. He served as the assistant to general manager of Beijing International Power Development and Investment Company and chairman of the board of Beijing Jingneng Thermal Power Co., Ltd. from February 2000 to April 2000. He served as assistant to general manager of Beijing International Power Development and Investment Company, chairman of the board of Beijing Jingneng Thermal Power Co., Ltd. and chairman of the board of Beijing Jingxi Power Generation Co., Ltd. from April 2000 to March 2004. He served as assistant to general manager of Beijing International Power Development and Investment Company, secretary of the party committee and chairman of the board of Beijing Jingneng Thermal Power Co., Ltd., and chairman of the board of Beijing Jingxi Power Generation Co., Ltd. from March 2004 to December 2004. He served as assistant to general manager of Beijing Energy Investment, secretary of the party committee, chairman of the board of Beijing Jingneng Thermal Power Co., Ltd. and chairman of the board of Beijing Jingxi Power Generation Co., Ltd., from December 2004 to May 2009. He served as deputy general manager of Beijing Energy Investment and secretary of the party committee and chairman of the board of Beijing Jingneng Thermal Power Co., Ltd., from May 2009 to December 2014. He has been serving as deputy general manager of BEH since December 2014. Mr. Liu also served as a non-executive director of Datang International Power Generation Co., Ltd. (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 991; and the Shanghai Stock Exchange, stock code: 601991) from April 2000 to March 2018. Mr. Liu graduated from Department of Engineering in North China Electric Power University majoring in power plant thermal energy in July 1983, and graduated from the School of Business Administration in Renmin University of China in July 1998 and obtained a Master degree in Business Administration.

Mr. JIN Shengxiang (金生祥), aged 45, is a non-executive Director of our Company. He is a senior engineer with a master degree in engineering management. He served as a cadre of the Turbine Research Institute of Beijing Electric Power Research Institute (北京電力科學研究院) from August 1995 to November 2000; a cadre of the Turbine Research Institute and the manager of infrastructure commissioning of North China Electric Power Research Institute Co., Ltd. (華北電力科學院有限責任公司) from November 2000 to December 2005; the deputy head of the Turbine Research Institute of North China Electric Power Research Institute Co., Ltd. from December 2005 to May 2007; the manager of the production safety department of Beijing Jingneng International Power Co., Ltd. from May 2007 to August 2009; the vice president of Beijing Jingneng International Power Co., Ltd. from August 2009 to June 2013; the deputy head and the head of the Power production and operation department of Beijing Energy Investment from December 2009 to March 2013; the head of production management department of Beijing Energy Investment from March 2013 to December 2014; the head of production management department of BEH from December 2014 to March 2018; a director and general manager of Jingneng Power (a company listed on the Shanghai Stock Exchange, stock code: 600578) since December 2017 and April 2018, respectively; and a non-executive director of Datang International Power Generation Co., Ltd. (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 991) since March 2018.

Mr. TANG Xinbing (唐鑫炳), aged 54, is a non-executive Director of our Company. Mr. Tang is a senior economist with a master degree in economics. He served as an officer of the business planning department and the general office secretary of Hubei Supply and Marketing Cooperative from July 1988 to March 1993; the assistant manager of Shenzhen Efeng Trading Co., Ltd. (深圳鄂豐貿易有限公司) from March 1993 to December 1993; the manager of the securities investment department of Hainan Efeng Industrial Trading Company (海南鄂豐實業貿易總公司) from December 1993 to March 1994; the general manager and the legal representative of Hongqiao Securities Consulting Service Company (虹橋證券諮詢服務公司) from March 1994 to September 1995; and the deputy head of office of Hubei Supply and Marketing Cooperative from September 1995 to December 1998. He was seconded to the Administrative Office of the Hubei Provincial Government and served as the secretary to the board and deputy general manager of Beijing Hubei Building Co., Ltd. (北京湖北大廈有限責任公司) from December 1998 to May 2000. Mr. Tang also served as the deputy general manager of Beijing Jiulifang High-tech Development Co., Ltd. (北京九立方高科技發展有限公司) from May 2000 to May 2002; the head of the board office of Beijing International Power Development and Investment Corporation (北京國際電力開發投資公司) and the general manager of Inner Mongolia Daihai Protection Construction Development Co., Ltd. (內蒙古岱海保護建設發展有限責任公司) from May 2002 to November 2004; the office head of the strategic decision committee of the board and the manager of the strategic development department of Beijing Energy Investment from December 2004 to January 2007; the head of the strategic investment office (energy strategy research institute) of Beijing Energy Investment from January 2007 to October 2007; the head of the Jianghan hydropower project planning and construction department of Beijing Energy Investment from October 2007 to April 2008; the general manager of Huibei Jingneng Longbeiwan Hydropower Development Co., Ltd. (湖北京能龍背灣水電發展有限公司) from April 2008 to July 2009; the person-in-charge of the strategic investment office of the board of Beijing Energy Investment from July 2009 to December 2009; the head of the strategic planning department of Beijing Energy Investment from December 2009 to December 2014; the head of the strategic planning department of BEH from December 2014 to November 2015; the head of strategic planning department of BEH from November 2015 to March 2018 and the general manager of Beijing Energy Investment Holding (Hong Kong) Co., Ltd. since November 2015 and has been involved in the preparation for Beijing Energy Investment Management Co., Ltd. (北京京能投資管理有限公司) since May 2018.

Ms. LI Juan (李娟), aged 34, is a non-executive Director of our Company. Ms. Li served as business assistant of the financing management department of BSCOMC from January 2010 to January 2015, business supervisor of the financing management department of BSCOMC and senior vice president of Beijing Equity Investment Development Management Co., Ltd. from January 2015 to November 2016, senior manager of the financing management department of BSCOMC from November 2016 to August 2017, senior manager of the third department of investment management of BSCOMC from August 2017 to March 2018 and senior manager of the second department of investment management of BSCOMC since March 2018. Ms. Li graduated from the University of Aberdeen in the United Kingdom majoring in finance in September 2007, and graduated from the Robert Gordon University in the United Kingdom majoring in financial management in June 2009 and obtained a Master degree in financial management.

Mr. WANG Bangyi (王邦宜), aged 45, is a non-executive Director of our Company. Mr. Wang was the project management engineer of the Central Research Department of Huawei Technologies Co., Ltd. from August 2000 to August 2001. From July 2005 to September 2008, he was the investment manager of the Fixed Income Department of China Re Asset Management Company Ltd. From September 2008 to September 2010, he served as a senior commissioner of Investment Management Center of Happy Life Insurance Co., Ltd. and served as the executive general manager of Investment Department of China Galaxy Financial Holdings Company Limited from September 2010 to June 2011. From July 2011 to March 2012, he served as the deputy general manager of the Portfolio Management Department of China Re Asset Management Company Ltd. From April 2012 to December 2013, he served as the general manager of the Portfolio and Market Risk Management Department of China Re Asset Management Company Ltd. He served as the chief strategy officer of China Re Asset Management Company Ltd. from December 2013 to October 2017. From February 2014 to July 2015, he was the head of Fixed Income Department of China Re Asset Management Company Ltd. He served as the head of Portfolio and Market Risk Management of China Re Asset Management Company Ltd. from July 2015 to October 2017. Since April 2017, he has been serving as the assistant to general manager of China Re Asset Management Company Ltd. and the general manager of China Re Asset Management (Hong Kong) Co., Ltd. Mr. Wang graduated from China Three Gorges University in July 1995 and obtained a bachelor's degree in welding technology and equipment. He graduated from the Department of Statistics of Xiamen University in June 2000 and obtained a master's degree in national economics. In June 2005, he graduated from the School of Economics and Management of Tsinghua University and obtained a Ph.D. in quantitative economics. He graduated from The Research Institution for Fiscal Science and obtained a postdoctoral degree in applied economics in November 2008.

EXECUTIVE DIRECTOR

Mr. ZHANG Fengyang (張鳳陽), aged 49, is an executive Director and the general manager of our Company. He is a senior engineer with a bachelor degree in hydraulic and hydropower engineering. He served as an engineer and the deputy head of the design office of Beijing Survey and Design Research Institute (北京勘測設計研究院) from July 1994 to September 2000. He served as the deputy head of the operation and development department, deputy chief design engineer and the party branch secretary of Beijing National Water Conservancy & Electric Power Engineering Co., Ltd. from September 2000 to October 2003; the project manager of the electricity investment and construction department of Beijing International Power Development and Investment Corporation (北京國際電力開發投資公司) from October 2003 to July 2004; the deputy general manager and party branch secretary of Beijing International Power New Energy Co., Ltd. (北京國際電力新能源有限公司) from July 2004 to April 2007; the general manager, party branch secretary and executive director of Beijing International Power New Energy Co., Ltd. from April 2007 to July 2009; the secretary of CPC Committee, general manager and executive director of Beijing Jingneng New Energy Co., Ltd. from July 2009 to November 2013; general manager of Beijing Jingneng New Energy Co., Ltd. from November 2013 to June 2018 and the secretary of CPC Committee, executive Director and general manager of the Company since February 2018.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUANG Xiang (黃湘), aged 62, is an independent non-executive Director of our Company. Mr. Huang served as a lead engineer in heat engine and site worker representative of Institute for Electric Power Survey and Design in Hebei province from July 1982 to January 1991; served as the project design president and deputy general engineer of Institute for Electric Power Survey and Design in Hebei province from January 1991 to August 1993; served successively as the general engineer, manager representative for the Institute, deputy president and president of Institute for Electric Power Survey and Design in Hebei province from August 1993 to November 2001; served as the deputy general engineer and general engineer of China Huadian Engineering (Group) Co., Ltd, a judge for the National Prize for Progress in Electric Power, editor-in-chief of Huadian Technology magazine, head of electric power coal-fired mechanism standardization technical committee in electric power industry, deputy head of National Key Laboratory for Huadian Decentralized Energy from November 2001 to March 2014. Mr. Huang served as an inspector of China Huadian Engineering (Group) Co., Ltd from March 2004 to June 2016. Mr. Huang retired in June 2016. Mr. Huang graduated from Thermal Energy and Power Engineering major of Southeast University with a bachelor degree in July 1982. He is a qualified senior engineer.

Mr. ZHANG Fusheng (張福生), aged 63, is an independent non-executive Director of our Company. Mr. Zhang worked as a technician and chief of the comprehensive mechanical mining team at Shenhua Wuda Mining Administration and the vice president of Inner Mongolia University of Mining for Professional Workers (now known as Wuhai College of Inner Mongolia University of Technology) from June 1990 to June 1994, deputy director of Shenhua Wuda Mining Administration from 1994, director of Huangbaici Mine of Shenhua Wuda Mining Administration from July 1994 to April 1997, deputy general manager of electrical and mechanical and chief engineer of Shenhua Shendong Power Company Limited from April 1997 to January 2001, a member of the Communist Party Committee and the chairman of the labour union of Inner Mongolia Power Co., Ltd. from January 2001 to September 2004, member of the Communist Party Committee and deputy general manager of Inner Mongolia Power Co., Ltd. From September 2004 to September 2006, deputy general manager and deputy secretary of the Communist Party Committee from September 2006 to September 2008, and general manager and deputy secretary of the Communist Party Committee from September 2008 to May 2013. Mr. Zhang graduated from Inner Mongolia University of Mining for Professional Workers (now known as Wuhai College of Inner Mongolia University of Technology) in August 1983, majoring in Electric Mechanics, and graduated from Tianjin University in June 2006 with an MBA degree.

Mr. CHAN Yin Tsung (陳彥璁), aged 39, is an independent non-executive Director of our Company. Mr. Chan has over 15 years of working experience in initial public offering, corporate merger and acquisition, restructuring, due diligence, auditing, financial modelling analysis and business valuation. From November 2003 to July 2010, Mr. Chan held relevant positions in Ernst & Young, KPMG Transaction Advisory Services and PricewaterhouseCoopers Corporate Finance. Mr. Chan served the investment banking division of Essence International Financial Holdings Limited from October 2010 to April 2011; served the private equity department of the same company as a senior manager from June 2011 to July 2012; served as an executive director of Green International Holdings Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 02700) from July 2012 to August 2013; served as the CEO of Hao Wen Holdings Limited (a company listed on the Growth Enterprise Market of Hong Kong Stock Exchange, stock code: 8019) from February 2014 to May 2016; serves as an independent non-executive director, the chairman of audit committee and nomination committee and a member of remuneration committee of Zhidao International (Holdings) Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 1220) since September 2014, and serves as an independent non-executive director, the chairman of audit committee and remuneration committee and a member of the nomination committee of China Ludao Technology Company Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 2023) since November 2016. Mr. Chan graduated from the University of British Columbia in November 2001 with a bachelor degree in business and Hong Kong University of Science and Technology in November 2011 with a master degree in financial analysis. Mr. Chan is a certified public accountant under the American Institute of Certified Public Accountants.

Mr. HAN Xiaoping (韓曉平), aged 61, is an independent non-executive Director of our Company. Mr. Han worked as an editor and reporter at CAAC Journal and CAAC Inflight Magazine for the General Administration of Civil Aviation of China (CAAC) from 1986 to 1988. He has been a committee member of the new technology committee under the Cogeneration Professional Committee of the Chinese Society for Electrical Engineering since 1988. He established China Energy Net in 2000 and has served as its managing director and chief information officer since then. Mr. Han currently serves as the chief writer of Energy Review, chief researcher of China Energy Net Research Center, a senior expert of China City Gas Association Distributed Energy Professional Committee, a Sinopec social supervisor, an expert at the Policies & Regulations Department of National Energy Administration, a deputy director of China Energy Research Society Distributed Energy Professional Committee, an executive committee member of the Chinese Enterprises Investment Association and deputy director of Financial Enterprises Investment Committee, and the deputy governor of China's Natural Gas Industry Association. Mr. Han is an independent non-executive director, a member of the audit committee and nomination committee of Longitech Smart Energy Holding Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 1281) since June 2016 and an independent non-executive director of Tianjin Tianbao Energy Co., Ltd. (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1671) since April 2018.

SUPERVISORS

Mr. LI Xun (李迅), aged 58, is the chairman of the Board of Supervisors of our Company. Mr. Li had served as secretary of the Communist Youth League of Beijing Chemical Experimental Plant and Beijing Chemical Industry Group Co., Ltd. from January 1988 to June 1991 and from June 1991 to November 1993, respectively. He joined Beijing No. 2 Rubber Factory in November 1993 where he was secretary of the Communist Party Committee and Director until February 2001. He then served as secretary of the Communist Party Committee of Beijing Jingneng Thermal Power Co., Ltd. from February 2001 to April 2004, and chief officer of the Community Union Working Department of Beijing International Power Development and Investment Company from April to December 2004. From December 2004 to May 2014, Mr. Li served successively as chief officer of the Community Union Working Department, director, chairman of the labour union, and employee representative director and the head of the Community Union Working Department of BEH. He is currently a deputy secretary of the Communist Party Committee, employee representative director and president of BEH Communist Party School of BEH.

Mr. LIU Jiakai (劉嘉凱), aged 51, is a Supervisor of our Company. Mr. Liu has over 25 years of experience in construction and accounting in the power industry. Mr. Liu joined BEH in December 2009 and has been the director of the department of finance and property management. Also, he was the chief accountant of Beijing Jingneng Thermal Power Co., Ltd. (a company listed on the Shanghai Stock Exchange) between April 2006 and April 2007 and has been a supervisor of the same company since June 2007. From July 2006 to December 2009, he held the position of the chief financial officer at Beijing Jingneng International Power Co., Ltd.. Between July 2003 and April 2006, he was the chief accountant at Inner Mongolia Daihai Electric Power Generation Co., Ltd. Mr. Liu worked as the director of the finance department and the vice director of the audit department of Inner Mongolia Power Control Bureau for eleven years from March 1992 to July 2003. From 2009 to May 2018, he served as the director of the finance and property right management department and the director of the finance management department of Beijing Energy Investment Holding Co., Ltd. (北京能源投資(集團)有限公司) and the director of the finance management department of Beijing Energy Holding Co., Ltd. and the chairman of BEH Finance Co., Ltd. (京能集團財務有限公司) since May 2018. Mr. Liu obtained a bachelor's degree in economics from Central University of Finance and Economics of China in June 1989.

Ms. HUANG Linwei (黃林偉), aged 51, is a Supervisor of our Company. Ms. Huang has more than 22 years of experience in accounting and auditing in power companies. She joined the Company in December 1993, where she has held various positions successively, including cashier, accountant, supervisory accountant and deputy manager of the finance department, and director of the department of audit and internal control. Ms. Huang took an on-job post-graduate course in the Party School of Beijing Municipal Committee in July 2009. Ms. Huang is an intermediate accountant.

SENIOR MANAGEMENT

Mr. ZHANG Fengyang (張鳳陽), an executive Director and general manager of the Company. Please refer to his biography under the paragraph headed "– Executive Director" above.

Mr. ZHU Jun (朱軍), aged 51, holds a master's degree, and is the deputy general manager of the Company. He has more than 20 years of experience in power production and management. Mr. Zhu served as a deputy director of the boiler workshop of Shanxi Taiyuan No.2 Thermal Power Plant (山西太原第二熱電廠) from September 1995 to May 1997; director of the boiler workshop of Shanxi Taiyuan No.2 Thermal Power Plant from May 1997 to December 1998; director of the Steam Turbine Engineering Department of the Shanxi Taiyuan No.2 Thermal Power Plant from December 1998 to April 2000; deputy manager of the Shanxi Taiyuan No.2 Thermal Power Plant Maintenance Company from April 2000 to January 2002; manager and the secretary of party branch of Shanxi Taiyuan No.2 Thermal Power Plant Maintenance Company from January 2002 to April 2003; a manager of equipment maintenance department of Shanxi Zhangshan Power Generation Co., Ltd. (山西漳山發電有限責任公司) from April 2003 to April 2004; an assistant to general manager and manager of equipment maintenance department and the secretary of party branch of Shanxi Zhangshan Power Generation Co., Ltd. from April 2004 to December 2004; a chief engineer of Shanxi Zhangshan Power Generation Co., Ltd. from December 2004 to June 2006; a deputy general manager of Shanxi Zhangshan Power Generation Co., Ltd. from June 2006 to March 2009 (during which period, he majored in industrial engineering at School of Power and Mechanical Engineering of Wuhan University from September 2008 to December 2010 and obtained master's degree through on-the-job learning); deputy general manager of Guodian Power Dalian Zhuanghe Power Generation Co., Ltd. (國電電力大連莊河發電有限責任公司) from March 2009 to March 2010; a general manager of Beijing Jingfeng Thermal Power Co., Ltd. and Beijing Jingfeng Natural Gas-fired Power Co., Ltd. from March 2010 to November 2017; the secretary to party committee, executive director and general manager of Beijing Jingfeng Thermal Power Co., Ltd. and Beijing Jingfeng Natural Gas-fired Power Co., Ltd. from November 2017 to February 2018; and the secretary to party committee and executive director of Beijing Jingfeng Thermal Power Co., Ltd. and Beijing Jingfeng Natural Gas-fired Power Co., Ltd. from February 2018 to June 2018.

Mr. CAO Mansheng (曹滿勝), aged 48, holds a bachelor's degree, is the deputy general manager of the Company and has more than 20 years of experience in power production and management. Mr. Cao served as a deputy director of Beijing No. 3 Thermal Power Plant Thermal Inspection Branch (北京第三熱電廠熱工檢修分公司) from January 2000 to December 2001; a director of Thermal Maintenance Branch of Beijing Jingfeng Thermal Power Co., Ltd. from December 2001 to May 2003; person in charge of thermal control of the expansion engineering department of Beijing Jingfeng Thermal Power Co., Ltd. from May 2003 to February 2005 (during which period, he majored in management engineering at School of Business Administration of North China Electric Power University from September 2000 to June 2003 and obtained a second bachelor's degree); person in charge of infrastructure construction of the expansion engineering department of Beijing Jingfeng Thermal Power Co., Ltd. and Beijing Jingfeng Natural Gas-fired Power Co., Ltd from February 2005 to March 2006; minister of maintenance of Beijing Jingfeng Thermal Power Co., Ltd. and Beijing Jingfeng Natural Gas-fired Power Co., Ltd from April 2006 to August 2007; deputy chief engineer and minister of safety production technology of Beijing Jingfeng Thermal Power Co., Ltd. and Beijing Jingfeng Natural Gas-fired Power Co., Ltd from August 2007 to March 2010; chief engineer of Beijing Jingfeng Thermal Power Co., Ltd. and Beijing Jingfeng Natural Gas-fired Power Co., Ltd from March 2010 to June 2010; deputy general manager of Beijing Jingfeng Thermal Power Co., Ltd. and Beijing Jingfeng Natural Gas-fired Power Co., Ltd from June 2010 to August 2012; general manager of Beijing Taiyanggong Gas-fired Power Co., Ltd. (北京太陽宮燃氣熱電有限公司) from August 2012 to November 2017; the secretary of party committee, chairman and general manager of Beijing Taiyanggong Gas-fired Power Co., Ltd. from November 2017 to February 2018; and the secretary of party committee and chairman of Beijing Taiyanggong Gas-fired Power Co., Ltd. from February 2018 to June 2018.

Mr. WANG Gang (王剛), aged 51, holder of a master's degree, a senior engineer, is the deputy general manager of the Company and has more than 20 years of experience in project management of power industry. Mr. Wang successively served as a laboratory technician of building engineering agency, site technician of main workshop, deputy chief engineer, deputy chief engineer of Sanhe Project Management Department, deputy manager and chief engineer, deputy manager of Pandian project department and deputy manager of Tangdian technical transformation project department of Jixian Power Plant of Beijing Thermal Power Construction Company (北京火電建設公司薊縣電廠) from July 1992 to August 2003; project manager of power investment construction department of Beijing International Power Development Investment Corporation (北京國際電力開發投資公司) from November 2003 to November 2004; project manager of power energy construction department of Beijing Energy Investment from December 2004 to September 2007 and deputy general manager of Beijing International Power New Energy Co., Ltd. (北京國際電力新能源有限公司) from September 2007 to July 2009; deputy general manager of Shanxi Jingyu Power Generation Co., Ltd. (山西京玉發電有限責任公司) from July 2009 to March 2012 (during which period, he majored in business administration at the School of Economics and Management of North China Electric Power University from May 2009 to March 2012 and obtained a master's degree); deputy general manager of Beijing Jingneng Gaoantun Gas-fired Power Co., Ltd. (北京京能高安屯燃氣熱電有限責任公司) from March 2012 to October 2014; the secretary of the provisional party committee and deputy general manager of Shanxi Jingneng Zuoyun Thermal Power Co., Ltd. (山西京能左雲熱電有限責任公司) from October 2014 to August 2016; the secretary of the provisional party committee of Jingneng (Xilinguole) Power Generation Co., Ltd. (京能(錫林郭勒)發電有限公司) and deputy general manager of Shanxi Jingtong Thermal Power Co., Ltd. (山西京同熱電有限公司) from August 2016 to March 2017; and the secretary of the provisional party committee and secretary of party committee of Jingneng (Xilinguole) Power Generation Co., Ltd. from March 2017 to January 2018.

Ms. FANG Xiujun (方秀君), aged 48, is the chief accountant of the Company, holder of a bachelor's degree, a senior accountant and certified public accountant with over 20 years of financial management experience in the power industry. Ms. Fang successively served as an accountant of financial department of Beijing Composite Investments Company (北京市綜合投資公司), deputy director of finance of Beijing Toronto International Hospital (北京多倫多國際醫院) via dispatch, project manager and deputy manager of financial department of Beijing Composite Investments Company from March 1996 to December 2004; and successively served as the deputy manager of financial department, deputy manager of planning finance department, deputy director of finance and property management department of Beijing Energy Investment and deputy director of financial management department of BEH from December 2004 to May 2018; deputy general manager of Beijing Jingneng International Power Co., Ltd. (北京京能國際能源股份有限公司) and deputy general manager of Beijing Jingneng Coal-fired Power Asset Management Co., Ltd. (北京京能煤電資產管理有限公司) since June 2013; and deputy general manager of Beijing Energy Investment Holding (Hong Kong) Co., Limited since November 2015.

Mr. KANG Jian (康健), aged 55, is the deputy general manager and secretary of the Board of the Company, graduated from Rensselaer Polytechnic Institute in the United States, holder of an MBA degree, a senior project manager and has more than 22 years of experience in strategic management, marketing management and investor relations management for large state-owned and multinational companies. Mr. Kang served as an assistant manager of Marketing Division of U.S. Albany International Company from July 1999 to February 2000; a regional manager of the Greater China area of Canadian Tucows Inc. from April 2000 to March 2003; a senior manager of the department of automation system of Automation & Drives Group and the director of strategic development and customer relations of the Strategic Marketing Department at Siemens Ltd., China from January 2004 to July 2009; deputy director of the office of strategic investment of BEH from August 2009 to December 2009 and the deputy general manager and the secretary of the Board of the Company since December 2009.

COMPANY SECRETARY

Mr. KANG Jian (康健), serves as secretary to the Board and the company secretary. Please refer to his biography under the paragraph headed "– Senior Management" above.

Report of the Directors

The Board of Directors of the Company now presents the annual report of the year 2018 (the "**Annual Report**") and the audited financial statements of the Group (the "**Financial Statements**") for the year ended 31 December 2018 to Shareholders.

REGISTERED SHARE CAPITAL

As of 31 December 2018, the total registered share capital of the Company was RMB8,244,508,144, divided into 8,244,508,144 shares of RMB1.00 each, including 5,414,831,344 domestic legal person shares and 2,829,676,800 H Shares. Details of movements in the registered share capital of the Company during the year are set out in note 40 to the Financial Statements.

In order to satisfy the capital needs of the Company so as to accommodate the fast development of the Company's businesses, on 28 June 2017, the Shareholders of the Company at the annual general meeting of the Company for the year of 2016 approved the proposed issue of 902,471,890 domestic shares to BEH at the subscription price of RMB2.24 (equivalent to approximately HK$2.56) per domestic share and the proposed issue of 471,612,800 H shares to Beijing Energy Investment at the subscription price of HK$2.56 per H share (collectively, the "**Proposed Subscription**"). The aggregate nominal value of the shares issued according to the Proposed Subscription is RMB1,374,084,690. The Proposed Subscription has been completed on 12 July 2018. Immediately upon completion of the Proposed Subscription, the total registered share capital of the Company has increased to RMB8,244,508,144, divided into 8,244,508,144 shares of RMB1.00 each, including 5,414,831,344 domestic shares and 2,829,676,800 H Shares.

The closing price per Share of H Shares as quoted on the Stock Exchange on the date of the Domestic Shares Subscription Agreement and the H Shares Subscription Agreement (i.e. 1 June 2017) was HK$2.33. Upon completion of the Proposed Subscription, the net prices (excluding all applicable costs and expenses, including the legal fees) raised per domestic share and per H share are approximately RMB2.239 and approximately HK$2.559, respectively. The net proceeds (net of all applicable costs and expenses, including the legal fees) raised from the Proposed Subscription are approximately RMB2,021 million and HK$1,207 million (the "**Proceeds**"). As disclosed in the Company's announcement dated 5 September 2018 in respect of the supplemental information in relation to the use of proceeds raised from the Proposed Subscription, the Proceeds has been used to repay the bonds and loans as well as for working capital and general corporate purposes. The details are as follows:

Use of the Proceeds	Amounts	Maturity Date
Total proceeds raised from the Proposed Subscription of Domestic Shares was RMB2,021 million, of which:		
Repayment of short-term loan from Shanghai Pudong Development Bank Beijing Fucheng Branch	RMB850 million	26 June 2018
Repayment of short-term loan from China ZheShang Bank	RMB650 million	26 June 2018
Repayment of entrusted loans from BEH	RMB210 million	29 December 2018 [Note]
	RMB62 million	10 February 2019 [Note]
	RMB173 million	16 March 2020 [Note]
	RMB58 million	2 December 2020 [Note]
	RMB0.5 million	30 January 2021 [Note]
Working capital and general corporate purposes	RMB17.5 million	
Total proceeds raised from the Proposed Subscription of H Shares was HK$1,207 million, of which:		
Repayment of loan from China Merchants Bank Luxembourg Branch	HK$1,180 million	28 June 2018
Working capital and general corporate purposes	HK$27 million	

Note: This loan has been repaid on 28 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

DEBENTURES IN ISSUE

The Company issued debentures in light of the demand of business operation and capital expenditures, as well as the market condition. Details of debentures in issue of the Company for the year ended 31 December 2018 are set out in notes 35 and 36 to the Financial Statements.

FUTURE INVESTMENT PLANS AND EXPECTED FUNDING

Looking forward, the Group will continue to expand its markets at home and abroad so as to tap into its internal potential and undertake more quality works, exquisite works and works with high returns, thereby maximising Shareholders' interest and creating higher value. We will continue to grow the Group both in scale and strength through self-development, acquisitions, M&A and other means. Our future business plan will employ a combination of financing channels to finance capital expenditures, including but not limited to internal funds and bank loans. Currently, the bank credit lines available to the Group are adequate.

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2018, the Company did not entered into any equity-linked agreement, nor did any equity-linked agreement exist at the end of the year 2018.

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate liability insurance for its Directors, Supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance. Save as disclosed above, no permitted indemnity provision was made by the Company for the year ended 31 December 2018 and no permitted indemnity provision was in force as at the Latest Practicable Date.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDER

The controlling shareholder of the Company did not pledge any of its shares in the Company to secure the Company's debts or to secure guarantees of the Company or were held as support for the other liabilities for the year ended 31 December 2018.

CHARGES ON GROUP ASSETS

The Group had no charges on assets during the year ended 31 December 2018.

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE COMPANY

The Company did not provide any financial assistance nor guarantee to its affiliated companies for the year ended 31 December 2018, which gives rise to a disclosure under Rule 13.16 of the Listing Rules. The Company did not enter into any loan agreement with covenants relating to specific performance of its controlling shareholder nor breach the terms of any loan agreements for the year ended 31 December 2018.

SHARE OPTION SCHEME

The Company did not adopt any share option scheme in the year ended 31 December 2018.

PRE-EMPTIVE RIGHTS

Pursuant to the Articles of Association and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to propose new issues to its existing shareholders in proportion to their shareholdings.

PRINCIPLE BUSINESS

The Company is the largest gas-fired power provider in Beijing and a leading wind power operator in the PRC, with a diversified clean energy portfolio including gas-fired power and heat energy, wind power, photovoltaic power, small to medium hydropower and other clean energy projects. All electricity generated is sold to local grid companies. Details of the major subsidiaries and associates of the Company are set out in notes 51 and 21 to the Financial Statements.

RESULTS

The audited results of operations of the Group for the year ended 31 December 2018 are set out in the Consolidated Statement of Profit or Loss and other Comprehensive Income on pages 77 to 78. The financial condition of the Group for the year ended 31 December 2018 is set out in the Consolidated Statement of Financial Position on pages 79 to 80. The cash flow of the Group for the year ended 31 December 2018 is set out in the Consolidated Statement of Cash Flows on pages 83 to 84.

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Company during the year are set out in Management Discussion and Analysis of the Annual Report on page 8 to page 19.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided on pages 8 to 10 and pages 18 to 19 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found on pages 17 to 18 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided on pages 10 to 15 of this Annual Report. To the knowledge of the Directors, there has not been any important event affecting the Group since the end of the financial year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

A discussion on the Company's environmental policies and performance will be set forth in the Environmental, Social and Governance Report, which will be published on the website of the Hong Kong Stock Exchange in due course.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company recognizes the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licenses. The Company has been allocating system and staff resources to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications. During the reporting period, the Company has complied, to the best of the knowledge of Directors, with all relevant rules and regulations that have a significant impact on the Company.

DIVIDEND POLICY

The Company has adopted a Dividend Policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value.

The Company will give full consideration to the interests of shareholders and make the implementation of a reasonable profit distribution policy according to business situation of the Company and market condition. The Company's profit distribution policy shall to the greatest extent maintain continuity and stability, and give priority to cash dividends, with the specific profit-sharing ratio to be passed with a resolution in accordance with relevant laws and regulations at the general meeting.

The Board has the discretion to declare and distribute dividends by way of cash or scrip or by other means that the Board considers appropriate to the Shareholders, which subject to the approval of the general meeting, the Articles of the Association of the Company, all applicable laws and regulations and the factors set out below:

- Financial results;
- Cash flow situation;
- Business conditions and strategies;
- Future operations and earnings;
- Capital requirements and expenditure plans;
- Interests of shareholders;
- Any restrictions on payment of dividends; and
- Any other factors that the Board may consider relevant.

The Board will review the Dividend Policy as appropriate from time to time.

FINAL DIVIDEND

The Board resolved to propose to the shareholders of the Company at the annual general meeting for the year ended 31 December 2018 (the "**AGM**") to be held on 13 June 2019, for their consideration and approval of the payment of a final dividend of RMB6.67 cents per share (tax inclusive) for the year ended 31 December 2018 (the "**2018 Final Dividends**") payable to the shareholders of the Company, whose names are listed in the register of members of the Company on 25 June 2019, in an aggregate amount of approximately RMB549.9 million. The 2018 Final Dividends will be denominated and declared in RMB. Dividends on domestic shares will be paid in RMB and dividends on H Shares will be paid in Hong Kong dollars. Subject to the passing of the relevant resolution at the AGM, the 2018 Final Dividends is expected to be paid on or around 5 August 2019.

Pursuant to the Enterprise Income Tax Law of the PRC and its implementation rules, which came into force since 1 January 2008 and other relevant rules, where the Company distributes the proposed 2018 Final Dividends to non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company, it is required to withhold enterprise income tax at a rate of 10%. Any H shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other organizations or groups, will be treated as shares being held by non-resident enterprise shareholders, and consequently will be subject to the withholding of the enterprise income tax.

Pursuant to the PRC Individual Income Tax Law, the Implementation Regulations of the Individual Income Tax Law, the Tentative Measures on Withholding and Payment of Individual Income Tax and other relevant laws and regulations, the foreign individuals who are the holders of H shares shall pay individual income tax at a tax rate of 20% upon their receipt of distribution of dividend from domestic enterprises which issued such H shares, which shall be withheld and paid by such domestic enterprises on behalf of the such individual H shareholders. However, the Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax effective from 13 May 1994 (the "**1994 Notice**") grants exemption to foreign individuals from PRC individual income tax on dividend from foreign-invested enterprises. Since the Company has become a "foreign-invested enterprise" since August 2010 as approved by the relevant PRC authorities, the individual shareholders who hold the Company's H shares and whose names appear on the register of members of H shares of the Company (the "**Individual H Shareholders**") are not required to pay PRC individual income tax when the Company distributes the 2018 Final Dividends based on the 1994 Notice. Therefore, the Company will not withhold any amount of the 2018 Final Dividends to be distributed to the Individual H Shareholders to pay the PRC individual income tax.

Shareholders are recommended to consult their taxation advisors for advice on the PRC, Hong Kong and other tax effects with respect to the holding and disposing of H Shares of the Company.

According to the Articles of Association, unless otherwise provided by the relevant laws and regulations, for the payment of cash dividends and other payments in foreign currency, the applicable exchange rates shall be the average selling price announced by the People's Bank of China for the one calendar week before the declaration date of such cash dividends and other payments.

Other than the above, the Board of Directors does not recommend any distribution of dividend for the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain shareholders' entitlement to attend and vote at the AGM and to the proposed 2018 Final Dividends, the H Share register of members of the Company will be closed from 14 May 2019 to 13 June 2019 (both days inclusive) and from 20 June 2019 to 25 June 2019 (both days inclusive), respectively, during which periods no transfer of shares will be registered.

In order to qualify for attending and voting at the forthcoming AGM, holders of H Shares of the Company shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on 10 May 2019.

In order to qualify for receiving the proposed 2018 Final Dividends (subject to the approval by Shareholders at the forthcoming AGM), holders of H Shares of the Company shall lodge transfer documents with the Company's H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above mentioned address for registration before 4:30 p.m. on 19 June 2019.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and its subsidiaries during the year are set out in note 16 to the Financial Statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in Consolidated Statement of Changes in Equity, of which details of reserves available for distribution to Shareholders are set out in Consolidated Statement of Changes in Equity. The Company's reserves available for distribution to shareholders as at 31 December, 2018 represents the retained profits of approximately RMB4,718 million (2017: RMB3,550 million).

DONATIONS

During the reporting period, the Group did not make external donations (excluding personal donations of employees).

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Group as at 31 December 2018 are set out in note 34 to the Financial Statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Part of the information of the Directors, Supervisors and Senior Management of the Company for the year ended 31 December 2018 and as the date of this report is illustrated below.

Name	Title in the Company	Date of Appointment/ Re-election
ZHU Yan(1)	Chairman and non-executive Director	23 June 2016
MENG Wentao(2)	Chairman and non-executive Director	13 February 2018
LIU Haixia	Chairman and non-executive Director	28 June 2018
LI Dawei(1)	Non-executive Director	29 December 2016
GUO Mingxing(1)	Non-executive Director	29 December 2016
ZHU Baocheng(1)	Non-executive Director	29 December 2016
JIN Shengxiang	Non-executive Director	13 February 2018
TANG Xinbing	Non-executive Director	13 February 2018
YU Zhongfu(2)	Non-executive Director	29 December 2016
LI Juan	Non-executive Director	28 June 2018
ZHAO Wei(3)	Non-executive Director	29 December 2016
WANG Bangyi(4)	Non-executive Director	30 January 2019
ZHANG Fengyang	Executive Director and general manager	13 February 2018
CHEN Ruijun(5)	Executive Director and general manager	29 December 2016
HUANG Xiang	Independent non-executive Director	29 December 2016
ZHANG Fusheng	Independent non-executive Director	29 December 2016
CHAN Yin Tsung	Independent non-executive Director	29 December 2016
HAN Xiaoping	Independent non-executive Director	29 December 2016
LI Xun	Chairman of the Board of Supervisors	28 June 2017
LIU Jiakai	Supervisor	28 June 2017
HUANG Linwei	Supervisor	1 March 2017
LI Zhijian(6)	Deputy general manager	11 March 2010
HUANG Hui(6)	Chief accountant	28 June 2013
ZHANG Jurui(6)	Chief engineer	11 March 2010
LI Wei(6)	Deputy general manager	27 March 2018
JIA Geng(6)	Deputy general manager	8 June 2012
ZHU Jun	Deputy general manager	25 May 2018
CAO Mansheng	Deputy general manager	25 May 2018
WANG Gang	Deputy general manager	25 May 2018
FANG Xiujun	Chief accountant	25 May 2018
KANG Jian	Deputy general manager and secretary of the Board	11 March 2010/ 14 December 2009

Note:

(1) The resignation of Mr. Zhu Yan as chairman and non-executive Director, and Mr. Li Dawei, Mr. Guo Mingxing and Mr. Zhu Baocheng as non-executive Directors took effect on 13 February 2018.

(2) The resignation of Mr. Meng Wentao as Chairman and non-executive Director, and Mr. Yu Zhongfu as non-executive Directors took effect on 28 June 2018.

(3) The resignation of Mr. Zhao Wei as non-executive Director took effect on 30 January 2019.

(4) The appointment of Mr. Wang Bangyi as non-executive Director took effect on 30 January 2019.

(5) The resignation of Mr. Chen Ruijun as executive Director and general manager took effect on 13 February 2018.

(6) The resignation of Mr. Li Wei, Mr. Li Zhijian, Mr. Huang Hui, Mr. Zhang Jurui and Mr. Jia Geng as the deputy general manager, deputy general manager, chief accountant, chief engineer and deputy general manager respectively took effect on 25 May 2018.

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers all the independent non-executive Directors to be independent.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of Directors, Supervisors and senior management of the Company are set out on page 22 to page 30 of the Annual Report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with the Directors, major terms of which include that (1) the tenure of each Director shall continue till the expiration of the term of the current session of the Board of Directors; and (2) the tenure may be terminated in accordance with respective terms of the contract. The service contracts may be renewed under the Articles of Association and applicable rules.

The Company has entered into contracts with the Supervisors in respect of, among others, compliance with relevant laws and regulations, the Articles of Association and provisions of arbitration.

Save as disclosed above, none of the Directors or Supervisors has entered into a contract of service with the Company which is not determinable by the Company within one year without payment of compensation, other than statuary compensation.

EMOLUMENTS OF DIRECTORS AND SUPERVISORS

Details of the emoluments of the Directors and Supervisors of the Company are set out in note 13 to the financial statements. The emoluments of the Directors and Supervisors are determined by the Remuneration and Nomination Committee based on the experience and duties of the Directors and Supervisors.

REMUNERATION OF THE DIRECTORS AND SUPERVISORS

The number of the senior management of the Company (not including directors who hold administrative positions) whose remuneration fell within the following band in 2018 is set out below:

	Number of employees 2018
RMB250,000 to RMB500,000	4
RMB500,000 to RMB750,000	1
	5

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACTS

At the end of the year of 2018 or at any time during the year, there were no transaction, arrangement or contracts of significance subsisting in relation to the Group's business to which the Company or any of its subsidiaries was a party, directly or indirectly, and in which any Director or Supervisor or any entity connected with the Director or Supervisor had a material interest.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year 2018, save as disclosed below, none of the Directors or their associates had any competing interests in any business that constitutes or may constitute direct or indirect competition with the Company's businesses:

Name	Positions in the Company	Other interests
LIU Haixia	Chairman and non-executive Director	Deputy general manager of BEH
LI Juan	Non-executive Director	Senior manager of the second department of investment management of BSCOMC
ZHAO Wei[1]	Non-executive Director	Vice president of China Reinsurance (Group) Corporation

Note:

(1) The resignation of Mr. Zhao Wei as non-executive Director took effect on 30 January 2019.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, no Director, Supervisor or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests and short position in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2018, to the knowledge of the Directors of the Company, the persons (other than a Director, Supervisor or chief executive of the Company) who have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Notes: (L) – Long position, (S) – Short position, (P) – Lending pool

Name of shareholders	Types of Shares	Capacity	Number of shares/ underlying shares held (share)	Percentage of relevant class of share capital (%)	Percentage of total share capital (%)
BEH [Note 1 and Note 2]	Domestic share	Beneficial interest and interest of a controlled corporation	5,190,483,053 (L)	95.86	62.96
	H share	Interest of a controlled corporation	471,612,800 (L)	16.67	5.72
BSCOMC [Note 1 and Note 2]	Domestic share	Beneficial interest and interest of a controlled corporation	5,414,831,344 (L)	100.00	65.68
	H share	Interest of a controlled corporation	471,612,800 (L)	16.67	5.72
Beijing Energy Investment [Note 2]	H share	Beneficial interest	471,612,800 (L)	16.67	5.72
SAIF IV GP Capital Ltd. [Note 3]	H share	Interest of a controlled corporation	173,532,000 (L)	6.13	2.10
SAIF IV GP LP [Note 3]	H share	Interest of a controlled corporation	173,532,000 (L)	6.13	2.10
SAIF Partners IV L.P. [Note 3]	H share	Beneficial interest	173,532,000 (L)	6.13	2.10
Yan Andrew Y. [Note 3]	H share	Interest of a controlled corporation	173,532,000 (L)	6.13	2.10
Beijing Enterprises Holdings Limited [Note 4]	H share	Interest of a controlled corporation	196,964,000 (L)	6.96	2.39
Beijing Enterprises Energy Technology Investment Co. Limited [Note 4]	H share	Beneficial interest	196,964,000 (L)	6.96	2.39

Name of shareholders	Types of Shares	Capacity	Number of shares/ underlying shares held (share)	Percentage of relevant class of share capital (%)	Percentage of total share capital (%)
Beijing Enterprises Energy Technology (Hong Kong) Co. Limited (Note 4)	H share	Interest of a controlled corporation	196,964,000 (L)	6.96	2.39
Norges Banks	H share	Beneficial interest	169,930,000 (L)	6.01	2.06
Central Huijin Investment Ltd. (Note 5)	H share	Interest of a controlled corporation	653,136,000 (L)	23.08	7.92
China Reinsurance (Group) Corporation (Note 5)	H share	Beneficial interest and interest of a controlled corporation	653,136,000 (L)	23.08	7.92
China Property & Casualty Reinsurance Company Ltd. (Note 5)	H share	Beneficial interest	196,704,000 (L)	6.95	2.39
Citigroup Inc. (Note 6)	H share	Interest of a controlled corporation and custodian – corporation/ approved lending agent	157,635,592 (L) 294,000 (S) 157,339,595 (P)	5.57 0.01 5.56	1.91 0.00 1.91

Notes:

1. Beijing International Electric Engineering Co., Ltd. directly held 92,654,249 domestic shares of the Company. As far as the Company is aware, Beijing International Electric Engineering Co., Ltd was wholly-owned by BEH. In accordance with the SFO, BEH was deemed to be interested in 92,654,249 domestic shares held by Beijing International Electric Engineering Co., Ltd.

   Beijing District Heating (Group) Co Ltd. directly held 16,035,322 domestic shares of the Company. As far as the Company is aware, Beijing District Heating (Group) Co Ltd. was wholly-owned by BEH. In accordance with the SFO, BEH was deemed to be interested in 16,035,322 domestic shares held by Beijing District Heating (Group) Co Ltd.

   According to the supplemental circular of the Company dated 8 June 2017 in respect of the proposed subscription of domestic shares of the Company, the Company and BEH entered into the Domestic Shares Subscription Agreement on 1 June 2017. Accordingly, on 1 June 2017, BEH was deemed to have interest in the additional 902,471,890 domestic shares of the Company. The aforesaid subscription was completed on 12 July 2018 (Please refer to the announcements of the Company dated 25 June 2018 and 12 July 2018).

   BEH directly held 5,081,793,482 domestic shares of the Company. In accordance with the SFO, BEH had/was deemed to be interested in an aggregate of 5,190,483,053 domestic shares of the Company.

   BSCOMC directly held 224,348,291 domestic shares of the Company. As far as the Company is aware, BEH was wholly-owned by BSCOMC. In accordance with the SFO, BSCOMC had/was deemed to be interested in an aggregate of 5,414,831,344 domestic shares of the Company.

2. According to the supplemental circular of the Company dated 8 June 2017 in respect of the subscription of H shares of the Company, the Company and Beijing Energy Investment entered into the H Shares Subscription Agreement on 1 June 2017. Accordingly, on 1 June 2017, Beijing Energy Investment was deemed to be interested in the additional 471,612,800 H shares of the Company to be issued. The aforesaid subscription was completed on 12 July 2018 (Please refer to the announcements of the Company dated 25 June 2018 and 12 July 2018).

   Beijing Energy Investment directly held 471,612,800 H shares of the Company. As far as the Company is aware, Beijing Energy Investment was wholly-owned by BEH, while BEH was wholly-owned by BSCOMC. In accordance with the SFO, BEH and BSCOMC were deemed to be interested in 471,612,800 H shares held by Beijing Energy Investment.

3. SAIF Partners IV L.P. held direct interests in 173,532,000 H shares of the Company. As far as the Company is aware, SAIF Partners IV L.P. was wholly-owned by SAIF IV GP LP, while SAIF IV GP LP was wholly-owned by SAIF IV GP Capital Ltd. SAIF IV GP Capital Ltd. was wholly-owned by Yan Andrew Y. In accordance with the SFO, SAIF IV GP LP, SAIF IV GP Capital Ltd. and Yan Andrew Y. were deemed to be interested in 173,532,000 H shares held by SAIF Partners IV L.P.

4. Beijing Enterprises Energy Technology Investment Co. Limited directly held 196,964,000 H shares of the Company. As far as the Company is aware, Beijing Enterprises Energy Technology Investment Co. Limited was wholly-owned by Beijing Enterprises Energy Technology (Hong Kong) Co. Ltd., while Beijing Enterprises Energy Technology (Hong Kong) Co. Ltd. was wholly-owned by Beijing Enterprises Holdings Limited. In accordance with the SFO, Beijing Enterprises Energy Technology (Hong Kong) Co. Ltd. and Beijing Enterprises Holdings Limited were deemed to be interested in 196,964,000 H shares held by Beijing Enterprises Energy Technology Investment Co. Limited.

5. China Property & Casualty Reinsurance Company Ltd. directly held interests in 196,704,000 H shares of the Company. China Reinsurance (Group) Corporation held direct interests in 456,432,000 H shares of the Company. As far as the Company is aware, China Property & Casualty Reinsurance Company Ltd. was wholly-owned by China Reinsurance (Group) Corporation, while 71.56% of issued share capital of China Reinsurance (Group) Corporation was owned by Central Huijin Investment Ltd. In accordance with the SFO, China Reinsurance (Group) Corporation and Central Huijin Investment Ltd. were deemed to have interests in 653,136,000 H shares of the Company.

6. Citigroup Inc. held interests in certain H shares of the Company (as shown in the table above) through various controlled corporation/wholly-owned controlled corporations.

MANAGEMENT CONTRACT

No contract concerning the management and administration of all or any substantial part of our business was entered into by the Company or existed in 2018.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, at no time during the year had the Company or any of its subsidiaries entered into any contract of significance with the Controlling Shareholder (as defined in the Listing Rules) or any of its subsidiaries, nor had any contract of significance been entered into for the services provided by the Controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 30 October 2018 and 10 December 2018 and the circular of the Company dated 15 January 2019. On 30 October 2018, in order to generate relatively high investment return and obtain a unique opportunity for the Company to invest in a company which engages in the provision of financial services, BEH, the Company, Jingneng Power and BEH Finance entered into a capital increase agreement, pursuant to which, the registered capital of BEH Finance will be increased from RMB3 billion to RMB5 billion, of which, RMB0.06 billion, RMB0.94 billion and RMB1 billion are to be subscribed by BEH, the Company and Jingneng Power, respectively (the "**Proposed Subscription in BEH Finance**").

As the highest applicable percentage ratio in respect of the Proposed Subscription in BEH Finance exceeds 5% but is less than 25%, the Proposed Subscription in BEH Finance constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this annual report, BEH directly and indirectly holds 68.68% equity interest in the Company and is a connected person of the Company under Chapter 14A of the Listing Rules. BEH Finance is a subsidiary of BEH and thus constitutes a connected person of the Company by virtue of being an associate of BEH. Accordingly, the Proposed Subscription in BEH Finance also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Subscription in BEH Finance exceeds 5%, the Proposed Subscription in BEH Finance is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Group has conducted certain non-exempt continuing connected transactions during the year.

Pursuant to the announcement of the Company dated 25 October 2016, the Company obtained approval from the Board on the transactions and annual caps under item 1 to 4, item 6 to 7 and item 9 for the year 2017, 2018 and 2019.

Pursuant to the announcement of the Company dated 29 December 2016, the Company obtained approval from the extraordinary general meeting of the Company on the transactions and annual caps under item 5 and item 8 for the year 2017, 2018 and 2019.

Pursuant to the announcement of the Company dated 29 August 2017, the Company obtained approval from the Board on amendment to the annual caps of continuing connected transactions under item 1 and item 9 for the year 2017, 2018 and 2019.

(RMB million)

Connected transactions under		Connected persons	Annual caps for 2018	Actual transaction value in 2018
1.	Framework Equipment Maintenance Agreement	BEH	182.55	158.27
2.	Framework Service Agreement	BEH	64.09	49.74
	– landscaping services		3.38	–
	– property management services		56.60	49.61
	– conference services		3.00	0.13
	– project management services		1.10	–
3.	Framework Operating Agreement	BEH	18.70	17.64
4.	EPC Framework Agreement	BEH	46.50	6.99
5.	Framework Heat Sale and Purchase Agreement	BDHG	2,271.80	1,728.00
6.	Equipment Purchase Framework Agreement	BEH	271.65	109.86
7.	Finance Lease Framework Agreement	YuanShen Financial Leasing	700	–
8.	Financial Services Framework Agreement	BEH		
	– deposit services		1,750.00	1,455.00
	– loan services (Note)		–	–
	– other financial services		30.00	10.55
9.	Property Lease Framework Agreement	BEH	55.41	49.77

Note: Given the loan services provided by BEH Finance to the Group are on normal commercial terms which are similar to or more favourable than those offered by independent third parties for comparable services in the PRC, and that no security over the assets of the Group will be granted in respect of such loan services, the loan services are exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules. As such, no cap has been set for such services.

Continuing Connected Transactions between the Group and BEH and its Associates

BEH, a controlling shareholder of the Company, directly held 61.639% of the total issued share capital of the Company as at 31 December 2018. Accordingly, BEH and its associates, including BDHG which is a wholly-owned subsidiary of BEH, are connected persons of the Company pursuant to the Listing Rules.

The Company and BEH and its associates entered into several framework agreements in respect of the continuing connected transactions between them, so as to regulate the continuing connected transactions carried out between the parties. Details of such connected transactions are set out below:

Financial Lease Framework Agreement between YuanShen Financial Leasing and the Company

To expand its financing channels, the Company entered into the Financial Lease Framework Agreement with YuanShen Financial Leasing on 25 October 2016. The term of such agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

Framework Property Lease Agreement between BEH and the Company

The Company leases properties from BEH and/or its associates, in respect of which the Company and BEH entered into the Framework Property Lease Agreement on 19 March 2014. The term of such agreement is twenty years commencing on the listing date of the Company.

Framework Equipment Maintenance Agreement between BEH and the Company

The Company and BEH entered into the Framework Equipment Maintenance Agreement on 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and the Company's continuous demand for equipment maintenance service, the Company entered into the updated Framework Equipment Maintenance Agreement with BEH on 25 October 2016. The term of the updated agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

Framework Service Agreement between BEH and the Company

The Company and BEH entered into the Framework Service Agreement on 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and the Company's continuous demand for (i) landscaping services; (ii) property management services, including cleaning, security and catering services; (iii) conference services; and (iv) project management services, Company entered into the updated Framework Service Agreement with BEH on 25 October 2016. The term of the updated agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

Framework Operating Agreement between BEH and the Company

The Company and BEH entered into the Framework Operating Agreement on 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and the Company's continuous demand for BEH's services of operating the power and/or heating equipment, the Company entered into the updated Framework Operating Agreement with BEH on 25 October 2016. The term of the updated agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

EPC Framework Agreement between BEH and the Company

The Company and BEH entered into the EPC Framework Agreement on 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and the Company's continuous demand for energy performance contracting services, the Company entered into the updated EPC Framework Agreement with BEH on 25 October 2016. The term of the updated agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

Framework Heat Sale and Purchase Agreement between BDHG and the Company

The Company and BDHG entered into the Framework Heat Sale and Purchase Agreement on 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and BDHG's continuous demand for purchasing heat generated by the Group, the Company entered into the updated Framework Heat Sale and Purchase Agreement with BDHG on 25 October 2016. The term of the updated agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

Equipment Purchase Framework Agreement between BEH and the Company

The Company and BEH entered into the original Equipment Purchase Framework Agreement on 28 March 2012 and 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and the Company's increasing demand for purchasing more equipment, the Company entered into the updated Equipment Purchase Framework Agreement with BEH on 25 October 2016. The term of the updated agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

Financial Services Provided by BEH Finance to the Company

The Company and BEH Finance entered into the original Financial Service Agreement on 23 May 2011, 28 March 2012 and 19 March 2014. Due to the expiration of such agreement on 31 December 2016 and the Company's increasing demand for financial services, the Company entered into the Financial Services Framework Agreement with BEH Finance on 25 October 2016. Such updated Financial Services Framework Agreement is of a term of three years commencing from 1 January 2017 and ending on 31 December 2019.

In respect of the deposit services under the Financial Service Framework Agreements, the interest rate to be paid by BEH Finance for the Group's deposits with BEH Finance shall not be lower than the same level deposit interest rate as published by the PBOC for the same periods.

In respect of the loan services under the Financial Service Framework Agreement, the interest rate for loans granted to the Group by BEH Finance shall not be higher than the benchmark interest rates as published by the PBOC from time to time or should not be higher than the interest rates granted by independent commercial banks which provide similar service on the same conditions.

In respect of the other financial services under the Financial Service Framework Agreement, the other financial services to be provided by BEH Finance to the Group shall be made on normal commercial terms and on terms similar to or more favourable than those offered by independent third parties for comparable services in the PRC.

Save as disclosed above, none of the transactions disclosed as related party transactions in note 47 to the Financial Statements is a connected transaction or a continuing connected transaction for the Company as defined under the Listing Rules nor are they connected transactions or continuing connected transactions for the Company exempt from the reporting requirements under the Listing Rules. The Company has complied with the disclosure requirements governing connected transactions under the Listing Rules.

Review by and Confirmation of Independent Non-executive Directors of the Company

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions, and confirmed that such transactions were:

(1) carried out in the ordinary course of business of the Group;

(2) made on normal commercial terms; and

(3) carried out according to the terms in the relevant transaction agreements, which are fair and reasonable, and in the interests of our Company's shareholders as a whole.

Confirmation of the Auditors

The auditors of the Company have performed the relevant assurance procedures regarding the above continuing connected transactions, and confirmed by way of a letter to the Board of Directors that for the year ended 31 December 2018 these transactions:

(1) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

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

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

(4) with respect to the aggregate amount of each of the continuing connected transactions set out in the above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the maximum aggregate annual value as set by the Company.

Save as disclosed above, the Directors confirmed that the Company has complied with the requirements under Chapter 14A of the Listing Rules with regard to the abovementioned connected transactions.

COMPLIANCE WITH THE NON-COMPETITION AGREEMENT

The Company and BEH entered into a Non-Competition Agreement and a Supplemental Non-Competition Agreement on 13 June 2011 and 2 December 2011 respectively, under which, BEH agrees that it will not (and it will procure that its subsidiaries (other than listed subsidiaries) will not) compete with the Company in the gas-fired power and heat energy generation business, wind power business, hydro-power business and other clean energy generation business (the "**core business**" of the Company) that and will grant the Company options for new business opportunities and acquisitions, as well as pre-emptive rights. The non-executive Directors of the Company are responsible for approving, considering and deciding on the acceptance of new business opportunities introduced by BEH and/or its subsidiaries.

During the year, the Company's non-executive Directors have reviewed the implementation of the Non-Competition Agreement and confirmed that BEH has fully observed the Non-Competition Agreement without any case of violation.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the total volume of purchases from the five largest suppliers of the Company accounted for 77.72% of the total purchase volume of the year. The purchase from the largest supplier accounted for 68.81% of the total volume of fuel purchased during the year.

For the year ended 31 December 2018, the total revenue generated from the five largest customers of the Company accounted for 88.42% of the total revenue of the year. The revenue generated from the largest customers accounted for 65.97% of the total revenue of the year.

During the year, to the knowledge of the Directors, none of the Directors, their associates, or Shareholders of the Company (which, to the knowledge of the Directors, owned more than 5% of the Company's share capital) had interests in the five largest suppliers or customers of the Company.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Please refer to the note 46 to the Financial Statements for detailed information on the retirement and employee benefits scheme.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and complied with all code provisions as set out in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2018.

RELATIONSHIP WITH STAKEHOLDERS

The Company recognizes that our employees, customers and business associates are keys to our sustainability journey. We strive to achieve corporate sustainability through engaging our employees, providing quality services for our customers, collaborating with business partners and supporting our community.

The Company places significant emphasis on human capital. The Company provides a fair workplace, promoting non-discrimination and diversity to our staff, together with competitive remuneration and benefits, as well as a range of opportunities for career advancement based on employees' merits and performance. The Company administers its employee health and safety management system and ensures the adoption of the principles across the Group. The Company provides regular trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organizations.

The Company values the feedback from customers by daily communication and other means. The Company has also established the mechanism about customer service and support. The Company treats providing customer support as an opportunity to improve our relationship with the customer, addressing customer's concern in a timely manner and in accordance with international standards.

We believe that our suppliers are equally important in driving quality delivery of our project developments. Therefore, we proactively collaborate with our business partners (including suppliers and contractors) to deliver quality sustainable services.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a public float of no less than 25% of the issued shares as at the Latest Practicable Date prior to the issue of this Annual Report, which was in line with the requirement under the Listing Rules.

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2018, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's 2018 annual results and the financial statements for the year ended 31 December 2018 prepared in accordance with the IFRSs.

AUDITORS

Deloitte Touche Tohmatsu was appointed as auditor for the financial statements prepared in accordance with IFRSs for the year ended 31 December 2018. The Company's financial statements for the year 2018 prepared in accordance with IFRSs have been audited by Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu has been the auditor of the Company for the past seven years.

On 29 December 2017, the Board has resolved to appoint Grant Thornton (Special General Partnership) as the domestic auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company. At the first extraordinary general meeting of the Company held on 13 February 2018, Shareholders have approved such appointment.

FINANCIAL HIGHLIGHTS

Summary of results of operation and the assets and liabilities of the Group for the last five financial years is set out on pages 2 to 4 in the Annual Report.

MISCELLANEOUS

The Company was not aware of that any Shareholders had waived or agreed to waive any dividend arrangement for the year ended 31 December 2018.

By order of the board
Beijing Jingneng Clean Energy Co., Limited
LIU Haixia
Chairman

Beijing, the PRC
26 March 2019

I. SUPERVISORY COMMITTEE'S WORK IN 2018

(i) Supervisory Committee's Meetings Held

In 2018, the Supervisory Committee of the Company held two meetings, and the convening of the meetings, the signing of the resolutions and the exercise of Supervisors' rights were in compliance with the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure for the Supervisory Committee.

1. 2018 First Meeting of the Third Session of the Supervisory Committee

2018 first meeting of the third session of the Supervisory Committee was held on 27 March 2018 by way of on-site voting, at which the 2017 Supervisory Committee's Work Report was considered and approved.

2. 2018 Second Meeting of the Third Session of the Supervisory Committee

2018 second meeting of the third session of the Supervisory Committee was held on 28 August 2018 by way of on-site voting, at which the 2018 Interim Supervisory Committee's Work Report was considered and approved.

(ii) Attendance at the Board Meeting

In 2018, the Supervisory Committee attended the second and fifth on-site meetings of the third session of the Board held by the Company in 2018. At each meeting, relevant opinions and suggestions were issued according to the agenda and supervisory responsibilities, and the procedures and voting results of the meeting were supervised according to law, to ensure that the meetings were carried out in an orderly manner according to law.

II. SUPERVISION OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS IN 2018

During the reporting period, the Supervisory Committee of the Company conscientiously performed various supervisory duties and actively carried out work in accordance with the Company law, the Articles of Association and the rules of procedure for the Supervisory Committee. The Supervisory Committee conducted a series of supervisory and auditing activities on the Company's standardized operation, financial status, major acquisitions, asset disposal, connected transactions, information disclosure and the implementation of resolutions of the shareholders' meeting. The Supervisory Committee expressed the following supervisory opinions on the following matters:

(i) Inspecting whether the Company was in lawful operation

Through their presence at all previously-held on-site Board meetings of the Company in 2018, the members of the Supervisory Committee had reviewed the resolutions submitted to the Board for approval, as well as the Report of the General Manager, the Report of the Board, the Audited Financial Report (IFRS), the Financial Budget Report of the Company and relevant resolutions in relation to the significant decisions made by the Board and the Company in operations and management. By means of attending meetings held mentioned above, the process of the making significant decisions and the duty-performing behaviors of Board members and senior management were monitored. The Supervisory Committee was of the view that the process of making significant decisions was in compliance with laws and rules. All Board members and senior management of the Company were featured by their hardworking, diligence and dedication. Nothing was found to be in violation of law, regulations or the Articles of Association, or damaging to Shareholders' interests.

(ii) Inspection on the Company's financial condition

Members of the Supervisory Committee conducted effective and careful inspection and review on the Company's financial management system and financial status in 2018. The Supervisory Committee considered that, the Company's financial management system was sound and effective, with perfect internal control system, standardized financial operation and good financial status. The Supervisory Committee carefully reviewed the standard unqualified financial report for 2018 to be submitted by the Board to the general meeting which was audited and issued by Deloitte Touche Tohmatsu. The Board believes that the report follows the principle of consistency and truly, accurately and objectively reflects the Company's financial situation and operating results.

(iii) Inspection on the Company's major investments

In the second half of 2018, the seventh meeting of the Company's third session of the Board in 2018 considered and approved the Company's increase in registered capital of RMB940 million to BEH Finance Co., Ltd. (京能集團財務有限公司) ("BEH Finance"), after which the Company's shareholding in BEH Finance was changed from 2% to 20%. The Supervisory Committee believes that the Company's investment has fulfilled the corresponding investment decision-making procedures without insider trading and is in line with the interests of the Company and all shareholders, and there is no condition that damages the interests of small and medium shareholders or causes the loss of the Company's assets.

(iv) Inspection on the Company's connected transactions

On 30 October 2018, the Company entered into the "Capital Increase Agreement of BEH Finance Co., Ltd. (京能集團財務有限公司)" with the its connected parties BEH, BEH Finance and Jingneng Power. The Company submitted a circular, an independent financial adviser report and an accountant comfort letter to the Hong Kong Stock Exchange regarding this discloseable and connected transaction. The Supervisory Committee believes that the connected transaction satisfies the relevant regulations of the Hong Kong Stock Exchange. The pricing of the connected transaction is reasonable, open and fair, and there is no matter that damages the interests of Shareholders and the Company.

(v) Inspecting on the Company's information disclosure

The Supervisory Committee reviewed the relevant documents in relation to the announcement and disclosure made by the Company, and was of the view that the Company had disclosed lawfully, timely and fully the relevant information according to the rules of the Hong Kong Stock Exchange. No false information was found.

(vi) Inspecting on the Company's implementation of the resolutions passed in general meeting

The Supervisory Committee had no objection to the various reports and resolutions submitted to general meetings for approval during the reporting period, and the Board had faithfully implemented each resolution passed in general meetings.

III. WORK ARRANGEMENT OF THE SUPERVISORY COMMITTEE FOR 2019

In 2019, the Supervisory Committee will fully fulfill its supervisory duties, comply strictly with the relevant provisions of the Company Law of the PRC, the Articles of Association, the Rules of Procedure for the Supervisory Committee and the Listing Rules of the Hong Kong Stock Exchange, abide by the principle of good faith, and impose effective supervision on the Company and its Directors and senior management; pay close attention on the production, operation and management of the Company and monitor the significant measures of the Company, so as to promote the growth of the Company's economic benefits and safeguard the interests of all Shareholders and of the Company.

Chairman of the Supervisory Committee
LI Xun

Beijing, the PRC
26 March 2019

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders and to enhance corporate value, and accountability.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code contained in Appendix 14 of the Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

In the opinion of the Directors, throughout the year ended 31 December 2018, the Company has complied with all the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and Supervisors of the Company. All the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2018.

The Company has also established written guidelines no less exacting than the Model Code (the "**Employees Written Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The Board currently comprises 10 members, consisting of 5 non-executive Directors, 1 executive Director and 4 independent non-executive Directors.

The Board of the Company comprises the following Directors:

Non-executive Directors

LIU Haixia *(Chairman)*
JIN Shengxiang
TANG Xinbing
LI Juan
WANG Bangyi

Executive Director

ZHANG Fengyang *(General Manager)*

Independent Non-executive Directors

HUANG Xiang
ZHANG Fusheng
CHAN Yin Tsung
HAN Xiaoping

The biographical information of the Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on pages 22 to 30 of this Annual Report.

None of the members of the Board is related to one another.

Chairman and General Manager

Mr. ZHU Yan has resigned as a Director, Chairman of the Board, chairman of the strategy committee of the Board and a member of the remuneration and nomination committee of the Board with effect from 13 February 2018. Upon the approval by the Shareholders at the extraordinary general meeting of 2018, Mr. MENG Wentao has been appointed as a Director, the Chairman of the Board, the chairman of the strategy committee of the Board and a member of the remuneration and nomination committee of the Board with effect from 13 February 2018. Subsequently, Mr. MENG Wentao has resigned as a Director, the Chairman of the Board, the chairman of the strategy committee of the Board and a member of the remuneration and nomination committee of the Board with effect from 28 June 2018. Upon the approval by the Shareholders at the annual general meeting on 28 June 2018, Mr. LIU Haixia has been appointed as a Director, the Chairman of the Board, the chairman of the strategy committee of the Board and a member of the remuneration and nomination committee of the Board with effect from 28 June 2018.

Mr. CHEN Ruijun has resigned as a Director, the General Manager and a member of the strategy committee of the Board with effect from 13 February 2018. Upon the approval by the Shareholders at the extraordinary general meeting of 2018, Mr. ZHANG Fengyang has been appointed as a Director and a member of the strategy committee of the Board with effect from 13 February 2018. At the Board meeting held on the same day, the Board has resolved to appoint Mr. ZHANG Fengyang as the general manager of the Company with effect from 13 February 2018.

The positions of Chairman and General Manager are held by separate persons in order to preserve independence and a balance of views and judgment. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board in accordance with good corporate governance practice. The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

Independent non-executive Directors

During the year ended 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Non-executive Directors and Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by Shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Pursuant to the Company's Articles of Association, Directors of the Company shall be elected by the general meeting and serve a term of three years. Upon the expiry of their terms of office, the Directors may be re-elected.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the Company Secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year 2018, the Company organized training sessions for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. etc. In addition, relevant reading materials including legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

BOARD COMMITTEES

The Board has established 3 committees, namely, the Audit Committee, the Remuneration and Nomination Committee and the Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee and the Remuneration and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Members of each Board committee comprise independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 220.

Audit Committee

The Audit Committee comprises 3 non-executive Directors, namely Mr. CHAN Yin Tsung (Chairman), Mr. JIN Shengxiang and Mr. HUANG Xiang, with independent non-executive Directors in majority (including one independent non-executive Director with the accounting expertise). None of the members of the Audit Committee is a former partner of the Company's existing auditors.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, audit plan and relationship with external auditors, and evaluating arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 December 2018, the Audit Committee held two meetings to review the interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, effectiveness of the internal audit function, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises 5 members, namely Mr. HUANG Xiang (Chairman), Mr. LIU Haixia, Mr. TANG Xinbing, Mr. ZHANG Fusheng, and Mr. HAN Xiaoping, the majority of which are independent non-executive Directors.

The primary functions of the Remuneration and Nomination Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration and Nomination Committee is also responsible for reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Remuneration and Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Remuneration and Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Remuneration and Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year, the Remuneration and Nomination Committee held three meetings.

The Remuneration and Nomination Committee reviewed and made recommendation to the Board on the remuneration policy and the remuneration packages of the executive Directors and senior management, as well as assessed the performance of executive Directors and approved the terms of executive Directors' service contracts.

The Remuneration and Nomination Committee also reviewed the structure, size and composition of the Board and the independence of the independent non-executive Directors, and considered the qualifications of the retiring Directors standing for election at the general meeting.

The Remuneration and Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

Strategy Committee

The current members of the Strategy Committee are Mr. LIU Haixia (Chairman), Mr. JIN Shengxiang, Mr. TANG Xinbing and Mr. ZHANG Fengyang.

The primary function of the Strategy Committee is to make recommendations to the Board on the long-term development strategies of the Company.

During the year, the Strategy Committee held two meetings.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage as well as a key element in attaining its strategic objectives and sustainable development.

Pursuant to the Board Diversity Policy, the Remuneration and Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy. In relation to reviewing and assessing the Board composition and the nomination of directors, the Remuneration and Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience and term of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that the selection and nomination of Board positions are appropriately structured so that a diverse range of candidates are considered.

The company considers the Board has a well-balanced cultural background, educational background, industry experience and professional experience. The Board has set measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Remuneration and Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Director Nomination Policy

Board has delegated its responsibilities and authority for selection and appointment of Directors to the Remuneration and Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process in the nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity.

- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.

- Any measurable objectives adopted for achieving diversity on the Board.

- Requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.

- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.

- Candidate who is nominated as director should meet the relevant qualifications of director's appointment as stated in the Company Law of the People's Republic of China, Articles of Association of the Company and other applicable laws and regulations.

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Remuneration and Nomination Committee from time to time for nomination of directors and succession planning.

Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings.

The Remuneration and Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2018 is set out in the table below:

	Attendance/Number of Meetings during the term of office					
Name of Director	Board	Audit Committee	Remuneration and Nomination Committee	Annual General Meeting	Strategic Committee	Extraordinary General Meeting
ZHU Yan (Note 1)						0/1
LI Dawei (Note 1)						0/1
GUO Mingxing (Note 1)						0/1
ZHU Baocheng (Note 1)						1/1
YU Zhongfu (Note 4)	4/4			1/1		1/1
ZHAO Wei	7/7 (Note 2)			0/1		1/1
CHEN Ruijun (Note 1)						1/1
HUANG Xiang	6/7	2/2	3/3	0/1		0/1
ZHANG Fusheng	6/7		3/3	0/1		1/1
CHAN Yin Tsung	7/7	2/2		1/1		1/1
HAN Xiaoping	6/7		3/3	1/1		1/1
MENG Wentao (Note 3, 4)	4/4		2/2	0/1	2/2	
JIN Shengxiang (Note 3)	7/7	2/2		0/1	2/2	
TANG Xinbing (Note 3)	7/7 (Note 2)		2/2 (Note 2)	0/1	2/2 (Note 2)	
ZHANG Fengyang (Note 3)	7/7			1/1	2/2	
LIU Haixia (Note 5)	3/3			1/1		
LI Juan (Note 5)	3/3			1/1		

Note 1: The Directors resigned on 13 February 2018.

Note 2: The meeting was attended by the alternate Director of the respective Director.

Note 3: The Directors were appointed on 13 February 2018.

Note 4: The Directors resigned on 28 June 2018.

Note 5: The Directors were appointed on 28 June 2018.

Apart from regular Board meetings, the Chairman also held meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

All divisions/departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2018.

The Company has engaged external professional firm for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2018, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Arrangements/Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 71 to 76.

Where appropriate, a statement will be submitted by the Audit Committee explaining its recommendation regarding the selection, appointment, resignation or dismissal of external auditors and the reasons why the Board has taken a different view from that of the Audit Committee.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, in respect of audit services and non-audit services for the year ended 31 December 2018 is set out below:

Service Category	**Fees Paid/Payable**
Audit Services	RMB3,650,000
Non-audit Services	
– Due Diligence on financial condition	RMB740,000
– Tax consultation	RMB230,000
	RMB4,620,000

COMPANY SECRETARY

Our Company Secretary, Mr. Kang Jian ("**Mr. Kang**"), is familiar with the day-to-day affairs of the Company. All Directors of the Company are entitled to obtain the advice and services from Mr. Kang to ensure their compliance with Board procedures and all applicable laws, rules and regulations.

For the year ended 31 December 2018, Mr. Kang has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels.

To safeguard Shareholders' interests and rights, separate resolution is proposed for each substantially separate issue at Shareholders' meetings, including the election of individual Directors.

All resolutions put forward at Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each Shareholders' meeting.

Convening an Extraordinary General Meeting by Shareholders

Shareholders holding more than 10% of Shares (individually or together with others) shall be entitled to request for an extraordinary general meeting or class meeting.

Upon signing one or several written requests with the same content and format, and stating the subject of the meeting, the aforesaid Shareholders may request the Board to convene an extraordinary general meeting or class meeting. Shares held by the above Shareholders shall be calculated as at the date of submitting the written request.

Putting Forward Proposals at General Meetings

When a general meeting is held by the Company, the Board, Board of Supervisors or Shareholders who individually or together holding more than 3% of the Shares of the Company may propose resolutions to the Company. Shareholders who individually or together holding more than 3% of the Shares of the Company may submit ad hoc proposals in writing to the convener of the general meeting 10 days before the holding of the general meeting.

The contents of the proposals to be raised shall be within the scope of duties of the general meetings. It shall have a clear topic and specific matters to be resolved on, and shall be in compliance with relevant requirements of the laws, administrative regulations and the Company's Articles of Association.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	7/8 Floor, No. 6 Xibahe Road Chaoyang District, Beijing, the PRC (For the attention of the Company Secretary)

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full names, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The Chairman of the Board, non-executive Directors, independent non-executive Directors, and the chairman of all Board committees (or their delegates) will make themselves available at general meetings to meet Shareholders and answer their enquiries.

During the year under review, the Company has amended its Articles of Association. Details of the amendments are set out in the circular dated 29 December 2017. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the approval of general meeting. Such details have been disclosed in the annual report of the Company.

Deloitte.

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TO THE SHAREHOLDERS OF BEIJING JINGNENG CLEAN ENERGY CO., LIMITED
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Jingneng Clean Energy Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 77 to 216, 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, consolidated statement of changes in equity and 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 ("IAASB"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recognition of government subsidies on clean energy production	
We identified the recognition of other income of government subsidies on clean energy production (the "Government Subsidies") in compliance with the requirements as prescribed by the relevant government policy as a key audit matter due to the significance to the Group's profit or loss. The other income related to the Government Subsidies represented 25% of the Group's consolidated profit before taxation for the year ended 31 December 2018. Pursuant to the relevant government policy, the Government Subsidies will be released to profit or loss based on the actual volume of electricity generated from and sold by the Group's related gas power facilities (the "Electricity Production Data") and at the pre-determined subsidized rate. The pre-determined subsidized rate is calculated on a pricing formula set out by the Beijing Government. The parameters affecting the rate were approved by the relevant government authorities under the Beijing Government. The rate may vary from time to time which is in line with the change in natural gas price promulgated by the Beijing Government, due to that natural gas is the key material for the Group's gas power generation. The directors of the Company assessed whether the pricing formula had been appropriately applied in arriving at the pre-determined subsidized rate to calculate the amount of other income, i.e. calculating the effect of change of natural gas price incurred during the year. The Government Subsidies will be reviewed and confirmed by the Beijing Government in the next year. Details of the Government Subsidies are set out in Notes 8 and 38(a) to the consolidated financial statements.	Our procedures in relation to the Government Subsidies on clean energy production included: • Obtaining and analyzing the relevant government policy documents in connection with the Government Subsidies to identify any change occurred during the year; • Testing the Electricity Production Data by agreeing with the evidence of external customer's acceptance, on a sample basis; • Verifying the accuracy of pre-determined subsidized rate by testing relevant parameters in the pricing formula by comparing with recent government authorities' circulars to corroborate any change occurred during the current year; • Recalculating the amount of the Government Subsidies for accuracy based on the pricing formula; and • Performing a retrospective review of the calculation of the 2017 Government Subsidies by obtaining the statements of the amount of 2017 Government Subsidies to be received by the Group which was issued by the Beijing Government in 2018.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
We identified goodwill impairment as a key audit matter due to the management's significant judgment in assessing the recoverable amounts of the Group's corresponding cash-generating units ("CGUs"). The recoverable amounts of the Group's goodwill are determined based on the value-in-use calculation of the CGUs. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Details of goodwill and the related key estimation uncertainty are set out in Notes 18 and 5 to the consolidated financial statements.	Our procedures in relation to the goodwill impairment assessment included: • Evaluating and corroborating the key inputs used in management's impairment assessment, including comparisons of profit margins, revenue growth rate with the Group's historical performances, and investigating any material discrepancy; • Challenging the management's future cash flow forecast through a comparison of the underlying cash flows in the forecast with those in the budgets prepared by the management; and • Engaging internal valuation specialist to independently assess the valuation methodology and models, developing expectations in respect of the discount rate and comparing against those used by the management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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.

OTHER INFORMATION *(continued)*

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 DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Mok Sau Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	6	**16,238,805**	14,227,365
Other income	8	**1,029,099**	1,353,370
Gas consumption		**(9,038,448)**	(8,089,769)
Depreciation and amortization expense	12	**(2,230,295)**	(2,117,944)
Personnel costs	12	**(756,476)**	(700,248)
Repairs and maintenance		**(658,294)**	(560,888)
Other expenses		**(726,250)**	(710,415)
Other gains and losses	9	**(80,703)**	45,298
Impairment losses, net of reversal		**(15,784)**	–
Profit from operations		**3,761,654**	3,446,769
Interest income	10	**43,136**	33,886
Finance costs	10	**(1,142,163)**	(1,077,630)
Share of results of associates		**79,948**	49,276
Profit before taxation		**2,742,575**	2,452,301
Income tax expense	11	**(626,458)**	(516,716)
Profit for the year	12	**2,116,117**	1,935,585
Profit for the year attributable to:			
– Equity holders of the Company		**1,995,943**	1,774,473
– Holders of perpetual notes		**35,768**	77,250
– Non-controlling interests		**84,406**	83,862
		2,116,117	1,935,585
Earnings per share			
Basic *(RMB cents)*	15	**26.55**	25.83

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**2,116,117**	1,935,585
Items that will not be reclassified to profit or loss:		
Fair value loss on equity instruments at fair value through other comprehensive income	**(6,107)**	–
Income tax relating to items that will not be reclassified to profit or loss	**1,527**	–
	(4,580)	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	**(74,701)**	(11,878)
Cash flow hedges:		
(Loss) gain during the year	**(183,025)**	338,399
Income tax relating to items that may be reclassified subsequently to profit or loss	**50,771**	(101,520)
	(206,955)	225,001
Other comprehensive (expense) income for the year, net of income tax	**(211,535)**	225,001
Total comprehensive income for the year	**1,904,582**	2,160,586
Total comprehensive income for the year attributable to:		
– Equity holders of the Company	**1,784,408**	1,937,527
– Holders of perpetual notes	**35,768**	77,250
– Non-controlling interests	**84,406**	145,809
	1,904,582	2,160,586

Consolidated Statement of Financial Position

AT 31 DECEMBER 2018

	Notes	2018 RMB'000	2017 RMB'000
		At 31 December	
Non-current Assets			
Property, plant and equipment	16	34,899,238	33,948,817
Intangible assets	17	3,589,275	3,764,511
Goodwill	18	190,049	190,049
Prepaid lease payments	20	239,697	193,600
Investments in associates	21(a)	1,950,247	1,900,299
Loans to associates	21(b)	139,000	142,000
Investment in a joint venture	22(a)	152,967	80,467
Loans to a joint venture	22(b)	30,000	30,000
Deferred tax assets	23	284,596	228,246
Equity instruments at fair value through other comprehensive income	24	136,241	–
Available-for-sale financial assets	25	–	128,028
Value-added tax recoverable	29	525,080	633,528
Deposit paid for acquisition of property, plant and equipment		622,488	738,533
Restricted bank deposits	31	51,060	–
Derivative financial asset	37	–	182,499
		42,809,938	42,160,577
Current Assets			
Inventories	26	115,831	130,374
Trade and bills receivables	27	5,364,872	3,867,593
Other receivables, deposits and prepayments	28	359,081	374,640
Current tax assets		15,098	14,982
Amounts due from related parties	47(a)	158,017	460,712
Prepaid lease payments	20	6,081	6,033
Value-added tax recoverable	29	362,287	302,617
Financial asset at fair value through profit or loss	30	227,313	–
Held for trading financial asset	30	–	247,175
Restricted bank deposits	31	102,005	715,894
Cash and cash equivalents	32	5,420,937	2,675,087
		12,131,522	8,795,107

Consolidated Statement of Financial Position

AT 31 DECEMBER 2018

	Notes	At 31 December 2018 RMB'000	2017 RMB'000
Current Liabilities			
Trade and other payables	33	3,708,661	3,483,214
Amounts due to related parties	47(b)	129,938	83,074
Bank and other borrowings – due within one year	34	8,864,459	9,922,736
Short-term debentures	35	6,086,848	6,000,000
Medium-term notes	36	80,189	–
Contract liabilities		88,564	–
Income tax payable		128,598	95,977
Deferred income	38	304,660	238,167
		19,391,917	19,823,168
Net Current Liabilities		(7,260,395)	(11,028,061)
Total Assets less Current Liabilities		35,549,543	31,132,516
Non-current Liabilities			
Derivative financial liabilities	37	49,202	8,714
Bank and other borrowings – due after one year	34	9,824,454	9,494,596
Medium-term notes	36	3,490,094	2,002,713
Deferred tax liabilities	23	177,799	196,554
Deferred income	38	464,824	487,769
Other non-current liability	39	31,570	37,069
		14,037,943	12,227,415
Net Assets		21,511,600	18,905,101
Capital and Reserves			
Share capital	40	8,244,508	6,870,423
Reserves		12,869,870	9,938,168
Equity attributable to equity holders of the Company		21,114,378	16,808,591
Perpetual notes	42	–	1,527,982
Non-controlling interests		397,222	568,528
Total Equity		21,511,600	18,905,101

The consolidated financial statements on pages 77 to 216 were approved and authorized for issue by the board of directors on 26 March 2019 and are signed on its behalf by:

LIU Haixia
Director

ZHANG Fengyang
Director

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to ordinary shareholders of the Company											
	Share capital	Capital reserve	Statutory surplus reserve	Other reserves	Fair value through other comprehensive income reserve	Cash flow hedging reserve	Currency translation differences	Retained profits	Total	Perpetual notes	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 40)	*(Note 41)*	*(Note (a))*	*(Note (b))*						*(Note 42)*		
At 31 December 2017	6,870,423	2,303,646	1,926,756	(81,279)	-	48,083	(104,098)	5,845,060	16,808,591	1,527,982	568,528	18,905,101
Adjustment *(Note 3)*	-	-	-	-	10,740	-	-	-	10,740	-	-	10,740
At 1 January 2018 (Restated)	6,870,423	2,303,646	1,926,756	(81,279)	10,740	48,083	(104,098)	5,845,060	16,819,331	1,527,982	568,528	18,915,841
Profit for the year	-	-	-	-	-	-	-	1,995,943	1,995,943	35,768	84,406	2,116,117
Other comprehensive expense for the year	-	-	-	-	(4,580)	(132,254)	(74,701)	-	(211,535)	-	-	(211,535)
Total comprehensive (expense) income for the year	-	-	-	-	(4,580)	(132,254)	(74,701)	1,995,943	1,784,408	35,768	84,406	1,904,582
Issue of shares *(Note 40)*	1,374,085	1,645,986	-	-	-	-	-	-	3,020,071	-	-	3,020,071
Issuance cost	-	(1,659)	-	-	-	-	-	-	(1,659)	-	-	(1,659)
Acquisition of non-controlling interests *(Note (c))*	-	-	-	14,141	-	-	-	-	14,141	-	(219,981)	(205,840)
Repayment of perpetual notes *(Note 42)*	-	(13,500)	-	-	-	-	-	-	(13,500)	(1,486,500)	-	(1,500,000)
Appropriation to statutory surplus reserve	-	-	189,865	-	-	-	-	(189,865)	-	-	-	-
Capital contribution in a subsidiary from non-controlling interest	-	-	-	-	-	-	-	-	-	-	27,595	27,595
Dividend declared	-	-	-	-	-	-	-	(508,414)	(508,414)	(77,250)	(63,326)	(648,990)
At 31 December 2018	8,244,508	3,934,473	2,116,621	(67,138)	6,160	(84,171)	(178,799)	7,142,724	21,114,378	-	397,222	21,511,600
At 1 January 2017	6,870,423	2,303,646	1,535,883	(81,279)	-	(129,577)	(89,492)	4,969,871	15,379,475	1,527,982	487,855	17,395,312
Profit for the year	-	-	-	-	-	-	-	1,774,473	1,774,473	77,250	83,862	1,935,585
Other comprehensive income (expense) for the year	-	-	-	-	-	177,660	(14,606)	-	163,054	-	61,947	225,001
Total comprehensive income (expense) for the year	-	-	-	-	-	177,660	(14,606)	1,774,473	1,937,527	77,250	145,809	2,160,586
Appropriation to statutory surplus reserve	-	-	390,873	-	-	-	-	(390,873)	-	-	-	-
Capital contribution in a subsidiary from non-controlling interest	-	-	-	-	-	-	-	-	-	-	8,000	8,000
Dividend declared	-	-	-	-	-	-	-	(508,411)	(508,411)	(77,250)	(73,136)	(658,797)
At 31 December 2017	6,870,423	2,303,646	1,926,756	(81,279)	-	48,083	(104,098)	5,845,060	16,808,591	1,527,982	568,528	18,905,101

Notes:

(a) According to the relevant requirement in the memorandum and articles of association of Beijing Jingneng Clean Energy Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), a portion of their profits after taxation computed in accordance with the relevant accounting principles and financial regulations in the People's Republic of China (the "PRC") ("PRC GAAP") will be transferred to statutory surplus reserve. The transfer to this reserve must be made before the distribution of a dividend to ordinary shareholders. Such statutory surplus reserve can be used to offset the previous years' losses, if any, or increase capital. The statutory surplus reserve is non-distributable other than upon liquidation.

(b) Other reserves represent: (i) the share of other comprehensive income of associates and a joint venture; (ii) the share of equity movement arising from an associate's equity transaction with its non-controlling interest.

(c) In March 2018, the Group purchased 25% equity interest of New Gullen Wind Farm ("New GRWF") from Xinjiang Goldwind Science Technology Co., Ltd, which is the minority shareholder. Since then, the Group held 100% equity interest of New GRWF.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Operating activities		
Profit before taxation	**2,742,575**	2,452,301
Adjustments for:		
Depreciation and amortization expense	**2,230,295**	2,117,944
Change in fair value of financial asset at fair value through profit or loss	**30,655**	–
Change in fair value of held for trading financial asset	**–**	1,210
Impairment losses, net of reversal	**15,784**	1,956
Dividend from equity instruments at fair value through other comprehensive income	**(11,124)**	–
Dividend from available-for-sale financial assets	**–**	(4,486)
Loss on disposal of property, plant and equipment	**2,200**	2,722
Loss on ineffectiveness of cash flow hedging instrument	**29,369**	–
Share of results of associates	**(79,948)**	(49,276)
Interest income	**(43,136)**	(33,886)
Finance costs	**1,142,163**	1,077,630
Prepaid lease payments released to profit or loss	**6,081**	6,033
Release of a contractual obligation	**(5,315)**	(5,699)
Deferred income released to profit or loss	**(703,402)**	(1,067,373)
Operating cash flows before movements in working capital	**5,356,197**	4,499,076
Movements in working capital:		
Decrease (increase) in inventories	**14,542**	(2,008)
Increase in trade and bills receivables	**(1,513,063)**	(501,431)
Decrease (increase) in amounts due from related parties	**299,072**	(69,205)
Decrease in other receivables, deposits and prepayments	**266,967**	206,752
Increase in trade and other payables	**408,937**	691,259
Increase (decrease) in amounts due to related parties	**50,318**	(27,363)
Increase in deferred income	**742,275**	1,206,075
Increase in contract liabilities	**28,533**	–
Cash generated from operations	**5,653,778**	6,003,155
Income tax paid	**(663,345)**	(568,814)
Net cash generated from operating activities	**4,990,433**	5,434,341
Investing activities		
Interest received	**37,385**	18,119
Dividends received	**51,943**	92,946
Repayment of loans by associates	**142,000**	6,000
Cash advanced to associates	**(139,000)**	–
Cash advanced to a joint venture	**–**	(15,000)
Capital injection into joint ventures	**(72,500)**	–

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Purchases of:		
– Property, plant and equipment	**(3,234,672)**	(4,319,756)
– Intangible assets	**(38,038)**	(79,546)
Cash outflow on acquisition of subsidiaries	**(4,148)**	–
Addition of prepaid lease payments on land use rights	**(52,027)**	(8,106)
Proceeds on disposal of property, plant and equipment	**6,779**	606
Withdrawal of restricted bank deposits	**656,573**	91,992
Placement of restricted bank deposits	**(93,744)**	(710,580)
Cash received from government grants	**4,675**	24,070
Net cash used in investing activities	**(2,734,774)**	(4,899,255)
Financing activities		
Acquisition of partial interest of a subsidiary	**(205,840)**	–
Interest paid	**(1,014,315)**	(1,096,823)
Cash received from capital contribution of non-controlling interest	**27,595**	8,000
New bank and other borrowings raised	**8,926,609**	9,913,600
Repayments of bank and other borrowings	**(9,698,347)**	(7,598,251)
Proceeds from issuance of short-term debentures	**8,500,000**	8,000,000
Issuance cost for short-term debentures	**(23,299)**	–
Repayment of short-term debentures	**(8,500,000)**	(8,000,000)
Proceeds from issuance of medium-term notes	**1,500,000**	1,994,340
Issuance cost for medium-term notes	**(11,035)**	–
Proceeds from issue of new shares	**3,020,071**	–
Expenses on issue of new shares	**(1,659)**	–
Repayments of perpetual note	**(1,500,000)**	–
Repayment of corporate bonds	**–**	(2,200,000)
Dividends paid to:		
– Ordinary shareholders of the Company	**(508,414)**	(508,411)
– Non-controlling interests	**–**	(69,997)
– Holders of perpetual notes	**(77,250)**	(77,250)
Net cash from financing activities	**434,116**	365,208
Net increase in cash and cash equivalents	**2,689,775**	900,294
Cash and cash equivalents at the beginning of the year	**2,675,087**	1,772,006
Effect of foreign exchange rate changes	**56,075**	2,787
Cash and cash equivalents at the end of the year	**5,420,937**	2,675,087
Represented by:		
Cash and cash equivalents at the end of the year	**5,420,937**	2,675,087

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

The Company was a joint stock company established in the People's Republic of China (the "PRC") with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the Company's registered office is Room 118, No. 1 Ziguang East Road, Badaling Economic Development Zone, Yanqing District, Beijing, the PRC. The principal place of business of the Company is No. 6 Xibahe Road, Chaoyang District, Beijing, the PRC.

In the opinion of the directors of the Company (the "Directors"), 北京能源集團有限責任公司 (Beijing Energy Holding Co., Ltd., English name for identification purpose) ("BEH") is the Company's ultimate holding company (also the immediate parent company). BEH is a state-owned enterprise established in the PRC with limited liability and is wholly-owned by 北京市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are gas-fired power and heat energy generation, wind power generation, photovoltaic power generation, hydropower generation and other businesses.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the Directors have given careful consideration that at 31 December 2018, the Group has net current liabilities of RMB7,260,395,000. The Group meets its working capital requirements with cash generated from its operating activities and available financing facilities from banks. At 31 December 2018, the Group has committed unutilized financing facilities granted to the Group amounted to approximately RMB30,581,115,000, of which approximately RMB29,686,115,000 are subject to renewal during the next 12 months from the date of the consolidated statement of financial position. The Directors are confident that these financing facilities will continue to be available to the Group for the foreseeable period not less than 12 months from the date of the consolidated statement of financial position. Based on the assessment, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year:

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
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*
Amendments to IAS 28	*As part of the Annual Improvements to IFRSs 2014-2016 Cycle*
Amendments to IAS 40	*Transfers of Investment Property*

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognized in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transitional provisions in IFRS 15, the Group has elected to apply the Standard retrospectively only to contacts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 *Revenue* and IAS 11 *Construction Contracts* and the related interpretations.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.1 IFRS 15 Revenue from Contracts with Customers *(continued)*

The Group recognizes revenue from the following major sources which arise from contracts with customers:

- Sales of electricity
- Sales of heat energy
- Repairs and maintenance and other services

Summary of effects arising from initial application of IFRS 15

The transition to IFRS 15 does not have impact on the Group's retained profits at 1 January 2018.

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017 *RMB'000*	Reclassification *RMB'000*	Carrying amounts under IFRS 15 at 1 January 2018* *RMB'000*
Current Liabilities				
Trade and other payables	*(a)*	3,483,214	(60,031)	3,423,183
Contract liabilities		–	60,031	60,031

* The amounts in this column are before the adjustments from the application of IFRS 9.

(a) As at 1 January 2018, advances from customers of RMB60,031,000 in respect of electricity sales contracts previously included in trade and other payables were reclassified to contract liabilities.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.1 IFRS 15 Revenue from Contracts with Customers *(continued)*

Summary of effects arising from initial application of IFRS 15 (continued)

The following tables summarize the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Current Liabilities			
Trade and other payables	3,708,661	88,564	3,797,225
Contract liabilities	88,564	(88,564)	–

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of IFRS 15
	RMB'000	*RMB'000*	*RMB'000*
Operating Activities			
Increase in trade and other payables	408,937	28,533	437,470
Increase in contract liabilities	28,533	(28,533)	–

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.2 IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets, and (3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transitional provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognized in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

In addition, the Group applied the hedge accounting prospectively.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.2 IFRS 9 Financial Instruments *(continued)*

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale financial assets	Held for trading financial asset	Financial asset at fair value through profit or loss ("FVTPL")	Equity instruments at fair value through other comprehensive income ("FVTOCI")	Deferred tax assets/ liabilities	FVTOCI reserve
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Closing balance at 31 December 2017 – IAS 39		128,028	247,175	–	–	31,692	–
Effect arising from initial application of IFRS 9:							
Reclassification							
From available-for-sale financial assets	*(a)*	(128,028)	–	–	128,028	–	–
From held for trading financial asset	*(b)*	–	(247,175)	247,175	–	–	–
Remeasurement							
From cost less impairments to fair value	*(a)*	–	–	–	14,320	(3,580)	10,740
Opening balance at 1 January 2018		–	–	247,175	142,348	28,112	10,740

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.2 IFRS 9 Financial Instruments *(continued)*

Summary of effects arising from initial application of IFRS 9 (continued)

Notes:

(a) From available-for-sale financial assets to equity instruments at FVTOCI

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available for sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, RMB128,028,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, all of which related to unquoted equity investments previously measured at cost less impairment under IAS 39. The fair value gains of RMB14,320,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 January 2018.

(b) From held for trading financial asset to financial asset at FVTPL

The Group has reassessed its investment in equity security classified as held for trading under IAS 39 as if the Group had purchased this investment at the date of initial application. Based on the facts and circumstances as at the date of initial application, RMB247,175,000 of the Group's investment was held for trading and continued to be measured at FVTPL.

(c) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Trade receivables have been assessed individually.

ECL for other financial assets at amortized cost, including other receivables and deposits, loans to associates, loans to a joint venture, amounts due from related parties, bills receivable, restricted bank deposits and cash and cash equivalents are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. As the assessed amount is not material, no additional credit loss allowance has been recognized against retained profits as at 1 January 2018.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

3.3 Impacts on opening consolidated statement of financial position arising from application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognized for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) *RMB'000*	IFRS 15 *RMB'000*	IFRS 9 *RMB'000*	1 January 2018 (Restated) *RMB'000*
Non-current Assets				
Available-for-sale financial assets	128,028	–	(128,028)	–
Equity instruments at FVTOCI	–	–	142,348	142,348
Current Assets				
Held-for-trading financial asset	247,175	–	(247,175)	–
Financial asset at FVTPL	–	–	247,175	247,175
Current Liabilities				
Trade and other payables	3,483,214	(60,031)	–	3,423,183
Contract liabilities	–	60,031	–	60,031
Non-current Liabilities				
Deferred tax liabilities	196,554	–	3,580	200,134
Capital and Reserves				
Reserves	9,938,168	–	10,740	9,948,908

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs, that have been issued but are not yet effective:

IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 3	*Definition of a Business*[4]
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*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[5]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Amendments to IFRSs	*Annual Improvements to IFRS Standards 2015-2017 Cycle*[1]

Notes:

(1) Effective for annual periods beginning on or after 1 January 2019

(2) Effective for annual periods beginning on or after a date to be determined

(3) Effective for annual periods beginning on or after 1 January 2021

(4) Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

(5) Effective for annual periods beginning on or after 1 January 2020

Except for the new IFRS mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications amongst other. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented both as financing cash flows by the Group.

Under IAS 17, the Group has already recognized an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

IFRS 16 *Leases (continued)*

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB296,633,000 (2017: RMB323,694,000) as disclosed in Note 43. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurements, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying IAS17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained profits without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Changes in the Group's interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognized in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recogniszd in other comprehensive income and measured under IFRS 9/ IAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described blow.

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 3)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 3) *(continued)*

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 3) *(continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation:

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognizes interest income during the period between the payment from customers and the transfer of the associated goods or services.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (prior to 1 January 2018) *(continued)*

Revenue from sale of goods, including electricity, heat energy and other goods, is recognized when such goods are delivered and titles have passed.

The Group sells several carbon credits including:

(i) Certified Emission Reductions generated from wind farms or other clean energy facilities which have been registered under the United Nation's Clean Development Mechanism ("CDM").

(ii) Voluntary Emission Reductions generated from CDM projects but generated before the registration with CDM.

(iii) Chinese Certified Emission Reductions generated from wind farms or other clean energy facilities which have been registered under the National Development and Reform Commission.

(iv) Beijing Emission Allowances, which transact on the Beijing Environment Exchange.

(v) Large Generator Credits, which are the carbon credits registered under Australian clean energy framework.

The revenue in relation to carbon credits are recognized when there is a persuasive arrangement between the Group and a buyer, the selling price is fixed or determinable, the relevant electricity has been generated, and the consideration is payable.

Service income is recognized when services are provided.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

Leasehold land and buildings

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payment can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the lease hold is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange prevailing rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of currency translation difference on translating foreign operations (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 cost eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes under the state-managed retirement benefits schemes in the PRC are charged as an expense when employees have rendered service entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate and tax laws that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized in profit or loss, except when they relates to items that are recognized in the other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, other than construction in progress are stated at cost less accumulated depreciation and any recognized impairment loss except for certain property, plant and equipment stated at deemed cost under PRC GAAP less accumulated depreciation and any recognized impairment loss on the first adoption of IFRSs.

Depreciation is recognized so as to write off the cost or deemed cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 item, is included in profit or loss in the period in which the item is derecognized.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

The Group recognize an intangible asset arising from the wind farm concession arrangement when it has a right to receive the income for the usage of the concession infrastructure. Intangible assets recognized as a consideration for providing construction services in a concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets other than goodwill *(continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets (or a cash-generating unit) for which the estimated future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations applies*.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) **Amortised cost and interest income**

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) (continued)

(ii) **Equity instruments designated as at FVTOCI**

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) **Financial assets at FVTPL**

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and bills receivables, other receivables, deposits, amounts due from related parties, bank balances, restricted bank deposits, loans to associates and loan to a joint venture). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) **Significant increase in credit risk**

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3) (continued)

(i) **Significant increase in credit risk** *(continued)*

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

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3) (continued)

(ii) **Definition of default**

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due (except for clean energy power price premium) unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) **Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3) (continued)

(v) **Measurement and recognition of ECL** *(continued)*

- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables, other receivables and deposits, where the corresponding adjustment is recognized through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

The Group's financial assets are classified into financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liabilities and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liabilities, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in Note 49.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Dividends on available-for-sale equity investments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables and deposits, amounts due from related parties, loans to associates and a joint venture, restricted bank deposits, and cash and cash equivalents) are carried at amortized cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale financial assets, a significant or prolonged decline in the fair value of security below its cost is considered to be objective evidence of impairment.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For loans and receivables which carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade, bills and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When trade, bills and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For available-for-sale financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is recognized in profit or loss and will not be reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (continued)

For loans and receivables, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the original carrying amount would have been had the impairment not been recognized.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Perpetual notes issued by a group entity, which includes no contractual obligation for the Group to deliver cash or other financial assets to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, is classified as an equity instrument and is initially recorded at the proceeds received.

A non-derivative contract that will or may oblige the Group to deliver a fixed number of a group entity's own ordinary shares (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity. A derivative contract that will or may be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of a group entity's own equity instruments (subject to anti-dilutive adjustments) is classified as an equity instrument of the group entity.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Financial liabilities

Financial liabilities including trade and other payables, amounts due to related parties, bank and other borrowings, medium-term notes and short-term debentures are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness (under IFRS 9 since 1 January 2018)

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge 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; and
- 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 entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Assessment of hedging relationship and effectiveness (before application of IFRS 9 on 1 January 2018)

The Group designates certain derivatives as hedging instruments for cash flow hedges. At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedging transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the ‘other gains and losses’ line item.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Hedge accounting (continued)

Cash flow hedges (continued)

Amounts previously recognized in other comprehensive income and accumulated in equity (cash flow hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item.

Discontinuation of hedge accounting (under IFRS 9 since 1 January 2018)

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Discontinuation of hedge accounting (before application of IFRS 9 on 1 January 2018)

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting.

For cash hedge, any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognized when, and only when, the obligation specified in the relevant contract is discharged, cancelled or has expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Useful lives of property, plant and equipment

The Group's management determines the useful lives and related depreciation expenses for its property, plant and equipment, after taking into account of the estimated residual value. This estimate is based on historical experience on the projected wear and tear incurred during power generation. It might change significantly as a result of technical innovations. The depreciation expense for future periods would be adjusted if there are significant changes from previous estimates. At 31 December 2018, the carrying amounts of property, plant and equipment are set out in Note 16.

Useful lives of concession rights and operation rights

The Group's management determines the useful lives and related amortization expenses for its wind farm concession rights and wind or hydropower operation rights. This estimate is based on corresponding legal or contractual arrangements, projected profitability, and current legal and economic environment. It might be significantly affected by factors that include but not limited to the changes in the legal and regulatory framework, economic environment, the technical innovation, etc. The amortization expense for future periods would be adjusted if there are significant changes from previous estimates. At 31 December 2018, the carrying amounts of wind farm concession rights and wind or hydropower operation rights are set out in Note 17.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Impairment losses of non-current assets other than goodwill

In considering the impairment losses that may be required for certain of the Group's assets which mainly include property, plant and equipment, intangible assets and prepaid lease payments, recoverable amount of the asset needs to be determined. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to its present value, which requires significant judgments relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs. At 31 December 2018, the carrying amounts of property, plant and equipment, intangible assets and prepaid lease payments are set out in Notes 16, 17 and 20 respectively.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash generating units ("CGUs") to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill at 31 December 2018 is set out in Note 18.

Impairment of trade receivables

The Group assesses impairment of trade receivables based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors general economic conditions and assessment of both the current as well as the forecast direction of conditions at end of the reporting period.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 49 and 27, respectively.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Fair value measurement of financial derivative – Power purchase agreement

Determining the fair value of the Power Purchase Agreement (the "PPA") derivative requires an estimation of the future electricity spot price in Australia, the volume of electricity generated by New Gullen Range Wind Farm Pty Ltd., ("New GRWF", a subsidiary of the Company), and a suitable discount rate in order to calculate the present value of future cash flow. Changes in the assumptions in the valuation model and inputs might affect the reported fair value of the financial derivative. Information of the fair value of the financial derivative at 31 December 2018 is set out in Note 49.

Fair value measurement of equity instruments

The Group's unquoted equity instruments amounting to RMB136,241,000 as at 31 December 2018 are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors might affect the reported fair values of these equity instruments. Further information are set out in note 49.

6. REVENUE

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	Gas-fired power and heat energy generation *RMB'000*	Wind power *RMB'000*	Photovoltaic power *RMB'000*	Hydropower *RMB'000*	Others *RMB'000*	Total *RMB'000*
Types of goods and services						
Sales of electricity	10,755,827	2,115,028	1,171,286	362,640	–	14,404,781
Sales of heat energy	1,823,955	–	–	–	–	1,823,955
Repairs and maintenance and other services	–	–	–	–	10,069	10,069
Timing of revenue recognition						
A point in time	12,579,782	2,115,028	1,171,286	362,640	–	16,228,736
Over time	–	–	–	–	10,069	10,069
Revenue from contracts with customers	12,579,782	2,115,028	1,171,286	362,640	10,069	16,238,805

(ii) Performance obligations for contracts with customers

Majority of the sales of electricity to provincial power grid companies are pursuant to the power purchase agreements entered into between the Group and the respective provincial power grid companies, the Group's sales of electricity are made to these power grid companies at the tariff rates agreed with the respective provincial power grid companies as approved by the relevant government authorities.

Sales of heat energy to heat customers are pursuant to the heat energy purchase agreements entered into between the Group and the heat customers, the Group's sales of heat energy are made to the heat customers at the tariff rates approved by the Beijing Municipal Commission of Development and Reform.

6. REVENUE *(continued)*

A. For the year ended 31 December 2018 *(continued)*

(ii) Performance obligations for contracts with customers (continued)

For sales of electricity and heat energy, revenue is recognized when control of electricity and heat has been transferred, being when electricity and heat is supplied to the power grid companies and the heat customers. The normal credit term is 60 days upon electricity and heat is supplied. Other than the clean energy power price premium, there is no significant financing component among the payment terms of sales of electricity and heat.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognizing revenue are within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Geographical information

	Total *RMB'000*
Geographical market	
Mainland China	**16,090,751**
Overseas	**148,054**
Total	**16,238,805**

6. REVENUE *(continued)*

B. For the year ended 31 December 2017

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

	Total
	RMB'000
Sales of goods:	
– Electricity	12,671,397
– Heat energy	1,538,637
Others	17,331
Total	14,227,365

7. SEGMENT INFORMATION

The Group manages its businesses by divisions, such as performing the monthly revenue analysis by segments which are organized by types of business. Information is reported internally to the Group's chief operating decision maker ("CODM"), including general manager, deputy general managers and financial controller, for the purposes of resource allocation and performance assessment. The Group has presented the following operating and reportable segments.

– Gas-fired power and heat energy generation: managing and operating natural gas-fired power plants and generating electric power and heat energy for sale to external customers.

– Wind power: constructing, managing and operating wind power plants and generating electric power for sale to external customers.

– Photovoltaic power: managing and operating photovoltaic power plants and sales of electricity generated to external customers.

– Hydropower: managing and operating hydropower plants and sales of electricity generated to external customers.

Business activities other than "Gas-fired power and heat energy generation", "Wind power", "Photovoltaic power" and "Hydropower" are grouped and presented as "Others" in the segment information.

7. SEGMENT INFORMATION *(continued)*

(a) Segment revenue, results, assets and liabilities

An analysis of the Group's reportable segment revenue, results, assets, and liabilities for the years ended 31 December 2018 and 2017 by operating and reportable segment is as follows:

	Gas-fired power and heat energy generation *RMB'000*	Wind power *RMB'000*	Photovoltaic power *RMB'000*	Hydropower *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2018						
Revenue from external customers	12,579,782	2,115,028	1,171,286	362,640	10,069	16,238,805
Reportable segment revenue/consolidated revenue	12,579,782	2,115,028	1,171,286	362,640	10,069	16,238,805
Reportable segment results *(Note (i))*	2,181,982	959,945	670,479	105,248	(167,124)	3,750,530
Reportable segment assets	15,958,062	18,175,811	11,138,585	3,154,097	21,560,640	69,987,195
Reportable segment liabilities	(9,101,055)	(12,162,023)	(7,449,600)	(2,130,939)	(20,018,632)	(50,862,249)
Additional segment information:						
Depreciation	825,019	728,008	364,640	108,769	797	2,027,233
Amortization	8,748	168,427	703	24,693	491	203,062
Finance costs *(Note (ii))*	123,577	454,976	201,055	73,019	289,536	1,142,163
Other income	730,548	253,009	8,688	1,533	24,197	1,017,975
Including:						
– Government grants related to clean energy production	653,658	22,124	–	–	–	675,782
– Grants related to construction of assets	15,098	5,428	6,459	635	–	27,620
– Income from carbon credits	10,258	128,935	–	–	–	139,193
– Others	51,534	96,522	2,229	898	24,197	175,380
Expenditures for reportable segment non-current assets	740,533	547,959	2,288,073	17,458	26,323	3,620,346

7. SEGMENT INFORMATION *(continued)*

(a) Segment revenue, results, assets and liabilities *(continued)*

	Gas-fired power and heat energy generation *RMB'000*	Wind power *RMB'000*	Photovoltaic power *RMB'000*	Hydropower *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2017						
Revenue from external customers						
Sales of electricity	9,535,247	1,902,478	868,913	364,759	–	12,671,397
Sales of heat energy	1,538,637	–	–	–	–	1,538,637
Others	–	–	–	–	17,331	17,331
Reportable segment revenue/consolidated revenue	11,073,884	1,902,478	868,913	364,759	17,331	14,227,365
Reportable segment results *(Note (i))*	2,074,940	835,050	486,849	98,881	(53,437)	3,442,283
Reportable segment assets	15,179,850	18,193,549	8,488,121	3,348,990	15,283,166	60,493,676
Reportable segment liabilities	(8,691,547)	(12,280,297)	(5,914,458)	(2,079,955)	(14,838,827)	(43,805,084)
Additional segment information:						
Depreciation	825,342	703,348	270,813	117,946	822	1,918,271
Amortization	6,452	167,944	230	24,572	475	199,673
Finance costs *(Note (ii))*	151,508	469,384	127,164	65,526	264,048	1,077,630
Other income	1,108,409	236,322	2,730	980	443	1,348,884
Including:						
– Government grants related to clean energy production	1,027,332	21,658	–	–	–	1,048,990
– Grants related to construction of assets	12,670	2,782	2,486	445	–	18,383
– Income from carbon credits	4,402	126,951	–	–	–	131,353
– Others	64,005	84,931	244	535	443	150,158
Expenditures for reportable segment non-current assets	416,062	572,198	2,048,178	36,222	68,760	3,141,420

7. SEGMENT INFORMATION *(continued)*

(a) Segment revenue, results, assets and liabilities *(continued)*

Notes:

(i) The segment results are arrived at after the deduction from revenue of gas consumption, depreciation and amortization expense, personnel costs, repairs and maintenance, other expenses, other gains and losses and other income (excluding dividend from equity instruments at FVTOCI (2017: available-for-sale financial assets)).

(ii) Finance costs have been allocated among the segments for the additional information to the CODM, but are not considered to arrive at the segment profit. It represents amounts regularly provided to the CODM but not included in the measure of segment profit or loss. However, the relevant borrowings have been allocated into the segment liabilities.

(b) Reconciliations of segment results, assets and liabilities to the consolidated financial statements

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Results		
Reportable segment profit	**3,750,530**	3,442,283
Unallocated		
Dividend income from equity instruments at FVTOCI	**11,124**	–
Dividend income from available-for-sale financial assets	**–**	4,486
Profit from operations	**3,761,654**	3,446,769
Interest income	**43,136**	33,886
Finance costs	**(1,142,163)**	(1,077,630)
Share of results of associates	**79,948**	49,276
Consolidated profit before taxation	**2,742,575**	2,452,301

7. SEGMENT INFORMATION *(continued)*

(b) Reconciliations of segment results, assets and liabilities to the consolidated financial statements *(continued)*

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Assets		
Reportable segment assets	**69,987,195**	60,493,676
Inter-segment elimination	**(18,626,153)**	(12,983,177)
Unallocated assets:		
– Investments in associates	**1,950,247**	1,900,299
– Loans to associates	**139,000**	142,000
– Investment in a joint venture	**152,967**	80,467
– Loans to a joint venture	**30,000**	30,000
– Deferred tax assets	**284,596**	228,246
– Equity instruments at FVTOCI	**136,241**	–
– Available-for-sale financial assets	**–**	128,028
Different presentation on:		
– Value-added tax recoverable *(Note)*	**887,367**	936,145
Consolidated total assets	**54,941,460**	50,955,684

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Liabilities		
Reportable segment liabilities	**50,862,249**	43,805,084
Inter-segment elimination	**(18,626,153)**	(12,983,177)
Unallocated liabilities:		
– Income tax payable	**128,598**	95,977
– Deferred tax liabilities	**177,799**	196,554
Different presentation on:		
– Value-added tax recoverable *(Note)*	**887,367**	936,145
Consolidated total liabilities	**33,429,860**	32,050,583

7. SEGMENT INFORMATION *(continued)*

(b) Reconciliations of segment results, assets and liabilities to the consolidated financial statements *(continued)*

Note: Value-added tax recoverable was net-off with value-added tax payables under segment information, but reclassified and presented as assets on the consolidated statement of financial position.

All assets are allocated to reportable segments, other than equity instruments at FVTOCI (2017: available-for-sale financial assets), investments in associates and a joint venture, loans to associates and a joint venture, value-added tax recoverable and deferred tax assets; all liabilities are allocated to reportable segments other than income tax payable and deferred tax liabilities.

(c) Geographical information

Over 90% of the Group's revenue is generated from customers in the PRC and over 90% of the Group's non-current assets (not including deferred tax assets and financial assets) are located in the PRC. Therefore no geographical segment information is presented.

(d) Information of major customers

Revenue from the PRC government controlled power grid companies for the year ended 31 December 2018 amounted to RMB14,230,408,000 (2017: RMB12,613,093,000). Sales of electricity to the major customers for the year ended 31 December 2018 by segment were as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Gas-fired power and heat energy generation	**10,755,827**	9,532,728
Wind power	**1,981,192**	1,902,478
Photovoltaic power	**1,171,286**	868,914
Hydropower	**322,103**	308,973
Total	**14,230,408**	12,613,093

8. OTHER INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Government grants and subsidies related to:		
– Clean energy production *(Note 38(a))*	**675,782**	1,048,990
– Construction of assets *(Note 38(b))*	**27,620**	18,383
Income from carbon credits *(Note (a))*	**139,193**	131,353
Value-added tax refunds *(Note (b))*	**120,572**	108,465
Dividend from equity instruments at FVTOCI	**11,124**	–
Dividend from available-for-sale financial assets	**–**	4,486
Others	**54,808**	41,693
	1,029,099	1,353,370

Notes:

(a) During the year ended 31 December 2018, income from carbon credits was mainly derived from the sales of carbon credits registered under relevant mechanisms in Australia and the PRC.

(b) The Group is entitled to a 50% refund of value-added tax for its revenue from the sale of electricity generated from the wind farms and photovoltaic farms, and a full refund of value-added tax for its revenue from the sale of heat energy to residential customers. The income of the value-added tax refund is recognized when relevant value-added tax refund application is registered with the relevant PRC tax authorities.

9. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Other gains (losses) comprise:		
Impairment loss on doubtful receivables	**–**	(1,956)
Loss on disposal of property, plant and equipment	**(2,200)**	(2,722)
Net exchange (loss) gain	**(15,665)**	51,577
Loss arising on change in fair value of financial asset classified as FVTPL *(Note 30)*	**(30,655)**	–
Loss arising on change in fair value of financial asset classified as held for trading *(Note 30)*	**–**	(1,210)
Loss on ineffectiveness of cash flow hedging instrument *(Note 49)*	**(29,369)**	–
Others	**(2,814)**	(391)
	(80,703)	45,298

10. INTEREST INCOME/FINANCE COSTS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest income from:		
– Loans to associates	**6,751**	6,886
– Loans to a joint venture	**1,445**	978
– Deposits with a related non-bank financial institution *(Note)*	**14,908**	18,626
– Bank balances and deposits	**20,032**	7,396
Total interest income	**43,136**	33,886
Interest on bank and other borrowings, short-term debentures, corporate bonds and medium-term notes	**1,236,813**	1,128,991
Less: Amounts capitalized in property, plant and equipment	**(94,650)**	(51,361)
Total finance costs	**1,142,163**	1,077,630
Net finance costs	**1,099,027**	1,043,744

	Year ended 31 December	
	2018	2017
Capitalization rate of borrowing costs to expenditure on qualifying assets	**5.11%**	4.90%

Note: A related non-bank financial institution refers to 京能集團財務有限公司 (BEH Finance Co, Ltd., English name for identification purpose) ("BEH Finance") which is a subsidiary of BEH.

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax	**654,645**	553,184
Other jurisdictions	**–**	–
	654,645	553,184
Deferred tax:		
Current year	**(28,187)**	(36,468)
Income tax expense	**626,458**	516,716

PRC enterprise income tax has been generally provided at the applicable enterprise income tax rate of 25% (2017: 25%) on the estimated assessable profits of the group companies established in the PRC for the year ended 31 December 2018.

Under the PRC enterprise income tax law, the preferential tax treatment for encouraged enterprises located in the western PRC and certain industry-oriented tax incentives remain available up to 31 December 2020 when the original preferential tax period was expired. A PRC enterprise which enjoys this tax treatment is entitled to a preferential tax rate of 15% with a two-year tax exemption and a three-year 50% deduction on the PRC enterprise income tax for taxable income commencing from the first year, when relevant projects start to generate revenue. The Group's certain wind farm projects, photovoltaic projects and hydropower power projects were entitled to this tax concession for the years ended 31 December 2018 and 2017 respectively.

An operating subsidiary of the Company 北京京能未來燃氣熱電有限公司 (Beijing Jingneng Weilai Gas-fired Power Co., Ltd., English name for identification purpose) ("Weilai Gas") was qualified as High and New Technology Enterprise since 2015 and is entitled to a preferential income tax rate of 15%. The qualification of High and New Technology Enterprise is subject to review once every three years and the subsidiary continued to be recognized as High and New Technology Enterprise for the year ended 31 December 2018.

11. INCOME TAX EXPENSE *(continued)*

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first 2 million Hong Kong dollars ("HK$") of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Tax has been made as the Group has no assessable profit derived in Hong Kong.

Australia Profit Tax is calculated at 30% (2017: 30%), of the estimated assessable profit. No provision for Australia Profit Tax has been made as the Group's entities in Australia have available tax losses brought forward to set off against its profit generated during the year.

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit before taxation	**2,742,575**	2,452,301
PRC enterprise income tax at 25% (2017: 25%)	**685,644**	613,075
Tax effect on:		
– Expenses not deductible for tax purposes	**16,490**	11,037
– Tax effect of share of results of associates	**(19,987)**	(12,319)
– Tax losses not recognized as deferred tax assets	**44,748**	43,647
– Utilization of tax losses not recognized previously	**(2,019)**	(1,629)
– PRC enterprise income tax exemption and concessions	**(102,864)**	(139,718)
– Effect of different tax rates of group entities operating in jurisdictions other than PRC	**4,446**	2,623
	626,458	516,716

12. PROFIT FOR THE YEAR

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Auditors' remuneration	**6,324**	7,359
Prepaid lease payments released to profit or loss	**6,081**	6,033
Operating lease payments in respect of land and building	**65,712**	73,889
Depreciation and amortization:		
Depreciation of property, plant and equipment	**2,027,233**	1,918,271
Amortization of intangible assets	**212,133**	199,911
Less: Amount capitalized to construction in progress	**(9,071)**	(238)
Total depreciation and amortization	**2,230,295**	2,117,944
Personnel costs:		
Directors' emoluments *(Note 13)*	**1,205**	1,420
Other personnel costs	**755,271**	698,828
Total personnel costs	**756,476**	700,248

13. DIRECTORS', SUPERVISORS' AND THE FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS

The emoluments paid or payable to each of the Directors, chief executive and the supervisors by the Group are as follows:

	Directors' fees *RMB'000*	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000* *(Note)*	Retirement benefit contributions *RMB'000*	Total *RMB'000*
Year ended 31 December 2018					
Executive Directors:					
Mr. ZHANG Fengyang (appointed on 13 February 2018)	–	349	–	51	400
Mr. CHEN Ruijun (resigned on 13 February 2018)	–	62	234	9	305
	–	411	234	60	705

13. DIRECTORS', SUPERVISORS' AND THE FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS *(continued)*

The executive director's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

	Directors' fees *RMB'000*	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000*	Retirement benefit contributions *RMB'000*	Total *RMB'000*
Non-executive Directors:					
Mr. LIU Haixia (appointed on 28 June 2018)	–	–	–	–	–
Mr. JIN Shengxiang (appointed on 13 February 2018)	–	–	–	–	–
Mr. TANG Xinbing (appointed on 13 February 2018)	–	–	–	–	–
Ms. LI Juan (appointed on 28 June 2018)	–	–	–	–	–
Mr. ZHAO Wei	–	–	–	–	–
Mr. ZHU Yan (resigned on 13 February 2018)	–	–	–	–	–
Mr. MENG Wentao (appointed on 13 February 2018 and resigned on 28 June 2018)	–	–	–	–	–
Mr. LI Dawei (resigned on 13 February 2018)	–	–	–	–	–
Mr. GUO Mingxing (resigned on 13 February 2018)	–	–	–	–	–
Mr. ZHU Baocheng (resigned on 13 February 2018)	–	–	–	–	–
Mr. YU Zhongfu (resigned on 28 June 2018)	–	–	–	–	–
	–	–	–	–	–
Independent Non-executive Directors:					
Mr. HUANG Xiang	150	–	–	–	150
Mr. CHAN Yin Tsung	150	–	–	–	150
Mr. ZHANG Fusheng	100	–	–	–	100
Mr. HAN Xiaoping	100	–	–	–	100
	500	–	–	–	500

13. DIRECTORS', SUPERVISORS' AND THE FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS *(continued)*

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

	Directors' fees *RMB'000*	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000* *(Note)*	Retirement benefit contributions *RMB'000*	Total *RMB'000*
Supervisors:					
Mr. LI Xun	–	–	–	–	–
Mr. LIU Jiakai	–	–	–	–	–
Ms. HUANG Linwei	–	330	236	55	621
	–	330	236	55	621
	500	741	470	115	1,826

The supervisors' emoluments shown above were mainly for their services as supervisors of the Company.

	Directors' fees *RMB'000*	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000*	Retirement benefit contributions *RMB'000*	Total *RMB'000*
Year ended 31 December 2017					
Executive Director:					
Mr. CHEN Ruijun	–	869	–	51	920
	–	869	–	51	920

The executive director's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

13. DIRECTORS', SUPERVISORS' AND THE FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS *(continued)*

	Directors' fees *RMB'000*	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000* *(Note)*	Retirement benefit contributions *RMB'000*	Total *RMB'000*
Non-executive Directors:					
Mr. ZHU Yan	–	–	–	–	–
Mr. LI Dawei	–	–	–	–	–
Mr. GUO Mingxing	–	–	–	–	–
Mr. ZHU Baocheng	–	–	–	–	–
Mr. YU Zhongfu	–	–	–	–	–
Mr. ZHAO Wei	–	–	–	–	–
	–	–	–	–	–
Independent Non-executive Directors:					
Mr. HUANG Xiang	150	–	–	–	150
Mr. CHAN Yin Tsung	150	–	–	–	150
Mr. ZHANG Fusheng	100	–	–	–	100
Mr. HAN Xiaoping	100	–	–	–	100
	500	–	–	–	500

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

13. DIRECTORS', SUPERVISORS' AND THE FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS *(continued)*

	Directors' fees *RMB'000*	Basic salaries and allowances *RMB'000*	Discretionary bonus *RMB'000* *(Note)*	Retirement benefit contributions *RMB'000*	Total *RMB'000*
Supervisors:					
Mr. LI Xun	–	–	–	–	–
Mr. LIU Jiakai	–	–	–	–	–
Ms. HUANG Linwei	–	313	246	51	610
	–	313	246	51	610
	500	1,182	246	102	2,030

The supervisors' emoluments shown above were mainly for their services as supervisors of the Company.

Mr. ZHANG Fengyang is the chief executive of the Company since 13 February 2018. His emoluments disclosed above include those for services rendered by him as the chief executive.

During the year, the Directors' emoluments were RMB1,205,000 (2017: RMB1,420,000). Also, Mr. LIU Haixia, Mr. JIN Shengxiang, Mr. TANG Xinbing, Ms. LI Juan, Mr. ZHAO Wei, Mr. LI Xun and Mr. LIU Jiakai did not receive any remuneration from the Company and the Group for their services provided to the Company and the Group. They were also management of BEH and their remunerations were paid by BEH over the respective years. Given the amounts of emoluments paid by BEH to them are considered to be not material compared with the revenue and profits of the Group, BEH did not allocate any of their remuneration to the Group.

13. DIRECTORS', SUPERVISORS' AND THE FIVE HIGHEST PAID INDIVIDUALS EMOLUMENTS *(continued)*

Five highest paid individuals

For the year ended 31 December 2018, the five highest paid individuals do not include any directors or supervisors (2017: none). The emoluments of the five highest paid individuals for the year ended 31 December 2018 are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Salaries and allowances	**1,712**	1,757
Discretionary bonus *(Note)*	**2,228**	2,013
Retirement benefit contributions	**277**	266
	4,217	4,036

Each of the five highest paid individuals in the Group for the years ended 31 December 2018 and 2017 was within the band of Nil to HK$1,000,000.

Note: The discretionary bonus is determined by the Remuneration Committee in accordance with the relevant human resources policies.

During the year, no emoluments were paid by the Group to the Directors, chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices. None of the Directors waived any emoluments during the year.

14. DIVIDENDS

(a) A final dividend of RMB7.40 cents per ordinary share (tax inclusive) in respect of the year ended 31 December 2017 amounting to RMB508,411,000 was approved in the Company's annual general meeting held on 28 June 2018 and subsequently paid on 10 August 2018.

(b) A final dividend of RMB7.40 cents per ordinary share (tax inclusive) in respect of the year ended 31 December 2016 amounting to RMB508,411,000 was approved in the Company's annual general meeting held on 28 June 2017 and subsequently paid on 10 July 2017.

(c) Subsequent to end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of RMB6.67 cents per ordinary share (tax inclusive), totaling RMB549,900,000 has been proposed by the board of directors and is subject to approval by shareholders of the Company at the forthcoming annual general meeting.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to ordinary shareholders of the Company is based on the following data:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to ordinary shareholders of the Company for the purpose of earnings per share	**1,995,943**	1,774,473

	Year ended 31 December	
	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,517,937**	6,870,423

No diluted earnings per share are presented as there were no potential ordinary shares in issue during both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Generators and related equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2017	7,422,058	29,692,389	124,818	92,307	3,821,510	41,153,082
Additions	35,935	110,727	1,653	7,730	2,423,722	2,579,767
Adjustment *(Note (b))*	(80,214)	61,475	–	(494)	–	(19,233)
Transfer	322,196	1,836,297	–	89	(2,158,582)	–
Capitalization of depreciation for construction in progress	–	–	–	–	807	807
Disposals	(2,077)	(4,557)	(3,028)	(408)	–	(10,070)
Effect of foreign currency exchange differences	55	28,074	8	3	–	28,140
At 31 December 2017	7,697,953	31,724,405	123,451	99,227	4,087,457	43,732,493
Additions	24,515	5,134	3,307	5,919	3,025,257	3,064,132
Adjustment *(Note (b))*	25,755	(18,608)	(1,918)	(1,140)	–	4,089
Transfer	623,615	3,355,339	–	1,227	(3,980,181)	–
Capitalization of depreciation for construction in progress	–	–	–	–	3,001	3,001
Disposals	–	(12,813)	(30,154)	(1,846)	–	(44,813)
Effect of foreign currency exchange differences	(190)	(104,016)	(27)	(9)	–	(104,242)
At 31 December 2018	8,371,648	34,949,441	94,659	103,378	3,135,534	46,654,660

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Land and buildings *RMB'000*	Generators and related equipment *RMB'000*	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
DEPRECIATION						
At 1 January 2017	960,228	6,780,442	79,519	50,010	–	7,870,199
Depreciation provided for the year	242,977	1,656,839	9,616	8,839	–	1,918,271
Capitalization of depreciation for construction in progress	–	143	552	112	–	807
Eliminated on disposals	(667)	(2,820)	(2,885)	(370)	–	(6,742)
Effect of foreign currency exchange differences	–	1,140	–	1	–	1,141
At 31 December 2017	1,202,538	8,435,744	86,802	58,592	–	9,783,676
Depreciation provided for the year	244,891	1,766,982	5,374	9,986	–	2,027,233
Capitalization of depreciation for construction in progress	–	2,482	413	106	–	3,001
Eliminated on disposals	–	(9,717)	(26,183)	(1,551)	–	(37,451)
Effect of foreign currency exchange differences	–	(21,020)	(11)	(6)	–	(21,037)
At 31 December 2018	1,447,429	10,174,471	66,395	67,127	–	11,755,422
CARRYING VALUES						
At 31 December 2018	6,924,219	24,774,970	28,264	36,251	3,135,534	34,899,238
At 31 December 2017	6,495,415	23,288,661	36,649	40,635	4,087,457	33,948,817

Notes:

(a) The above items of property, plant and equipment, other than construction in progress, are depreciated using the straight-line method, after taking into account of their residual values, at the following rates per annum.

Buildings	2.11% to 4.75%
Generators and related equipment	3.17% to 7.92%
Motor vehicles	9.50% to 18.83%
Office equipment	11.00% to 19.00%

(b) The Directors estimate the final construction cost of certain assets when the assets are ready for use and transferred from construction in progress to respective categories of property, plant and equipment. Adjustments on the final cost will be made in the subsequent periods when the construction cost is finalized with the contractors.

16. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Notes: *(continued)*

(c) The Group was in the process of applying for the title certificates of certain buildings with the aggregate net book value of approximately RMB1,373,410,000 as at 31 December 2018 (2017: RMB906,736,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's financial position as at 31 December 2018.

(d) Certain property, plant and equipment with an aggregate carrying amount of approximately RMB1,512,016,000 as at 31 December 2018 (2017: RMB1,537,480,000) are pledged to secure bank borrowings of the Group.

17. INTANGIBLE ASSETS

	Concession rights *RMB'000* *(Note (b))*	Operation rights *RMB'000* *(Note (c))*	Software *RMB'000*	Total *RMB'000*
COST				
At 1 January 2017	4,022,154	1,224,275	140,217	5,386,646
Additions *(Note (d))*	–	68,571	10,975	79,546
At 31 December 2017	**4,022,154**	**1,292,846**	**151,192**	**5,466,192**
Additions *(Note (e))*	**–**	**12,168**	**26,346**	**38,514**
Disposals	**–**	**–**	**(1,617)**	**(1,617)**
At 31 December 2018	**4,022,154**	**1,305,014**	**175,921**	**5,503,089**
AMORTIZATION				
At 1 January 2017	1,341,798	131,313	28,659	1,501,770
Provided for the year	164,411	25,371	10,129	199,911
At 31 December 2017	**1,506,209**	**156,684**	**38,788**	**1,701,681**
Provided for the year	**164,411**	**36,096**	**11,626**	**212,133**
At 31 December 2018	**1,670,620**	**192,780**	**50,414**	**1,913,814**
CARRYING VALUES				
At 31 December 2018	**2,351,534**	**1,112,234**	**125,507**	**3,589,275**
At 31 December 2017	2,515,945	1,136,162	112,404	3,764,511

17. INTANGIBLE ASSETS *(continued)*

Notes:

(a) Intangible assets have finite useful lives and are amortized on a straight-line basis over the following rates per annum:

Concession rights	4% to 5%
Operation rights	2% to 10%
Software	10% to 50%

(b) The Group provides construction services to build up the wind power facilities and generates electricity under the concession rights. The Group recognizes the concession rights as intangible assets according to the fair value of the construction services on related assets. These concession rights are amortized according to the respective beneficial periods.

(c) Operation rights with finite useful lives represent governmental permits or contractual arrangements which grant the operators to construct and operate power facilities. Those operation rights are obtained through business acquisition and amortized on straight-line basis according to the estimated beneficial periods of such facilities.

(d) Biala Wind Farm Project acquired an operation rights amounting to RMB68,571,000, through the Newtricity Biala Property Trust and Newtricity Developments Biala Pty Ltd. ("Newtricity Biala") during the year ended 31 December 2017.

(e) Amount of RMB12,168,000 represented the operation right which was acquired in 2018 through the acquisition of 深州電陽新能源有限公司 (Shenzhou Dianyang New Energy Power Co., Ltd., English name for identification purpose).

18. GOODWILL

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cost and carrying amount		
Hydropower operation in Sichuan province, the PRC	**124,194**	124,194
Wind power operation in Australia	**65,855**	65,855
	190,049	190,049

Goodwill of the Group arises from the acquisition of四川大川電力有限公司 (Sichuan Dachuan Power Co., Ltd., English name for identification purpose) ("Sichuan Dachuan"), 四川眾能電力有限公司 (Sichuan Zhongneng Power Co., Ltd., English name for identification purpose) ("Sichuan Zhongneng") and New Gullen Range Wind Farm (Holding) Pty Ltd. ("New GRWF Holding").

19. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 18 has been allocated to two CGUs: (i)one comprising two subsidiaries in the hydropower segment, namely, Sichuan Dachuan and Sichuan Zhongneng; and (ii) New GRWF Holding in the wind segment.

During the years ended 31 December 2018 and 2017, the management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

The recoverable amounts of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 9.78% for hydropower CGU and 9% for wind power CGU (2017: 10.73% for hydropower CGU and 11.8% for wind power CGU). The CGUs' cash flows beyond the five-year period are extrapolated using a 3% growth rate for hydropower CGU and a 2.5% growth rate for wind power CGU. These growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rates for the relevant industries. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the units' past performance and management's expectations for the market development.

The management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these units to exceed the aggregate recoverable amount of these units.

20. PREPAID LEASE PAYMENTS

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Land in the PRC held under medium-term shown in the consolidated financial statements:		
Non-current	**239,697**	193,600
Current	**6,081**	6,033
	245,778	199,633

21. INVESTMENTS IN ASSOCIATES/LOANS TO ASSOCIATES

(a) Investments in associates

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Unlisted equity investments, at cost	**827,681**	827,681
Share of post-acquisition profits, net of dividend declared	**1,122,566**	1,072,618
	1,950,247	1,900,299

The associates of the Group were established and operate in the PRC. The details of associates of the Group as at 31 December 2018 and 2017 are set out below:

Name of associate	Paid up registered capital	Equity interest attributable to the Group At 31 December 2018	Equity interest attributable to the Group At 31 December 2017	Proportion of voting rights held by the Group At 31 December 2018	Proportion of voting rights held by the Group At 31 December 2017	Principal activities
北京京能國際能源股份有限公司 (Beijing Jingneng International Energy Co., Ltd)* ("Jingneng International")	RMB3,400,000,000	**20%**	20%	**20%**	20%	Electric power and energy construction, investment management
全州柳鋪水電有限公司 (Quanzhou Liupu Hydropower Co., Ltd.)* ("Quanzhou Liupu")	RMB25,000,000	**40%**	40%	**40%**	40%	Hydropower project development and investment
北京市天銀地熱開發有限責任公司 (Beijing Tian Yin Di Re Development Co., Ltd.)* ("Tian Yin Di Re")	RMB60,000,000	**50%**	50%	**50%**	50%	Geothermal power development and heating

* English name for identification purpose

21. INVESTMENTS IN ASSOCIATES/LOANS TO ASSOCIATES *(continued)*

(b) Loans to associates

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Loans to associates	**139,000**	142,000

The loans to associates include Quanzhou Liupu and Tian Yin Di Re, both loans are unsecured and carry interest at the rate which is 111.9% of the prevailing interest rates promulgated by the People's Bank of China ("PBOC").

(c) Summarized financial information of a material associate

Summarized financial information in respect of the Group's material associate is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs. The associate is accounted for using the equity method in the consolidated financial statements.

	At 31 December	
	2018	2017
Jingneng International	***RMB'000***	*RMB'000*
Non-current assets	**57,909,781**	52,805,066
Current assets	**9,923,589**	7,628,321
Non-current liabilities	**23,543,182**	15,430,870
Current liabilities	**17,404,410**	19,058,470
Non-controlling interests	**17,610,228**	16,927,079

21. INVESTMENTS IN ASSOCIATES/LOANS TO ASSOCIATES *(continued)*

(c) Summarized financial information of a material associate *(continued)*

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue	**12,695,169**	12,220,251
Profit and total comprehensive income for the year	**810,455**	268,212
Profit and total comprehensive income for the year attributable to non-controlling interests	**428,736**	43,884
Dividends received from the associate during the year	**3,000**	88,000

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	2018	2017
	RMB'000	*RMB'000*
Net assets of Jingneng International	**9,275,550**	9,016,968
Proportion of the Group's ownership interest in Jingneng International	**20%**	20%
Group's share of net assets of Jingneng International	**1,855,110**	1,803,394
Goodwill	**35,270**	35,270
Carrying amount of the Group's interest in Jingneng International	**1,890,380**	1,838,664

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Group's share of profit and total comprehensive income for the year	**3,842**	4,410
Aggregate carrying amount of the Group's interests in these associates	**59,867**	61,635

22. INVESTMENT IN A JOINT VENTURE/LOANS TO A JOINT VENTURE

(a) Investment in a joint venture

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Unlisted equity investment, at cost	**152,500**	80,000
Share of post-acquisition profits	**467**	467
	152,967	80,467

The joint venture of the Group was established and operates in the PRC. The details of the joint venture as at 31 December 2018 and 2017 are set out below:

Name of the joint venture	Paid up registered capital	Equity interest attributable to the Group At 31 December		Proportion of voting rights held by the Group At 31 December		Principal activity
		2018	2017	**2018**	2017	
北京華源惠眾環保科技有限公司 (Beijing Huayuan Huizhong Environmental Protection Technology Co., Ltd., English name for identification purpose)	RMB160,000,000	**50%**	50%	**50%**	50%	Environment protection technology

(b) Loans to a joint venture

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Loans to a joint venture	**30,000**	30,000

The loans to a joint venture are unsecured, carry interest at the prevailing interest rate promulgated by the PBOC and will mature on 28 December 2019 and 25 August 2020, respectively.

23. DEFERRED TAXATION

The following are the Group's major deferred tax assets (liabilities) recognized and movements thereon during the years ended 31 December 2018 and 2017:

	Tax loss	Impairment loss of financial assets	Temporary differences on fair value adjustments in acquisition of subsidiaries	Fair value change of equity instruments at FVTOCI	Trial run profit	Deferred income related to clean energy production	Different depreciation rate	Trial run loss	Fair value change of financial asset at FVTPL (Held for trading financial asset)	Derivative financial instruments	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note (c))		*(Note (a))*	*(Note (b))*		*(Note (a))*				
At 1 January 2017	69,867	3,067	(16,587)	–	47,905	16,624	(54,126)	(61,578)	12,901	70,841	8,421	97,335
(Charge) credit to profit or loss	(5,797)	197	2,111	–	12,710	35,505	(16,388)	3,946	(230)	(1,063)	5,477	36,468
Charge to other comprehensive income	–	–	–	–	–	–	–	–	–	(101,520)	–	(101,520)
Exchange adjustments	(939)	–	–	–	–	–	(1,298)	–	27	1,619	–	(591)
At 31 December 2017	63,131	3,264	(14,476)	–	60,615	52,129	(71,812)	(57,632)	12,698	(30,123)	13,898	31,692
Adjustment *(Note 3)*	–	–	–	(3,580)	–	–	–	–	–	–	–	(3,580)
At 1 January 2018 (Restated)	63,131	3,264	(14,476)	(3,580)	60,615	52,129	(71,812)	(57,632)	12,698	(30,123)	13,898	28,112
(Charge) credit to profit or loss	(8,512)	633	522	–	26,544	12,380	(13,889)	4,683	5,058	7,216	(6,448)	28,187
Credit to other comprehensive income	–	–	–	1,527	–	–	–	–	–	50,771	–	52,298
Exchange adjustments	(2,872)	–	–	–	–	–	5,082	–	796	(4,770)	(36)	(1,800)
At 31 December 2018	51,747	3,897	(13,954)	(2,053)	87,159	64,509	(80,619)	(52,949)	18,552	23,094	7,414	106,797

Notes:

(a) The revenue and cost generated from trial run of property, plant and equipment were credited and debited respectively in the property, plant and equipment but the profit margin is subject to PRC enterprise income tax and results in a temporary difference. The trial run profit/(loss) resulted in the tax bases of the related property, plant and equipment to be higher/(lower) than their carrying value on the consolidated statement of financial position in accounting, which the entity can receive more/(less) deductible depreciation charging to the tax profit to save/(increase) the future income tax expense during the useful life of the related property, plant and equipment. Accordingly, the deferred tax assets/(liabilities) are recognized from the trial run profit/(loss).

(b) The government subsidies will be taxable immediately as taxable income upon the receipt, however the income can only be released from deferred income in accounting when the actual volume of electricity generated from and sold by the Group's related gas and wind power facilities. Accordingly, the deferred tax assets are recognized.

(c) The carrying amount of some properties, plant and equipment and intangible assets was different from their tax bases as a result of the fair value exceeding the book value in connection with the business combinations.

23. DEFERRED TAXATION *(continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Deferred tax assets	**284,596**	228,246
Deferred tax liabilities	**(177,799)**	(196,554)
	106,797	31,692

Details of tax losses not recognized are set out below:

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Tax losses	**1,093,793**	1,038,857

The Group has not recognized deferred tax assets on above tax losses because it is not probable that the future taxable profits will be available in relevant subsidiaries to offset the tax losses.

As at 31 December 2018, included in the above tax losses are tax losses in Hong Kong of approximately RMB34,415,000 (2017: RMB19,410,000), which can be carried forward against future taxable income and have no expiry date.

23. DEFERRED TAXATION *(continued)*

The unrecognized tax losses will expire as follows:

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
2018	**–**	117,750
2019	**285,152**	291,457
2020	**280,152**	280,152
2021	**155,499**	155,499
2022	**174,589**	174,589
2023	**163,986**	–
	1,059,378	1,019,447

24. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 31 December 2018
	RMB'000
Unlisted equity investments	**136,241**

The above unlisted equity investments represent the Group's equity interests in unlisted equity securities issued by state-owned entities established in the PRC. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

25. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 31 December 2017 *RMB'000*
Unlisted equity investments	128,028

The above unlisted equity investments represent investments in unlisted equity securities issued by state-owned entities established in the PRC.

26. INVENTORIES

Inventories as at 31 December 2018 mainly represent consumable spare parts used for maintenance, and the cost of inventories recognized as expense was RMB184,090,000 (2017: RMB194,146,000) during the year ended 31 December 2018.

27. TRADE AND BILLS RECEIVABLES

	At 31 December	
	2018 *RMB'000*	2017 *RMB'000*
Trade receivables		
– goods and services	**1,995,306**	1,550,142
– clean energy power price premium	**3,355,461**	2,266,740
Bills receivable	**21,246**	54,031
	5,372,013	3,870,913
Less: Allowance for credit losses	**(7,141)**	(3,320)
	5,364,872	3,867,593

27. TRADE AND BILLS RECEIVABLES *(continued)*

The Group allows an average credit period of 60 days to its electricity and heat customers from the end of the month in which the sales are made other than clean energy power premium. The aged analysis of the Group's trade and bills receivables net of allowance for credit losses is as follows:

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 60 days	**2,346,544**	2,029,424
61 to 365 days	**1,419,203**	919,247
1 to 2 years	**1,027,341**	549,569
2 to 3 years	**327,204**	255,201
Over 3 years	**244,580**	114,152
	5,364,872	3,867,593

The Group's major customers are the PRC state-owned power grid companies with good credit rating.

The clean energy power price premium is included as a component of the government-approved on-grid tariff of wind power and photovoltaic power. The financial resource for the clean energy power price premium is the national renewable energy fund that accumulated through a special levy on the consumption of electricity. The government in the PRC is responsible to collect and allocate the fund and make settlement through state-owned power grid companies to the wind and photovoltaic farm project companies. Because of such arrangement, the Directors consider that the trade receivables of clean energy power price premium are neither past due nor impaired.

As at 31 December 2018, included in the Group's trade receivables balance for goods and services are debtors with aggregate carrying amount of RMB115,121,000 which are past due as at the reporting date. Those amounts have been assessed by reference to the historical information about counterparty default rates. The existing counterparties did not have significant default in the past.

As at 31 December 2017, included in the Group's trade receivable balance for goods and services are debtors with aggregate carrying amount of RMB68,783,000 which are past due as at the reporting date for which the Group has not provided for impairment loss.

27. TRADE AND BILLS RECEIVABLES *(continued)*

The aged analysis of trade receivables for goods and services which are past due but not impaired is as follows:

	31 December 2017 *RMB'000*
61 to 365 days	9,379
1 to 2 years	34,278
2 to 3 years	25,126
	68,783

Movements in the allowance of doubtful receivables in 2017 are set out as follows:

	RMB'000
At 1 January 2017	2,631
Provided during the year	939
Reversed during the year	(250)
At 31 December 2017	3,320

At 31 December 2018, trade receivables amounting to RMB227,692,000 (2017: RMB132,733,000) are pledged for bank borrowings set out in Note 34(e).

Bills receivable are mainly bank's acceptance bills endorsed by the PRC state-owned power grid companies.

Details of impairment assessment of trade and bills receivables for the year ended 31 December 2018 are set out in Note 49.

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Other miscellaneous receivables	**142,376**	116,690
Security deposits	**114,861**	124,778
Prepayments	**124,621**	143,986
	381,858	385,454
Less: Allowance for credit losses	**(22,777)**	(10,814)
	359,081	374,640

Movements in the allowance for doubtful debts of other receivables in 2017 are set out as follows:

	RMB'000
At 1 January 2017	11,445
Provided during the year	1,267
Reversed during the year	(1,898)
At 31 December 2017	10,814

Detail of impairment assessment of other receivables and deposits for the year ended 31 December 2018 are set out in Note 49.

29. VALUE-ADDED TAX RECOVERABLE

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Value-added tax recoverable, classified as:		
– Current	**362,287**	302,617
– Non-current	**525,080**	633,528
	887,367	936,145

29. VALUE-ADDED TAX RECOVERABLE *(continued)*

In accordance with the Provisional Regulations of the People's Republic of China on Value-Added Tax, the value-added tax payable on the Group's revenue can be set off by the value-added tax paid by the Group on acquisition of property, plant and equipment and service concession assets. Accordingly, the value-added tax paid by the Group on acquisition of the property, plant and equipment and service concession assets is recognized as value-added tax recoverable and will be set off against the Group's value-added tax payable to be arisen on future revenue. Value-added tax recoverable is classified as current if it would probably be set off by value-added tax payable related to the revenue incurred in the next twelve months.

30. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS/HELD FOR TRADING FINANCIAL ASSET

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Listed equity investment		
– Listed in Hong Kong *(Note)*	**227,313**	247,175

Note:

The Group holds 0.32% (2017: 0.32%) of the ordinary share capital of CGN Power Co., Ltd, a company listed on the Stock Exchange and engaged in the nuclear power generation.

The fair value of listed equity investment is based on the quoted bid price.

31. RESTRICTED BANK DEPOSITS

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Restricted bank deposits pledged as collateral presented in the consolidated financial statements as:		
– Current	**102,005**	715,894
– Non-current	**51,060**	–
	153,065	715,894

At 31 December 2018, the current restricted bank deposits mainly represented collaterals for bills payable and letter of credit used for equipment purchase. The non-current restricted bank deposits represented the guaranteed deposits for a long-term bank loan as required in the loan agreement.

Restricted bank deposits above carry variable prevailing interest rates of bank deposits placed in Mainland China, Hong Kong and Australia, respectively.

32. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents comprise cash on hand and deposits to banks and a related non-bank financial institution with an original maturity of three months or less. Deposits to banks and a related non-bank financial institution carry prevailing market interest rate.

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Bank deposits denominated in:		
– RMB	**4,160,119**	2,335,582
– HK$	**382,414**	4,114
– AU$	**296,313**	93,355
– United States dollars ("US$")	**6,185**	4,021
Deposits in a related non-bank financial institution denominated in RMB	**575,899**	238,011
Cash on hand	**7**	4
	5,420,937	2,675,087

The Group had certain amount of deposits placed with BEH Finance, a non-bank financial institution approved by China Banking Regulatory Commission as at 31 December 2018. Such deposits are short-term and are subject to an insignificant risk of changes in value, accordingly, the balances as at 31 December 2018 have been regarded as cash and cash equivalents.

The deposits in banks and a related non-bank financial institution at the end of each reporting period carry interest at the following variable interest rates per annum:

	At 31 December	
	2018	2017
Range of interest rates per annum	**0.01% to 1.35%**	0.01% to 1.35%

33. TRADE AND OTHER PAYABLES

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**2,001,766**	1,534,669
Payables for acquisition of property, plant and equipment	**919,240**	1,095,391
Retention payables	**282,402**	257,119
Bills payable	**27,656**	35,217
Advance received from customers	**–**	85,279
Salary and staff welfares	**89,892**	90,204
Non-income tax payables	**153,847**	139,794
Accrued interests payable	**–**	92,139
Dividend payables to a non-controlling equity owner of a subsidiary	**136,462**	73,136
Others	**97,396**	80,266
	3,708,661	3,483,214

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Group normally settles the trade payable related to gas purchase within 30 days, settles the payable related to equipment purchase and construction cost, according to related contractual arrangements which normally require progress payments during the construction period and a final payment after construction cost verified by independent valuer.

The following is an aged analysis of the Group's trade and bills payables by invoice dates as at the reporting date:

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**1,385,785**	833,793
31 to 365 days	**547,356**	559,798
1 to 2 years	**17,966**	16,803
2 to 3 years	**4,902**	82,843
Over 3 years	**73,413**	76,649
	2,029,422	1,569,886

33. TRADE AND OTHER PAYABLES *(continued)*

The Group's trade payables denominated in a currency other than the functional currency of the relevant group entities are set out below:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
EUR	**18,443**	2,035
US$	**–**	2,783

34. BANK AND OTHER BORROWINGS

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Bank loans	**15,851,092**	15,578,168
Other borrowings from		
– related non-bank financial institutions *(Note (a))*	**1,751,750**	2,076,164
– fellow subsidiaries *(Note (b))*	**170,000**	160,000
– other non-related entities *(Note (c))*	**915,321**	1,100,000
– BEH *(Note (d))*	**750**	503,000
	18,688,913	19,417,332
Represented by:		
– Unsecured borrowings	**15,414,979**	17,278,480
– Secured borrowings *(Note (e))*	**3,273,934**	2,138,852
	18,688,913	19,417,332
Bank and other borrowings repayable:		
– Within one year	**8,864,459**	9,922,736
– More than one year but not exceeding two years	**3,094,108**	1,131,530
– More than two years but not exceeding five years	**4,193,540**	4,240,346
– More than five years	**2,536,806**	4,122,720
	18,688,913	19,417,332
Less: Amount due within one year shown under current liabilities	**(8,864,459)**	(9,922,736)
Amount due after one year	**9,824,454**	9,494,596

34. BANK AND OTHER BORROWINGS *(continued)*

Notes:

(a) Other borrowings from related non-bank financial institutions included loans from BEH Finance and 深圳京能融資租賃有限公司(Shenzhen Jingneng Finance Lease Limited, English name for identification purpose) ("Jingneng Lease"), subsidiaries of BEH.

(i) The loans from BEH Finance amounting to RMB1,751,750,000 (2017: RMB1,980,250,000) are unsecured, carry interest at rates which are the prevailing interest rates promulgated by the PBOC, with a maximum premium or discount of 10% and variable by reference to the interest rates promulgated by PBOC. Part of the loan amounting to RMB1,468,500,000 is repayable in 2019, and the remaining balance of RMB283,250,000 is repayable between 2020 and 2022. The interest expenses attributed to the loans from BEH Finance above were RMB50,371,000 for the year ended 31 December 2018 (2017: RMB54,239,000).

(ii) The loans from Jingneng Lease amounting to RMB95,914,000 were fully repaid in 2018. The interest expenses attributed to the loans above from Jingneng Lease were RMB1,461,000 for the year ended 31 December 2018 (2017: RMB2,909,000).

(b) At 31 December 2018, the balance comprises the borrowings from 北京京西發電有限責任公司 (Beijing Jingxi Power Generation Co., Ltd., English name for identification purpose) ("Jingxi Power") amounting to RMB100,000,000 (2017: RMB90,000,000) and 北京京豐熱電有限責任公司 (Beijing Jingfeng Thermal Power Co., Ltd., English name for identification purpose) ("Jingfeng Thermal") amounting to RMB70,000,000 (2017: RMB70,000,000), both are subsidiaries of BEH. The loans are unsecured, repayable in 2019 and both carried fixed interest rate at 3.915% per annum.

The interest expense attributed to the loans above was RMB6,224,000 for the year ended 31 December 2018 (2017: RMB5,446,000).

(c) The balance comprises borrowings from 光大金融租賃股份有限公司 (Ever Bright Financial Leasing Co., Ltd., English name for identification purpose) ("Ever Bright Financial Leasing"), and certain independent financial institutions. As at 31 December 2018, the borrowings were:

(i) The secured loans granted by Ever Bright Financial Leasing amounting to RMB630,000,000 (2017: RMB835,000,000) were pledged by property, plant and equipment, carrying the variable interest rates with discount of 31.157%, 15% and 32%, variable by reference to the interest rates promulgated by the PBOC and repayable in 2020, 2022 and 2024, respectively.

(ii) The loans of RMB310,000,000 (2017: RMB310,000,000) in nominal amount were from 中國農發重點建設基金有限公司 (China Agricultural Development Fund Co., Ltd., English name for identification purpose) ("CAD Fund"). According to the agreements between 北京上莊燃氣熱電有限公司 (Beijing Shangzhuang Gas-fired Power Co., Ltd., English name for identification purpose) ("Shangzhuang Power"), a subsidiary of the Company, the Company and CAD Fund, the loans were provided by CAD Fund as capital injection to Shangzhuang Power ("Designated Capital Loan"). Upon receipt of the Designated Capital Loan, the Group and CAD Fund held 59.64% and 40.36% (2017: 56.82% and 43.18%) interests in Shangzhuang Power, respectively.

34. BANK AND OTHER BORROWINGS *(continued)*

Notes: (continued)

(c) *(continued)*

(ii) *(continued)*

In the opinion of the Directors, the Designated Capital Loan is designated by certain government institutions to finance the construction of the gas-fired plant owned by Shangzhuang Power; and the relevant investment agreement required: (i) the Company is obliged to repurchased all shares of Shangzhuang Power issued to CAD Fund with a cash consideration of RMB110,000,000 on 19 November 2025, RMB100,000,000 on 2 March 2026, and RMB100,000,000 on 5 June 2026; (ii) CAD Fund does not have any influence over Shangzhuang Power or undertake any risk of investment, but only entitled to a fixed interest rate at 1.2% per annum which should be paid quarterly during the ten years of investment period. In the opinion of the Directors, the arrangement is in substance a financing arrangement from the government. The Group classified the above Designated Capital Loan as a financial liability, and continues to consolidate all results as if Shangzhuang power is a wholly-owned subsidiary of the Company.

The Designated Capital Loan is initially measured at its fair value of RMB221,000,000, at an effective interest rate of 4.9% per annum. The benefit derived from such loan of RMB89,000,000 (Note 38) that represents the difference between the proceeds and the fair value of the loan on initial recognition, is recognized as deferred income and will be recognized in profit or loss on the same basis as depreciation for the related plant. As at 31 December 2018, the Designated Capital Loan balance is RMB221,000,000 (2017: RMB221,000,000) is measured at amortized cost using the effective interest method.

(iii) The loan from 上海電氣集團財務有限責任公司(Shanghai Electric Group Finance Co., Ltd, English name for identification purpose) amounted to RMB29,000,000 (2017: RMB44,000,000) which is unsecured and repayable in 2019, carrying an interest at rate which is 90% of the prevailing interest rates promulgated by the PBOC and variable by reference to the interest rates promulgated by the PBOC.

(d) The loans are unsecured, carry at fixed interest rate at 4.562% per annum and repayable in 2021. The loan of RMB503,000,000 was early repaid during the year. The interest expenses attributed to the loans were RMB13,737,000 for the year ended 31 December 2018 (2017: RMB31,364,000).

(e) Besides certain property, plant and equipment pledged to secure bank borrowings as set out in Note 16, the Group's borrowings are secured by following assets:

(i) Certain of the Group's secured borrowings were secured with a charge over the right to receive the wind power electricity sale proceeds in two subsidiaries, and guaranteed by 北京京能新能源有限公司 (Beijing Jingneng New Energy Co., Ltd., English name for identification purpose) ("New Energy"), a subsidiary of the Company, and the Company as at 31 December 2018. The relevant account receivable balances were RMB227,692,000 as at 31 December 2018 (2017: RMB132,733,000).

(ii) The New GRWF's syndicated loan, amounting to AU$210,937,000 (2017: AU$226,050,000), equivalent to approximately RMB1,017,770,000 (2017: RMB1,151,227,000) is secured by the beneficial interest of the properties and pledged by the shares of New GRWF. The syndicated loan carries at floating interest rate at Bank Bill Bid Rate prevailing in Australia plus 1.7% and repayable between 2016 and 2020. The Group enters into interest rate swaps to exchange variable rate interest for fixed rate interest in order to hedge against the cash flow interest rate risk exposure (Note 37).

34. BANK AND OTHER BORROWINGS *(continued)*

Notes: (continued)

(e) *(continued)*

(iii) The syndicated loan of Jingneng Clean Energy (Hong Kong) Limited ("Jingneng HK"), a subsidiary of the Company, amounting to HK$1,720,000,000 (equivalent to approximately RMB1,507,064,000) is secured by the restricted bank deposit as guaranteed deposits for loan interest payments for the next month as required in the loan agreement. The syndicated loan carries at floating interest rate at HIBOR plus 1.43% and repayable in 2021. The Group enters into interest rate swaps in order to hedge against the cash flow interest rate risk exposure (Note 37).

The following is an analysis of the Group's bank and other borrowings by variable and fixed interest rate:

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Variable interest rate	**13,920,800**	16,695,518
Fixed interest rate	**4,768,113**	2,721,814
	18,688,913	19,417,332

	Year ended 31 December	
	2018	2017
Range of interest rates per annum:		
– Variable-interest borrowings	**3.27% to 5.22%**	2.37% to 6.87%
– Fixed-interest borrowings	**1.20% to 10.00%**	1.20% to 6.14%

The fair values of fixed interest rate borrowings are approximately RMB4,453,030,000 and RMB2,093,526,000 at 31 December 2018 and 2017 respectively.

The Group's bank and other borrowings denominated in a currency other than the functional currency of the relevant group entities are set out below:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
US$	**–**	648,094

35. SHORT-TERM DEBENTURES

On 7 March 2018, the Company issued a ultra short-term commercial paper of RMB1,000,000,000 at par value, bearing an interest rate of 4.98%, and expired on 2 November 2018.

On 27 April 2018, the Company issued a short-term commercial paper of RMB1,500,000,000 at par value, bearing an interest rate of 4.65%, and expiring on 27 April 2019.

On 29 May 2018, the Company issued a ultra short-term commercial paper of RMB1,500,000,000 at par value, bearing an interest rate of 4.35%, and expired on 25 November 2018.

On 3 August 2018, the Company issued a ultra short-term commercial paper of RMB2,000,000,000 at par value, bearing an interest rate of 3.50%, and expiring on 30 April 2019.

On 21 November 2018, the Company issued a short-term commercial paper of RMB2,500,000,000 at par value, bearing an interest rate of 3.67%, and expiring on 21 November 2019.

These commercial papers are traded on the National Association of Financial Market Institutional Investors (銀行間市場交易商協會) ("NAFMII") in the PRC.

The short-term commercial papers amounting to RMB6,000,000,000 issued in 2017 were traded on the NAFMII in the PRC, and were fully repaid by the Company on the corresponding maturity dates during the year ended 31 December 2018.

36. MEDIUM-TERM NOTES

On 1 December 2017, the Company issued 5-year medium-term note with total value of RMB2,000,000,000. The coupon rate is 5.50% per annum. Total proceeds received net of issuance costs, amounted to RMB1,994,340,000. The medium-term note will be fully repaid on 1 December 2022.

On 3 April 2018, the Company issued 5-year medium-term note with total value of RMB1,500,000,000. The coupon rate is 5.19% per annum. Total proceeds received net of issuance costs, amounted to RMB1,495,754,000. The medium-term note will be fully repaid on 3 April 2023.

Both the medium term notes are traded on NAFMII in the PRC.

37. DERIVATIVE FINANCIAL ASSET/LIABILITIES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Derivatives financial asset under hedge accounting		
Cash flow hedges		
– Fixed forward commodity contract	–	182,499
	–	182,499
Derivatives financial liabilities under hedge accounting		
Cash flow hedges		
– Interest rate swaps	(33,391)	(8,714)
– Fixed forward commodity contract	(15,811)	–
	(49,202)	(8,714)

Cash flow hedges:

(1) Interest Rate Swaps

At the end of reporting period, the Group had the following interest rate swaps contracts designated as highly effective hedging instruments in order to manage the Group's interest rate risk exposure in relation to the New GRWF and Jingneng HK's syndicated loans (Note 34 (f) and 34 (g), respectively).

The terms of the interest rate swaps contracts have been negotiated to match the terms of the respective designated hedged items.

37. DERIVATIVE FINANCIAL ASSET/LIABILITIES *(continued)*

Cash flow hedges: *(continued)*

(1) Interest Rate Swaps (continued)

Major terms of these contracts are as follows:

At 31 December 2018

Notional amount	Maturity	Swaps
AU$210,937,000 (equivalent to approximately RMB1,017,770,000)	21 September 2020	Bank Bill Bid Rate prevailing in Australia + 1.7% for 2.56%
HK$200,000,000 (equivalent to approximately RMB175,240,000)	21 June 2021	HIBOR + 1.43% for 3.98%
HK$1,520,000,000 (equivalent to approximately RMB1,331,824,000)	21 June 2021	HIBOR + 1.43% for 4.20%

At 31 December 2017

Notional amount	Maturity	Swaps
AU$226,050,000 (equivalent to approximately RMB1,151,227,000)	21 September 2020	Bank Bill Bid Rate prevailing in Australia + 1.7% for 2.56%

37. DERIVATIVE FINANCIAL ASSET/LIABILITIES *(continued)*

Cash flow hedges: *(continued)*

(2) Fixed Forward Commodity Contract

New GRWF entered into the PPA contract with a counterparty (an electricity retailer in Australia) in 2013. Under the Australian PPA Contract, New GRWF will sell its electricity product on the spot price in Australian national energy market, but both parties agreed that the difference between the actual price realized in the market and a fixed price determined in the Australian PPA Contract will be net settled in cash. The Australian PPA Contract results in New GRWF converting its floating price electricity sales revenue that will be earned during the contract period (ten years effective from the wind farms of New GRWF starting to operate) to a fixed price revenue, with the fixed price being escalated at 2.5% per annum over the contract period.

Major terms of the PPA contract are as follows:

Notional amount	Maturity	Fixed Prices
Up to the maximum capacity of the wind farm	Effective for 10 years from the operation of the wind farm to start (31 December 2014)	Peak/off peak rates as at 1 January 2012 (AU$58.81 per MWh and AU$40.29 per MWh, respectively) and escalated 2.5% per annum since then

During the year ended 31 December 2018, fair value gain of approximately RMB157,272,000 (2017: fair value loss of approximately RMB337,807,000) has been recognized in other comprehensive income and accumulated in equity and is expected to be reclassified to the consolidated statement of profit or loss and other comprehensive income at various dates in the coming six years after the end of the reporting period, the period in which sales are expected to occur. For the year ended 31 December 2018, the loss on ineffectiveness recognized in profit or loss that arises from the cash flow hedge of the PPA contract were RMB29,369,000 (2017: nil).

38. DEFERRED INCOME

	Government grants and subsidies		
	Clean energy production	Construction of assets	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Note (a))	*(Notes (b) and (c))*	
At 1 January 2017	81,082	482,082	563,164
Additions	1,206,075	24,070	1,230,145
Released to profit or loss	(1,048,990)	(18,383)	(1,067,373)
At 31 December 2017	**238,167**	**487,769**	**725,936**
Additions	**742,275**	**4,675**	**746,950**
Released to profit or loss	**(675,782)**	**(27,620)**	**(703,402)**
At 31 December 2018	**304,660**	**464,824**	**769,484**

Notes:

(a) The Group's gas power facilities located in Beijing, the PRC, were entitled to a subsidy policy promulgated by the Beijing Government. The Beijing Government compensated the Group based on a pre-determined rate and quantities approved from time to time for the sale of electricity generated by those facilities. The Group recognizes deferred income when the Group receives the relevant government subsidies. The deferred income will be released to profit or loss based on the actual volume of electricity generated from and sold by the Group's related gas and wind power facilities and at the pre-determined subsidized rate. The amounts released to profit or loss are set out in Note 8.

(b) Grants related to construction of assets are provided by several local governments in the PRC to encourage the construction of clean energy facilities. The Group records these grants as deferred income upon receipt of the grants and releases to profit or loss to match with the depreciation charge of related assets. The amounts released to profit or loss are set out in Note 8.

(c) The government grants and subsidies for construction of assets amounted to RMB89,000,000 which included in construction of assets is a benefit derived from a government designated capital loan (Note 34(c)(ii)).

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Presented in the consolidated financial statements as:		
– Current	**304,660**	238,167
– Non-current	**464,824**	487,769
	769,484	725,936

39. OTHER NON-CURRENT LIABILITY

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
At the beginning of the year	**37,069**	41,438
Released to profit or loss	**(5,315)**	(5,699)
Effect of foreign currency exchange difference	**(184)**	1,330
At the end of the year	**31,570**	37,069

The other non-current liability represented a contractual obligation under the Australian PPA Contract. The obligation is to require New GRWF to deliver certain quantity of carbon credits to the counterparty at a fixed price but escalating 2.5% per annum during the contract period.

At the date of acquisition for New GRWF, the Group recognized the contractual obligation as a liability pursuant to IFRS 3 *Business Combinations*. The liability was initially recognized at fair value which represented the discounted cash flow related to the difference between the contracted fixed prices and the estimated future market prices. At the end of each reporting period, the liability will be measured at the amount initially recognized less cumulative amortization recognized in the profit or loss on a straight-line basis during the contract period.

40. SHARE CAPITAL

	Number of shares			
	Domestic legal person shares	**H shares**	**Total**	**Share capital**
	'000	*'000*	*'000*	*RMB'000*
At 1 January 2017 and 31 December 2017	4,512,359	2,358,064	6,870,423	6,870,423
New shares issued during the year	902,472	471,613	1,374,085	1,374,085
At 31 December 2018	**5,414,831**	**2,829,677**	**8,244,508**	**8,244,508**

On 25 June 2018, the Company issued 1,374,085,000 new ordinary shares at a par value of RMB1 each at a placing price of HK$2.41 per share. The new shares are rank pari passu in all respects with the existing shares of the Company, and the proceeds from the issue will be used as general working capital of the Group to support business development.

41. CAPITAL RESERVE

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Share premium on share issuance	**2,876,757**	1,245,930
Effects on acquisition of additional interest in a subsidiary	**(19,043)**	(19,043)
Effects on equity transactions with holding company	**1,076,759**	1,076,759
	3,934,473	2,303,646

The Company issued new shares on 25 June 2018, with a total amount of RMB3,020,071,000 at a premium of RMB1,645,986,000 (before netting off the issuance cost of RMB1,659,000). The proceeds from the issuance of the new shares after netting off the issuance cost are RMB3,018,412,000, of which RMB1,630,827,000 was recognized in capital reserve.

42. PERPETUAL NOTES

The Company issued perpetual notes at par value on 18 June 2015, with a total principal amount of RMB1.5 billion ("Perpetual Notes"). The proceeds from the issuance of the Perpetual Notes after netting off the issuance cost are RMB1,486,500,000.

The coupon rate for the first three years up to 18 June 2018 is 5.15% per annum, which is paid annually in arrears on 19 June in each year ("Coupon Payment Date"). The Company may defer any interest at its own discretion unless compulsory coupon payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company) has occurred. The deferred interest is interest bearing at the current coupon rate during the interest deferral period.

The Perpetual Notes have no fixed maturity and are callable at the Company's option, on 18 June 2018 or on any Coupon Payment Date afterwards, at their principal amounts together with any accrued, unpaid or deferred coupon interest payments.

The perpetual notes have been fully repaid on 18 June 2018.

43. LEASE ARRANGEMENTS

The Group as a lessee

At 31 December 2018, the Group had commitment for future minimum lease payments under non-cancelable operating leases in respect of leased properties as follows:

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within one year	**40,656**	24,825
In the second to fifth year, inclusive	**39,118**	62,754
Over five years	**216,859**	236,115
	296,633	323,694

Operating lease payments represent rentals payable by the Group for land. Leases are negotiated for the term between one year and twenty years, and rentals are fixed at the date of signing of lease.

44. COMMITMENTS

The Group had the following commitments

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Acquisition or construction of property, plant and equipment contracted but not provided for	**2,723,328**	1,610,535

45. PLEDGE OF ASSETS

(a) The following assets were pledged to secure certain bank borrowings granted to the Group as at 31 December 2018 and 2017.

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Property, plant and equipment	**1,512,016**	1,537,480
Trade receivables	**227,692**	132,733
Restricted bank deposits	**52,616**	–
	1,792,324	1,670,213

(b) Shares pledged

As at 31 December 2018 and 2017, the Group pledged 100% equity interest of New GRWF to NAB in connection with the loan facility granted by NAB to New GRWF.

46. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

During the year ended 31 December 2018, total amount of RMB98,995,000 (2017: RMB90,151,000) including retirement benefit cost of directors of RMB60,000 (2017: RMB51,000) was charged to the profit or loss as retirement benefit scheme contributions.

The Group participates in retirement benefit schemes organized by the local government authority in the PRC. The local government authority in the PRC is responsible for managing the pension liabilities to these retired employees. For the pension liabilities to these retired employees, the Group's obligation is only to make monthly contributions at 20% of salary for the years ended 31 December 2018 and 2017.

47. RELATED PARTY BALANCES AND TRANSACTIONS

(a) Besides loans to associates and loans to a joint venture as set out in Notes 21 and 22, the deposits in a related non-bank financial institution as set out in Note 32, the Group has amounts receivable from the following related parties and the details are set out below:

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Amounts due from:		
BEH	**1,943**	15,621
Associates	**250**	61
Fellow subsidiaries	**155,824**	445,030
	158,017	460,712
Represented by:		
Trade *(Note)*	**151,052**	460,432
Non-trade	**6,965**	280
	158,017	460,712

Note: The balances are interest-free, unsecured, repayable on demand and aged within one year.

47. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(b) Besides the balances in borrowings from related non-bank financial institutions, fellow subsidiaries and BEH as set out in Note 34, the Group has amounts payable to the following related parties and the details are set out below:

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Amounts due to:		
Fellow subsidiaries	**128,315**	77,504
Associates	**1,623**	4,687
BEH	**–**	883
	129,938	83,074
Represented by:		
Trade *(Note)*	**93,999**	54,572
Payables for acquisition of property, plant and equipment	**32,055**	19,187
Non-trade	**3,884**	9,315
	129,938	83,074

Note: The balances are interest-free, unsecured, repayable on demand and aged within one year.

(c) The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or organisations (collectively "State-owned Enterprises"). During the year ended 31 December 2018, the Group had transactions with State-owned Enterprises including, but not limited to, sales of goods, purchases of property, plant and equipment and borrowings. The Directors consider that the transactions with these State-owned Enterprises are activities in the ordinary course of the Group's business and that the dealings of the Group have not been significantly or unduly affected by the fact the Group and these State-owned Enterprises are ultimately controlled or owned by the PRC government. Having due regard to the substance of the relationship, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

47. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(d) During the year ended 31 December 2018, besides interest income received from associates and a joint venture as set out in Note 10, interest expense charged by related parties as set out in Note 34(a), Note 34(b) and Note 34(d), respectively, the Group entered into the following significant transactions with its related parties:

Continuing transactions:

(i) Equipment maintenance services from related parties

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fellow subsidiaries	**158,271**	119,451

(ii) Conference service from related parties

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fellow subsidiaries	**125**	352

(iii) Rental expense as a lessee charged by related parties

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fellow subsidiaries	**49,766**	54,293

(iv) Commission for entrusted loan service from a related non-bank financial institution

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
A fellow subsidiary	**10,552**	7,557

47. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(d) Continuing transactions: (continued)

(v) Interest income from a related non-bank financial institution

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
A fellow subsidiary	**23,146**	18,626

(vi) Property management fee charged by a related party

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
A fellow subsidiary	**49,612**	43,664

(vii) Heat energy sold to related parties

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fellow subsidiaries	**1,727,997**	1,439,825

(viii) Equipment purchase framework agreement

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Equipment purchase from fellow subsidiaries	**109,859**	115,696

47. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(d) Continuing transactions: (continued)

(ix) Framework operating agreement

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Service fees charged by a fellow subsidiary	**17,642**	17,642

(x) EPC framework agreement

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Service fees charged by a fellow subsidiary	**6,991**	–

(xi) Landscaping service agreement

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Service fees charged by a fellow subsidiary	**–**	606

47. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(e) Compensation of key management personnel

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Directors' fees	**500**	500
Basic salaries and allowances	**4,001**	4,219
Retirement benefit contributions	**408**	306
	4,909	5,025

Key management represents the Directors and other senior management personnel disclosed in the annual report. The remuneration of key management is determined by the remuneration committed having regard to the performance of individuals and market trends.

(f) In addition, the Group also has entered into other various transactions with other government-related entities in its ordinary course of business. In view of the insignificance of these transactions, the Directors are of the opinion that separate disclosure would not be meaningful.

48. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (which include the bank and other borrowings, short-term debentures, medium-term notes, corporate bonds, net of cash and cash equivalents, restricted bank deposits), perpetual notes and equity attributable to ordinary shareholders of the Company, comprising issued share capital, retained profits and other reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with capital, and take appropriate actions to balance its overall capital structure.

49. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Financial assets		
Financial assets at amortised cost	**11,500,351**	–
Financial assets at FVTPL	**227,313**	–
Equity instruments at FVTOCI	**136,241**	–
Loans and receivables (including cash and cash equivalents)	**–**	8,121,940
Held for trading financial asset	**–**	247,175
Available-for-sale financial assets	**–**	128,028
Derivative financial assets	**–**	182,499
Financial liabilities		
Financial liabilities at amortized cost	**31,940,904**	30,671,056
Derivative financial liabilities	**49,202**	8,714

(b) Financial risk management objectives and policies

The Group's major financial instruments include derivative financial assets, trade and bills receivables, other receivables and deposits, equity instruments at FVTOCI (2017: available-for-sale financial assets), financial asset at FVTPL (2017: held for trading financial asset), loans to associates and a joint venture, cash and cash equivalents, restricted bank deposits, trade and other payables, amounts due from/to related parties, bank and other borrowings, short-term debentures, medium-term notes, and derivative financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates, foreign currency exchange rates and other price risk.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the year ended 31 December 2018.

49. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(i) Interest rate risk management

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on loans to associates and a joint venture, cash and cash equivalents, restricted bank deposits, bank and other borrowings. The Group's cash flow interest rate concentrated on prevailing market interest based on the interest rates quoted by the PBOC plus a premium or less a discount. The Group enters into interest rate swaps to hedge against its exposure to changes in cash flow of certain borrowings. The interest rate swaps is designated as an effective hedging instrument and hedge accounting is applied (see Note 37 for details).

The Group's fair value interest rate risk mainly included bank borrowings carried at fixed interest rate, short-term debentures, medium-term notes and corporate bonds.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of each reporting period. For those financial instruments bearing floating interest rate, the analysis is prepared assuming the amount of balances outstanding at the end of each reporting period was outstanding for the whole year. A 25 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would decrease/increase by RMB13,720,000 (2017: RMB24,415,000).

49. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Foreign currency risk management

Currency risk

The Group has certain assets and liabilities, including cash and cash equivalents (Note 32), bank loans (Note 34) and trade payables (Note 33) denominated in foreign currencies, hence risk exposure to exchange rate fluctuation arises.

Currency sensitivity

The Group is mainly exposed to exchange rate fluctuation on EUR, HK$, US$ and AU$, because trade payables caused by repairs and maintenance services were mainly denominated in EUR, and foreign currency bank balances denominated in HK$, US$, and AU$. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	31/12/2018	31/12/2017	**31/12/2018**	31/12/2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
EUR	**18,443**	2,035	**–**	–
HK$	**–**	–	**5,312**	1,525
US$	**–**	650,877	**6,185**	4,021
AU$	**–**	–	**160,083**	5,143

49. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

(ii) Foreign currency risk management (continued)

Currency sensitivity (continued)

The following table details the Group's sensitivity to a 5% strengthening of RMB against EUR, HK$, US$ and AU$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the exchange rate of RMB against EUR, HK$, US$ and AU$. For a 5% weakening of RMB against EUR, HK$, US$ and AU$, there would be an equal and opposite impact on the profit after taxation for the year:

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Increase in profit (EUR)	**712**	80
Decrease in profit (HK$)	**(205)**	(60)
(Decrease) increase in profit (US$)	**(218)**	25,549
Decrease in profit (AU$)	**(6,176)**	(203)

(iii) Other price risks

The Group is exposed to equity price risk mainly through its investment in equity securities. The Group's equity price risk over investment in listed equity securities is mainly concentrated on an equity security operating in nuclear power industry sector quoted in the Hong Kong Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 15% higher/lower:

Profit for the year ended 31 December 2018 would increase/decrease by RMB28,471,000 (2017: RMB30,959,000) as a result of the changes in fair value of financial asset at FVTPL.

49. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to its trade and bills receivables, other receivables and deposits, loans to associates and a joint venture, amounts due from related parties, restricted bank deposits, and cash and cash equivalents. As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	**12-month or lifetime ECL**	**Gross carrying amount**
		RMB'000
Financial assets at amortized costs		
Loans to associates and a joint venture and amounts due from related parties *(Note i)*	12-month ECL	327,017
Restricted bank deposits, and cash and cash equivalents *(Note i)*	12-month ECL	5,574,002
Other receivables and deposits *(Note ii)*	12-month ECL	234,460
	Credit-impaired	22,777
		257,237
Trade receivables *(Note ii)*	Lifetime ECL	5,350,767
Bills receivable *(Note ii)*	12-month ECL	21,246

Notes:

i. The counterparty has a low risk of default and does not have any past-due amounts.

ii. For other receivables and deposits and bills receivable, the Group use the 12-month ECL to measure the loss allowance, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on the debtors individually by past due status.

49. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers

The Group is exposed to significant concentration of credit risk in terms of electricity sales as majority of the Group's sales of electricity were made to regional and provincial power grid companies. The Group normally grants credit terms ranged from 60 days to these power grid companies except for clean energy power price premium. The collection of such clean energy power price premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relatively longer time for settlement. The Group normally does not require collaterals from trade debtors. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances individually. Aging analysis of the Group's trade receivables is disclosed in note 27 and monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The amounts presented in the consolidated statement of financial position are net of allowances for bad and doubtful debts, estimated by the Group's management based on historical settlement records, adjusts for forward-looking information and their assessment of the current economic environment. In this regard, the Directors consider that the Group's credit risk is significantly reduced and do not expect any losses from non-performance by these counterparties.

Other receivables and deposits

The counterparties of the Group's other receivables and deposits are mainly large state-owned enterprises with good credit and government agencies. Under ECL model upon application of IFRS 9 (2017: incurred loss model), management makes periodic collective assessment as well as individual assessment on the recoverability of all the receivables, based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Directors are of the opinion that the credit risk on other receivables and deposits are limited. At the end of the reporting period, the Directors have performed impairment assessment for other receivables and deposits and concluded that the credit losses of the other receivables and deposits as at 31 December 2018 was insignificant.

49. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

Restricted bank deposits and cash and cash equivalents

Substantially all of the Group's cash and deposits are held in major financial institutions, which management believes are of high credit quality. Therefore, the Group performs impairment assessment under 12m ECL model upon application of IFRS 9 (2017: incurred loss model) on restricted bank deposits and cash and cash equivalents on collective basis. Management does not expect any losses from non-performance by these counterparties. To manage this risk, restricted bank deposits, and cash and cash equivalents are mainly placed with state-owned financial institutions and reputable banks. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The following tables show reconciliation of loss allowances that has been recognized for trade receivables.

	Lifetime ECL (not credit-impaired) *RMB'000*	Lifetime ECL (credit-impaired) *RMB'000*	Total *RMB'000*
As at 31 December 2017 and 1 January 2018	–	3,320	3,320
– Transfer	3,320	(3,320)	–
– Impairment losses recognized	3,939	–	3,939
– Impairment losses reversed	(118)	–	(118)
As at 31 December 2018	**7,141**	**–**	**7,141**

49. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

For other receivables, the impairment losses at 31 December 2018 of RMB22,777,000 (2017: RMB10,814,000) was assessed by lifetime ECL as the corresponding receivables were considered credit-impaired. The impairment losses on other receivables provided for the year was RMB11,963,000.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group has net current liabilities as at 31 December 2018, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the management regularly monitors the operational cash flow of the Group as well as the unutilized bank facilities to meet its liquidity requirements in the short and long term.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2018, the Group has available unutilized banking and other borrowing facilities of RMB30,581,115,000 (2017: RMB17,404,732,000).

49. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Trade and other payables		3,046,203	141,967	113,759	162,993	–	3,464,922	3,464,922
Bank and other borrowings								
– variable interest rate	4.38	7,260,160	3,062,071	1,011,726	1,531,234	2,468,927	15,334,118	13,920,800
Bank and other borrowings								
– fixed interest rate	4.79	2,158,588	327,253	1,676,311	419,143	415,010	4,996,305	4,768,113
Short-term debentures	5.90	6,218,181	–	–	–	–	6,218,181	6,086,848
Medium-term notes	5.39	197,755	197,755	197,755	3,769,945	–	4,363,210	3,570,283
Amounts due to related parties		129,938	–	–	–	–	129,938	129,938
		19,010,825	3,729,046	2,999,551	5,883,315	2,883,937	34,506,674	31,940,904
At 31 December 2017								
Trade and other payables		2,928,825	201,580	35,801	1,731	–	3,167,937	3,167,937
Bank and other borrowings								
– variable interest rate	4.73	9,007,463	1,435,818	1,670,724	2,503,710	4,428,880	19,046,595	16,695,518
Bank and other borrowings								
– fixed interest rate	4.34	1,571,337	64,694	867,102	–	336,928	2,840,061	2,721,814
Short-term debentures	4.92	6,174,115	–	–	–	–	6,174,115	6,000,000
Medium-term note	5.04	–	–	–	2,550,000	–	2,550,000	2,002,713
Amounts due to related parties		83,074	–	–	–	–	83,074	83,074
		19,764,814	1,702,092	2,573,627	5,055,441	4,765,808	33,861,782	30,671,056

49. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key input
	31 December 2018	31 December 2017		
1) Listed held for trading shares *(see Note 30)*	Listed equity securities in Hong Kong: Electric power industry – RMB227,313,000	Listed equity securities in Hong Kong: Electric power industry – RMB247,175,000	Level 1	Quoted bid prices in an active market.
2) Interest rate swaps classified as derivatives on the consolidated statement of financial position *(see Note 37)*	Liabilities – RMB33,391,000	Liabilities – RMB8,714,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the counterparty.
3) Private equity investments at fair value through other comprehensive income *(see Note 24)*	Private equity investments in the PRC: (i) Electric power industry – RMB59,241,000 (ii) Financial business – RMB77,000,000	N/A	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the equity fair value of the estimated future cash flows expected to arise from dividends to be received from the investment per the dividend, based on an appropriate discount rate.
4) Fixed forward commodity contract classified as a derivative on the consolidated statement of financial position *(see Note 37)*	Liabilities – RMB15,811,000	Assets – RMB182,499,000	Level 3 *(Note)*	Discounted cash flow. Future cash flows are estimated based on spot electricity price, contract forward price and generators' utilization hours, discounted at a rate that reflects the credit risk of a counterparty. Discount rates are 4.15% and 4.10% for 31 December 2018 and 2017 respectively.

Note: The significant unobservable input is spot electricity price. A slight increase in the spot electricity price used in isolation would result in a significant decrease in the fair value of the derivative on fixed forward commodity contract and vice versa. A 5% increase in the spot electricity price holding all other variables constant would decrease the fair value of the derivative financial liability by RMB27,167,000 (2017: decrease the fair value of the derivative financial asset by RMB124,952,000).

49. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

In estimating the fair value of an asset where Level 1 inputs are not available, the management of the Group works closely with external valuers to establish the appropriate valuation techniques and inputs to the model.

There were no transfers among different levels during the year.

Some of the Group's financial assets and financial liabilities are measured at amortized cost at the end of the reporting period. Their fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except for the fixed rate bank and other borrowings (Note 34) and medium-term notes (Note 36), the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated statement of financial position approximate their respective fair values at the end of each reporting period.

Reconciliation of level 3 fair value measurement is as follow:

	At 31 December	
Fixed forward commodity contract	**2018** ***RMB'000***	2017 *RMB'000*
At 1 January	**182,499**	(159,612)
Ineffectiveness arising from cash flow hedging instrument recognized in profit or loss	**(29,369)**	–
Fair value (losses) gains of cash flow hedging instrument recognized in other comprehensive income	**(157,272)**	337,807
Effect of foreign currency exchange difference	**(11,669)**	4,304
At 31 December	**(15,811)**	182,499

50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	**Short-term Debentures**	**Medium-term Notes**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	19,417,332	6,000,000	2,002,713	27,420,045
Financing cash flows	(771,738)	–	1,500,000	728,262
Accrued interest	35,321	86,848	67,570	189,739
Effect of foreign currency exchange difference	7,998	–	–	7,998
At 31 December 2018	**18,688,913**	**6,086,848**	**3,570,283**	**28,346,044**

	Borrowings	Corporate Bonds	Short-term Debentures	Medium-term Note	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	17,077,737	2,195,516	6,000,000	–	25,273,253
Financing cash flows	2,315,349	(2,298,200)	–	1,994,340	2,011,489
Accrued interest	–	102,684	–	8,373	111,057
Effect of foreign currency exchange difference	24,246	–	–	–	24,246
At 31 December 2017	19,417,332	–	6,000,000	2,002,713	27,420,045

51. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2018 and 2017 are set out below:

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company				Proportion of voting rights held by the Group		Principal activities
			Direct		Indirect				
			2018	2017	2018	2017	2018	2017	
北京太陽宮燃氣熱電有限公司 (Beijing Taiyanggong Gas-fired Power Co., Ltd.)* (Taiyanggong Power)	PRC	RMB700,000,000	74%	74%	-	-	74%	74%	Gas-fired power and heat energy generation
北京京橋熱電有限責任公司 (Beijing Jingqiao Thermal Power Co., Ltd.)*	PRC	RMB876,280,000	100%	100%	-	-	100%	100%	Gas-fired power and heat energy generation
北京京豐燃氣發電有限責任公司 (Beijing Jingfeng Natural Gas-fired Power Co., Ltd.)*	PRC	RMB325,770,000	100%	100%	-	-	100%	100%	Gas-fired power and heat energy generation
北京京能高安屯燃氣熱電有限責任公司 (Beijing Jingneng Gaoantun Gas-fired Power Co., Ltd.)*	PRC	RMB760,512,000	100%	100%	-	-	100%	100%	Gas-fired power and heat energy generation
北京京西燃氣熱電有限公司 (Beijing Jingneng Jingxi Gas-fired Power Co., Ltd.)*	PRC	RMB1,010,000,000	100%	100%	-	-	100%	100%	Gas-fired power and heat energy generation
Shangzhuang Power	PRC	RMB518,000,000	100%	100%	-	-	100%	100%	Gas-fired power and heat energy generation
黑水縣三聯水電開發有限責任公司 (Heishui County Sanlian HydroPower Development Co., Ltd.)*	PRC	RMB231,770,000	100%	100%	-	-	100%	100%	Water power generation
盈江華富水電開發有限公司 (Yingjiang Hua Fu HydroPower Development Co., Ltd.)*	PRC	RMB413,600,000	100%	100%	-	-	100%	100%	Water power generation
騰沖縣猴橋永興河水電開發有限公司 (Tengchong County Hou Qiao Yong Xing River HydroPower Development Co., Ltd.)*	PRC	RMB74,876,000	100%	100%	-	-	100%	100%	Water power generation
Sichuan Dachuan	PRC	RMB130,000,000	100%	100%	-	-	100%	100%	Water power generation

51. SUBSIDIARIES *(continued)*

Details of the Company's subsidiaries at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company Direct 2018	Direct 2017	Indirect 2018	Indirect 2017	Proportion of voting rights held by the Group 2018	2017	Principal activities
Sichuan Zhongneng	PRC	RMB90,000,000	100%	100%	-	–	100%	100%	Water power generation
成都金華能電力實業有限責任公司 (Chengdu Jinhuaneng Power Co., Ltd.)*	PRC	RMB20,000,000	-	–	100%	100%	100%	100%	Repair and maintenance
內蒙古京能商都風力發電有限責任公司 (Inner Mongolia Jingneng Shangdu Wind Power Co., Ltd.)*	PRC	RMB207,520,000	100%	100%	-	–	100%	100%	Wind power generation
New Energy	PRC	RMB2,706,390,000	100%	100%	-	–	100%	100%	Investment management, wind power generation
內蒙古京能察右中風力發電有限責任公司 (Inner Mongolia Jingneng Chayouzhong Energy Co., Ltd.)*	PRC	RMB313,641,000	100%	100%	-	–	100%	100%	Wind power generation
錫林郭勒吉相華亞風力發電有限責任公司 (Xilinguole Jixianghuaya Wind Power Co., Ltd.)*	PRC	RMB324,468,000	100%	100%	-	–	100%	100%	Wind power generation
內蒙古京能烏蘭伊力更風力發電有限責任公司 (Inner Mongolia Jingneng Wulanyiligeng Wind Power Co., Ltd.)*	PRC	RMB792,350,000	100%	100%	-	–	100%	100%	Wind power and photovoltaic power generation
左雲京能風力發電有限責任公司 (Zuoyun Jingneng Wind Power Co., Ltd.)*	PRC	RMB85,790,000	100%	100%	-	–	100%	100%	Wind power generation
內蒙古京能文貢烏拉風力發電有限公司 (Inner Mongolia Jingneng Wengongwula Wind Power Co., Ltd.)*	PRC	RMB118,890,000	100%	100%	-	–	100%	100%	Wind power and photovoltaic power generation
內蒙古霍林郭勒風力發電有限責任公司 (Inner Mongolia Huolinguole Wind Power Co., Ltd.)*	PRC	RMB129,220,000	100%	100%	-	–	100%	100%	Wind power generation

51. SUBSIDIARIES *(continued)*

Details of the Company's subsidiaries at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company				Proportion of voting rights held by the Group		Principal activities
			Direct		Indirect				
			2018	2017	2018	2017	2018	2017	
內蒙古京能巴林右風力發電有限責任公司 (Inner Mongolia Jingneng Balinyou Wind Power Co., Ltd.)*	PRC	RMB149,290,000	100%	100%	-	-	100%	100%	Wind power generation
內蒙古京能科右中風力發電有限責任公司 (Inner Mongolia Jingneng Keyouzhong Wind Power Co., Ltd.)*	PRC	RMB78,000,000	100%	100%	-	-	100%	100%	Wind power generation
內蒙古京能旗杆風力發電有限公司 (Inner Mongolia Jingneng Qigan Wind Power Co., Ltd.)*	PRC	RMB73,000,000	100%	100%	-	-	100%	100%	Wind power generation
內蒙古京能烏蘭風力發電有限公司 (Inner Mongolia Jingneng Wulan Wind Power Co., Ltd.)*	PRC	RMB285,140,000	100%	100%	-	-	100%	100%	Wind power generation
寧夏京能新能源有限公司 (Ningxia Jingneng New Energy Co., Ltd.)*	PRC	RMB259,248,000	100%	100%	-	-	100%	100%	Wind power and photovoltaic power generation
寧夏京能靈武風電有限公司 (Ningxia Jingneng Lingwu Wind Power Co., Ltd.)*	PRC	RMB338,528,000	100%	100%	-	-	100%	100%	Wind power and photovoltaic power generation
五家渠京能新能源有限責任公司 (Wujiaqu Jingneng New Energy Co., Ltd.)*	PRC	RMB347,204,000	100%	100%	-	-	100%	100%	Wind power and photovoltaic power generation
寧夏京能中衛有限公司 (Ningxia Jingneng Zhongwei Co., Ltd.)*	PRC	RMB56,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
Weilai Gas	PRC	RMB291,898,600	100%	100%	-	-	100%	100%	Gas-fired power and heat energy generation
建湖京能新能源有限公司 (Jianhu Jingneng New Energy Co., Ltd.)*	PRC	RMB54,760,000	100%	100%	-	-	100%	100%	Photovoltaic power generation

51. SUBSIDIARIES *(continued)*

Details of the Company's subsidiaries at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company				Proportion of voting rights held by the Group		Principal activities
			Direct		Indirect				
			2018	2017	2018	2017	2018	2017	
寧夏賀蘭京能新能源有限公司 (Ningxia Helan Jingneng New Energy Co., Ltd.)*	PRC	RMB56,760,000	100%	100%	-	–	100%	100%	Photovoltaic power generation
寧夏中寧縣京能新能源有限公司 (Ningxia Zhongning County New Energy Co., Ltd.)*	PRC	RMB260,050,000	100%	100%	-	–	100%	100%	Wind power and photovoltaic power generation
格爾木京能新能源有限公司 (Golmud Jingneng New Energy Co., Ltd.)*	PRC	RMB205,360,000	100%	100%	-	–	100%	100%	Photovoltaic power generation
京能(遷西)發電有限公司 (Jingneng Qianxi Power Co., Ltd.)* ("Qianxi Power")	PRC	RMB93,146,600	60%	60%	-	–	60%	60%	Photovoltaic power generation
Jingneng HK	Hong Kong	HK$77,657,000	100%	100%	-	–	100%	100%	Investment holding
New GRWF Holding	Australia	AU$138,960,000	-	–	100%	100%	100%	100%	Investment holding
New GRWF	Australia	AU$132,460,000	-	–	100%	75%	100%	75%	Wind power generation
Gullen Solar Pty Ltd.	Australia	AU$6,500,000	-	–	100%	100%	100%	100%	Photovoltaic power generation
JCEIH	British Virgin Islands	US$50,000	-	–	100%	100%	100%	100%	Investment holding
深圳京能清洁能源融資租賃有限公司 (Shenzhen Jingneng Clean Energy Finance Lease Co., Ltd.)*	PRC	RMB306,000,000	-	–	100%	100%	100%	100%	Finance Lease
府谷縣京能新能源有限公司 (Fugu Jingneng New Energy Co., Ltd.)*	PRC	RMB72,770,000	100%	100%	-	–	100%	100%	Wind power generation
共和京能清潔能源有限公司 (Gonghe Jingneng Clean Energy Co., Ltd.)*	PRC	RMB18,900,000	100%	100%	-	–	100%	100%	Photovoltaic power generation
寧夏海原京能新能源有限公司 (Ningxia Haiyuan Jingneng New Energy Co. Ltd.)*	PRC	RMB19,000,000	100%	100%	-	–	100%	100%	Photovoltaic power generation

51. SUBSIDIARIES *(continued)*

Details of the Company's subsidiaries at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company				Proportion of voting rights held by the Group		Principal activities
			Direct		Indirect				
			2018	2017	2018	2017	2018	2017	
大同京能新能源有限公司 (Datong Jingneng New Energy Co. Ltd.)*	PRC	RMB170,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
靖遠京能新能源有限公司 (Jingyuan Jingneng New Energy Co., Ltd.)*	PRC	RMB79,450,000	100%	100%	-	-	100%	100%	Wind power generation
徐聞京能新能源有限公司 (Xuwen Jingneng New Energy Co., Ltd.)*	PRC	RMB114,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
北票京能新能源有限公司 (Beipiao Jingneng New Energy Co., Ltd.)*	PRC	RMB58,610,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
朝陽縣京能新能源有限公司 (Chaoyang Jingneng New Energy Co., Ltd.)*	PRC	RMB30,660,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
縉雲縣京能新能源有限公司 (Jinyun Jingneng New Energy Co., Ltd.*)	PRC	RMB21,010,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
葫蘆島南票京泰新能源有限公司 (Huludao Nanpiao Jingtai Jingneng New Energy Co., Ltd.)*	PRC	RMB30,600,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
葫蘆島南票萬和新能源有限公司 (Huludao Nanpiao Wanhe Jingneng New Energy Co., Ltd.)*	PRC	RMB30,552,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
Beijing Jingneng Clean Energy (Australia) Holding Pty Ltd.	Australia	AU$138,960,000	-	-	100%	100%	100%	100%	Investment holding
共和源通光伏發電有限公司 (Gongheyuantong Photovoltaic Power Co., Ltd.)*	PRC	RMB1,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
凌海京鑫新能源有限公司 (Linghai Jingxin New Energy Co., Ltd.)*	PRC	RMB2,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
東源天華陽光新能源電力有限公司 (Dongyuan Tianhua Yangguang New Energy Power Co., Ltd.)*	PRC	RMB1,836,000	100%	100%	-	-	100%	100%	Photovoltaic power generation

51. SUBSIDIARIES *(continued)*

Details of the Company's subsidiaries at 31 December 2018 and 2017 are set out below: (continued)

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company				Proportion of voting rights held by the Group		Principal activities
			Direct		Indirect				
			2018	2017	2018	2017	2018	2017	
益陽大通湖東大光伏發電有限公司 (Yiyang Datonghu Dongda Photovoltaic Power Co., Ltd.)*	PRC	RMB1,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
凌源東大光伏發電有限公司 (Lingyuan Dongda Photovoltaic Power Co., Ltd.)*	PRC	RMB1,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
Newtricity Biala	Australia	AU$30,000	-	-	100%	100%	100%	100%	Wind power generation
湘陰縣晶和新能源有限公司 *(Note b)* (Xiangyinxian Jinghe New Energy Power Co., Ltd.)*	PRC	RMB80,000,000	100%	-	-	-	100%	-	Photovoltaic power generation
深州電陽新能源有限公司 *(Note b)* (Shenzhou Dianyang New Energy Power Co., Ltd.)*	PRC	RMB1,000,000	100%	-	-	-	100%	-	Photovoltaic power generation
京能懷南河北風電有限責任公司 *(Note a)* (Jingneng Huainan Hebei Wind Power Co., Ltd.)*	PRC	RMB3,000,000	100%	-	-	-	100%	-	Wind power generation
海興京興新能源有限公司 *(Note a)* (Haixing Jingxing New Energy Power Co., Ltd.)*	PRC	RMB10,000,000	49%	-	-	-	100%	-	Photovoltaic power generation
壽陽京壽光伏發電有限公司 *(Note a)* (Shouyang Jingshou Photovoltaic Power Co., Ltd.)*	PRC	RMB10,000,000	49%	-	-	-	100%	-	Photovoltaic power generation
渾源京晶新能源有限公司 *(Note a)* (Hunyuan Jingjing New Energy Power Co., Ltd.)*	PRC	RMB10,000,000	49%	-	-	-	100%	-	Wind power generation and photovoltaic power generation
內蒙古京能蘇尼特風力發電有限公司 *(Note a)* (Neimenggu Jingneng Sunite Wind Power Co., Ltd.)*	PRC	RMB10,000,000	100%	-	-	-	100%	-	Wind power generation
京能新能源(蘇尼特右旗)風力發電有限公司 *(Note a)* (Jingneng New Energy (Sunite) Wind Power Co., Ltd.)*	PRC	RMB31,643,000	100%	-	-	-	100%	-	Wind power generation

* English name for identification purpose

51. SUBSIDIARIES *(continued)*

Details of the Company's subsidiaries at 31 December 2018 and 2017 are set out below: (continued)

Notes:

a) These subsidiaries were newly established during the year ended 31 December 2018.

b) These subsidiaries were acquired during the year ended 31 December 2018. No goodwill was arised from these business combination.

c) The subsidiaries registered in the PRC are all in the legal form of limited liability company.

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Incorporation/ establishment/ registration and operation	Proportion ownership interest held by non-controlling interests		Profit allocated to non-controlling interests		Total comprehensive income (expenses) allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	2018	2017	2018	2017	2018	2017
		%	*%*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Taiyanggong Power	PRC	26	26	79,047	70,241	79,047	70,241	335,086	307,070
Qianxi Power	PRC	40	40	5,359	4,217	5,359	4,217	46,836	41,477
New GRWF Holding	Australia	-	25	-	9,404	-	71,351	-	219,981
				84,406	83,862	84,406	145,809	381,922	568,528

51. SUBSIDIARIES *(continued)*

Summarized financial information in respect of each of the Company's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Taiyanggong Power	**2018** ***RMB'000***	2017 *RMB'000*
Current assets	**669,374**	390,425
Non-current assets	**1,437,619**	1,491,047
Current liabilities	**794,331**	691,496
Non-current liabilities	**17,862**	8,936
Revenue	**2,197,607**	1,896,579
Profit and total comprehensive income for the year	**304,027**	270,156
Dividends declared to non-controlling interests	**63,326**	73,136
Net cash inflow from operating activities	**501,942**	546,822
Net cash outflow used in investing activities	**(166,205)**	(62,780)
Net cash outflow used in financing activities	**(54,356)**	(470,681)
Net cash inflow	**281,381**	13,361

51. SUBSIDIARIES *(continued)*

Qianxi Power	2018 *RMB'000*	2017 *RMB'000*
Current assets	105,377	54,733
Non-current assets	348,943	347,594
Current liabilities	145,934	84,937
Non-current liabilities	191,300	213,700
Revenue	46,734	25,011
Profit and total comprehensive income for the year	13,396	10,543
Dividends declared to non-controlling interests	–	–
Net cash (outflow) inflow from operating activities	(5,280)	82
Net cash outflow used in investing activities	(18,764)	(35,176)
Net cash inflow from financing activities	19,840	11,593
Net cash outflow	(4,204)	(23,501)

51. SUBSIDIARIES *(continued)*

New GRWF Holding	2017 *RMB'000*
Current assets	443,569
Non-current assets	1,814,091
Current liabilities	77,510
Non-current liabilities	1,300,224
Revenue	131,089
Profit for the year	37,615
Other comprehensive income for the year	225,001
Total comprehensive income for the year	262,616
Dividends declared to non-controlling interests	–
Net cash inflow from operating activities	183,053
Net cash outflow used in investing activities	(97,354)
Net cash outflow used in financing activities	(174,619)
Net cash outflow	(88,920)

52. EVENT AFTER THE REPORTING PERIOD

BEH, the Company, Beijing Jingneng Power Co., Ltd. ("Jingneng Power") and BEH Finance entered into a capital increase agreement dated 10 December 2018 (the "Capital Increase Agreement"), pursuant to which, the registered capital of BEH Finance will be increased from RMB3 billion to RMB5 billion, comprising RMB0.06 billion, RMB0.94 billion and RMB1 billion, which are offered to be subscribed by BEH, the Company and Jingneng Power at the subscription price of RMB1.27 per unit of the registered capital of BEH Finance respectively. Upon completion of the proposed subscription, BEH, the Company and Jingneng Power will hold 60%, 20% and 20% of the equity interest in BEH Finance, respectively. In relation to the increased registered capital of BEH Finance, BEH, the Company and Jingneng Power shall contribute RMB76,200,000, RMB1,103,800,000 and RMB1,270,000,000, respectively. Jingneng Power and BEH Finance are subsidiaries of BEH. Details of the proposed subscription are disclosed in the Company's circular dated 15 January 2019.

Pursuant to the extraordinary general meeting held on 30 January 2019, the Company has passed the resolution regarding the proposed subscription of equity interest in BEH Finance.

53. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	**1,415,773**	1,528,003
Intangible assets	**14,771**	3,480
Investments in subsidiaries	**14,442,491**	13,602,265
Prepaid lease payments	**4,219**	1,231
Investments in associates	**838,444**	788,496
Loans to associates	**139,000**	142,000
Loans to a joint venture	**30,000**	30,000
Loans to subsidiaries	**2,161,000**	805,000
Investment in a joint venture	**152,967**	80,467
Deferred tax assets	**41,883**	34,292
Financial assets at FVTOCI	**60,000**	–
Available-for-sale financial asset	**–**	60,000
Value-add tax recoverable	**10,946**	16,903
Deposit paid for acquisition of property, plant and equipment	**164,093**	164,548
	19,475,587	17,256,685
Current assets		
Inventories	**2,837**	789
Trade and bills receivables	**241,413**	187,286
Other receivables, deposits and prepayments	**115,180**	3,133
Amounts due from related parties	**8,134**	15,843
Amounts due from subsidiaries	**5,408,085**	3,615,790
Loans to subsidiaries	**7,509,000**	5,806,000
Prepaid lease payments	**229**	29
Value-added tax recoverable	**6,000**	5,993
Restricted cash	**–**	612,600
Cash and cash equivalents	**1,680,478**	901,057
	14,971,356	11,148,520

53. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

	At 31 December 2018 *RMB'000*	2017 *RMB'000*
Current liabilities		
Trade and other payables	79,595	144,025
Amounts due to related parties	4,507	5,957
Amounts due to a subsidiary	1,125	2,071
Bank and other borrowings – due within one year	4,069,705	4,140,000
Short-term debentures	6,086,848	6,000,000
Medium-term notes	80,189	–
Income tax payable	8,140	–
Deferred income – current portion	2,882	5,354
	10,332,991	10,297,407
Net current assets	4,638,365	851,113
Total assets less current liabilities	24,113,952	18,107,798
Non-current liabilities		
Bank and other borrowings – due after one year	2,283,750	593,000
Medium-term notes	3,490,094	2,002,713
Deferred income	97,978	104,798
	5,871,822	2,700,511
Net assets	18,242,130	15,407,287
Capital and reserves		
Share capital	8,244,508	6,870,423
Reserves	9,997,622	7,008,882
Perpetual notes	–	1,527,982
Total equity	18,242,130	15,407,287

53. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2017	2,656,574	616,645	2,463,851	5,737,070
Profit and total comprehensive income for the year	–	–	1,780,223	1,780,223
Appropriation to statutory surplus reserve	–	185,747	(185,747)	–
Dividend declared	–	–	(508,411)	(508,411)
At 31 December 2017	**2,656,574**	**802,392**	**3,549,916**	**7,008,882**
Profit and total comprehensive income for the year	**–**	**–**	**1,866,327**	**1,866,327**
Appropriation to statutory surplus reserve	**–**	**189,865**	**(189,865)**	**–**
Issue of shares	**1,645,986**	**–**	**–**	**1,645,986**
Issuance cost	**(1,659)**	**–**	**–**	**(1,659)**
Repayment of perpetual notes	**(13,500)**	**–**	**–**	**(13,500)**
Dividend declared	**–**	**–**	**(508,414)**	**(508,414)**
At 31 December 2018	**4,287,401**	**992,257**	**4,717,964**	**9,997,622**

Definitions

"Articles of Association"	Articles of association of the Company
"BDHG"	北京市熱力集團有限責任公司 (Beijing District Heating (Group) Co., Ltd)
"BEH"	北京能源集團有限責任公司 (Beijing Energy Holding Co., Ltd)
"BEH Finance"	京能集團財務有限公司(BEH Finance Co., Ltd)
Beijing Energy Investment	Beijing Energy Investment Holding Co., Ltd. (北京能源投資(集團)有限公司)
"Board of Directors" or "Board"	board of directors of the Company
"Board of Supervisors"	board of supervisors of the Company
"BSCOMC"	北京國有資本經營管理中心 (Beijing State-owned Capital Operation and Management Center)
"China" or "PRC"	the People's Republic of China, but for the purposes of this annual report and for geographical reference only (unless otherwise indicated), excluding Taiwan, Macau and Hong Kong
"Company", "our Company", "we" or "us"	北京京能清潔能源電力股份有限公司(Beijing Jingneng Clean Energy Co., Limited)
"CSRC"	中國證券監督管理委員會(China Securities Regulatory Commission)
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"HK GAAP"	Hong Kong Financial Reporting Standards and other generally accepted accounting principles in Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HK$" or "Hong Kong dollars" or "HK dollars" or "HKD"	Hong Kong dollars, the lawful currency for the time being of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

Definitions

"H Shares"	overseas listed foreign invested ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
"IFRSs"	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC)
"Jingneng Power"	北京京能電力股份有限公司 (Beijing Jingneng Power Co., Ltd.)
"Latest Practicable Date"	16 April, 2019, being the latest practicable date for the inclusion of certain information in this annual report prior to its publication
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"NSSF"	全國社會保障基金理事會(National Council for Social Security Fund of the PRC)
"PBOC"	中國人民銀行(People's Bank of China)
"PRC GAAP"	generally accepted accounting principles in the PRC
"Renminbi" or "RMB"	the lawful currency of the PRC
"SASAC"	國務院國有資產監督管理委員會(State-owned Assets Supervision and Administration Commission of the State Council)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"SERC"	國家電力監管委員會(State Electricity Regulatory Commission of the PRC)
"SFC"	the Securities and Futures Commission of Hong Kong
"Shareholder(s)"	holder(s) of our Shares, including holders of H shares and holders of domestic shares of the Company

"Shares"	shares in the share capital of the Company, with a nominal value of RMB1.00 each
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"YuanShen Financial Leasing"	北京京能源深融資租賃有限公司 (Beijing YuanShen Financial Leasing Co., Ltd.)

Corporate Information

Registered Name	Beijing Jingneng Clean Energy Co., Limited
Directors	
Non-executive Directors	Mr. LIU Haixia *(Chairman)* Mr. JIN Shengxiang Mr. TANG Xinbing Ms. LI Juan Mr. WANG Bangyi
Executive Director	Mr. ZHANG Fengyang *(General Manager)*
Independent Non-executive Directors	Mr. HUANG Xiang Mr. ZHANG Fusheng Mr. CHAN Yin Tsung Mr. HAN Xiaoping
Strategy Committee	Mr. LIU Haixia *(Chairman)* Mr. JIN Shengxiang Mr. TANG Xinbing Mr. ZHANG Fengyang
Remuneration and Nomination Committee	Mr. HUANG Xiang *(Chairman)* Mr. LIU Haixia Mr. TANG Xinbing Mr. ZHANG Fusheng Mr. HAN Xiaoping
Audit Committee	Mr. CHAN Yin Tsung *(Chairman)* Mr. JIN Shengxiang Mr. HUANG Xiang
Supervisors	Mr. LI Xun Mr. LIU Jiakai Ms. HUANG Linwei
Company Secretary	Mr. KANG Jian

Corporate Information

Authorized Representatives	Mr. ZHANG Fengyang 7/8 Floor, No.6 Xibahe Road, Chaoyang District, Beijing, the PRC Mr. KANG Jian 7/8 Floor, No.6 Xibahe Road, Chaoyang District, Beijing, the PRC
Registered Office	Room 118, No. 1 Ziguang East Road, Badaling Economic Development Zone, Yanqing District, Beijing, the PRC
Principal Place of Business in the PRC	7/8 Floor, No. 6 Xibahe Road, Chaoyang District, Beijing, the PRC
Principal Place of Business in Hong Kong	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Principal Bankers	China Merchants Bank Co., Ltd (Dongzhimen Branch) Floor 2, Tianheng Manson, No.46 Dongzhimen Waidajie, Dongcheng District, Beijing, the PRC Bank of Communications Co., Ltd. (Fuwai Branch) Building 1, No. 9, Chegongzhuangdajie, Xicheng District, Beijing, the PRC Agricultural Bank of China Limited (Fengtai Branch) No. 9, East Avenue Street, Fengtai District, Beijing, the PRC Industrial and Commercial Bank of China Limited (Taoranting Branch) No. 55, Taoranting Road, Xicheng District, Beijing, the PRC

Corporate Information

International Auditors	Deloitte Touche Tohmatsu Certified Public Accountants 35/F, One Pacific Place, 88 Queensway, Hong Kong
Domestic Auditors	Grant Thornton 5th Floor, Scitech Place, 22 Jianguomen Wai Avenue, Chaoyang District, Beijing, the PRC
Hong Kong Legal Advisors	Freshfields Bruckhaus Deringer 55th Floor, One Island East, Taikoo Place Quarry Bay, Hong Kong
PRC Legal Advisors	Tian Yuan Law Firm 10/F, CPIC Plaza, 28 Fengsheng Lane, Xicheng District, Beijing, the PRC
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Stock Code	579
Company's Website	www.jncec.com
Listing Place	The Stock Exchange of Hong Kong Limited