新疆金风科技股份有限公司
XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.*

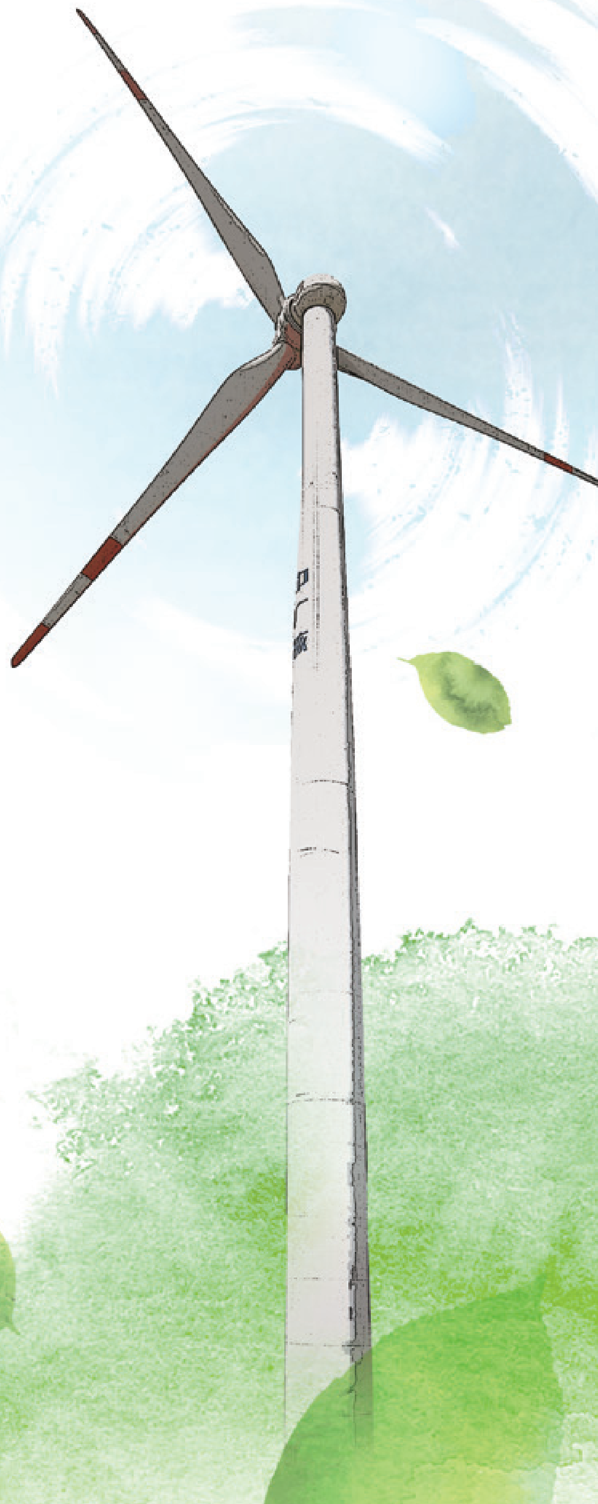
(A joint stock limited liability company incorporated in the People's Republic of China)
Stock Code: 2208

Innovating for a Brighter Tomorrow

ANNUAL REPORT 2019

*For identification purpose only

Contents



Definitions

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

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

"China Three Gorges New Energy"	China Three Gorges New Energy (Group) Co., Ltd. (中國三峽新能源(集團)股份有限公司), a company incorporated under the laws of the PRC, a wholly-owned subsidiary of China Three Gorges, and a substantial shareholder of the Company;
"Company"	Xinjiang Goldwind Science & Technology Co., Ltd. (新疆金風科技股份有限公司), a joint stock limited liability company incorporated in the PRC on 26 March 2001;
"connected person"	has the meaning as ascribed in the Listing Rules;
"Connected Persons Group"	a group of connected persons of the Company comprising China Three Gorges New Energy, Xinjiang Wind Power, and their respective associates;
"Corporate Governance Code"	Corporate Governance Code and Corporate Governance Report, as set out in Appendix 14 of the Listing Rules;
"DDPM"	direct-drive permanent magnet, a technology that combines a) a drive-train concept in which the need for a gearbox is eliminated and the turbine rotor directly drives the generator rotor; and b) a synchronous generator in which permanent magnet is used on the generator;
"Directors"	the directors of the Company;
"EGM"	extraordinary general meeting of the Company;
"EPC"	Engineering, Procurement and Construction, a construction arrangement where a company that is contracted to construct the project will be responsible for the design, procurement and construction of such project, and will deliver such project to the owner after completion of the project construction and passing of the final acceptance inspection;
"Financial Statements"	the audited consolidated financial statements of the Group for the financial year ended 31 December 2019, prepared in accordance with IFRSs;
"gearing ratio"	net debt divided by the sum of capital and net debt;
"Group", "Goldwind", "us" or "we"	the Company and its subsidiaries;
"Goldwind International"	Goldwind International Holdings (Hong Kong) Limited (金風國際控股(香港)有限公司) is a wholly owned subsidiary of the Company incorporated under the laws of Hong Kong on 6 October 2010;
"GW"	gigawatt, a unit of power, 1GW equals 1,000MW;
"H Shares"	ordinary shares issued by the Company, with RMB-denominated par value of RMB1.00 each, which are listed on the Stock Exchange and traded in HKD;
"H Shareholders"	the holders of the H Shares;

"HKD"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"IFRSs"	International Financial Reporting Standards;
"independent shareholders"	has the meaning as ascribed in the Listing Rules;
"kV"	kilovolt, a unit of potential difference between two terminals, 1kV equals 1,000 volts;
"kW"	kilowatt, a unit of power, 1kW equals 1,000 watts;
"kWh"	kilowatt hour, the unit of measurement for calculating the quantity of power production output. 1kWh is the work completed by a kilowatt generator running continuously for one hour at the rated output capacity;
"Latest Practicable Date"	20 April 2020, being the latest practicable date prior to printing this annual report for ascertaining certain information contained in this report;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules;
"MW"	megawatt, a unit of power, 1MW equals 1,000kW;
"NEA"	National Energy Administration of the PRC（中國國家能源局）;
"NDRC"	National Development and Reform Commission of the PRC（中國國家發展和改革委員會）;
"President"	the president of the Company;
"R&D"	research and development;
"RMB"	Renminbi, the lawful currency of the PRC;
"Senior Management"	the members of the senior management of the Company, their profiles as at 31 December 2019 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 45 of this annual report;
"SFC"	the Securities and Futures Commission of Hong Kong;
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
"Shareholders"	shareholders of the Company;

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

Corporate Information

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

BOARD OF DIRECTORS

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

Non-executive Directors
Mr. Gao Jianjun
Ms. Gu Hongmei
Mr. Lu Hailin

Independent Non-executive Directors
Dr. Tin Yau Kelvin Wong
Mr. Wei Wei
Ms. Yang Jianping

SUPERVISORS

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

COMPANY SECRETARY

Ms. Ma Jinru

AUTHORISED REPRESENTATIVES

Mr. Wu Gang
Ms. Ma Jinru

AUDIT COMMITTEE

Dr. Tin Yau Kelvin Wong
Mr. Lu Hailin
Ms. Yang Jianping

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Wei Wei
Mr. Cao Zhigang
Ms. Yang Jianping

NOMINATION COMMITTEE

Ms. Yang Jianping
Mr. Wu Gang
Mr. Wei Wei

STRATEGIC COMMITTEE

Mr. Wu Gang
Mr. Wang Haibo
Mr. Gao Jianjun
Ms. Gu Hongmei
Mr. Wei Wei

PLACE OF BUSINESS

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

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

LEGAL COUNSEL

Morrison & Foerster

AUDITORS

International Auditor
Ernst & Young

PRC Auditor
Ernst & Young Hua Ming LLP

LISTING PLACES

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

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

SHARE REGISTRARS

H Shares:
Computershare Hong Kong Investor Services Limited

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

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.goldwindglobal.com

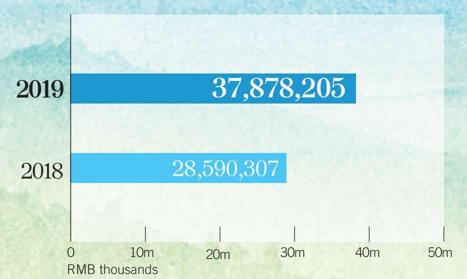
Financial Highlights

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

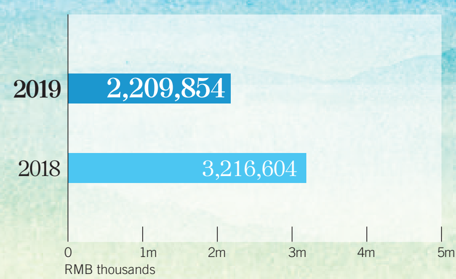
(Except share data, all amounts in RMB thousands)

	Year ended 31 December 2019	2018	Percentage Change
REVENUE	**37,878,205**	28,590,307	32.49%
PROFIT BEFORE TAX	**2,561,106**	3,682,431	-30.45%
Income tax expense	**331,353**	399,833	-17.13%
PROFIT FOR THE YEAR	**2,229,753**	3,282,598	-32.07%
Profit attributable to:			
Owners of the parent	**2,209,854**	3,216,604	-31.30%
Non-controlling interests	**19,899**	65,994	-69.85%
OTHER COMPREHENSIVE INCOME, NET OF TAX	**76,148**	(455,575)	-116.71%
TOTAL COMPREHENSIVE INCOME	**2,285,771**	2,761,029	-17.21%
EARNINGS PER SHARE:			
Basic and diluted (RMB/share)	**0.51**	0.82	-37.80%

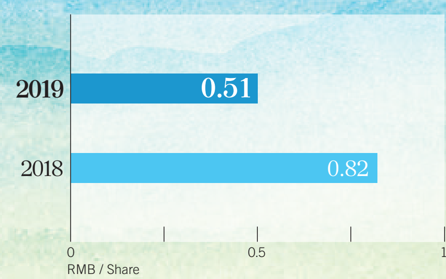
Revenue



Profit attributable to Owners of the Company



Earnings per Share



SUMMARY OF SEGMENT REVENUE

(All amounts in RMB thousands)

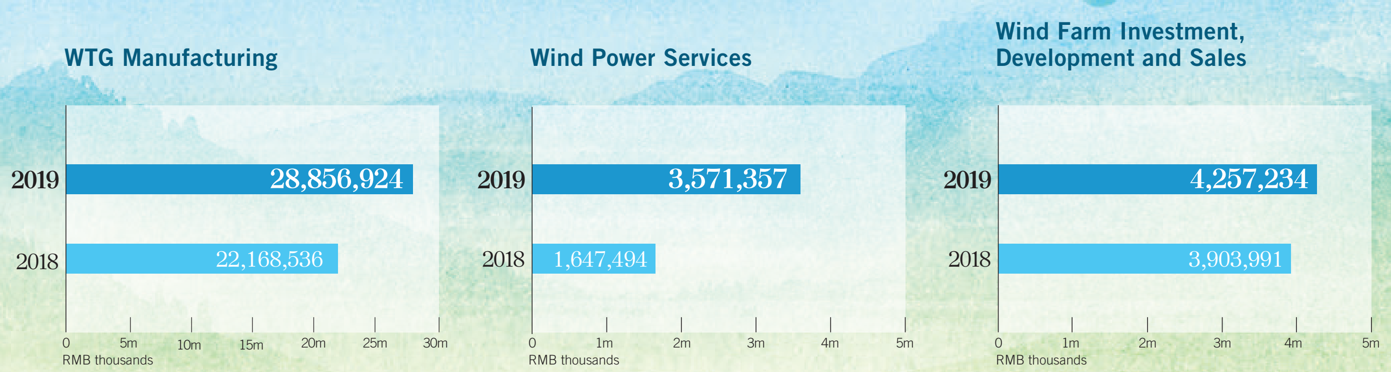
	Year ended 31 December 2019	2018	Percentage Change
WTG Manufacturing	**28,856,924**	22,168,536	30.17%
Wind Power Services	**3,571,357**	1,647,494	116.78%
Wind Farm Investment, Development and Sales	**4,257,234**	3,903,991	9.05%
Other	**1,192,690**	870,286	37.05%
Total	**37,878,205**	28,590,307	32.49%

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in RMB thousands)

	As at 31 December 2019	2018	Percentage Change
Total assets	103,057,084	81,364,053	26.66%
Total liabilities	70,832,835	54,888,929	29.05%
NET ASSETS	32,224,249	26,475,124	21.72%
Equity attributable to owners of the Company	30,675,121	24,961,218	22.89%
Non-controlling interests	1,549,128	1,513,906	2.33%

SUMMARY OF SEGMENT REVENUE

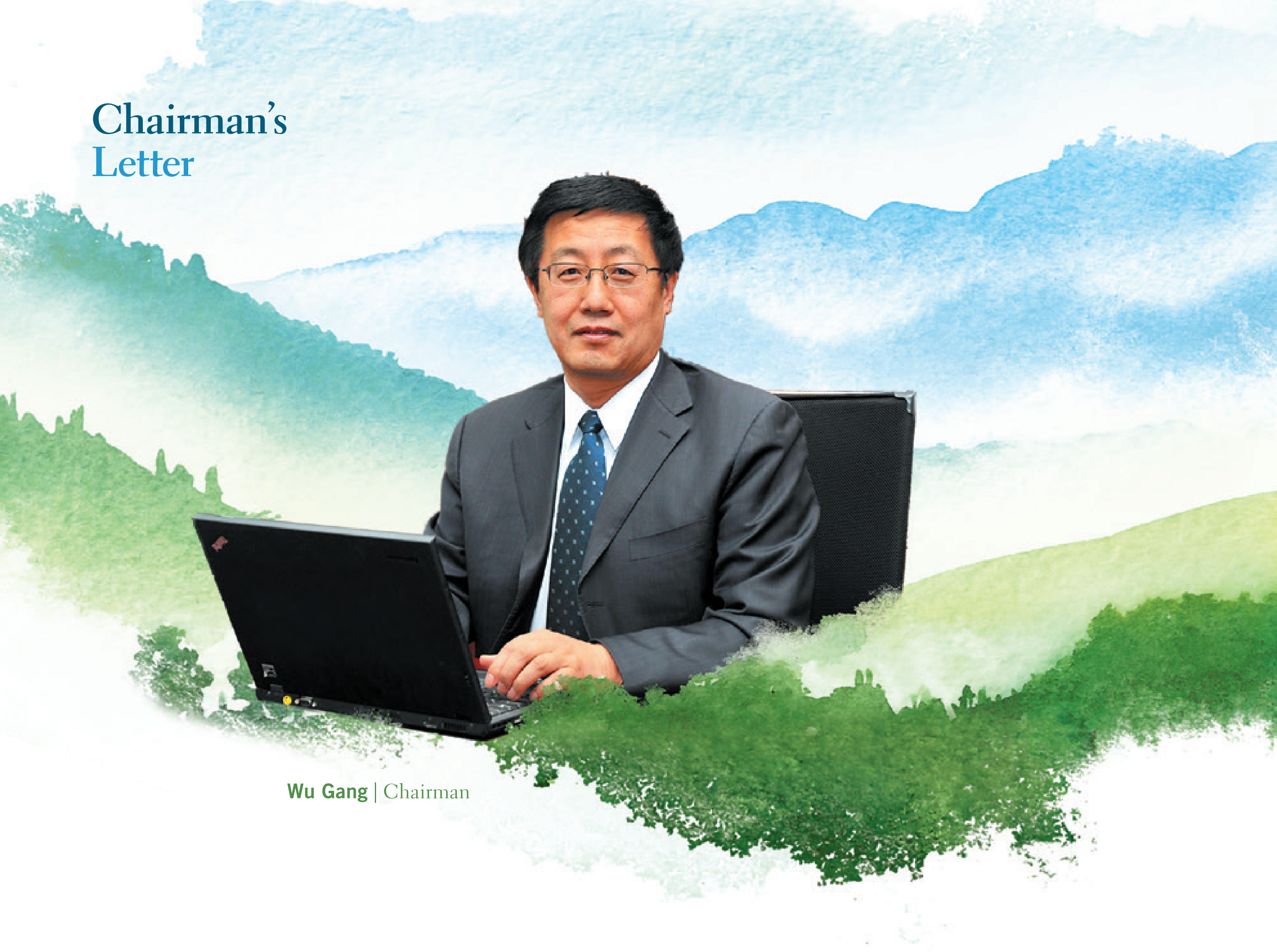


SUMMARY OF CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands)

	As at 31 December 2019	2018
Net cash flows from operating activities	5,928,783	3,125,355
Net cash flows used in investment activities	(10,266,612)	(6,113,912)
Net cash flows from financing activities	6,131,065	1,201,420
Net increase/(decrease) in cash and cash equivalents	1,793,236	(1,787,137)

Chairman's Letter



Wu Gang | Chairman

Dear Shareholders,

On behalf of the Board, I hereby present to you the 2019 *Annual Report* of Goldwind (the "Company").

In 2019, China continuously optimized the strategy of development of the renewable energy industry. Wind power industry has experienced rapid development, continuous progress of product technology, steady increase of installation scale and efficient control of curtailment. According to Bloomberg New Energy Finance (BNEF), China's newly installed capacity in 2019 was 28.9GW, including 26.2GW of onshore and 2.7GW offshore, accounting for 48% of global market.

Relying on 21 years of successful experience in the field of renewable energy, Goldwind deeply focuses on three primary business, including WTG Manufacturing, Wind Power Services and Wind Farm Investment and Development, and water business, uses strong R&D strength and continuous innovation to promote core competitive and steady development of business. In 2019, the Company's operating revenue was RMB37,878.21 million, representing an increase of 32.49% YoY. The Company's order backlog increased steadily and the Company's external contract orders were 20,280.68MW. According to BNEF, Goldwind added 8.01GW of domestic installed capacity in 2019, with a domestic market share of 28%, and 8.25GW in the globe (including 610MW offshore wind installation),

representing a global market share of 14%. The Company was ranked first in the Chinese market for nine consecutive years and among top 3 in the global market.

The company has 1.5MW, 2S, 2.5S, 3S and 6S series intelligent wind platform, suitable for diversified operating environments, such as high/low temperature, high altitude, low wind speed and littoral. Each product platform turbine was certificated by authorities at home and abroad, such as TUV NORD, Intertek, DNV.GL and China General Certification Center, fully demonstrating high technological advantage and high reliability. Goldwind is able to capitalize on the trend of cutting-edge technologies and routes, so as to cover a wide range of diversified operating platform. During the reporting period, GW131/2.2MW of 2S-platform has mass production and performed well. And its reliability and power generation performance brought wide recognition among clients and facilitated win-win benefit. GW155-4.5, GW136-4.8 of 3S-platform were adaptive to medium-high wind speed regions for onshore large energy bases in China, upgrading turbine nominal capacity to 4MW and above.

In Wind Power Services sector, Goldwind deeply integrated online intelligent monitoring, offline efficient execution and service and material networks, and comprehensively upgraded wind power operation model, thereby reshaping the industrial structure and ecology, forming a safer, smarter, and more efficient wind power “new service” model, and continued to provide customers with maximum value protection throughout the product life cycle. By the end of the Reporting Period, the Company’s under-operation capacity at home and abroad totaled 10,992MW, an increase of 58% YoY. More than 21,000 turbines were connected to Goldwind Global Monitor Center, where real-time turbine operation status was provided to clients around the globe. Revenue for the whole year from the Wind Power Service business was RMB3,571.36 million, up 116.78% YoY.

In the Wind Farm Investment and Development sector, the company's revenue from power generation business continued to grow, pipeline projects grew stable, and utilization exceeded industrial average, making great achievement in 2019. In 2019, revenue from Wind Farm Investment and Development business was RMB4,257.23 million, representing an increase of 9.05% YoY. In 2019, power sales volume totaled 3.612 billion kWh and investment gained from wind farm disposal totaled RMB720.83 million. Approved yet unconstructed attributable capacity totaled 2,057.32MW in 2019. Average utilization was 2,212 hours, 130 higher than the national average. In recent years, the business volume of the Wind Farm asset management platform has continued to increase, and the scale of Wind Farm asset management reached 5,247.4MW, up 12% YoY.

Under the guidance of "offshore and overseas" strategy, Goldwind has continuously promoted development of offshore and overseas businesses, and achieved good results in production optimization and upgrade and market expansion. During the Reporting Period, the Company continued to optimize product design and secure the delivery of suppliers. The Company delivered 156 offshore turbines, with over 600MW total capacity, and helped ensure client's projects to be in line with construction schedule. GW175-8.0MW turbine has already completed prototype test, increased power generation through reducing the wake effect, reduced utilization of the sea, shortened construction lead time, and performed distinctively in terms of lowering construction and operation & maintenance (O&M) costs while enhancing utilization of the ocean. In addition, during the Reporting Period, the company's overseas order intake totaled 1.4GW, reaching a record-high level. 297MW order in Vietnamese offshore project marked a breakthrough in offshore business. The Company also took the first order from Canada, Italy and Vietnam in 2019.

Goldwind has deeply plowed the water treatment and environment industry chain, and focused on investment and development, construction and operation, and technological innovation of water assets. Our business covered municipal water supply, municipal sewage treatment, industrial sewage treatment and reclaimed water reuse, etc. There were also achievements in the fields of solid waste disposal and sludge treatment. As of the end of 2019, the Company owned 54 water treatment project companies, treating more than 3 million tons of water per day, covering 33 cities in China. The Company's water treatment business recorded RMB781.92 million revenue.

In 2020, wind power industry will face a new era of "grid parity". As one of the earliest enterprises engaged in wind power development, Goldwind will continue to consolidate the business of WTG manufacturing and sales, wind power service and wind farm investment, and promote R&D innovation and application. Goldwind will complete the industrialization preparation of grid-parity of on-shore WTGs in 2020. Facing the opportunities and challenges of 2020, the Company will promote product reliability and lower the LCOE of wind power, create value for clients by offering quality products and deliver good return to shareholders. Goldwind is dedicated to becoming a comprehensive solution provider in clean energy, energy conservation and environmental protection.

Finally, on behalf of the Board, I would like to express my sincere gratitude to our Shareholders and business partners for their great support and encouragement in 2019, and to each of Goldwind's employees for their efforts.

Wu Gang
Chairman

Beijing, 31 March 2020

Milestones of 2019

January

- Goldwind GW140-2.5MW onshore and GW154-6.7MW offshore smart turbine was awarded "Best Turbine · 2018 China Wind Energy".

March

- Two of Goldwind's research projects were awarded the second prize by the "2019 Scientific and Technological Progress Award of Electric Power Construction": Standardized Management and Mass Application of Safety Quality and Environment Protection in Wind Power Engineering, and Key Technological Research and Application of 140-meter-high Wind Tower.

- Goldwind's decentralized wind power project was officially put into operation, located in the plant of Tianjin Branch of Sinopec Lubricant Co., Ltd., becoming the first officially operated decentralized wind power project in Tianjin.

- Goldwind's project was awarded the second prize by the "2018 Beijing Science and Technology Award": Secondary/super Synchronous Vibration Control Technology and Application in Large Wind Power Base.

- Goldwind Environmental Protection, a wholly-owned subsidiary of Goldwind, extended the industrial chain, Multi-field laid of water treatment business and continuously increased market expansion through smart water treatment business, industrial waste water treatment technical services and water plant operation services. Goldwind Environmental Protection was entitled "2018 Fastest-growing Investment Operation Enterprise" by E20 China Water Strategy Forum.

April

- Goldwind continued to be awarded the title of "Best Board and Best New Media Operation" under the Pegasus Award (天馬獎) 10th China Listed Company Investor Relations.

June

- GW155-4.5MW turbine developed by Goldwind completed prototype test and was connected to the grid, which used the technology of "PMDD and total power inverter" to customize the wind conditions and environment for medium-high wind speed parity online projects.

July

- Goldwind was successfully listed in the Fortune 500 China, ranking higher than previous years.
- The list of Top 500 Chinese Enterprises was released for the first time. Goldwind was shortlisted, ranking first among the 27 wind power companies.

August

- Led by Goldwind, the "Research and Application of Key Technologies of High Power PMDD Series Offshore Wind Turbines" project participated by the Chinese Academy of Electrical Sciences won the first prize of the Science and Technology Progress Award of the Chinese Renewable Energy Society in 2019. In the same period, the "Lightweight Large-scale Wind Turbine Development and Industrialization" project jointly led by Goldwind, Zhejiang Yunda and Sinoma won the second prize of the Science and Technology Progress Award of the Chinese Renewable Energy Society in 2019.
- Goldwind GW154-6.7MW offshore wind turbine has obtained Type A certification issued by the international authority DNV GL. Previously, the unit has obtained the "Wind Turbine type certification" issued by China General Certification Center. GW154-6.7MW has become the first high-power offshore unit in China that has obtained domestic and foreign authoritative certification.
- Goldwind was granted "China Quality Award", the highest honor in the quality field, and became the first company in the wind power industry to win this award.

September

- Goldwind was selected as the "Top 100 Green Development Pioneers", ranking 5th, and ranking first in the wind power industry.
- 8MW unit, the first domestically produced, with completely independent intellectual property rights, was officially rolled off at the Goldwind Fujian Equipment Manufacturing, which was based in Fujian Three Gorges Offshore Wind Power International Industrial Park.

November

- Goldwind has won two awards: the "Golden Responsibility Award" and the "Best Environmental Responsibility Award" in 2019 for Sustainable Development.
- Goldwind won the honor of "Best Employer of the year 2019 in China".

December

- Goldwind officially joined the China ESG Leadership Organization and became its 25th member.
- At the annual meeting and standard review meeting of the National Wind Machinery Standardization Technical Committee in 2019, Goldwind was awarded three awards including the "Standardization Innovation Award", "Standardization Organization Award" and "Standardization Advanced Worker".

Management
Discussion and Analysis

OVERVIEW

In 2019, the world's economic growth rate slowed down in general. The economic growth of the United States continued to decline, and the economic growth momentum of the Euro zone has weakened. Emerging market maintained an upward trend, but the rate of increase was lowered. Under the influence of unilateralism, trade barriers, geopolitical tensions and other factors, global economy has experienced considerable downward pressure in 2019. According to IMF, the global economic growth in 2019 was 2.9%, hitting an ever-low level since the global financial crisis in 2008.

Facing more risks and challenges at home and abroad, China delivered stable overall economic performance in 2019, with the quality of economic development steadily improved and a 6.1% GDP growth rate year-on-year, which was in line with the 6%-6.5% target and was ranked among the highest of major global economies. The IMF data recorded 28% contribution of China's economy to global economic growth in 2019.

According to data released by Bloomberg New Energy Finance (BNEF), the world newly installed capacity of onshore wind power in 2019 was 53.2 Gigawatts (GW), and the newly installed capacity of offshore wind power reached 7.5GW, the highest level in history. China accounted for 48% of the global market: in 2019, the newly installed capacity was 28.9GW, including 26.2GW of onshore wind power and 2.7GW of offshore wind power.

I. MAIN POLICIES REVIEW

2019 was a crucial year for the"13th Five-Year Plan". China has firmly promoted new energy security strategies, focused on green and low-carbon transformation, and continuously optimized the structure of power sources. The National Development and Reform Commission (NDRC), the Ministry of Finance (MoF) and the National Energy Administration (NEA) have issued a number of policies related to wind power on-grid price, subsidy change, industrial construction planning, renewable energy consumption quota, and supervision and management methods, in order to achieve grid-parity for onshore wind power in 2021 and effectively promote the healthy and orderly development of the industry, as well as China's low-carbon energy transition during the "13th Five-Year Plan".

1. Providing Policy Support to Encourage to Prioritize the Construction of Non-subsidized Grid-parity Wind Power Projects, while Promoting the Participation of Subsidized Projects in Competitive Auction

On 7 January, 2019, the NDRC and the NEA issued the *Notice on Accelerating Non-subsidized Grid-parity Wind Power and Solar Power Work*（*《關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》*）, confirming various policy support for non-subsidized grid-parity wind power projects, so as to achieve the purpose of grid-parity for onshore wind power for the year of 2021.

On 20 May, 2019, the NDRC and the NEA issued the *Notice on Promulgating the First Batch of Wind Power and Solar Power Grid-Parity Projects*（*《關於公布2019年第一批風電、光伏發電平價上網項目的通知》*）, announcing 56 grid-parity wind power projects with total expected installation capacity of 4.51GW, and proposing to give priority to the construction of this batch of projects and to let provincial energy authorities initiate the competitive bidding of subsidized wind power projects.

On 28 May, 2019, the NEA issued the *Notice on 2019 Wind Power and Solar Power Project Construction* (*《關於2019年風電、光伏發電項目建設有關事項的通知》*), clearly requiring to actively promote the construction of grid-parity projects and strictly regulating competitive bidding of subsidized projects. The Notice encourages to prioritize grid-parity wind power projects, with all else equal. The Notice also requires provincial energy authorities to formulate 2019 wind power construction plans in accordance with relevant regulations, which should include the scale and layout of new projects, competitive bidding work plans (or competitive bidding method), and transmission and power consumption settings. Among which, cap price for competitive bidding should be set by the national pricing department and there should not be minimum price.

On 30 May, 2019, the NEA circulated the *Guide to Competitive Bidding of Wind Power Projects* (*《風電項目競爭配置指導方案》*), which further stipulates that all centralized wind power projects should be allocated in a competitive manner in 2019. Provincial competitive bidding standards are to be formulated or revised in accordance with the requirements of the NEA.

On 10 March, 2019, the NEA published the *Notice on 2020 Wind Power and Solar Power Project Construction* (*《關於2020年風電、光伏發電項目建設有關事項的通知》*), stating seven major measures that aim to regulate national power market and create a good environment for the development of wind power, including: 1) actively promote the construction of grid-parity projects, 2) carry out the construction of subsidized projects in an orderly manner, 3) actively support the construction of distributed wind power projects, 4) steadily advance the construction of offshore wind power projects, 5) comprehensively implement power transmission and consumption plans, 6) strictly monitor information on project development and construction, and 7) carefully reform on management and service.

2. Realization of Onshore Wind Grid-parity in 2021 through Phase-out of Tariffs for Wind Power Projects

On 21 May, 2019, the NDRC issued the *Notice on Completing On-grid Electricity Price Policy for Wind Power (《關於完善風電上網電價政策的通知》)* that reduces the on-grid tariffs of wind power, and for the first time clearly discloses the timeline of onshore wind power grid-parity. The Notice clarifies on-grid price policy for newly approved onshore and offshore wind power projects in 2019 and 2020, and changes previous on-grid tariffs mechanism for onshore and offshore wind power projects to a guided-price mechanism. The Notice also stipulates that on-grid price for newly approved centralized onshore and offshore projects be determined through competitive bidding, and price should be lower than that set for the region where projects are domiciled. On-grid tariffs for new onshore projects in 2019 are RMB0.34/0.39/0.43/0.52/kWh for wind resource region I/II/III/IV, respectively; and on-grid tariffs for new onshore projects in 2020 are RMB0.29/0.34/0.38/0.47/kWh for wind resource region I/II/III/IV, respectively.

In addition, the Notice sets grid connection deadline for wind projects, and specifies that for onshore projects approved before the end of 2018 but not completed before the end of 2020, the government will no longer provide subsidies, and that for onshore projects approved between 1 January 2019 and 31 December 2020, the government will no longer subsidize. Since 1 January 2021, newly approved onshore projects will no longer be subsidized.

For offshore projects that are included in 2019 planning and annual subsidy budget, guided on-grid tariffs of 2019/2020 newly approved projects are adjusted to RMB0.8/0.75kWh.

3. Multiple Measures to Promote Renewable Energy Consumption and Energy Structural Adjustment

On 5 March, 2019, the NEA issued the *Opinion on Advancing the Development of Pilot Spot Market for Power (Draft for Comment) (《關於進一步推進電力現貨市場建設試點工作的意見》(徵求意見稿))*, requiring to design the development plan of spot market, set up market mechanism, strengthen operational capability of the market, and complete supporting mechanism.

On 10 May, 2019, the NDRC and the NEA issued the *Notice on Establishing and Improving the Renewable Energy Power Consumption Guarantee Mechanism (《關於建立健全可再生能源電力消納保障機制的通知》)*, setting renewable energy power consumption targets for provincial-level energy bureaus, which include minimum compulsory targets and incentive targets. Provincial-level energy bureaus should take the lead in policy implementation, and are subject to the supervision and evaluation of energy administrative department of the State Council.

On 2 March, 2020, the NDRC and the NEA jointly published the *Notice on Formulating Provincial-level Renewable Energy Power Consumption Guarantee Mechanism (《省級可再生能源電力消納保障實施方案編制大綱的通知》)*, requiring provincial-level (autonomous regions and municipalities) energy bureaus to make clear of minimum renewable power consumption responsibilities and evaluate responsible entities according to their completion of task, following with supervision and punishment on those not reach quota basing on laws and regulations. Consumption-responsible entities may consume renewable power through purchasing green power, generating green power for self-use, or buying green certificates from other entities that over-fulfill consumption quota.

4. Improving the Efficiency of Renewable Energy Subsidies and Completing Market-based Mechanism for Allocating Funds

On 20 January, 2020, the MoF, the NDRC and the NEA jointly released the *Opinion on Promoting the Healthy Development of Non-hydro Renewable Power (Draft for Comment)*（《關於促進非水可再生能源發電健康發展的若干意見》（徵求意見稿））, pointing out that wind and solar power are able to connect to the grid with the same price with traditional thermal power, and proposing nine measures to boost industrial development, including: 1) reasonably determine the scale of newly-added subsidized projects based on revenue and expenditure, 2) guarantee policy consistency and reasonable return for existing subsidized projects, 3) circulate green certificate trading comprehensively, 4) continue to drive onshore wind on-grid price down, 5) allocate newly approved projects through competitive bidding, 6) simplify subsidy directory management, 7) clarify the responsibilities of the main recipients of subsidies, 8) allocate subsidies on a yearly basis, and 9) encourage financial institutions to support enterprises listed on the subsidy directory in accordance with market principles.

On 20 January, 2020, the MoF, the NDRC and the NEA also jointly released the *Notice on Managing Renewable Energy Fund*（《可再生能源電價附加資金管理辦法的通知》）, specifying subsidy approval and allocation methods of newly approved and existing projects, and adjusting calculation on subsidy demands determined by grid companies and provincial-level energy bureaus. The Notice devotes to optimize the development and utilization of renewable energy, standardize the management of renewable energy fund, and improve the efficiency of fund usage.

II. INDUSTRY REVIEW

About 53.2GW of onshore wind capacity was newly installed in 2019 in the globe, up 17% year-on-year, led by APAC region with 57%, followed by AMER region with 25% and EMEA with 18%, according to Bloomberg New Energy Finance. In terms of offshore wind power, global offshore wind power saw strong growth in 2019, with newly installed capacity of 7.54GW, an increase of 76% year-on-year, among which the APAC region and Europe accounted for 39% and 61%, respectively.

During the Reporting Period, with the accelerated pace of energy transformation and the deepening of power system reform, the growth rate of thermal power installation slowed down, the proportion of renewable energy installed capacity continued to increase, and the development of wind power entered a fast track.

1. Penetration Rate and Power Source Mix of Wind Power Demonstrating Continuous Increase

According to the NEA and the China Electricity Corporation (CEC), by the end of 2019, China's total installed power generation capacity was 2.011 billion kilowatts (kW), an increase of 5.8% year-on-year. The cumulative installed capacity of wind power was 210 million kW, including 204 million kW onshore wind power and 5.93 million kW offshore wind power. Cumulative installed capacity of wind power accounted for 10.4% of the total power generation installation in China, an increase of 0.7 percentage points year-on-year.

In 2019, total power consumption in China reached 7.2255 trillion kilowatt-hour (kWh), an increase of 4.5% year-on-year. In 2019, China's total power generation was 7.3253 trillion kwh, an increase of 4.7% year-on-year. Wind power generated 405.7 billion kWh, exceeding 400 billion kWh for the first time in history, an increase of 10.9% year-on-year, illustrating 5.6% penetration rate, up 0.2 percentage points year-on-year. Wind power generation in all provinces in the country saw positive growth rate.

2. Rapid Expansion of Domestic Wind Power Market Leading to Record-high Annual New Installation and Public Tender Volume

Public tender market of wind turbine equipment totaled 65.2GW, an increase of 94.6% year-on-year, refreshing the historical record. In the context of subsidy phase-out and acceleration of industrial development, the monthly average bidding price of wind turbines showed considerable elevation.

3. Domestic Wind Curtailment and Curtailment Rate Both Declined

The average utilization of wind power in China was 2,082 hours. Yunnan (2,808 hr), Fujian (2,639 hr), Sichuan (2,553 hr), Guangxi (2,385 hr) and Heilongjiang (2,323 hr) provinces demonstrated high wind utilization. In 2019, wind curtailment totaled 16.9 billion kwh, a decrease of 10.8 billion kwh year-on-year. Average wind curtailment rate was 4%, a decrease of 3 percentage points year-on-year, indicating further alleviation of curtailment issue. Provinces with relatively high wind abandonment rate in 2018 are expected to be removed from red alert list.

4. Speeding up Technological Advancement of Products and Upgrading Competitiveness of the Industry

With industry-wide product upgrade and technological progress constantly promoting the core competitiveness of the industry, wind power has increasingly more advantages over traditional power sources. In the past few years, with the improvement of operating efficiency and intelligent applications, the average initial construction cost of wind power projects has dropped sharply across the country. Digital platforms and advanced applications that help support the whole process of wind farm development, construction, and operation have laid solid foundation for project cost control, risk assessment, and economic return.

An important path to project cost reduction is to upgrade unit capacity of a wind turbine, and to continuously improve power production, availability and reliability. In recent years, the share of 3-and-above-MW capacity turbines in public tender market has continuously expanded, and their proportion in newly installed capacity in the country has also increased rapidly each year. The number of enterprises with 3-and-above-MW capacity turbines has also increased to more than 10, reflecting that large unit-capacity turbines have become a strategic focus. In the meanwhile, service-oriented products around the whole lifecycle performance of turbines have boomed, such as turbine operation and maintenance, centralized monitoring, power generation improvement, and asset custody.

5. Industrial Policies Supporting the Development of Onshore and Offshore Wind Power Projects

The country has issued a series of supporting policies to promote continuous cost reduction and efficiency increase of the wind power industry, encouraging orderly development of multiple types of wind power projects. In May 2019, the NDRC and the NEA announced 56 new grid-parity wind projects with a total capacity of 4.51GW. The three provinces with the largest planned capacity were Jilin, Henan and Heilongjiang. At the same time, more and more large-base wind projects in the northern region have started approval, tender and construction, and grid companies have invested to build more ultra-high voltage (UHV) power transmission channels, both boosting new installations in the northern region in the future. The mode of centralized power generation and centralized transmission is expected to help transmit green power to areas where power will be landed and consumed.

In 2019, the newly installed capacity of offshore wind power was 2.7GW, and the public tender market for offshore wind was about 15.6GW. China's offshore wind power starts late but grows fast, with significant technological progress and huge potential for industrial chain. Policy incentives will also guide offshore wind power industry to escalate towards high efficiency, rational investment, and efficient use of resources.

III. MAIN BUSINESS ANALYSIS

With subsidy phase-out and the arrival of grid parity and auction, as well as the clarification of ecological "red line" and the gradual standardization of forest land use, the development of wind power has ushered in an era of both opportunities and challenges. The Company has achieved steady growth in revenue, maintained high-level order backlog, and was ranked among the top in the industry, using its strong R&D strength and product advantages, forward-looking industrial engagement strategy, and diversified profit model.

During the Reporting Period, the Company's operating revenue was RMB37,878.21 million, representing an increase of 32.49% YoY. Net profit attributable to the parent company was RMB2,209.85 million, representing a decrease of 31.30% YoY.

i. WTG R&D, Manufacturing and Sales

According to BNEF, Goldwind added 8.01GW of domestic installed capacity in 2019, with a market share of 28%, and 8.25GW in the globe (including 610MW offshore wind installation), representing a global market share of 14%. The Company was ranked the first in Chinese market for nine consecutive years and among top 3 in the global market.

1. WTG R&D and Sales

During the Reporting Period, the Group's revenue from the sales of WTGs and components was RMB28,856.92 million, representing an increase of 30.17% YoY. The Group's external sales totalled 8,171.02MW, an increase of 39.41% YoY. The sales volume of 2.5S turbines saw a significant rise, and the proportion of total sale volume in 2019 increased to 28.8% from 12.71% in 2018.

The following table lists out details of the Company's WTG sales in 2019 and 2018:

Model	2019 Unit	2019 Capacity (MW)	2018 Unit	2018 Capacity (MW)	Change (%)
6.0S	39	253.30	9	54.00	369.07
3.0S	220	701.02	114	342.00	104.98
2.5S	945	2,353.00	298	745.00	215.84
2.0S	2,250	4,732.90	2,180	4,360.00	8.55
1.5MW	74	130.80	240	360.00	–63.67
Total	3,528	8,171.02	2,841	5,861.00	39.41

During the Reporting Period, the Company's order backlog increased steadily. As of 31 December 2019, the Company's external contract orders were 14,444.77MW, which included 372.3MW of 1.5MW unit, 3,832.10MW of GW2S platform, 7,402.70MW of GW2.5S platform, 2,372.17MW of GW3S platform, 457.50MW of GW6S platform, 8MW of 8MW unit. The Company had 5,835.91MW unsigned orders, which included 257.6MW of GW2S platform, 910.8MW of GW2.5S platform, 3,462.21MW of GW3S platform, 1,205.3MW of GW6S platform. External orders totaled 20,280.68MW.

2. R&D and Certification

High-quality development has become an inevitable trend for the future development of wind power enterprises. During the Reporting Period, the Company integrated its capabilities of seven R&D centers in the globe and technical advantages, and accelerated the innovation of product technology, enriched its spectrum of smart wind turbines, and promoted technological innovation and digital transformation. Persistence on product quality and character have won more support for the Company. The *Key Technology and Application of Large-scale, Low-speed and High-efficient PMDD Wind Turbine* project Goldwind participated was awarded the second prize by the "2019 National Technology Invention" Award.

a. *Product R&D and Mass Production*

The Company continued R&D on GW2S, GW2.5S, GW3S and GW6S series wind turbines, basing on market and client demand, as well as corporate strategy on cutting-edge product and technology. The Company enhanced competitiveness of products through upgrading and optimizing the existing R&D platforms and product portfolio.

GW131-2.2 turbine had mass production and performed well. 2S-platform wind turbines are equipped with many distinctive technological features, including multiple rotor diameter, multiple hub height, multiple variable power, and multiple control modes, which enable them to respond to complex demands of the market and receive wide recognition among clients give that they have brought optimal investment return for clients and facilitated win-win benefit.

GW2.5S platform turbines were launched ten years ago and have been widely recognized by clients. GW140-2.5 smart turbine was awarded "Best Turbine · 2018 China Wind Energy". The Company launched GW150-2.8 ultra-low wind speed turbine on the basis of the experience of Goldwind's GW140-2.5 turbine, so as to improve product competitiveness and provide turbine solutions with higher efficiency and more adaptability for China's low wind speed regions.

GW3S platform turbines went through continuous upgrade and optimization on flexible capacity, lifecycle management, hub height configuration, smart operation, and power generation improvement, followed by mass production on both domestic and foreign market. In 2019, the Company launched GW155-4.5 and GW136-4.8 turbines that are adaptive to medium-high wind speed regions for onshore large energy bases in China, upgrading turbine nominal capacity to 4MW and above, so as to expand foreign market and offshore business. GW155-4.5 turbine completed prototype test and was connected to the grid in June, 2019. GW136-4.8 large unit-capacity turbine, upgraded from GW136-4.2, is adaptive to high wind speed region, yet expands the coverage of 3S platform on market segment. Order intake for 3S-platform turbines had increased in North and South America, Middle East, Australia and Southeast Asian countries.

Two of Goldwind's research projects were awarded the second prize by the "2019 Scientific and Technological Progress Award of Electric Power Construction": *Standardized Management and Mass Application of Safety Quality and Environment Protection in Wind Power Engineering, and Key Technological Research and Application of 140-meter Ultra-high Wind Tower.*

b. *Product Certificate*

In 2019, Goldwind added 79 domestic turbine certificates and 13 foreign certificates, a total of 92 wind turbine certificates, including 59 design certificates and 33 turbine type certificates. These certificates involve several of Goldwind's major types of turbine, for instance, the GW154-6.7 turbine was the first to be granted offshore A-TC certificate by DNV-GL in China, and the laser radar control technology equipped on GW136-4.2 turbine was the first in the globe that received technology certificate.

c. *Intellectual Property and Standard-setting*

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

In 2019, Goldwind filed 667 new patent applications, including 395 invention patent applications, accounting for 59%; 129 patent applications abroad, accounting for 26%, among which 34 were filed in the United States; 120 software copyright applications; and 28 domestic trademark applications. In the meanwhile, the Company added 668 patent licenses, including 373 invention patent licenses, accounting for 56%; 62 patent licenses abroad; and 128 domestic registered trademarks.

3. Quality Management

Facing the arrival of grid-parity era and the changing dynamics of product upgrade and iteration, the Company adheres to the quality management notion of "wind power marathon" and implements comprehensive, data-based quality management measures. The Company puts forward the requirements of improving quality, efficiency, and safety and environmental compliance to ensure efficiency and economic benefit improvement together with suppliers. Turbine lifecycle quality-planning has lifted both cost and quality. Remote quality management is realized through quality risk forecast and monitoring. The Company also builds quality management data platform for digital upgrade of quality management and win-win benefit for all the stakeholders in the industry. The Company also joined the international organization, APQP4Wind, to articulate on behalf of Chinese wind power companies in setting international standards.

During the Reporting Period, Goldwind became the first wind power company that was granted "China Quality Award", with its outstanding track record in quality and economic and social achievements.

ii. Wind Power Service

Growth opportunities in wind power post-warranty service business are a result of steady increase in wind installed capacity. The Company offers turbine lifecycle service solutions that aim to maximize efficiency and minimize costs, from operation & maintenance (O&M) efficiency, to O&M cost and return on investment. While clients focusing more on the LCOE of wind power in grid-parity era, the ability to offer high value-added service products has become the key to win clients.

Relying on tailor-made and highly-reliable products, the Company offers multi-dimensional smart O&M products, cluster operation, and innovational technology upgrade. The Company strives to provide optimal value to secure client return within the lifecycle of turbine products, including wind farm siting service, i.e. software such as New Freemeso, GoldwindLink, GoldFoam and GoldFarm; EPC solution; SOAMTM smart O&M solution; innovational technology upgrade; and post-warranty service plan.

During the Reporting Period, the Company launched an in-depth technology upgrade plan that targeted old turbines, which marked the commencement of discovery on technology upgrade service for subsidized wind farms. Smart-operation software products gradually penetrated to multiple applications, and products for grid companies made breakthroughs. A real-time database independently innovated by the Company made its first commercial application on an offshore project and was entitled "Shanghai Big Data Innovation Project". The Company also provided applications including smart statistics and analysis, smart early-warning, and fault diagnosis for 14 types of turbines (including Goldwind turbines and other brands) for a pure software, smart operation project. In addition, the Company helped a client successfully launch the first localized application of big data product in Liaoning Province. The Company made a breakthrough in core grid dispatch business, with Company's smart operation software deployed and put into operation in the core business department of the power grid (Xinjiang Power Grid control center).

By the end of the Reporting Period, the Company's under-operation capacity at home and broad totaled 10,992MW, an increase of 58% year-on-year. More than 21,000 turbines were connected to Goldwind Global Monitor Center, where real-time turbine operation status was provided to clients around the globe.

During the Reporting Period, revenue from the Wind Power Service business was RMB3,571.36 million, representing an increase of 116.78% YoY.

iii. Wind Farm Investment and Development

During the Reporting Period, the Company's revenue from power generation business continued to grow, pipeline projects grew stably, and utilization exceeded industrial average. Commercial activity of Company's wind farm asset management business also lifted, with the expansion of business segment.

During the Reporting Period, revenue from Wind Farm Investment and Development business was RMB4,257.23 million, representing an increase of 9.05% YoY. Power sales volume totaled 3.621 billion kWh. Investment gains from wind farm disposal totalled RMB720.83 million in 2019.

During the Reporting Period, the Company added 303.45MW wind capacity, of which 291.10MW was attributable. Under-construction wind projects totaled 2,007.70MW, of which 1,956.61MW was attributable. Approved yet unconstructed attributable capacity totaled 2,057.32MW. Average utilization was 2,212 hours, 130 higher than the national average.

As of now, the Company's wind farm asset management capacity totaled 5,247.4MW, representing an increase of 12%, that the Company uses data center and digital platform as the bedrock, and adopts laser radar and Efarm technologies, so as to manage power curve on a timely manner, and to improve profitability and asset management efficiency through the application of new technologies and modulation.

The Company has always centered on green energy investment value chain and insisted on asset safety and reliable operation. Through digital and technology-driven innovation, the Company improved asset operation efficiency; through restructuring the layout of power generation-side, the Company improved wind consumption ratio; with the help of digital tasking and on the basis on wind farm standardization, the Company persisted on maturing EAM+ cluster operation mode. The Company has also digitalized wind farm staff, equipment, material, business operation, etc., and encouraged collaboration and transparency.

During the Reporting Period, *Reducing Failure of Cable Terminal* and *Reducing Failure of Buried and Direct Cable* research projects that Company conducted were awarded "2019 Wind Power Construction Quality Management Accomplishment (Provincial-level)". Hepingyingzi wind farm in Wengniute and Dafeng wind farm test center in Yancheng were granted "China Wind Power High-quality Project 2019" award, issued by China Electric Power Construction Association.

iv. Implementation of "Offshore and Overseas" Strategy

Offshore and overseas business developed smoothly in 2019, under the guidance of "offshore and overseas" strategy, which helped to consolidate the Company's market-leading position, expand market share, and enlarge branding effect.

In 2019, China's offshore wind power accelerated its development. The Company continued to optimize product design and secure the delivery of suppliers. The Company delivered 156 offshore turbines, with over 600MW total capacity, and helped guarantee that clients' projects be in line with construction schedule. Mass delivery of GW154-6.7MW and GW171-6.45MW turbines of GW6S platform led domestic offshore wind industry to enter large unit-capacity era.

To cope with competitive bidding and grid-parity, the Company continues to consolidate offshore wind technology, engineering capability, and talent recruitment, and strives to provide highly-reliable turbines, accurate wind resource assessment, and smart installation and O&M plans for clients. GW184-6.45MW turbine, upgraded from GW6S platform, was connected to the grid and granted type certificate, which drives the LCOE of offshore, low wind speed turbines further down, and helped clients wind development qualifications in competitive bidding for several offshore projects in Shanghai, Shandong, Liaoning, etc. Another upgraded product of the platform, the GW175-8.0MW, completed prototype test in September, 2019, increased power generation through reducing the wake effect, reduced utilization of the sea, shortened construction lead time, and performed distinctively in terms of lowering construction and O&M costs while enhancing utilization of the ocean.

During the Reporting Period, the Company has made breakthroughs in many foreign regions with foreign clients. Overseas order intake totaled 1.4GW, reaching a record-high level. 297MW order in Vietnamese offshore project marked a breakthrough in offshore business. The Company also took the first order intake in Canada, Italy and Vietnam in 2019. Following the entry to five major foreign clients' supplier list in 2018, namely, EDFR, Engie, E.ON, Enel Green Power, and EDPR, order intake in the United States, Chile and Italy showed the Company's client management ability.

As of the end of the Reporting Period, the Company had 283MW attributable capacity under operation, 966MW attributable capacity under construction, and 311MW attributable pipeline wind projects.

During the reporting period, the Company's overseas business totalled RMB3,420.19 million revenue, an increase of 66.97%YoY.

v. Water Treatment Business

Applying risk control and sound business strategy, the Company's water treatment business kept up healthy development in 2019. In order to reduce power consumption and conserve energy, smart water treatment business sector implemented lean management measures from six dimensions, including lowering power usage, reducing drug usage, controlling O&M cost, limiting labor cost, improving water quality, and managing water loss. Goldwind Environmental Protection, Goldwind's wholly-owned subsidiary, achieved breakthrough in entrusted operation service, winning an order with a sewage treatment plant in an industrial park of Zhejiang Province.

Water treatment business sector has filed a total of 16 domestic patent applications and obtained 48 invention patents and utility model, involving key technologies concerning water treatment, including smart sewage treatment, industrial waste water treatment, smart water business operation platform, waste water treatment information system.

Goldwind Environmental Protection was entitled "2018 Fastest-growing Investment Operation Enterprise" in China Water Business Forum held in Beijing. In November, 2019, Goldwind Environmental Protection received Quality ISO9001, Environment ISO14001, and Occupational Health and Safety ISO45001 certificates from China Quality Certification Center.

As of the end of 2019, the Company's owned 54 water treatment project companies, with treatment of more than 3 million tons of water per day, covering 33 cities in China.

During the Reporting Period, the Company's water treatment business totalled RMB781.92 million revenue.

vi. Major Subsidiaries

As at 31 December 2019, the Group had 431 subsidiaries, which include 44 directly owned subsidiaries and 387 indirectly owned subsidiaries. In addition, the Group had 16 joint ventures, 32 associated companies and 17 equity investments. The Group's subsidiaries include R&D and manufacturing companies for WTG components, wind farm investment and development companies, wind power service companies, water treatment plants, finance lease service companies, etc. The following table sets out the key financial information of principal subsidiaries of the Group (reported in accordance with CASBE):

As at 31 December 2019
Unit: RMB

No.	Company Name	Registered Capital (RMB ten thousand, unless otherwise stated)	Total Assets	Net Assets	Revenue of Principal Businesses	Net Profits Attributable to the Company
1	Beijing Goldwind Science & Creation Wind Power Equipment Co., Ltd.	99,300.00	7,690,335,200.89	1,567,076,823.41	8,189,524,402.80	86,241,691.25
2	Jiangsu Goldwind Technology Co., Ltd.	75,961.00	3,478,473,384.47	1,547,263,033.31	3,603,811,302.69	57,878,530.81
3	Beijing Techwin Electric Co., Ltd.	10,000.00	4,125,920,058.83	1,628,851,017.75	4,439,440,340.13	315,367,050.84
4	Beijing Tianrun New Energy Investment Co., Ltd.	555,000.00	34,843,549,458.41	11,706,654,806.88	4,050,190,709.77	1,852,669,714.04
5	Goldwind Investment Holding Co., Ltd.	100,000.00	2,712,953,100.26	2,085,179,176.14	–	201,552,809.77
6	Tianxin International Finance Lease Co., Ltd.	USD30million	6,093,174,440.15	864,970,307.12	416,691,334.52	172,130,832.05
7	Goldwind Environmental Science & Technology Co., Ltd.	100,000.00	5,583,804,348.12	1,329,869,004.66	649,656,877.77	81,791,603.39

IV. OPERATIONS PERFORMANCE AND ANALYSIS

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

Summary

For the year ended 31 December 2019, the Group's operating revenue was RMB37,878.21 million, representing an increase of 32.49% compared with RMB28,590.31 million for the year ended 31 December 2018. Net profit attributable to owners of the company was RMB2,209.85 million, representing a decrease of 31.30% compared with RMB3,216.60 million for the year ended 31 December 2018. The Group reported basic earnings per share of RMB0.51.

The following table provides Group's major financial indicators:

Financial indicators	Year ended 31 December 2019	2018	Change (percentage points)
Profitability Index			
Sales margin	**5.83%**	11.25%	–5.42 percentage points
Return on investment index			
Weighted average return on net assets*	**7.94%**	14.03%	–6.09 percentage points

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

Revenue

The Group's revenues were generated primarily from business segments including: (i) the WTG Manufacturing; (ii) Wind Power Services; (iii) Wind Farm Investment and Development; and (iv) Other business segments. Revenue from WTG Manufacturing was mainly generated through sales of WTGs and components. Revenue from Wind Power Services was mainly generated through wind farm EPC, maintenance, and other services. Revenue from Wind Farm Investment and Development was mainly generated from the sale of electricity produced by wind farms under operation. Revenues from other business segments include revenues from lease financing and from water treatment services.

For the year ended 31 December 2019, The Group's operating revenue was RMB37,878.21 million, representing an increase of 32.49% compared with RMB28,590.31 million for the year ended 31 December 2018. Details are set out as below:

Unit: RMB thousand

	Year ended 31 December			
Revenue	**2019**	2018	Amount Change	Percentage Change
WTG Manufacturing	**28,856,924**	22,168,536	6,688,388	30.17%
Wind Power Services	**3,571,357**	1,647,494	1,923,863	116.78%
Wind Farm Investment and Development	**4,257,234**	3,903,991	353,243	9.05%
Other	**1,192,690**	870,286	322,404	37.05%
Total	**37,878,205**	28,590,307	9,287,898	32.49%

The increase in operating revenue of the Group was mainly attributable to: (i) the steady development of China's wind power industry in 2019 and the high market recognition of the Group's products drove the WTGs sale growth; (ii) as a result of the development of market strategies, revenue from Wind Power Services during the Reporting Period had a substantial growth. (iii) The Group's growing investment in innovation businesses achieved positive effect, the revenue from water business increased significantly during the Reporting Period.

Cost of Sales

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

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

Unit: RMB thousand

Cost	Year ended 31 December 2019	2018	Amount Change	Percentage Change
Raw materials and components	**29,453,076**	19,672,809	9,780,267	49.71%
Labour	**269,021**	217,167	51,854	23.88%
Depreciation and amortisation	**1,227,927**	1,156,284	71,643	6.20%
Other production costs	**4,779,906**	1,652,844	3,172,062	189.19%
Changes in inventories and transferred assets	**(4,815,309)**	(1,452,594)	(3,362,715)	231.50%
Total	**30,914,621**	21,246,510	9,668,111	45.50%

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

Unit: RMB thousand

Cost	Year ended 31 December 2019	2018	Amount Change	Percentage Change
WTG Manufacturing	**25,286,433**	18,023,683	7,262,750	40.30%
Wind Power Services	**3,347,475**	1,326,588	2,020,887	152.34%
Wind Farm Investment and Development	**1,610,969**	1,403,009	207,960	14.82%
Other	**669,744**	493,230	176,514	35.79%
Total	**30,914,621**	21,246,510	9,668,111	45.50%

The increase in cost of sales of the Group was mainly caused by the increase in operating income of the Group in 2019.

Gross Profit

Unit: RMB thousand

Gross Profit	Year ended 31 December 2019	2018	Amount Change	Percentage Change
WTG Manufacturing	**3,570,491**	4,144,853	(574,362)	–13.86%
Wind Power Services	**223,882**	320,906	(97,024)	–30.23%
Wind Farm Investment and Development	**2,646,265**	2,500,982	145,283	5.81%
Other	**522,946**	377,056	145,890	38.69%
Total	**6,963,584**	7,343,797	(380,213)	–5.18%

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

For the year ended 31 December 2019 and 2018, the Group's comprehensive gross profit margins were 18.38% and 25.69%, respectively. The gross profit margins for the WTG Manufacturing segment were 12.37% and 18.70%, respectively. The following table sets out the gross profit margins for WTGs (prepared in accordance with CASBE):

Gross Profit Margin	Year ended 31 December 2019	2018	Change (percentage points)
6.0S	**15.80%**	–7.01%	22.81%
3.0S	**13.98%**	19.38%	–5.40%
2.5S	**10.93%**	18.04%	–7.11%
2.0S	**11.92%**	19.29%	–7.37%
1.5MW	**25.98%**	26.93%	–0.95%

For the year ended 31 December 2019, the gross profits for WTG 1.5MW, 2.0MW, 2.5MW and 3.0MW series had a certain level of decrease. The gross profit for WTG 6.0MW series increased to 15.80% from –7.01% in 2018, as the 6.0MW series gradually reached product maturity.

Other Income and Gains

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

Other net incomes and gains of the Group were RMB2,373.31 million for the year ended 31 December 2019, representing an increase of 14.48% compared with RMB2,073.16 million for the year ended 31 December 2018. This is mainly caused by the increase in gains from disposal of sub-companies and associates, from sale of property, plant, equipment, investment properties, and derivative financial instruments, and was offset by the decrease in gains on fair value re-measurement of previously held interest in subsidiaries at the disposal-date, the decrease in fair value gains on the equity investment in unlisted companies, and the decrease in gain on disposal of financial assets at fair value through profit or loss, etc.

Selling and Distribution Costs

The Group's selling and distribution costs mainly include product warranty provisions, freight charges, insurance premiums, bidding service fees, staff costs, handling fees, travel expenses, etc.

For the year ended 31 December 2019 the Group's selling and distribution costs was RMB2,804.14 million, representing an increase of 47.85% compared with RMB1,896.61 million for the year ended 31 December 2018. This is caused by the increase in WTG sales, product warranty provisions, freight cost, bidding service fees etc, and offset by the decrease in staff cost.

Administrative Expenses

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

The Group's administrative expenses for the year ended 31 December 2019 amounted to RMB2,636.53 million, generally at the same level as RMB2,737.78 million for 2018.

Other Expenses

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

For the year ended 31 December 2019 the Group's other expenses were RMB611.45 million, representing an increase of 212.04% compared with RMB195.95 million for the year ended 31 December 2018. The increase is mainly due to increase in bank fees, exchange losses and intangible asset impairment losses, etc.

Finance Costs

For the year ended 31 December 2019 the Group's finance costs were RMB1,109.32 million, representing an increase of 3.55% compared with RMB1,071.30 million for 2018. The increase is mainly due to increase in interest on lease liabilities, etc.

Income Tax Expense

For the year ended 31 December 2019 the Group's income tax expenses were RMB331.35 million, representing a decrease of 17.13% compared with RMB399.83 million for the year ended 31 December 2018. This is mainly due to the decrease in profit before tax for the financial year of 2019.

Capital Expenditures

For the year ended 31 December 2019 the Group's capital expenditures were RMB13,037.53 million, representing an increase of 84.65% compared with RMB7,060.54 million for the year ended 31 December 2018. The primary sources of funds to finance capital expenditures are bank loans and cash flows from operating activities of the Group.

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

Financial Resources and Liquidity

Unit: RMB thousand

	Year ended 31 December	
Cash Flow Statement	**2019**	2018
Net cash flows from operating activities	**5,928,783**	3,125,355
Net cash flows used in investing activities	**(10,266,612)**	(6,113,912)
Net cash flows from financing activities	**6,131,065**	1,201,420
Net increase/(decrease) in cash and cash equivalents	**1,793,236**	(1,787,137)
Cash and cash equivalents at beginning of year	**5,012,017**	6,746,183
Effect of foreign exchange rate changes, net	**2,164**	52,971
Cash and cash equivalents at end of year	**6,807,417**	5,012,017

1. **Cash flows from operating activities**

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

For the year ended 31 December 2019 the Group's net cash flow from operating activities was RMB5,928.78 million. Cash inflows consist mainly of profit before tax of RMB2,561.11 million, income tax payments of RMB331.35 million, which has adjusted the increase of RMB6,912.61 million in other payables, the increase of RMB2,280.93 million. in trade and bill payables, the increase of RMB1,322.45 million in depreciation, and the increase of RMB1,109.32 million in finance cost. The cash inflow was offset by the increase of RMB3,141.45 million in inventory, the increase of RMB1,582.62 million in prepayments, other receivables and other assets, the increase of RMB937.72 million in trade and bill receivables, the increase of RMB720.83 million in gain from disposal of subsidiaries, the increase of RMB656.93 million in contract assets, the increase of RMB487.60 million in finance receivables, the increase of RMB348.44 million in gain from joint ventures, the increase of RMB227.81 million in interest income, the increase of RMB207.25 million in gains on disposal of associated companies, and the increase of RMB197.47 million in gain on disposal of investment properties, etc.

The Group had RMB3,125.36 million of net cash acquired from operating activities for the year ended on 31 December, 2018. Cash inflow mainly included RMB3,682.43 million of profit before tax, RMB399.83 million of the paid income tax, which has adjusted the increase of RMB2,980.45 million of trade and bills payables, the increase of RMB1,218.02 million of depreciation, the increase of RMB737.93 million of other payables and accruals etc. Such cash inflow was offset by the increase of RMB1,741.66 million of financial receivables, the increase of RMB1,129.14 million of prepayments, other receivables and other assets, the increase of RMB869.01 million of inventory, increase of RMB627.63 million of gain on remeasurement of fair value of the previously held interest in subsidiaries in disposal of subsidiaries, increase of RMB313.89 million of gains on disposal of subsidiaries, the increase of RMB269.78 million of contract assets, etc.

2. Cash flows used in investing activities

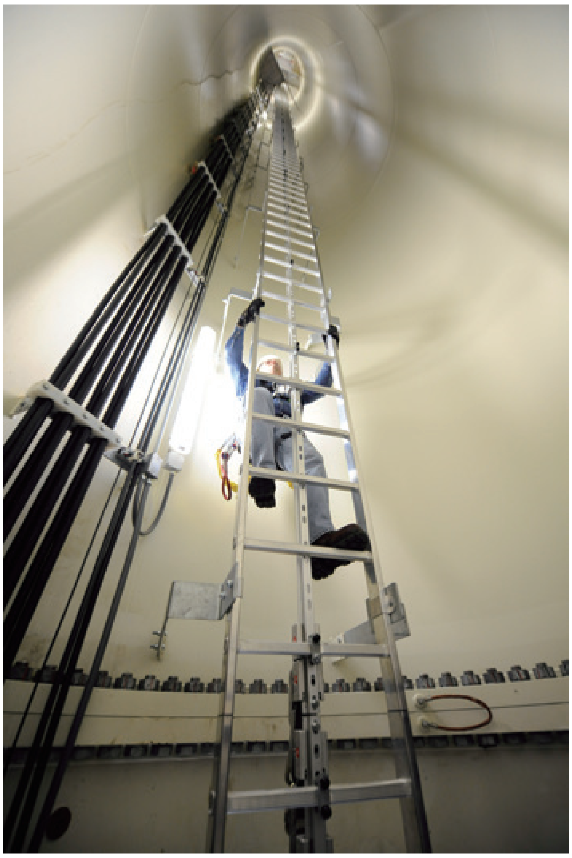
The net cash consumed by investment activities of the Group mainly consists of purchase of properties, plant and equipment, pledged time deposits, acquisition of subsidiaries, disposal of financial assets at fair value through profit or loss, etc.

For the year ended 31 December 2019 the Group's net cash consumed by investing activities was RMB10,266.61 million. Cash outflows consist mainly of purchase of property, plant and equipment of RMB10,968.12 million, purchase of financial assets of FVTPL of RMB740.00 million, acquisition of associated companies of RMB520.51 million, etc. The cash outflow was offset by the cash inflows from disposal of subsidiaries (net of cash) of RMB1,230.32 million, and from disposal of joint ventures and associated companies of RMB608.82 million.

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

3. Cash flows from financing activities

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



For the year ended 31 December 2019 the Group's net cash inflow from financing activities was RMB6,131.07 million. Cash inflows consist mainly of new borrowings from banks and other institutions of RMB11,458.08 million, equity financing of 4,639.73 million. Cash inflow was offset by repayments of bank borrowings and other borrowings of RMB7,641.61 million, dividends to shareholders of RMB1,181.36 million, and interest payments of RMB1,073.35 million.

The net cash obtained from financing activities of the Group for the year ended 31 December, 2018 amounted to RMB1,201.42 million. Cash inflow mainly comprised new bank and other borrowings increased of RMB12,527.20 million, capital contributions from non-controlling shareholders increased of RMB1,008.89 million. Such cash inflow was offset by repayments of bank and other borrowings of RMB10,918.45 million, interest paid of RMB1,115.05 million and dividends paid to the shareholders of the company of RMB805.21 million.

Financial Position

As of 31 December 2019 and 31 December 2018, the Group's total assets were RMB103,057.08 million and RMB81,364.05 million, respectively. Total current assets were RMB48,444.17 million and RMB32,917.50 million, respectively. The ratio of current assets to total assets were 47.10% and 40.46%, respectively. The increase in current assets is mainly due to the increase in held for sale assets, inventory, cash and cash equivalents, prepayments, other receivables and other assets, and trade and bill receivables.

As of 31 December 2019 and 31 December 2018, the Group's total non-current assets were RMB54,612.92 million and RMB48,446.55 million, respectively. The increase in total non-current asset is mainly due to the increase in property, plant and equipment as a result of increased number of wind farms either under operation or under construction, the increase in the interests in joint ventures and associates, the increase in right-of-use assets, contract assets and deferred tax assets, which was offset by the decrease of prepaid land lease payment, etc.

As of 31 December 2019 and 31 December 2018, the Group's total liabilities were RMB70,832.84 million and RMB54,888.93 million, respectively. Total current liabilities were RMB49,568.90 million and RMB31,600.59 million, respectively. The increase in current liabilities was mainly due to the increase in other payables, advance from customers and accruals, trade and bill payables, held for sale liabilities, and the increase in the interest-bearing bank borrowings and other borrowings that will be repaid within one year.

As of 31 December 2019 and 31 December 2018, the Group's total non-current liabilities were RMB21,263.94 million and RMB23,288.34 million, respectively. The decrease in total non-current liabilities was mainly due to the decrease in long-term interest-bearing bank borrowings and other borrowings. The decrease was offset by the increase in trade payables and other payables and accruals, etc.

As of 31 December 2019 and 31 December 2018, the Group's net current assets were RMB –1,124.73 million and RMB1,316.91 million, respectively. The Group's net assets were RMB32,224.25 million and RMB26,475.12 million, respectively.

As of 31 December 2019 and 31 December 2018, the Group's cash and cash equivalents were RMB6,820.78 million and RMB5,027.64 million, respectively. The interest-bearing bank borrowings and other borrowings were RMB21,741.51 million and RMB22,401.32 million, respectively.

Interest-bearing Bank Loans and Other Borrowings

As at 31 December 2019, the Group's interest-bearing bank loans was RMB20,389.20 million, including bank loans repayable within one year of RMB5,342.85 million, in the second year of RMB1,993.40 million, in the third to fifth year of RMB2,795.40 million, and above five years of RMB10,257.55 million. In addition, as at 31 December 2019, the Group's outstanding amount of corporate bonds and lease liabilities were RMB1,352.31 million, including corporate bonds repayable and lease liabilities within one year of RMB362.47 million, in the second year of RMB357.68 million, in the third to fifth year of RMB140.02 million, above five year of RMB492.14 million. During the Reporting Period, the Group did not apply any interest rate hedging methods.

Capitalization of Interest

For the year ended 31 December 2019. The Group's capitalised interest expenses under IFRS was RMB40.73 million.

Reserves

As at 31 December 2019, the Company's reserves distributable to shareholders was RMB1,742.12 million. This was the lower figure calculated under CASBE and IFRS.

Restricted Assets

As at 31 December 2019, certain assets of the Group with a total carrying value of RMB22,293.56 million were pledged as security for certain bank loans, other banking facilities, power price swap contract, finance leases, etc. Such assets include bank deposits of RMB533.10 million, trade and bills receivables of RMB3,923.34 million, financial receivables of RMB571.60 million, property, plant and equipment of RMB10,686.20 million, right-of-use asset of RMB597.05 million, prepayments, other receivables and other assets of RMB14.34 million, inventories of RMB0.44 million and held for sale assets of RMB5,967.49 million.

As at 31 December 2018, certain assets of the Group with a total carrying value of RMB18,683.21 million were pledged as security for certain bank loans, other banking facilities and finance leases. Such assets included bank deposits of RMB152.29 million, trade and bills receivables of RMB3,494.26 million, financial receivables of RMB667.26 million, property, plant and equipment of RMB13,531.20 million, prepaid land lease payments of RMB146.63 million, other intangible assets of RMB285.51 million, prepayment, other receivable and other assets of RMB393.01 million and derivative financial instruments of RMB13.05 million.

Gearing Ratio

As at 31 December 2019, the Group's gearing ratio, defined as net debt divided by the sum of capital and net debt, was 58.42%, representing a decrease of 3.09% compared with 61.51% at 31 December 2018.

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

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

Contingent Liabilities

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

As at 31 December 2019, the Group's contingent liabilities were RMB21,002.83 million, representing an increase of RMB2,677.04 million compared with RMB18,325.79 million as at 31 December 2018.

V. OUTLOOK FOR THE FUTURE

The world's energy structure is going through a thorough transformation, and more countries are placing renewable energy development in the core of national strategy, through which to transit to a green, low-carbon, and clean energy mode. The Chinese government has proposed to consolidate development ideologies surrounding innovative, cooperative, green, open, and sharing, so as to drive high-quality energy evolvement, build a modern energy system that is low-carbon, safe, and high-efficient, and escalate ecological harmony.

1. Industrial Development Trend

According to the World Energy Outlook 2019 released by the International Energy Agency (IEA), global power generation structure will undergo a qualitative transformation, and renewable energy will be the fastest-growing power source. In the next two decades, the global power industry will play an important role along the path to a low-carbon world. From 2030, the OECD will ban the construction of new conventional coal and oil power plants that are not equipped with "carbon capture, use and storage" facilities in the worldwide. By 2040, carbon exposure of power industry will be lowered to 30%. Renewables will grow to about 50% in global power market.

According to *2019 Competitiveness of Renewable Energy by Province in China* by Wood Mackenzie and the latest research data, average LCOE of China's wind power and solar power is now lower than natural gas and will be as competitive as that of coal power by 2026. LCOE of offshore wind will decrease 6% per year in average, and become as competitive as that of natural gas in 2025 and as that of coal in 2032. Between 2020 and 2025, offshore wind will attract USD211 billion in capital spending. By 2025, offshore wind power will increase by 63% in project size and cluster.

Global Onshore Wind Power Operation & Maintenance (O&M) 2019 by Wood Mackenzie predicted that capital volume of China's onshore wind power operation and maintenance business will total USD3.7 billion by 2028, with 9.2% average annual growth rate. Grid-parity and best project benefits will be the main drive for the development of operation and maintenance market.

China's "Fourteenth Five-Year Plan" research and planning have been initiated, the NEA proposed to pay attention to improve power security, promote power supply-side structural reform, improve the overall efficiency of the power system, and promote the green transformation and upgrade of power. The NEA also proposed to vigorously promote technological innovation, deepen the reform of the system, consolidate international cooperation, and drive reforms on electrical equipment innovation and power transaction marketization.

2. 2020 Domestic Market Development Trend

The NEA issued the *Notice on 2020 Wind Power Construction Management (Draft for Comment)*, requiring provincial-level energy bureaus to clarify total planned capacity and organize subsidized wind power project construction in an orderly and standard manner basing on plans and consumption capacity.

In 2020, the Ministry of Finance, the NDRC and NEA jointly released the *Opinion on Promoting the Healthy Development of Non-hydro Renewable Power*, pointing that subsidies should be determined based on revenue and expenditure budget, and that offshore projects approved in 2020 will no longer be subsidized by the central government. The policy also regulates on the popularity of green certificate trade, as well as subsidy phase-out for onshore wind power, solar power, and distributed solar power.

The NEA also issued the *Notice on 2020 Wind Power and Solar Power Project Construction*, stating that deadline for grid-parity project declaration is delayed to the end of April due to coronavirus. The policy requires grid companies to forecast their wind power consumption capability for 2020 and publicize number to the public, so as to prevent investment risk and facilitate reasonable planning of wind industry. Provinces with cumulative wind capacity and under-construction capacity already exceeded the "Thirteen Five-Year Plan" should stop competitive bidding for and approval for offshore project and control the pace of offshore development. Distributed wind project requiring state subsidies shall be included in the planned total amount and the scale of construction shall not be expanded at will.

3. Company strategy

In the spirit of "Innovating for a brighter tomorrow", Goldwind is dedicated to becoming a comprehensive solution provider in clean energy, energy conservation and environmental protection. The Company adheres to the customer-centric business philosophy and provides clients with turbine lifecycle solutions. The Company continues to make great efforts to develop wind power equipment and wind power services, and provides integrated solutions for onshore and offshore wind power. At the same time, the Company actively lays out the "source-grid-load" industrial chain of smart energy Internet, vigorously develops and invests in wind farms, and accelerates the development of distributed energy and energy service businesses. In the field of environmental protection, the Company accumulates environmental assets of water treatment utilities rapidly and cultivates overall solutions for smart water treatment.

The Company's "Offshore and overseas" strategy aims to help develop offshore wind power business actively and expand overseas wind power market, as well as promoting overseas development of Goldwind's core business. The digital strategy formulated by the Company helps clients to utilize digital production, through offering digitalized products and solutions. Through digitalization, service, platform, and internationalization, the Company will build core competitiveness and promote continuous growth of all businesses.

4. Company Business Plan and Main Objectives

The Company will continue to revolve around the expansion of business coverage, collaboration, intelligence, and practice "consolidation, transformation, dedication, innovation" ideologies in 2020. On the basis of consolidating existing advantages and under the guidance of high-quality development, the Company will face both opportunities and challenges brought up by grid parity and the changing dynamic of the industry, and achieve the growth of both business scale and efficiency through escalating specialization, standardization, streamline, digitalization, and coordination.

5. Demand for Funds

According to Company's operation goals and plans for 2020, the Company's working capital will be settled mainly through self-owned capital and bank loans. The Company's debt service indexes remained healthy, with fine credit rating, stable and smooth financing channels, and sufficient source of capital.

6. Possible Risks

(1) Policy Risk

The development of wind power industry is impacted by national policies and industrial development, and the changes of policies will inherently impact on the production and sales of major products of the Company.

(2) Competition Risk

Bloomberg New Energy Finance data showed that the top five turbine manufactures installed a total of 21.7GW, taking a 76% share of newly installations, up 3 percentage points year-on-year. Along with market consolidation, competition among peer companies may intensify due to market share race, resource seizure, and quality improvement demand.

(3) Curtailment

In the Reporting Period, wind curtailment in China has prominently improved, however, curtailment still proves to be a restraint in some provinces. Within a certain period of time, wind curtailment remains a factor restricting the development of wind power.

(4) Economic Environment and Exchange Rate Fluctuation

The growth pattern of the world's major economies is divergent, and the impact of globalization and geopolitics on global economy remain uncertain. Possible trade protectionism and RMB exchange fluctuation may impact the Company's internationalization strategy and the expansion of foreign business.

(5) The Impact of the Epidemic on Production and Operation

As of the disclosure date of the report, novel coronavirus is still rampant in the globe. In the short term, the epidemic may negatively impact the wind power industry in production scheduling, procurement, component supply, transportation, personnel, and other aspects.

VI. CORE COMPETITIVE ADVANTAGES

i. Market Position

Goldwind is one of the earliest enterprises to enter into the field of WTG manufacturing in China. During twenty years of development, we have matured into a leading domestic and global comprehensive wind power solutions provider. Our 1.5MW, 2S, 2.5S, 3S and 6S DDPM WTG series represent the most promising technology in the global wind power industry. Goldwind has consistently ranked first in China's wind power market share for nine years and ranked the third in the world in 2019. We have sustained our market leadership for many years.

ii. Products and Technology

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

iii. Brand Awareness

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

iv. Comprehensive Profit Model

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

v. Internationalisation

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

Below are the profiles of Directors, Supervisors and Senior Management that were in office as at 31 December 2019:

EXECUTIVE DIRECTORS

Mr. Wu Gang（武鋼先生）

Mr. Wu Gang ("**Mr. Wu**"), aged 62, is currently the Chairman. Mr. Wu graduated from Dalian University of Technology with a master's degree. He is a professor level senior engineer and an expert entitled to a special allowance granted by the State Council. Mr. Wu served as the Head of Teaching and Researching Office of Xinjiang Water Power School from 1983 to 1987; head of wind farms of Xinjiang Wind Power Company from 1987 to 1993; vice general manager of Xinjiang Wind Power Co., Ltd. from 1993 to 1997; and general manager of the Company from 1997 to 2002. He was appointed as the Chairman in May 2002 and previously served as the Company's general manager between 2002 and 2006, CEO between 2006 and 2013 and President between March 2012 and January 2013.

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

Mr. Cao Zhigang（曹志剛先生）

Mr. Cao Zhigang ("**Mr. Cao**"), aged 45, is currently an executive Director and the President. Mr. Cao graduated from Xinjiang University with a bachelor's degree. He is a senior engineer. Mr. Cao worked in Xinjiang Wind Power Company from July 1998 to February 1999; Technology Department of Xinjiang New Wind Technology and Trade Co., Ltd. from March 1999 to March 2001. Mr. Cao worked in the Technology Department of the Company from March 2001 to April 2002; served as the head of electricity control business department of the Company from May 2002 to February 2005; the head of chief engineer office and vice chief engineer of the Company from March 2005 to March 2006; the vice president of the Company from March 2006 to March 2010; the executive vice president of the Company from March 2010 to July 2019; the President of the Company since July 2019. He was appointed as an executive Director since June 2013.

Mr. Cao is concurrently the Deputy Chairman of JL MAG Rare-Earth Co., Ltd.*（江西金力永磁科技股份有限公司）, which is listed on the Shenzhen Stock Exchange (SZSE stock code: 300748).

Mr. Wang Haibo（王海波先生）

Mr. Wang Haibo ("**Mr. Wang**"), aged 46, is currently an executive Director and the executive vice president of the Company. Mr. Wang graduated from Xinjiang Finance and Economics University with a bachelor's degree. Mr. Wang served as region executive of Xinjiang Xintian International Economic Trade Co., Ltd. from August 1996 to March 2000; sales manager of Shenzhen Beisuer Co., Ltd. from March 2000 to August 2000; worked in marketing department of Xinjiang New Wind Technology and Trade Co., Ltd. from August 2000 to March 2001. Mr. Wang served as director of sales center and investment development of the Company from March 2001 to March 2007; employee representative supervisor of the Company from 2005 July to March 2010; Beijing Tianrun's deputy general manager, general manager and chairman of the board from April 2007 to July 2017. Mr. Wang served as vice president of the Company between March 2010 to January 2012 and executive vice president of the Company from January 2012 to January 2013. Mr. Wang served as general manager, director and chairman of the board of Goldwind International from July 2010 to June 2017; the President of the Company from January 2013 to July 2019; the executive vice president of the Company since August 2019. He was appointed as an executive Director in June 2012.

NON-EXECUTIVE DIRECTORS

Mr. Gao Jianjun（高建軍先生）

Mr. Gao Jianjun ("**Mr. Gao**"), aged 53, is currently a non-executive Director. Mr. Gao graduated from Xinjiang Coal Academy with a major in mining engineering and attained his part-time postgraduate degree from Graduate School of China Academy of Social Sciences with a major in economic management. From August 1987 to May 1991, Mr Gao served as technician and assistant engineer of 2130 Mine in Xinjiang Aiweigou Coal Mine; from May 1991 to September 1993, he served in the Energy Division of Economic and Trade Commission ("ETC") of Xinjiang Uygur Autonomous Region (the "Autonomous Region"); from September 1993 to February 1997, he served as deputy Chief Staff of the Energy Division of Autonomous Region ETC, during which on the job-replacement as assistant director of the Yili District ETC from September 1995 to June 1996; from February 1997 to June 2000, he served as Chief Staff of the Technical Reform Division of Autonomous Region ETC, during which on the job-replacement as Chief Staff of the Technical Reform Department of State ETC. Mr. Gao served as vice director of the Xinjiang Uygur Autonomous Region ETC from June 2000 to April 2001; director of Investment and Planning Department of Autonomous Region ETC from April 2001 to February 2006; director of Industrial Park Management Office of Autonomous Region ETC from February 2006 to January 2008, during which on the job-replacement as deputy chief of Trade and Industry Bureau of Bao'an District in Shenzhen from April 2006 to October 2006; director of Industrial Park Management Department and Deputy Secretary General of the Autonomous Region ETC from January 2008 to August 2008. From August 2008 to August 2012, Mr. Gao served as party Secretary and Officer of the Autonomous Region Machinery Electronics Industry Management Office. From August 2012 to November 2018, Mr. Gao has served as Deputy Party Secretary, General Manager and Director of Xinjiang New Energy (Group) Co., Ltd, during which he studied in the 68th department-level cadres class of the Central Party School. Since November 2018, he has served as Party Secretary and the Chairman of Xinjiang New Energy (Group) Co., Ltd. Since September 2019, he has served as the director of Xinjiang New Energy New Wind Investment and Development Co., Ltd. Since December 2016, Mr. Gao has served as Party Secretary and Chairman of Xinjiang Wind Energy, a substantial shareholder of the Company. Mr. Gao was appointed as a non-executive Director of the Company in March 2017.

Ms. Gu Hongmei（古紅梅女士）

Ms. Gu Hongmei ("**Ms. Gu**"), aged 52, is currently a non-executive Director. Ms. Gu is a PhD is and a vice research associate. From July 1991 to February 1994, Ms. Gu served as a senior public relations officer, public relations manager of Beijing Lidu Holiday Hotel in China. She was a senior publisher, general manager of Beijing representative office of Hong Kong Yishi Press from April 1994 to February 1995. Ms. Gu was a principle staff member, deputy chief of Foreign Affairs Office of Haidian District of Beijing from February 1995 to November 1995. She served as a deputy director and a director in the Tourist Administration of Haidian District of Beijing from November 1995 to December 2006. Ms. Gu concurrently served as an assistant to the district mayor, deputy director of Development and Construction Commission of the North and office director of Development Office of the People's Government of Haidian District, Beijing from December 2006 to July 2010. Ms. Gu served as Officer of the People Commerce Commission of Haidian District, Beijing from July 2010 to November 2010. She served as a Vice Principal of Beijing Union University from November 2010 to March 2016, and served as a director of Endowment Insurance in the Global Insurance Business Division of Anbang Insurance Group from March 2016 to December 2016. Ms. Gu has been a chairman of Hexie Health Insurance Co., Ltd. since December 2016. Ms. Gu served as a director of Financial Street Holdings Co., Ltd. since August 2018 and a non-executive Director of the Company since October 2018.

Mr. Lu Hailin（盧海林先生）

Mr. Lu Hailin ("**Mr. Lu**"), aged 48, is currently a non-executive. Mr Lu holds a master's degree and he graduated from Beijing Normal University, majoring in business administration. From July 1992 to December 1998, Mr. Lu served as accountant of Institute of Exploration Engineering, Ministry of Geology and Mineral Resources. From January 1999 to July 2003, Mr. Lu served as accountant of the Finance Department of China International Water & Electric Corporation and Chief Accountant stationed in Ghana. From July 2003 to April 2006, he served as Deputy Factory Director and Chief Accountant of Printing Factory of Water Conservancy and Electric Power Publishing House. From April 2006 to August 2007, he served as Deputy Director of the Financial Centre of China Water Investment Group Corporation. From August 2007 to July 2010, he served as Director of the Asset Finance Department (Financial Centre) of China Water Investment Group Corporation. From July 2010 to November 2015, he served as Director of the Asset Finance Department of China Three Gorges New Energy Co, Ltd. From November 2015 to April 2016, he served as Director of the Asset Finance Department of China Three Gorges New Energy Co., Ltd. From April 2016 to July 2017, he served as Chief Economist and Director of the Asset Finance Department of China Three Gorges New Energy Co., Ltd. From July 2017 to July 2018, he served as Chief Accountant, Chief Economist and Director of the Asset Finance Department of China Three Gorges New Energy Co., Ltd. Since 7 December 2017, he served as a member of the party committee of China Three Gorges New Energy Co., Ltd. From July 2018 to September 2018, he served as Chief Accountant and Chief Economist of China Three Gorges New Energy Co., Ltd. From September 2018 to April 2019, he served as Chief Accountant of China Three Gorges New Energy Co., Ltd. Since April 2019, he has served as Chief Accountant and General Counsel of China Three Gorges New Energy Co., Ltd. Since August 2019, Mr. Lu served as the secretary of the board of China Three Gorges New Energy Co., Ltd. Mr. Lu was appointed as a non-executive director of the Company since June 2019.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Tin Yau Kelvin Wong（黃天祐博士）

Dr. Tin Yau Kelvin Wong ("**Dr. Wong**"), aged 59, is currently an independent non-executive Director. He obtained his Master of Business Administration from Andrews University in Michigan, the USA and his Doctorate of Business Administration from The Hong Kong Polytechnic University. He currently serves as executive director and deputy managing director of COSCO SHIPPING Ports Limited (stock code: 1199), which is a company listed on the Hong Kong Stock Exchange. Dr. Wong previously served as an independent non-executive Director of the Company from June 2011 to June 2016 and was appointed as an independent non-executive Director of the Company again in October 2016.

Dr. Wong served as credit analysis at Wing Lung Banking Limited from 1985 to 1987; served as credit manager at Tokyo Bank from 1987 to 1988; served as credit manager and securities analyst at Lyon Bank from 1988 to 1991; served as senior financial manager at Chuang's China Investments Limited from 1992 to 1994; served as corporate develop general manager at Termbray Industries International (Holdings) Limited from 1994 to 1996; and serves as executive director, a deputy managing director at COSCO SHIPPING Ports Limited since 1996.

Dr. Wong is the Chairman and was a member (2015-2018) of Financial Reporting Council, and a member of Operations Review Committee of Independent Commission Against Corruption. He was a non-executive director of Securities and Futures Commission (2012-2018), the Chairman of Investor and Financial Education Council (2017-2018), the Chairman of The Hong Kong Institute of Directors (2009-2014), a member of Main Board and GEM Listing Committees of The Stock Exchange of Hong Kong Limited (2007-2013) and a member of Standing Committee on Company Law Reform (2010-2016). Dr. Wong was appointed as Justice of the Peace by The Government of the Hong Kong Special Administrative Region in 2013.

As at 31 December 2019, Dr. Wong was concurrently an independent non-executive Director of China ZhengTong Auto Services Holdings Limited (stock code: 1728), I.T Limited (stock code: 0999), Bank of Qingdao Co., Ltd. (HKEX stock code: 3866; SZSE stock code: 002948) and JS Global Lifestyle Company Limited (stock code: 1691). The securities of the above companies are listed on the Hong Kong Stock Exchange. He is also an independent non-executive Director of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (HKEX stock code: 2196; SHSE stock code: 600196) and the securities of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

From 1 January 2020 to the Latest Practicable Date, Dr. Wong was appointed as independent non-executive director of Yangtze Optical Fibre and Cable Joint Stock Limited Company (HKEX stock code: 6869; SHSE stock code: 601869) on 17 January 2020, and the securities of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Dr. Wong resigned as independent non-executive director of Bank of Qingdao Co., Ltd. on 13 February 2020, and the securities of which are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange (HKEX stock code: 3866; SZSE stock code: 002948).

Mr. Wei Wei（魏煒先生）

Mr. Wei Wei ("**Mr. Wei**"), aged 55, is currently an independent non-executive Director. Mr. Wei holds a PhD in Management Science and Engineering from Huazhong University of Science and Technology. He is currently a professor of Peking University HSBC Business School. From May 1990 to August 2000, Mr. Wei served as Associate Professor in the Faculty of Management Engineering of Xinjiang Institute of Technology. From August 2000 to December 2013, he served as Associate Professor in the School of Economics and Management of Xinjiang University. From June 2014 to July 2016, he was a Postdoctoral Fellow at the China Center for Economic Research of Peking University. Since July 2016, he has served as Professor of Peking University HSBC Business School. Mr. Wei was appointed as an independent non-executive director of the Company since June 2019.

Mr. Wei is concurrently an independent director of AVIC International Holdings Limited and a non-independent director of Wuxi Hodgen Technology Co., Ltd.

Ms. Yang Jianping（楊劍萍女士）

Ms. Yang Jianping ("**Ms. Yang**"), aged 53, is currently an independent non-executive Director. Ms Yang graduated from the Central University of Finance and Economics with a bachelor degree. She is currently a partner, Vice President, Chief Assessor of Zhongshui Zhiyuan Assets Appraisal Co., Ltd. She is a Certified Public Accountant (CPA), Certified Property Valuer (CPV), Certified Risk Appraiser (CRAP), International Certified Valuation Specialist (IACVA), fellow of Royal Institution of Chartered Surveyors (RICS) and M&A trader. She is a member of the Education and Training Committee of China Appraisal Society, member of the Professional Technical Steering Committee of Beijing Appraisal Society, member of the Technical Assistance Committee of Small & Medium-Sized Appraisal Organizations, and continuing education trainer of China Appraisal Society. She is one of the first gold medal members of the assets appraisal industry in the PRC and one of the first leading talents in the assets appraisal industry. She is a part-time postgraduate off-site tutor of the Central University of Finance and Economics, Capital University of Economics and Business and Shandong University of Business and Technology. She is also a project appraisal expert of large-scale state-owned enterprises such as SASAC, the Ministry of Finance, COFCO Group, China North Industries Group Corporation, etc. Ms. Yang was appointed as an independent non-executive director of the Company since June 2019.

From June 1989 to April 1992, Ms. Yang served as staff of Beijing Municipal Audit. From May 1992 to September 1993, Ms. Yang served as Manager of the Finance Department of Beijing LesKang Co., Ltd. From October 1993 to December 1997, she served as Project Manager of China Tong Cheng Assets Appraisal Co., Ltd. From January 1998 to December 1999, she served as Senior Project Manager of Zhonghua Accounting Firm. From January 2000 to December 2011, she served as partner, Vice President and Chief Valuer of Zhongtianhua Asset Appraisal Co., Ltd. Since January 2012, she has served as partner, Vice President and Chief Valuer of Zhongshui Zhiyuan Assets Appraisal Co., Ltd.

Ms. Yang is concurrently an Independent Director of Guangzhou Seagull Kitchen And Bath Products Co., Ltd. and an Independent Director of Jinzhong Kaifaqu Rural Commercial Bank Company Limited.

SUPERVISORS

Mr. Han Zongwei（韓宗偉先生）

Mr. Han Zongwei ("**Mr. Han**"), aged 39, is currently a Supervisor. Mr. Han holds a Master's degree. He obtained an MBA from Nankai University. He is currently the Director of the Asset Finance Department of Three Gorges New Energy Group(Shares) Co., Ltd. From July 2006 to September 2008, Mr. Han served as employee, Business Manager and Senior Director of the Financial Centre of China Water Investment Group Corporation. From September 2008 to April 2009, he served as Senior Director of the Financial Centre of China Water Investment Group Corporation and Deputy Manager of the Finance Department of Guoshui Investment Group Baotou Wind Power Science Technology Co., Ltd. From April 2009 to July 2010, he served as Senior Director of the Financial Centre of China Water Investment Group Corporation, as well as Deputy Manager and Manager of the Finance Department of Guoshui Group Huade Wind Power Co., Ltd. From July 2010 to February 2011, he served as Senior Director of the Asset Finance Department of China Three Gorges New Energy Corporation and Manage of the Finance Department of Guoshui Group Huade Wind Power Co., Ltd. From February 2011 to September 2011, he served as Manager of the Finance Department of Guoshui Group Huade Wind Power Co., Ltd., as well as Financial Controller and Chief Financial Officer of Beijing Xingqiyuan Energy Conservation Technology Co., Ltd. From September 2011 to December 2013, he served as Senior Manager and Assistant Director of the Asset Finance Department of China Three Gorges New Energy Co., Ltd., as well as Chief Financial Officer of Beijing Xingqiyuan Company. From December 2013 to July 2018, he served as Deputy Director of the Asset Finance Department of China Three Gorges New Energy Co., Ltd. Since July 2018, he has served as Director of the Asset Finance Department of China Three Gorges New Energy Group(Shares) Co., Ltd. Mr. Han has served as a Supervisor since June 2019.

Mr. Luo Jun（洛軍先生）

Mr. Luo Jun ("**Mr. Luo**"), aged 53, is currently a Supervisor. Mr. Luo holds a bachelor's degree and is an accountant. He previous served as an employee of finance department and reform office, the head of equity management office and director of asset management of Xinjiang Wind Power, one of the substantial shareholders of the Company, between 2002 and 2013. He currently serves as a director and the secretary of the board of Xinjiang Wind Power. Mr. Luo has served as a Supervisor since May 2004.

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

Ms. Xiao Hong（肖紅女士）

Ms. Xiao Hong ("**Ms. Xiao**"), aged 54, is currently a Supervisor. Ms. Xiao graduated from Zhongnan University of Economics and Law with a bachelor degree. Ms. Xiao served as chief accountant of Xinjiang Wind Power Research Laboratory from September 1999 to December 2001. Ms. Xiao served as chief accountant of Xinjiang Wind Power from January 2002 to February 2005. Ms. Xiao served as manager of finance department of Xinjiang Wind Power, one of the substantial shareholders of the Company, from March 2005 to April 2013. Ms. Xiao served as finance director of Xinjiang Wind Power Co., Ltd. from May 2013 until now. Ms. Xiao has served as Supervisor since June 2017.

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

EMPLOYEE REPRESENTATIVE SUPERVISORS

Mr. Lu Min（魯敏先生）

Mr. Lu Min ("**Mr. Lu**"), aged 45, is the current employee representative supervisors. Mr. Lu graduated from Liaoning Shihua University with a bachelor's degree. Mr. Lu previously served from 2002 to 2011 as project manager for ShineWing Certified Public Accountants. Mr. Lu previously served as the internal audit manager of the Company from February 2011 to October 2014; He has served as the director of corporate internal audit and legal department since October 2014. Mr. Lu has served as an Employee Representative Supervisor since April 2015.

Ms. Ji Tian（冀田女士）

Ms. Ji Tian ("**Ms. Ji**"), aged 49, is the current employee representative supervisors has a master's degree, Ms. Ji joined the Company in July 2004 and has served in the Investment and Development Department. Since March 2008, Ms. Ji has served as the Security Affairs Representative of the Company. She served as vice officer and officer of the office of board secretary of the Company since 2012. Ms. Ji has served as an Employee Representative Supervisor since June 2016.

SENIOR MANAGEMENT

Mr. Liu Chunzhi（劉春志先生）

Mr. Liu Chunzhi ("**Mr. Liu**"), aged 52, is currently the Chief Financial Officer of the Company. He graduated from the Tippie Business School, University of Iowa with an MBA. And he graduated from Renmin University of China with a master degree. He graduated from Xi'an Jiaotong University with a bachelor's degree, major in Polymer Materials. Mr. Liu served as a process engineer/research & development engineer in No. 1 factory of Wuhan Plastic from 1990 to 1992. Mr. Liu worked for China National Technical Imp. & Exp. Corp. as the section chief of strategic research center from 1995 to 1998. Mr. Liu worked for China General Technology as the manager of capital operation department from 1998 to 2001. Between 2003 and 2007, Mr. Liu worked in General Electric Company and held various positions including director of business finance of GE Energy Group Headquarter, finance manager of Shenyang GE Liming Gas Turbine Components Co. Ltd., chief financial officer of GE Infrastructure Group, chief financial officer of GE Optimization and Control Business Group. Between 2007 and 2009, Mr. Liu worked in Haier Group and worked as the chief financial officer of Customer Solution Group from 2007 to 2009, and concurrently worked as the general manager of Internal Control Center of Haier Group in 2009. Mr. Liu worked in Assa Abloy and worked as chief financial officer of Greater China Region from 2009 to 2012, and worked as the general manager of Baodean Security Products Co., Ltd. from 2010 to 2012. Mr. Liu worked for Yutong Bus as the chief financial officer from 2012 to 2016. Mr. Liu served as the chief financial officer of Bestseller Fashion Co., Ltd*（淩致時裝有限公司）from 2016 to 2017. Since 2015, Mr. Liu has worked for Huatai Insurance Group Co., Ltd. as an independent director, and concurrently as the chairman of its audit committee and risk management committee. Mr. Liu has served as the Chief Financial Officer of the Company since August 2018.

Ms. Ma Jinru（馬金儒女士）

Ms. Ma Jinru ("**Ms. Ma**"), aged 54, is currently a vice president of the Company, the Secretary of the Board and the Company Secretary. Ms. Ma graduated from Jilin University and holds a master's degree of engineering. Ms. Ma graduated from Dalian Maritime University and holds a master's degree of law. Ms. Ma graduated from China Europe International Business School with a master of business administration. She is a senior economist and an fellow of The Hong Kong Institute of Chartered Secretaries. She served as an economist with the Dalian Port Design Institute, head of the foreign trade and economic cooperation of Dalian Port Authority, manager of financial management of Dalian Port Container Integrated Development Company, and secretary of the board of Dalian Port Container Co., Ltd. between August 1990 and November 2005. She then served as the secretary of the board and company secretary of Dalian Port (PDA) Co., Ltd. between November 2005 and March 2010. She joined the Company and was appointed as a vice president of the Company, the Secretary of the Board and the Company Secretary in March 2010. She serves as member of the Second Session, Third Session and Fourth Session of Appeal Review Committee of Shenzhen Stock Exchange from April 2011 until now.

Mr. Zhou Yunzhi（周雲志先生）

Mr. Zhou Yunzhi ("**Mr. Zhou**"), aged 60, is currently a vice president of the Company. Mr. Zhou graduated from Huadong Engineering School, which changed the name as Nanjing University of Science & Technology with a bachelor's degree, major in Systems Engineering.. He is a researcher level senior engineer and an expert entitled to a special allowance granted by the State Council. He served as researcher level senior engineer of Xi'an Modern Chemistry Institute and Consultant of Xi'an Fanda Investment Management Company from January 2004 to September 2005; deputy general manager and general manager of Zhejiang GEMSY Group Co., Ltd. between October 2005 and February 2008; the agent general manager and general manager of Jiangsu Global Shipbuilding (Yangzhou) Co., Ltd. from March 2008 and August 2011; deputy general manager of Zhejiang GEMSY Mechanical and Electrical Co., Ltd. from September 2011 and October 2012. He served as the director of the Chief Engineer Office from November 2012 to January 2013; general manager of Beijing Techwin Electric Co., Ltd. from February 2013 to May 2013;business vice president of the Company and general manager of Beijing Techwin from June 2013 to February 2014; vice president of the Company and general manager of Beijing Techwin from March 2014 to December 2014; vice president of the Company, administrative deputy general manager of WTG Business Unit and general manager of Beijing Tianyuan from January 2015 to December 2017; vice president and general manager of Beijing Tianyuan from January 2019 to December 2019. Mr. Zhou was appointed as a vice president of the Company in March 2014.

Mr. Li Fei（李飛先生）

Mr. Li Fei ("**Mr. Li**"), aged 44, is currently a vice president of the company, Mr Li is studying for doctor degree of management technology and engineering in University of Chinese Academy of Sciences. Mr Li graduated from Huazhong University of Science and Technology with a master's degree major in corporate management. Mr. Li graduated from Lanzhou Business School with a bachelor's degree major in marketing and sales. Mr. Li served as a teacher of Economic and Management School of Xinjiang University from June 1997 to January 2007; deputy general manager of customer center and director of corporate culture department of the Company's wind power business group from 2007 to 2009; deputy director of human resources of the company from 2010 to 2011; deputy general manager of the Company's wind power business group and deputy president of Goldwind University in 2012; human resources director of the Company and deputy president of Goldwind University from 2013 to 2014; business vice president and human resources director of the Company and deputy president of Goldwind University from 2014 to 2015, during which served as director of corporate management department, director of president office, director of strategy department; business vice president of the Company and general manager of sales and marketing center of WTG business unit of the Company from 2016 to 2017; business vice president of the Company, general manager of domestic sales and marketing center of the Company's WTG business unit and general manager of the Company's channels and corporation center from 2018 to July 2019. Mr. Li was appointed as a vice president of the Company and general manager of wind power business group since August 2019.

Mr. Wu Kai（吳凱先生）

Mr. Wu Kai ("**Mr. Wu**"), aged 51, is currently a vice president. Mr. Wu graduated from China Europe International Business School with a master of business administration. Mr. Wu graduated from Harbin Institute Technology University with a bachelor's degree major in electrical engineering. He is vice chairman of the National Technical Committee for the Standardization of Wind Machinery, vice chairman of China Renewable Energy Society Wind Energy Professional Committee and vice director of China Electrical Industry Association. He served as an engineer of China Academy of Launch Vehicle Technology (Thirteenth Institute) between 1993 and 1998, and held various positions, including sales manager, component and product manager and senior regional sales manager, in SKF China between 1998 and 2008. He joined the Company in 2008 and previously served as the deputy general manager and general manager of Supply Chain Management Centre and R&D Centre. Mr. Wu served as vice president of the Company from January 2011 to June 2013; executive vice president of the Company from June 2013 to July 2019; general manager of Goldwind International since February 2019; vice president of the Company since August 2019.

Mr. Liu Rixin（劉日新先生）

Mr. Liu Rixin ("**Mr. Liu**"), aged 47, is currently a vice president of the Company. Mr. Liu graduated from Tianjin University with a bachelor's degree major in Fine Process. Mr. Liu served as employee of Sinopec Jinxi Oil Processing Plant from 1995 to 1996; technical staff of Shantou Golden Chamber Computer Company from 1996 to 1997; technical staff of Shantou Dannan Wind Power Company from 1997 to 2000; manager of Production Technology Department and manager of wind power project of Shantou Huaneng Nanao Company from 2000 to 2002; manager of Asset Operation Department and assistant general manager of Shantou Dannan Company from 2002 to 2006. From November 2006 to July 2010, Mr. Liu served as deputy general manager of China Resources Power (Wind Energy) Development Co., Ltd. and as deputy general manager of wind power of China Resources Power Holdings Co., Ltd. From July 2010 to May 2012, Mr. Liu served as deputy general manager for China Resources New Energy Holdings Co., Ltd. From May 2012 to April 2016, Mr. Liu served as the deputy general manager of the new energy division of China Resources Power Holdings Co., Ltd. From April 2016 to February 2017, Mr. Liu served as the vice president for China Resources Power Holdings Co., Ltd. Mr. Liu was appointed as a vice president of the Company in February 2017.

Mr. Gao Jinshan（高金山先生）

Mr. Gao Jinshan ("**Mr. Gao**"), aged 46, is currently a vice president of the Company. Mr. Gao graduated from University of Chinese Academy of Sciences major in management technology and engineering. Mr. Gao graduated from Guanghua School of Management of Peking University with a master of business administration. Mr. Gao graduated from Xinjiang University of Finance and Economics with a master degree major in finance. Mr Gao graduated from Xinjiang University with a bachelor's degree major in international finance. He is intermediate economist. Mr. Gao served in China Bank Xinjiang Branch from July 1998 to July 2000; National Development Bank Xinjiang Branch from July 2000 to March 2010; deputy general manager of Beijing Tianrun from March 2010 to December 2010; finance director and deputy general manager of Goldwind International from December 2010 to December 2011; funds director of the Company from January 2012 to July 2018; chairman of the board of Tianxin International Lease Co., Ltd., which is a wholly owned subsidiary of the Company since June 2012; chief financial officer of Goldwind International from 2013 to 2015; business vice president of the Company from 2013 to July 2019; general manager of the Company's finance unit since 2018; general manager of Xinjiang Goldwind Finance Co., Ltd since 2018. Mr. Gao was appointed as a vice president of the Company in August 2019.

Mr. Zhai Endi（翟恩地先生）

Mr. Zhai Endi ("**Mr. Zhai**"), aged 57, is currently the Chief Engineer of the Company. He is a senior engineer and national special invited specialist. He studied in the University of British Columbia with a post-doctor degree major in civil and environment engineering. He graduated from Kanazawa University with a doctor degree major in Rock Seismic Engineering. He graduated from Nanjing University with a master's degree major in seismic engineering. He graduated from Nanjing University with a bachelor's degree. Mr. Zhai is the president of International Association of Chinese Geotechnical Engineers, Vice-President and Secretary-General of the Marine Wind and Power Branch of the China Ocean Engineering Association, chairman of Jiangsu Standard Technical Committee for Wind and Electrical Equipment, vice-President of Shandong New Energy Industry Association and etc. Mr. Zhai is part-time professor of Beijing Industrial University, Hohai University, Tianjin University, Southeast University and etc.

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

The Board expressed its gratitude to the following persons for their contribution during their terms of office:

Mr. Zhao Guoqing, Mr. Yang Xiaosheng and Mr. Luo Zhenbang retired as director due to expiration of term of office since June 2019.

Mr. Wang Mengqiu retired as supervisor due to expiration of term of office since June 2019.

Mr. Liu He retired as senior management due to expiration of term of office since June 2019.

The Board of Directors' Report

The Board hereby presents to our shareholders its report for the financial year ended 31 December 2019 and the Financial Statements.

PRIMARY BUSINESS

The Group has three primary business, including WTG Manufacturing, Wind Power Services and Wind Farm Investment and Development, and water and other business. WTG Manufacturing is our core business and its revenue represents a majority of the Group's total revenue from operations. Fair review of the principal activities of the Group for the financial year ended 31 December 2019 and its likely future development are set out in the section headed "Management Discussion and Analysis" on page 16 of this annual report.

CASH DIVIDEND POLICY

The Resolution on the Future Three-year (2018-2020) Shareholders' Return Plan of Xinjiang Goldwind Technology Co., Ltd. was passed at the fifteenth meeting of the sixth session of the Board and the AGM of 2017. It was proposed in the profit distribution plan that: the Company shall distribute dividends in cash, shares or a combination of cash and shares, with cash distribution as the preferred way of profit distribution.

Subject to the Company earning profits and its cash flow supporting its continuing operation and future development, the Company shall actively distribute cash dividends and value the importance of shareholders return.

Over the three years of 2018 to 2020, when distributing dividends, the Board shall take into account the features of the industries in which the Company operates, its stage of development, business model, profit level and whether it has any significant capital expenditure plans when formulating profits distribution proposals in accordance with the provisions set out below and procedures provided in the Articles:

(1) If the Company is at a mature stage of development and has no significant capital expenditure plan, the proportion of cash dividends shall be at least 80% of the profit distribution;

(2) If the Company is at a mature stage of development and has a significant capital expenditure plan, the proportion of cash dividends shall be at least 40% in the profit distribution;

(3) If the Company is at the growing stage and has a significant capital expenditure plan, the proportion of cash dividends shall be at least 30% in the profit distribution. If it is difficult to determine the Company's stage of development while it has a significant capital expenditure plan, the profit distribution may be dealt with pursuant to the rules applied in the previous distribution.

If the operation of the Company is satisfactory, and the Board believes that the scale of share capital does not match the scale of operation of the Company and dividend payment in shares will be in the interests of all Shareholders, the Company may propose to distribute dividends in shares.

The dividend proposal of the Company for the year 2019 was made according to the above plan.

RESULTS AND PROFIT DISTRIBUTION

The annual results of the Group for the financial year ended 31 December 2019 are set out in the Financial Statements.

The Board recommends the payment of a final dividend of RMB1.6 per every ten shares (including tax) from the Company's retained undistributable profit for the financial year ended 31 December 2019. This recommendation is subject to approval by the Shareholders at the forthcoming AGM for the year of 2019 in accordance with the provisions of the Articles, and will be implemented thereafter. The final dividend is expected to be paid to the Shareholders on or before 30 August 2020.

TAX RELIEF (H SHAREHOLDERS)

Non-resident enterprise shareholders

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

Non-resident individual shareholders

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

The Company implements the requirements of documents of Notice of the State Taxation Administration Regarding Questions on Withholding Enterprise Income Tax on the Dividends Paid by PRC Resident Enterprises to Non-Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897)(《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》，國稅函[2008]897號), the Circular of the State Taxation Administration Regarding Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-Resident Enterprise Shareholders of H Shares (Guo Shui Han [2009] No. 81)(《國家稅務總局關於執行稅收協定股息條款有關問題的通知》(國稅函〔2009〕81號), Administrative Measures on Preferential Treatment Entitled by Non-resident taxpayers under Tax Treaties (SAT Circular p2015[No. 60])(《非居民納稅人享受稅收協定待遇管理辦法》(國家稅務總局公告2015年第60號)), the Announcement on Matters Concerning Withholding and Payment of Income Tax of Non-resident Enterprises from Source (SAT Circular 2017 No.37)(《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》(國家稅務總局公告2017年第37號)).

If any resident enterprise listed on the Company's register of members which is duly incorporated in the PRC or under the laws of a foreign country (or a region) but with a PRC-based de facto management body, does not desire to have the Company withhold and pay the said 10% enterprise income tax, it shall lodge with Computershare Hong Kong Investor Services Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay enterprise income tax in respect of the dividend to which it is entitled.

If anyone would like to change the identity of the holders in the register of members, please enquire about the relevant procedures with the nominees or trustees. The Company will withhold for payment of the enterprise income tax for its non-resident enterprise shareholders strictly in accordance with the relevant laws and requirements of the relevant government departments and adhere strictly to the information set out in the Company's register of members on the record date for the dividend payment. The Company assumes no liability whatsoever in respect of and will not entertain any claims arising from any delay in, or inaccurate determination of, the status of the shareholders or any disputes over the mechanism of withholding.

FINANCIAL HIGHLIGHTS FOR THE PAST FIVE FINANCIAL YEARS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year ended 31 December 2019, 34.72% and 9.80% of the Group's revenue from operations was attributed to our five largest customers and our largest customer, respectively. Among which, the sales revenue of China Three Gorges New Energy accounted for 7.10% of the Group's operating income. During the same period, 47.14% and 28.57% of the Group's total procurement expenditure was attributed to our five largest suppliers and our largest supplier, respectively.

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

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

PROPERTY, PLANT AND EQUIPMENT

Details of adjustments made to property, plant and equipment of the Group during the financial year ended 31 December 2019 are set out in note 12 to the Financial Statements.

RESERVES

The amounts of the Group's reserves and the movements therein as at 31 December 2019 are set out in note 38 to the Financial Statements.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

The Group acquired and disposed certain subsidiaries and interests in certain associates during the financial year ended 31 December 2019 in accordance with the development strategies of the Company and based on changes of the industry and market environments. Details are set out in note 40 and 41 to the Financial Statements.

Beijing Tianrun, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with ABC Financial Asset Investment Company Limited（農銀金融資產投資有限公司）("ABC Investment") on 25 October 2019 in which Beijing Tianrun agreed to sell and ABC Investment agreed to buy 49% equity interests in each of Shuozhou Pinglu Tianshi Wind Power Co., Ltd.（朔州市平魯區天石風電有限公司）("Target Company I") and Shuozhou Pinglu Tianrun Wind Power Co., Ltd.（朔州市平魯區天潤風電有限公司）("Target Company II"). Upon Completion, the Group will continue to hold 51% equity interests in each of Target Company I and Target Company II, which will be accounted for as jointly controlled entities of the Group.

Equity transfer consideration of RMB667 million pursuant to the Equity Transfer Agreement comprising (i) the consideration for the transfer of 49% equity interest of Target Company I of RMB276,716,374; and (ii) the consideration for the transfer of 49% equity interest of Target Company II of RMB390,283,626.

The distributable profits of Target Company I and Target Company II to be shared by ABC Investment and Beijing Tianrun for each year from the Payment Date (being the day on which the Transferee pays the consideration under the Equity Transfer Agreement to the escrow account within 30 days from the signing of the Equity Transfer Agreement) to 2037 pursuant to the Profit Sharing Agreement, which shall be allocated in the following manner:

(a) For the portion of distributable profits of Target Company I and Target Company II for the previous year which does not exceed the agreed profit benchmark, ABC Investment and Beijing Tianrun shall distribute such profits in proportion to their respective shareholding;

(b) For the portion of distributable profits of Target Company I and Target Company II for the previous year which exceeds the agreed profit benchmark, ABC Investment and Beijing Tianrun shall distribute the exceeding portion on a 20 (ABC Investment):80 (Beijing Tianrun) basis.

Based on the valuation report prepared by the independent valuer, the total profit attributable to Beijing Tianrun in excess of its shareholding from the Payment Date to 2037 is valued approximately at RMB123 million.

For the avoidance of doubt, in the event that the distributable profits for the previous year is lower than or equals to the profit benchmark, ABC Investment and Beijing Tianrun shall only distribute the profit in proportion to their respective shareholding and not on a 20:80 basis.

As of 31 December 2019, ABC Investment has paid the RMB667 million into the escrow account. As of the Latest Practicable Date, Beijing Tianrun completed the sale of each of its 49% equity interests in Target Company I and Target Company II. The equity transfer consideration of RMB667 million was transferred from the escrow account to Beijing Tianrun. As the sale was completed after 31 December 2019, the profit distribution pursuant to the Profit Sharing Agreement during the period from the payment date until 31 December 2019 will be reflected in the financial statements for 2020.

For details, please refer to the announcement issued by the Company dated 25 October 2019.

MANAGEMENT CONTRACTS

The Group did not enter into any contract in respect of the management and administration of the entire or any significant part of the business of the Group, nor did any such contract subsist at any time during the financial year ended 31 December 2019.

TOP FIVE HIGHEST PAID INDIVIDUALS

Details regarding the five highest paid individuals, including the chief executive of the Company, for the financial year ended 31 December 2019 are set out in note 8 to the Financial Statements.

SHARE CAPITAL

The particulars of the issued share capital of the Company as at 31 December 2019 are set out as follows:

Share Category	Number of Shares	As a Percentage of Total Shares
A Shares	3,451,495,248	81.69%
H Shares	773,572,399	18.31%
Total	4,225,067,647	100.00%

NUMBER OF SHAREHOLDERS

As at 31 December 2019, the total number of Shareholders was 128,017, among which the number of A Share Shareholders and H Share Shareholders were 126,778 and 1,239, respectively.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, as far as known to the Directors, save for the interests disclosed in "Directors' and Supervisors' Rights", according to the register kept by the Company in accordance with section 336 of the SFO, the following persons had an interest or short position in shares of the Company which would require disclosure under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position in H Shares:

(L) – Long Position, (S) – Short Position, (P) – Lending Pool

Name of Shareholder	Capacity	Number of Shares	As a Percentage of H Shares	As a Percentage of Total Shares
Schroders Plc	Beneficial owner	139,010,502 (L)	17.97%	3.39%
Dajia Insurance Group Co., Ltd. [1]	Interest of controlled corporation	53,591,200 (L)	8.24%	1.27%
Dajia Life Insurance Co., Ltd. [1]	Beneficial owner	53,591,200 (L)	8.24%	1.27%
BlackRock, Inc.	Beneficial owner	53,551,612 (L)	6.92%	1.27%
		570,434 (S)	0.07%	0.01%
JPMorgan Chase &Co	Beneficial owner	39,651,390 (L)	5.12%	0.94%
		11,066,273 (S)	1.43%	0.26%
		27,067,488 (P)	3.49%	0.64%

Notes:

1. Dajia Insurance Group Co., Ltd. ("Dajia Group") holds 99.98% of the equity interests of Dajia Life Insurance Co., Ltd. ("Dajia Life Insurance"; formerly named Anbang Life Insurance Co., Ltd（安邦人壽保險股份有限公司）). Under the SFO, Dajia Group is deemed to be interested in the 53,591,200 H Shares held by Dajia Life Insurance.

Long position in A Shares:

Name of Shareholder	Capacity	Number of Shares	Total	As a Percentage of A Shares	As a Percentage of Total Shares
Xinjiang Wind Power	Beneficial owner	581,548,837	581,548,837	16.85%	13.76%
China Three Gorges New Energy[1]	Beneficial owner	445,008,917	1,026,557,754	29.74%	24.30%
	Interest in controlled corporation	581,548,837			
China Three Gorges[2]	Interest in controlled corporation	1,026,557,754	1,026,557,754	29.74%	24.30%
Hexie Health Insurance Co., Ltd.	Beneficial owner	570,585,542	570,585,542	16.53%	13.50%

Notes:

1. China Three Gorges New Energy directly holds 581,548,837 A Shares. China Three Gorges New Energy, hold 43.33% of the issued share capital of Xinjiang Wind Power. Under the SFO, other than directly holding interests in the Company, China Three Gorges New Energy is deemed to be interested in the 581,548,837 A Shares held by Xinjiang Wind Power.

2. China Three Gorges is the holding company of China Three Gorges New Energy. Under the SFO, the 581,548,837 A Shares held by Xinjiang Wind Power, in which China Three Gorges New Energy is deemed to be interested, and the 445,008,917 A Shares directly held by China Three Gorges New Energy, were deemed to be the interests of China Three Gorges in the Company.

Other than as disclosed above, as at 31 December 2019, as far as is known to the Directors, no other persons (excluding the Directors, Supervisors and chief executive of the Company) had an interest or short position in shares of the Company which would require disclosure under the provisions of Divisions 2 and 3 of Part XV of the SFO.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the financial year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company, save as the rights issue and the ultra-short-term financing bonds disclosed in this annual report.

RIGHTS ISSUE

The Company completed the issue of 123,511,559 H Shares on 2 May 2019 and 545,352,788 A Shares on 8 April 2019 to the qualifying shareholders, on the basis of 1.9 new H Shares for every 10 existing H Shares held on the record date at the subscription price of HK$8.21 per new H Share and 1.9 new A Shares for every 10 existing A Shares held on the record date at the subscription price of RMB7.02 per new A Share respectively. Total gross proceeds raised under the A Share rights issue were approximately RMB3,828.38 million (equivalent to approximately HK$4,474.23 million). Total gross proceeds raised under the H Share rights issue were approximately HK$1,014.03 million. The subscription price of H rights shares were based on the theoretical ex-right price of approximately HK$10.0167, calculated based on the closing price per H share of HK$10.36 as quoted on the Stock Exchange on the last trading day (i.e. 15 March 2019). The net price per H rights share was approximately HK$7.93. The aim of the rights issue was to raise funds for the development of the Group.

For details, please refer to the rights issue prospectus issued by the Company on 3 April 2019.

USE OF PROCEEDS

The Company completed the rights issue of H Shares and A Shares in the first half of 2019, and such new shares have been listed on the Stock Exchange and Shenzhen Stock Exchange. Total gross proceeds raised under the A Share rights issue were approximately RMB3,828.38 million. Total gross proceeds raised under the H Share rights issue were approximately HK$1,014.03 million, which were used for the 527.5MW Stockyard Hill Wind Farm Project, the 150MW Moorabool North Wind Farm Project, replenishment of working capital, the repayment of interest bearing debts. As at 31 December 2019, all proceeds have been used. The use of the proceeds as at 31 December 2019 is as follows:

As at 31 December 2019
Unit: RMB million

Proceed Projects	Planned Investment Amount	Adjusted Investment Amount*	Actually Invested Amount	Unused Proceeds
527.5MW Stockyard Hill Wind Farm Project	1,394.18	1,330.77	1,330.77	–
150MW Moorabool North Wind Farm Project	350.00	315.53	315.53	–
Replenishment of working capital	1,500.00	1,500.00	1,500.00	–
Repayment of interest bearing debts	1,500.00	1,500.00	1,500.00	–
Total	4,744.18	4,646.30	4,646.30	–

*Note: The adjusted investment amount is the actually invested amount as the actual proceeds is lower than the proposed proceeds. The net proceeds is calculated as RMB4,636.30 with the exchange rate of HK$1=RMB0.8580. The amount of replenishment of working capital and repayment of interest bearing debts is calculated as the actual investment amount in RMB. The total investment amount is RMB4,646.30. The balance of 10.20 million is due to the difference of exchange rate conversion.

ULTRA-SHORT-TERM FINANCING BONDS

In order to meet the Company's production and operation needs, adjust debt structure, and reduce financing costs, the Company also issued the first tranche of the ultra-short-term financing bonds on 26 February 2019. The first tranche of the ultra-short-term financing bonds mature on 24 November 2019 with an interest rate of 3.7%. The Company issued RMB0.5 billion of such bonds at an issue price RMB100.

SUFFICIENCY OF PUBLIC FLOAT

From publicly available information and to the best knowledge of the Directors, the Company had maintained a sufficient public float as required under the Listing Rules throughout the financial year ended 31 December 2019 and up to the Latest Practical Date.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors in office during the financial year ended 31 December 2019 and up to the Latest Practical Date were:

Name	Effective Date of Appointment/ Effective Date of Reappointment	Effective Date of Resignation
Executive Directors		
Mr. Wu Gang *(Chairman)*	22 June 2019	
Mr. Cao Zhigang	22 June 2019	
Mr. Wang Haibo	22 June 2019	
Non-executive Directors		
Mr. Zhao Guoqing		21 June 2019
Mr. Gao Jianjun	22 June 2019	
Ms. Gu Hongmei	22 June 2019	
Mr. Lu Hailin	22 June 2019	
Independent Non-executive Directors		
Dr. Tin Yau Kelvin Wong	22 June 2019	
Mr. Yang Xiaosheng		21 June 2019
Mr. Luo Zhenbang		21 June 2019
Mr. Wei Wei	22 June 2019	
Ms. Yang Jianping	22 June 2019	
Supervisors		
Mr. Wang Mengqiu		21 June 2019
Mr. Han Zongwei *(Chairman of the Supervisory Committee)*	22 June 2019	
Ms. Xiao Hong	22 June 2019	
Mr. Luo Jun	22 June 2019	
Mr. Lu Min *(employee representative Supervisor)*	22 June 2019	
Ms. Ji Tian *(employee representative Supervisor)*	22 June 2019	

Save as disclosed above, there were no changes to the Directors and Supervisors during the financial year ended 31 December 2019 and up to the Latest Practical Date.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The profiles of the Directors, Supervisors and senior management of the Company in office as at 31 December 2019 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 45 of this annual report.

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

Based on the information known to the Directors, as at 31 December 2019, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the securities of the Company are set out as follows:

Long position:

			As at 31 December 2019		
Director's Name	Capacity	Share Category	Number of Shares	As a Percentage of A Shares	As a Percentage of Total Shares
Mr. Wu Gang	Beneficial owner	A Shares	62,138,411	1.80%	1.47%
Mr. Cao Zhigang	Beneficial owner	A Shares	12,343,283	0.36%	0.29%
Mr. Wang Haibo	Beneficial owner	A Shares	850,850	0.03%	0.02%

Other than as disclosed above, as at 31 December 2019, as far as known to the Company, none of the Directors, Supervisors or chief executive of the Company had any interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), or as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than as disclosed in the paragraph headed "Interests and Short Positions in Shares of the Company and its Associated Corporations by Directors and Supervisors" in this report, at no time, during the financial year ended 31 December 2019 or the period following 31 December 2019 and up to the Latest Practical Date, was the Company, or any of its subsidiaries or its holding company or any of the subsidiaries of the Company's holding company, a party to any arrangement to enable the Directors or Supervisors or their respective associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate body, and none of the Directors and Supervisors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during such period.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

DIRECTORS' AND SUPERVISORS' REMUNERATION

The relevant resolutions relating to Directors' remuneration and independent non-executive Directors' allowance were approved by the Shareholders. In accordance with the relevant resolutions, for the financial year ended 31 December 2019, the Chairman and executive Directors received remuneration from the Company, non-executive Directors did not receive any remuneration from the Company, and independent non-executive Director's allowance were paid to the independent non-executive Directors. The remuneration of directors is referred to their duties in the Company, business performance of the Company and current market circumstances. The Remuneration Committee will make recommendation to the Board and the Board will make the final decision.

For the financial year ended 31 December 2019, employee representative Supervisors received remuneration from the Company in accordance with their offices held in the Company while the other Supervisors did not receive any remuneration from the Company.

During the reporting period, no Director waived, or agreed to waive, any remuneration.

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

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at 31 December 2019 or at any time during the financial year ended 31 December 2019, other than the service contract, there were no transaction, arrangement or contracts of significance to the Group in which the Company or any of its subsidiaries was a party and in which a Director or Supervisor, whether directly or indirectly, had a material interest.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

PERMITTED INDEMNITY

The Company has maintained appropriate directors' and officers' liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year ended 31 December 2019.

CONNECTED TRANSACTIONS

Non-exempt continuing connected transactions under Listing Rules

The Group had several non-exempt continuing connected transactions with the Connected Persons Group during the financial year ended 31 December 2019.

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

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

	Annual Cap for 2019 (RMB million)	**Annual Cap for 2020** (RMB million)	**Annual Cap for 2021** (RMB million)
Product Sales	2,946.94	2,127.31	2,427.07
Wind Power Services	82.96	120.23	200.20

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

The following table sets out a summary of the nature, annual caps and actual amounts of such non-exempt continuing connected transactions during the year ended 31 December 2019:

	Annual Cap for 2019 (RMB million)	**Actual Amount for 2019** (RMB million)
Product Sales	2,946.94	2,633.37
Wind Power Services	82.96	56.86

Product Sales

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

The sale of WTGs to the Connected Persons Group is usually carried out pursuant to public tenders in accordance with the applicable laws and regulations of the PRC, i.e. the relevant companies forming part of the Connected Persons Group will invite bids for the WTGs they propose to purchase, and the Group, as the tenderer, shall submit tender documents in response to the invitation to tender.

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

Wind Power Services

Wind power service is one of the Group's main businesses. Similar to the Group's product sales to the Connected Persons Group.

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

The independent non-executive Directors have reviewed the Group's continuing connected transactions mentioned above, and confirmed that the transactions carried out during the financial year ended 31 December 2019:

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

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

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

The Company's auditors have confirmed that the respective counterparties to the aforementioned continuing connected transactions had allowed them sufficient access to their records for the purpose of reporting on the transactions as set out in this report, and the aforementioned continuing connected transactions carried out during the financial year ended 31 December 2019:

1. had been approved by the Board;

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

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

4. had not exceeded the annual caps disclosed in the announcement of the Company dated 26 October 2018 and the circular of the Company dated 14 January 2019.

RELATED PARTY TRANSACTIONS

The Group entered into certain transactions with parties regarded as "related parties" under the applicable accounting standards during the financial year ended 31 December 2019. Save as the non-exempt continuing connected transactions as set out in the section headed "Connected Transactions" on page 71 of this annual report, these related party transactions were not regarded as connected transactions under the Listing Rules or were fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A of the Listing Rules. Details are set out in note 46 to the Financial Statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the financial year ended 31 December 2019 was RMB16.59 million.

RELATIONSHIP WITH EMPLOYEES

The Group is committed to provide our staff with a stable working environment and continues to uphold the principles of impartiality, fairness and merit-based employment, and constantly improves the criteria for personnel selection and appointment. The Group also provides lifelong learning and career development to our employees. Details are set out in the Company's *2019 Sustainable Development Report*.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group values mutually benefitting relationship with its customers and suppliers. The Group places strong emphasis on the protection of consumer's interests and pays strong attention to product quality. The Group has been committed to the development of the supply chain construction and has a number of regular suppliers. Details of the Group's relationship with customers and suppliers are set out in the Company's *2019 Sustainable Development Report*.

THE PRINCIPAL RISKS AND UNCERTAINTIES FACING THE COMPANY

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

ENVIRONMENTAL SOCIAL AND GOVERNANCE REPORT

The Group, on the basis of realizing its own personal business development goals, strives to maximize the long-term interest of all parties by making use of their professional advantages and resources to emphasize the value of production and business activities for all of its customers, staff, suppliers, environment, villages and other influences as far as possible while protecting the interest of all the Shareholders, providing conditions for further development, and minimizing adverse impacts on Shareholders. For a comprehensive disclosure on the Company's social responsibility within 2019, the Group has published the *2019 Environmental Social and Governance Report* covering its yearly corporate governance, products and services, environmental protection, employee development, supply chain management, social and public interests, as well as action and performance. For more information about the Group's 2019 annual environmental, social, and governance performance, please refer to the *2019 Sustainable Development Report* available online for download on the Company's official website.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board pays attention to the Group's policies and practices on compliance with legal and regulatory requirements. For the year ended 31 December 2019, to the best of knowledge of the Board, the Company has remained in strict compliance with the relevant laws and regulations of Hong Kong and the PRC, which included the *Company Law* of the PRC, *Securities Law* of the PRC, *Code of Corporate Governance for Listed Companies* (《上市公司治理準則》) issued by the CSRC, Corporate Governance Code, the Listing Rules, and the listing rules of the SZSE.

REVIEW OF 2019 ANNUAL REPORT

The Audit Committee of the Company has reviewed and approved the 2019 Annual Report of the Company. Information on works performed by the Audit Committee and its composition are set out in the section headed "Board Committees" on page 77 of this annual report.

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

Supervisory Committee Report

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

SUPERVISORY COMMITTEE MEETINGS

During the reporting period, a total of 8 meetings were held, and 21 proposals were considered and approved. Except for certain special circumstances, all Supervisory Committee members attended the meetings in person or by proxy.

OBJECTIVE FINDINGS OF THE SUPERVISORY COMMITTEE

The Supervisory Committee made the following observations regarding relevant aspects of the Company during 2019:

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

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

2. Financial Position

The Supervisory Committee carefully inspected the Company's periodic financial report and financial policies during the reporting period. The Committee believes that the Company's financial department's internal control system is adequate, and is continuously being improved. The Supervisory Committee believes all policies and systems were strictly implemented, and therefore effectively supported the Company's production and operation. In 2019, the Company's financial position was sound, financial management was effective, the Financial Statements were complete and fair, and truthfully reflected the Company's financial position and operational performance. The committee believes that the Annual Report with unqualified opinion issued by Ernst & Young Hua Ming LLP was true and fair.

3. Share Proceeds Information

The Company acted in strict accordance with the Regulations for the Use and Management of Share Proceeds. The Company did not use share proceeds during 2019 for pledges, entrusted loans, or other prohibited purposes. All proceeds were used in accordance with project plans. There were no cases of regulation violation with regards to the use of share proceeds during 2019. All proceeds were used in accordance with the relevant regulations and followed the appropriate approval procedures. The Supervisory Committee believes that the relevant information disclosed by the Company was on time, truthful, accurate and complete.

4. Connected Transactions

During the reporting period, the Company's connected transaction procedures were in compliance with the government laws and regulations, as well as the Company's regulations with regards to their decision-making procedures. The pricing method of the connected transaction agreements were in accordance with accepted business practices and the relevant rules and regulations, demonstrating fairness and equality. When making decisions on connected transactions, all interested Directors and shareholders abstained from voting. The Supervisory Committee believes, during the year 2019 there were no internal transactions that would harm the Company's or shareholders' interests including the public shareholders' interests.

5. Self-assessment of Internal Controls

Goldwind has established an outstanding internal control system. The system integrates the Company's operations management activities at all levels and in all sectors. All the Company's operations followed the internal controls guidelines and were strictly complied with their recommended procedures. After close inspection, we believe the Company's internal control structure was effective during 2019. The committee reviewed the 2019 Annual Internal Control Self-assessment Report and believes the report is truthful and fair.

6. Other Major Issues

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

Corporate Governance Report

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

Being listed on the Stock Exchange and the SZSE, the Company has remained in strict compliance with the relevant laws and regulations of Hong Kong and the PRC during the year ended 31 December 2019, which included the *Company Law* of the PRC, *Securities Law* of the PRC, *Code of Corporate Governance for Listed Companies*（上市公司治理準則）issued by the CSRC, Corporate Governance Code, the Listing Rules, and the listing rules of the SZSE.

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

CORPORATE GOVERNANCE PRACTICES

The Board is responsible for implementing the Corporate Governance Code and managing the Group's corporate governance matters. The Board has reviewed the corporate governance policies and practices of the Company and its policies and practices relating to compliance with legal and regulatory requirements, as well as training and continuous professional development of the Directors and Senior Management. The Board has also reviewed the disclosure of its Corporate Governance Report for the year ended 31 December 2019.

Pursuant to the Articles and the relevant laws, regulations and rules of the PRC, the term of office of the sixth session of the Board will cease to be in office after election of the seventh session of the Board by the Shareholders at the 2019 AGM, the term of office of members of the various committees established under the Board (including the audit committee, the remuneration and assessment committee and the nomination committee) expired as well. The Board appointed members to each of the Board committees at the Board meeting held on 11 July 2019. Accordingly, during the short interval between the 2018 AGM and the said Board meeting, the Company did not comply with the relevant requirements regarding its audit committee and remuneration committee under Rule 3.21 and Rule 3.25, respectively, of the Listing Rules and did not comply with the relevant requirements regarding its nomination committee under Code Provision A.5.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Following the appointment of the chairman and members of the Board committees on 11 July 2019, the Company fully complies with Rule 3.21 and Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code.

Dr. Tin Yau Kelvin Wong was re-appointed as an independent non-executive director ("INED") of the Company at the 2018 AGM held on 21 June 2019. He was a director of seven companies listed on the Hong Kong Stock Exchange (including the Company) at the time of the 2018 AGM. Code Provision A.5.5(2) of the Corporate Governance Code requires that, if the proposed INED will be holding their seventh (or more) listed company directorship, the issuer should explain why the board believes that the individual would still be able to devote sufficient time to the board in the circular to the shareholders accompanying the notice of the AGM. Although the Company did not provide an explanation why the Board believes that Dr. Tin Yau Kelvin Wong would still be able to devote sufficient time to the board in the circular to the Shareholders accompanying the notice of the 2018 AGM, the Board believes that, with Dr. Tin Yau Kelvin Wong's 8 years' experience as the Company's INED, his high attendance to the Company's meetings and the high approval rate each time he was elected, it is self-evident that Dr. Tin Yau Kelvin Wong has the ability to discharge his duties as an INED of the Company. The Company has elaborated on Dr. Tin Yau Kelvin Wong's multiple directorships in the poll results announcement of the 2018 AGM.

Save as disclosed above, during the reporting period, the Company has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

SHAREHOLDERS

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

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

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

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

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

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

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

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

THE BOARD

The Board is charged with directing and managing the Company's affairs and continued to pursue the sustainable development of the Company in the year ended 31 December 2019. Each Director has a duty to act in good faith and in the best interests of the Company. The Directors are aware of their collective and individual responsibilities to all Shareholders for the manner in which the affairs of the Company are managed, controlled and operated.

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

(a) The formulation and review of the Company's corporate governance policy and practices;

(b) The review and monitoring of training and continuous professional development of directors and senior management;

(c) The review and monitoring of the Company's policies and practices in compliance with legal and regulatory requirements;

(d) The development, review and monitoring of the code of conduct of employees and directors; and

(e) The review of the Company's compliance with the Corporate Governance Code and its disclosures in its Corporate Governance Report.

Board Composition

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

The Board composition during the year ended 31 December 2019 and up to the Latest Practicable Date is set out below:

Executive Directors

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

Non-executive Directors

Mr. Gao Jianjun
Ms. Gu Hongmei
Mr. Lu Hailin

Independent non-executive Directors

Dr. Tin Yau Kelvin Wong
Mr. Wei Wei
Ms. Yang Jianping

The current Board is the seventh session of the Board. The term of office of the sixth session of the Board began on 21 June 2019, with a term of three years. The Company has already entered into a service contract with each of the Directors for their services to the Company, stating, among other things, their respective annual remuneration and length of service with the Company.

The executive and non-executive Directors have extensive expertise, experience, and skills in the wind power industry and other professional areas, and thus provided a knowledgeable resource on strategic decisions of the Group. The independent non-executive Directors have extensive experience in the industry and possess professional qualifications in areas such as finance and business administration. The profiles of the Directors in office as at the Latest Practicable Date are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 45 of this annual report.

During the year ended 31 December 2019, the Board complied with the requirements of the Listing Rules relating to having at least three independent non-executive directors, representation of at least one-third of the Board by independent non-executive directors, and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. During the same period, there were no financial, business, family or other major or relevant relationships between members of the Board, the Chairman or members of the supervisory committee and the President, senior management, substantial shareholders or controlling shareholders.

Pursuant to the requirement of Rule 3.13 of the Listing Rules, the Board has received a written confirmation from each independent non-executive Director of his independence to the Company for the year ended 31 December 2019, and considers all of the independent non-executive Directors are independent.

Changes to Members of the Board and Supervisory Committee

The Shareholders at the 2018 AGM approved the election of Mr. Wu Gang, Mr. Cao Zhigang and Mr. Wang Haibo as executive Directors, Mr. Gao Jianjun, Ms. Gu Hongmei and Mr. Lu Hailin as non-executive Directors, and Dr. Tin Yau Kelvin Wong, Mr. Wei Wei and Ms. Yang Jianping as independent non-executive Directors for the seventh session of the Board have been approved. The term of office of the seventh session of the Board shall be three years beginning from the day following the date of the AGM.

The Shareholders at the 2018 AGM approved the election of Mr. Han Zongwei, Mr. Luo Jun and Ms. Xiao Hong as Supervisors for the seventh session of the Supervisory Committee. The employee representative meeting of the Company has been held on 21 June 2019. The proposals to elect Mr. Lu Min and Ms. Ji Tian, which shall form the seventh session of the Supervisory Committee with the above Supervisors together. The term of office of the seventh session of the Supervisory Committee shall be three years.

Due to the expiration of the term of office, Mr. Zhao Guoqing retired as the non-executive Director, and Mr. Yang Xiaosheng and Mr. Luo Zhenbang retired as independent non-executive Directors respectively, all with effect from 22 June 2019.

Changes to Directors, Supervisors and Senior Management

Dr. Tin Yau Kelvin Wong resigned as the independent non-executive director of Mingfa Group (International) Company Limited on 6 March 2019; he resigned as the independent non-executive director of Huarong International Financial Holdings Limited on 13 December 2019; he resigned as the independent non-executive director of Bank of Qingdao Co., Ltd.*（青島銀行股份有限公司）on 13 February 2020; he was appointed as the independent non-executive director of JS Global Lifestyle Company Limited on 18 December 2019; and was appointed as the independent non-executive director of Yangtze Optical Fibre and Cable Joint Stock Limited Company*（長飛光纖光纜股份有限公司）on 17 January 2020.

Mr. Cao Zhigang was appointed as the President of the Company on 11 July 2019.

Save as disclosed above, to the best of the Company's knowledge, during the year ended 31 December 2019, there has been no change to the information about the directors, supervisors or senior management of the Company required to be disclosed and which have been disclosed in accordance with Rules 13.51(2)(a) to (e) and (g) of the Listing Rules.

Chairman and President

As at the Latest Practicable Date, the roles of Chairman and President were vested in Mr. Wu Gang and Mr. Cao Zhigang, respectively. Mr. Cao Zhigang was appointed as the President on 11 July 2019.

The Chairman is responsible for establishing the Company's strategies, ensuring the proper functioning of the Board, and monitoring the Company's corporate governance practices and procedures. In addition, the Chairman is responsible for encouraging all Directors to fully contribute to the Board's affairs, to express their opinions and ensuring that decisions of the Board reflect their consensus fairly, creating a culture of openness and constructive discussions, maintaining an effective communications channel with the Shareholders, and ensuring the Board acts in the best interests of the Company. During the year ended 31 December 2019, the Chairman held a meeting with each of the non-executive Directors and independent non-executive Directors and obtained independent opinions relating to affairs of the Board and the Company without the presence of other executive Directors.

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

Directors' and Supervisors' Securities Transactions

The interests in the Company's securities held by Directors or Supervisors as at 31 December 2019 are set out in the section headed "The Board of Directors' Report – Interests and Short Positions in Shares of the Company and its Associated Corporations by Directors and Supervisors" on page 64 of this annual report.

The Company has adopted a code of conduct regarding securities transactions by Directors and Supervisors on terms no less exacting than the required standard set out in the Model Code. The Company has strictly complied with other relevant binding clauses imposed by the regulatory authorities of Hong Kong and the PRC, and we adhere to the principle of complying with the stricter regulations between the two jurisdictions. The Company made specific enquiry to all Directors and Supervisors about whether they complied with the Model Code during the reporting period, and all Directors and Supervisors have complied with the Model Code during the year ended 31 December 2019.

Board Committees

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

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

1. Audit Committee

The Audit Committee consisted of two independent non-executive Directors and one non-executive Director, namely Dr. Tin Yau Kelvin Wong, Mr. Lu Hailin and Ms. Yang Jianping. The committee chairman was Dr. Tin Yau Kelvin Wong.

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

The work performed by the Audit Committee during the year ended 31 December 2019 included reviewing the Company's annual, interim and quarterly reports, effectiveness of internal audit, risk management and internal control procedures and systems, and monitoring external audit services and providing recommendations for the appointment of external auditors.

2. Nomination Committee

The Nomination Committee consisted of two independent non-executive Directors and one executive Director, namely Ms. Yang Jianping, Mr. Wei Wei and Mr. Wu Gang. The committee chairman was Ms. Yang Jianping.

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

The work performed by the Nomination Committee during the year ended 31 December 2019 included reviewing the structure and composition of the Board, reviewing the qualification of Directors, and assessing the independence of the independent non-executive Directors. The Nomination Committee searched extensively for qualified Directors and senior management, studied the criteria and procedure for selection of Directors and senior management, and made recommendations to the Board.

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

3. Remuneration and Assessment Committee

The Remuneration and Assessment Committee consisted of two independent non-executive Directors and one executive Director, namely Mr. Wei Wei, Ms. Yang Jianping, and Mr. Cao Zhigang. The committee chairman was Mr. Wei Wei.

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

The work performed by the Remuneration and Assessment Committee during the year ended 31 December 2019 included reviewing the Company's human resources report, assessing the performance of executive Directors, determining the remuneration policy and bonus of relevant Directors and Senior Management based on the performance of the Company and in accordance with the Company's Administration Rules for Remuneration.

4. Strategic Committee

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

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

Board and Committee Meetings

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

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

Details of Directors' attendance at Board meetings, committee meetings, and shareholders' general meetings of the Company during the year ended 31 December 2019 are set out below:

Name	Board	Audit Committee	Nomination Committee	Remuneration & Assessment Committee	Shareholders' General Meeting
Executive Directors					
Mr. Wu Gang	13/13		3/3		3/3
Mr. Cao Zhigang	12(1)[1]/13			2/2	1/3
Mr. Wang Haibo	11(2)[1]/13				1/3
Non-executive Directors					
Mr. Zhao Guoqing[2]	5(1)[1]/6				0/2
Mr. Gao Jianjun	10(3)[1]/13				0/3
Ms. Gu Hongmei	13/13				0/3
Mr. Lu Hailin[3]	7/7	4/4			0/1
Independent Non-executive Directors					
Mr. Yang Xiaosheng[2]	5(1)[1]/6				1/2
Mr. Luo Zhenbang[2]	6/6				2/2
Dr. Tin Yau Kelvin Wong	11(2)[1]/13	4/4			3/3
Mr. Wei Wei[3]	7/7		3/3	2/2	0/1
Ms. Yang Jianping[3]	7/7	4/4	3/3	2/2	1/1

Notes:

1. The director attended the board meetings by proxy.

2. Due to the expiration of the term of office, Mr. Zhao Guoqing retired as the non-executive Director, and Mr. Yang Xiaosheng and Mr. Luo Zhenbang retired as independent non-executive Directors respectively from 22 June 2019.

3. Mr. Lu Hailin, Mr. Wei Wei and Ms. Yang Jianping's appointments have effect from 22 June 2019.

Appointment of Directors

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

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

Directors' Commitments

The Company has received confirmation from each Director that he has given sufficient time and attention to the affairs of the Company for the year ended 31 December 2019. The Directors have disclosed to the Company the number and nature of offices held in listed companies or other significant commitments, including the name of and offices held in such companies or organizations. The Directors are periodically reminded to notify the Company in a timely manner with regards to any change of such information. Offices held in other listed companies or other significant commitments of the Directors in office as at 31 December 2019 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 45 of this annual report. Any changes to such information of the Directors during the year ended 31 December 2019 are set out in the section headed "Changes to Directors, Supervisors and Senior Management" on page 76 of this annual report.

Directors' Training

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

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

Details of Directors' attendance at seminars/training sessions/in-house briefing/reading materials during the year ended 31 December 2019 are set out below:

Name	Attending seminar and/or Conferences and/or forums	Reading journals, updates, articles and/or materials, etc.
Executive Directors		
Mr. Wu Gang	✓	✓
Mr. Cao Zhigang	✓	✓
Mr. Wang Haibo	✓	✓
Non-executive Directors		
Mr. Zhao Guoqing	✓	✓
Mr. Gao Jianjun	✓	✓
Ms. Gu Hongmei	✓	✓
Mr. Lu Hailin	✓	✓
Independent Non-executive Directors		
Mr. Yang Xiaosheng	✓	✓
Mr. Luo Zhenbang	✓	✓
Dr. Tin Yau Kelvin Wong	✓	✓
Mr. Wei Wei	✓	✓
Ms. Yang Jianping	✓	✓

THE SUPERVISORY COMMITTEE

The Supervisory Committee is the Company's permanent supervisory system. It is responsible for the supervision of the Board, the Directors, the President, and Senior Management in order to prevent such persons from exploiting their authority and violating the legal rights and interests of the Shareholders, the Company and employees of the Company. The Supervisory Committee has remained in strict compliance with the relevant provisions in the *Company Law* of the PRC, the Articles and the Supervisory Committee Regulations of the Company during the year ended 31 December 2019. The Supervisors are aware of their collective and individual responsibilities to all Shareholders and acted to the best of their abilities to protect the interests of the Shareholders and the Company.

The responsibilities undertaken by the Supervisory Committee include:

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

Supervisory Committee Composition

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

The Supervisory Committee composition during the year ended 31 December 2019 and up to the Latest Practicable Date is set out below:

Supervisors

Mr. Han Zongwei *(Chairman)*
Mr. Luo Jun
Ms. Xiao Hong

Employee Representative Supervisors

Mr. Lu Min
Ms. Ji Tian

The current Supervisory Committee is the seventh session of the Supervisory Committee. The term of office of the sixth session of the Supervisory Committee began on 22 June 2019, with a term of three years. The Company has already entered into a service contract with each of the Supervisors for their services to the Company, stating, among other things, their respective annual remuneration and length of service with the Company.

The profiles of the Supervisors in office as at 31 December 2019 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 45 of this annual report.

Supervisory Committee Meetings

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

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

Details of Supervisors' attendance at committee meetings of the Company during the year ended 31 December 2019 are set out below:

Name	Attendances/ Meetings Held
Supervisors	
Mr. Wang Mengqiu[1]	4/4
Mr. Han Zongwei[2]	4/4
Mr. Luo Jun	8/8
Ms. Xiao Hong	8/8
Employee Representative Supervisors	
Mr. Lu Min	8/8
Ms. Ji Tian	8/8

Notes:

1. Due to the expiration of the term of office, Mr. Wang Mengqiu retired as supervisor from 22 June 2019.

2. Mr. Han Zongwei's appointment has effect from 22 June 2019.

RISK MANAGEMENT AND INTERNAL CONTROL

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

Risk Management

Risk Management Framework Objectives and Principles

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

The Company's overall risk management objectives are:

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

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

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

Risk Management Organization and Responsibilities

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

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

Risk Management Processes and Procedures

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

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

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

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

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

Risk Management Characteristics

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

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

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

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

Internal Control

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

Organizational System and Responsibilities

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

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

Internal Control Mechanism

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

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

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

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

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

Internal Audit

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

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

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

Internal Control Defect Handling

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

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

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

Review of Risk Management and Internal Control Results

According to the *Fundamental Norms of Enterprise Internal Control* (企業內部控制基本規範) and its supporting guidelines, the Company's internal control system and evaluation methods, on the basis of daily supervision of internal control and special supervision as well as the Board's Audit Committee submitting an assessment determining the nature and level of risk that the Company is willing to undertake to achieve its strategic objectives and tweaking their internal control system at least once a year are sufficient for its risk management and internal control system implementation and supervision. The Board has reviewed the Company's risk management and internal control system for the year ended 31 December 2019, and has concluded that the risk management and internal control as of 31 December 2019 there are no significant deficiencies in its risk management and internal control systems and that such systems are sufficient and effective.

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

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

Inside Information

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

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

SENIOR MANAGEMENT

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

The responsibilities undertaken by the Senior Management include:

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

Senior Management Composition

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

The Senior Management composition during the year ended 31 December 2019 and up to the Latest Practicable Date is set out below:

President

Mr. Cao Zhigang

Executive Vice Presidents

Mr. Wang Haibo

Vice Presidents

Mr. Zhou Yunzhi
Mr. Li Fei
Mr. Wu Kai
Mr. Liu Rixin
Mr. Gao Jinshan

Secretary of the Board

Ms. Ma Jinru

Chief Financial Officer

Mr. Liu Chunzhi

Chief Engineer

Mr. Zhai Endi

The profiles of the Senior Management in office as at 31 December 2019 are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on page 45 of this annual report.

Shares Held by Senior Management

Based on information known to the Company, as at 31 December 2019, details of Senior Management who hold shares in the Company are set out below:

Name	Position	Date of Appointment	Share Category	Number of Shares
Mr. Cao Zhigang	President	11 August 2019	A Shares	12,343,283
Mr. Wang Haibo	Executive Vice President	9 August 2019	A Shares	850,850
Mr. Zhou Yunzhi	Vice President	9 August 2019	A Shares	672,150
Mr. Li Fei	Vice President	9 August 2019	–	–
Mr. Wu Kai	Vice President	9 August 2019	A Shares	672,150
Mr. Liu Rixin	Vice President	9 August 2019	H Shares	79,300
Mr. Gao Jinshan	Vice President	9 August 2019	–	–
Mr. Liu Chunzhi	Chief Finance Officer	9 August 2019	–	–
Ms. Ma Jinru	Vice President and Secretary of the Board	11 July 2019	A Shares	672,150
Mr. Zhai Endi	Chief Engineer	9 August 2019	–	–

Remuneration of Directors, Supervisors and Senior Management

With reference to the *Remuneration Management Regulation* of the Company, the remuneration includes salaries, benefits, bonus, long-term incentives, special bonus and insurance. The company implements a long-term incentive mechanism to provide long-term feedback and reward employees who have made important and continuous contributions in the process of enterprise development.

For the year ended 31 December 2019, the remuneration of Directors, Supervisors and Senior Management during their term of office is set out below:

Unit: RMB ten thousands

Name	Position	Total Remuneration before tax received from the Company during the Reporting Period
Mr. Wu Gang	Chairman	396.69
Mr. Cao Zhigang	Executive Director and President	389.99
Mr. Wang Haibo	Executive Director and Executive Vice President	406.45
Mr. Zhao Guoqing	Non-executive Director	–
Mr. Gao Jianjun	Non-executive Director	–
Ms. Gu Hongmei	Non-executive Director	–
Mr. Lu Hailin	Non-executive Director	–
Mr. Yang Xiaosheng	Independent Non-executive Director	10.01
Mr. Luo Zhenbang	Independent Non-executive Director	10.01
Dr. Tin Yau Kelvin Wong	Independent Non-executive Director	20.02
Mr. Wei Wei	Independent Non-executive Director	10.38
Mr. Yang Jianping	Independent Non-executive Director	10.38
Mr. Wang Mengqiu	Chairman of the Supervisory Committee	–
Mr. Han Zongwei	Chairman of the Supervisory Committee	–
Mr. Luo Jun	Supervisor	–
Ms. Xiao Hong	Supervisor	–
Mr. Lu Min	Supervisor	105.18
Ms. Ji Tian	Supervisor	106.60
Mr. Zhou Yunzhi	Vice President	385.95
Mr. Li Fei	Vice President	363.75
Mr. Wu Kai	Vice President	352.60
Mr. Liu Rixin	Vice President	346.32
Mr. Gao Jinshan	Vice President	456.92
Mr. Liu Chunzhi	Chief Financial Officer	465.31
Ms. Ma Jinru	Vice President and Secretary of the Board	360.84
Mr. Zhai Endi	Chief Engineer	296.22
Mr. Liu He*	Chief Engineer	272.05

Note:

Mr. Liu He retired as senior management due to expiration of term of office since June 2019.

Company Secretary

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

Ms. Ma Jinru participated in approximately 65 hours of relevant professional training during the year ended 31 December 2019 relating to, among others, regulatory updates, corporate governance and business and market related topics of the Company and our industry in order to develop and refresh her knowledge and skills.

ARTICLES

At the general meetings held on 1 March 2019, 21 June 2019 and 20 December 2019, the Shareholders approved the amendments to the Articles.

AUDITORS

Ernst & Young and Ernst & Young Hua Ming LLP were re-appointed as the Company's auditors for the financial year ended 31 December 2019. The Audit Committee reviewed and confirmed the auditors' independence and that there were no relationships between the auditors and the Company which may reasonably be thought to bear on their independence.

The services received from our auditors and the respective fees payable (excluding tax) by the Company for the financial year ended 31 December 2019 are set out below:

Unit: RMB million

	Year ended 31 December	
Service	**2019**	2018
Audit		
Audit of annual report and other related services	**7.99**	8.09
Audit of internal control	**0.54**	0.51
Non-audit		
Review of interim report	**1.65**	1.65
Total	**10.18**	10.25

DIRECTORS' AND AUDITORS' RESPONSIBILITIES

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

The Directors' and auditors' responsibilities for the Financial Statements are set out in the section headed "Independent Auditors' Report" on page 95 of this annual report.

INVESTOR RELATIONS

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

In 2019, the Company strictly complied with its disclosure obligations, improved its communications with investors, and strived to provide investors with a fair and transparent investment environment. During the same period, the Company's Investor Relations division organized two results announcement road shows and four results announcement telephone conferences, and accommodated 82 investor visits. The Company hosted a total of 1,088 investors through such events.

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

OPINION

We have audited the consolidated financial statements of Xinjiang Goldwind Science & Technology Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 100 to 251, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Provision for product warranties	
As at 31 December 2019, the provision for product warranties amounted to approximately RMB3,665 million. The Group grants various types of product warranties to the customers of wind turbine generator ("WTG") products under which the performance of products delivered is generally guaranteed for a period of two to five years. During the warranty period, the Group is required to provide operation and maintenance services including repairs and renewal of spare parts. Provision for product warranties made by the Group for certain products was recognised based on sales volume and historical experience of the level of repairs. The changes in the assumptions could materially affect the level of provision recorded in the financial statements. More details are included in note 3 and note 35 to the consolidated financial statements.	We obtained an understanding of the warranty provision process. Our audit procedures included assessing the Group's methodology; evaluating the assumptions used in determining the warranty provisions by comparing historical data and subsequent claim expenses incurred; testing the validity of the data used in the calculations by reviewing the warranty terms as set out in the respective sales contracts; testing the arithmetic accuracy of the warranty provision made; reviewing any amounts reversed as unconsumed after the warranty period and evaluating the provision balance against the quantity of products sold but still in warranty periods.
Impairment of trade receivables	
As at 31 December 2019, the carrying amount of trade receivables was approximately RMB15,563 million which represented 15.10% of the Group's total assets. In accordance with the impairment method of IFRS 9 Financial Instruments, the Group established a provision matrix that based on its historical credit loss experience and existence of disputes adjusted for forward-looking factors specific to the debtors and the economic environment, and considered the credit risk characteristics of different customers and calculated expected credit losses ("ECLs") on trade receivables based on the combination of individual and collective assessment. The Group recognised a loss allowance based on lifetime ECLs. Making the allowance involved the use of significant management judgement and estimates. More details are included in note 3 and note 24 to the consolidated financial statements.	We assessed the adequacy and accuracy of the impairment allowance for trade receivables with following procedures: reviewing the accounting policy for impairment of trade receivables; assessing the appropriateness of the policy and the reasonableness of the expected credit loss rate, assessing the reliability of management's assumptions, considering the impact of the forward-looking information; considering whether there were special impairment indications about long ageing receivables and overdue receivables; for impairment allowance determined on an individual assessment basis, assessing the adequacy of impairment allowance determined by management by reviewing the subsequent receipts after the reporting period and evaluating whether the debtors have been experiencing significant financial difficulties, default or delinquency in interest or principal payments; for impairment allowance determined on a collective assessment basis, testing the accuracy of the ageing of trade receivable balances by tracing details of ledger accounts and delivery evidence; and analysing the amounts written off as uncollectible. We also assessed the adequacy of the related disclosures in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yee Chung Man.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2020

Consolidated Statement of
Profit or Loss and Other Comprehensive Income

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	**37,878,205**	28,590,307
Cost of sales	6	**(30,914,621)**	(21,246,510)
Gross profit		**6,963,584**	7,343,797
Other income and gains	5	**2,373,314**	2,073,163
Selling and distribution expenses		**(2,804,136)**	(1,896,605)
Administrative expenses		**(2,636,531)**	(2,737,783)
Impairment losses on financial and contract assets, net		**24,440**	(99,346)
Other expenses		**(611,451)**	(195,952)
Finance costs	7	**(1,109,319)**	(1,071,300)
Share of profits and losses of:			
Joint ventures	17	**348,435**	203,078
Associates	18	**12,770**	63,379
PROFIT BEFORE TAX	6	**2,561,106**	3,682,431
Income tax expense	9	**(331,353)**	(399,833)
PROFIT FOR THE YEAR		**2,229,753**	3,282,598
Profit attributable to:			
Owners of the parent		**2,209,854**	3,216,604
Non-controlling interests		**19,899**	65,994
		2,229,753	3,282,598

	Notes	2019 RMB'000	2018 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that will not to be reclassified to profit or loss in subsequent periods (net of tax):			
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		**164,523**	(252,151)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		**69,550**	(167,277)
Changes in fair value of financial assets measured at fair value through other comprehensive loss		**(31,845)**	–
Cash flow hedges, net of tax		**(117,228)**	(31,556)
Share of other comprehensive loss of associates		**(8,852)**	(4,591)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax		**(88,375)**	(203,424)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**76,148**	(455,575)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,305,901**	2,827,023
Total comprehensive income attributable to:			
Owners of the parent		**2,285,771**	2,761,029
Non-controlling interests		**20,130**	65,994
		2,305,901	2,827,023
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	11	**0.51**	0.82

Consolidated Statement of Financial Position

31 December 2019

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**29,010,372**	25,508,730
Investment properties	13	**34,028**	119,988
Right-of-use assets	14(b)	**1,169,505**	–
Prepaid land lease payments	14(a)	**–**	292,453
Goodwill	15	**470,160**	487,749
Other intangible assets	16	**3,661,961**	3,477,115
Investments in joint ventures	17	**3,014,696**	3,068,338
Investments in associates	18	**1,476,425**	592,054
Equity investments designated at fair value through other comprehensive income	19	**209,786**	408,717
Financial assets at fair value through profit or loss	20	**787,357**	679,851
Other non-current financial assets	21	**306,539**	309,717
Deferred tax assets	22	**1,864,270**	1,634,991
Financial receivables	25	**7,461,270**	7,287,309
Prepayments, other receivables and other assets	26	**1,176,854**	1,407,300
Contract assets	27	**3,719,519**	3,005,214
Derivative financial instruments	32	**143,803**	53,032
Pledged deposits	28	**106,371**	113,995
Total non-current assets		**54,612,916**	48,446,553
CURRENT ASSETS			
Inventories	23	**8,123,837**	4,996,682
Trade and bills receivables	24	**17,993,212**	16,895,231
Contract assets	27	**1,677,981**	907,433
Financial receivables	25	**466,083**	386,762
Prepayments, other receivables and other assets	26	**6,214,235**	4,518,183
Derivative financial instruments	32	**99,706**	25,331
Financial assets at fair value through profit or loss	20	**400,000**	–
Other non-current financial assets	21	**7,821**	7,650
Pledged deposits	28	**426,733**	38,300
Cash and cash equivalents	28	**6,820,780**	5,027,638
		42,230,388	32,803,210
Assets of disposal groups classified as held for sale	33	**6,213,780**	114,290
Total current assets		**48,444,168**	32,917,500
CURRENT LIABILITIES			
Trade and bills payables	30	**25,427,975**	19,999,759
Other payables and accruals	31	**12,185,680**	6,305,085
Derivative financial instruments	32	**15,745**	–
Interest-bearing bank and other borrowings	34	**5,705,324**	3,536,797
Tax payable		**299,919**	189,399
Provision	35	**1,608,494**	1,569,546
		45,243,137	31,600,586
Liabilities directly associated with the assets classified as held for sale	33	**4,325,763**	–
Total current liabilities		**49,568,900**	31,600,586
NET CURRENT (LIABILITIES)/ASSETS		**(1,124,732)**	1,316,914
TOTAL ASSETS LESS CURRENT LIABILITIES		**53,488,184**	49,763,467

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**53,488,184**	49,763,467
NON-CURRENT LIABILITIES			
Trade payables	30	**1,477,772**	1,090,612
Other payables and accruals	31	**343,558**	93,552
Interest-bearing bank and other borrowings	34	**16,036,190**	18,864,519
Deferred tax liabilities	22	**947,737**	806,843
Provision	35	**2,186,405**	1,982,892
Government grants	36	**214,510**	298,056
Derivative financial instruments	32	**35,825**	126,417
Deferred income		**21,938**	25,452
Total non-current liabilities		**21,263,935**	23,288,343
Net assets		**32,224,249**	26,475,124
EQUITY			
Equity attributable to owners of the parent			
Share capital	37	**4,225,068**	3,556,203
Reserves	38	**26,450,053**	21,405,015
		30,675,121	24,961,218
Non-controlling interests		**1,549,128**	1,513,906
Total equity		**32,224,249**	26,475,124

Wu Gang
Director

Cao Zhigang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2019

	Note	Attributable to owners of the parent											
		Share capital RMB'000 (note 37)	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Other equity instruments RMB'000 (note 39)	Hedging reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2019		3,556,203	8,183,278	–	1,298,871	(224,185)	(318,642)	1,993,618	(15,504)	10,487,579	24,961,218	1,513,906	26,475,124
Profit for the year		–	–	–	–	–	–	–	–	2,209,854	2,209,854	19,899	2,229,753
Other comprehensive (loss)/income for the year:													
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		–	–	–	–	164,523	–	–	–	–	164,523	–	164,523
Changes in fair value of financial assets measured at fair value through other comprehensive income		–	–	–	–	(31,842)	–	–	–	–	(31,842)	(3)	(31,845)
Cash flow hedges, net of tax		–	–	–	–	–	–	–	(117,228)	–	(117,228)	–	(117,228)
Share of other comprehensive loss of associates		–	(8,852)	–	–	–	–	–	–	–	(8,852)	–	(8,852)
Exchange differences on translation of foreign operations		–	–	–	–	–	69,316	–	–	–	69,316	234	69,550
Total comprehensive (loss)/income for the year		–	(8,852)	–	–	132,681	69,316	–	(117,228)	2,209,854	2,285,771	20,130	2,305,901
Capital contributions from shareholders		668,865	3,916,673	–	–	–	–	–	–	–	4,585,538	–	4,585,538
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	26,522	26,522
Acquisition of subsidiaries	40	–	–	–	–	–	–	–	–	–	–	17,906	17,906
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	(139)	(139)	(16,046)	(16,185)
Final 2018 dividend declared		–	–	–	–	–	–	–	–	(1,056,267)	(1,056,267)	–	(1,056,267)
Profit appropriation to reserves		–	–	–	139,642	–	–	–	–	(139,642)	–	–	–
Dividends declared to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	(13,290)	(13,290)
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income		–	–	–	–	(39,012)	–	–	–	39,012	–	–	–
Changing from equity investments designated at fair value through other comprehensive income to investment in an associate		–	–	–	–	155,900	–	–	–	(155,900)	–	–	–
Transfer to special reserve (note (i))		–	–	(85,806)	–	–	–	–	–	85,806	–	–	–
Utilisation of special reserve (note (i))		–	–	85,806	–	–	–	–	–	(85,806)	–	–	–
Distribution of other equity instruments		–	–	–	–	–	–	–	–	(101,000)	(101,000)	–	(101,000)
At 31 December 2019		4,225,068	*12,091,099	*–	*1,438,513	* 25,384	*(249,326)	*1,993,618	*(132,732)	*11,283,497	30,675,121	1,549,128	32,224,249

	Attributable to owners of the parent											
	Share capital RMB'000 (note 37)	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve of financial assets at fair value through other Comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Other equity instruments RMB'000	Hedging reserve RMB'000 (note 39)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2018 (restated)	3,556,203	8,195,335	–	1,197,319	27,966	(151,365)	1,495,118	16,052	8,155,179	22,491,807	788,308	23,280,115
Profit for the year	–	–	–	–	–	–	–	–	3,216,604	3,216,604	65,994	3,282,598
Other comprehensive (loss)/income for the year:												
Changes in fair value of equity investment at fair value through other comprehensive loss, net of tax	–	–	–	–	(252,151)	–	–	–	–	(252,151)	–	(252,151)
Cash flow hedges, net of tax	–	–	–	–	–	–	–	(31,556)	–	(31,556)	–	(31,556)
Share of other comprehensive loss of associates	–	(4,591)	–	–	–	–	–	–	–	(4,591)	–	(4,591)
Exchange differences on translation of foreign operations	–	–	–	–	–	(167,277)	–	–	–	(167,277)	–	(167,277)
Total comprehensive (loss)/income for the year	–	(4,591)	–	–	(252,151)	(167,277)	–	(31,556)	3,216,604	2,761,029	65,994	2,827,023
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	1,008,893	1,008,893
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	39,630	39,630
Disposal to non-controlling shareholders	–	(7,466)	–	–	–	–	–	–	–	(7,466)	7,466	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(360,553)	(360,553)
Final 2017 dividend declared	–	–	–	–	–	–	–	–	(711,241)	(711,241)	–	(711,241)
Profit appropriation to reserves	–	–	–	101,552	–	–	–	–	(101,552)	–	–	–
Dividends declared to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(35,832)	(35,832)
Transfer to special reserve (note (i))	–	–	(59,156)	–	–	–	–	–	59,156	–	–	–
Utilisation of special reserve (note (i))	–	–	59,156	–	–	–	–	–	(59,156)	–	–	–
Capital contributions from other equity instruments	–	–	–	–	–	–	498,500	–	–	498,500	–	498,500
Distribution of other equity instruments	–	–	–	–	–	–	–	–	(71,411)	(71,411)	–	(71,411)
At 31 December 2018	3,556,203	*8,183,278	*–	*1,298,871	*(224,185)	*(318,642)	*1,993,618	*(15,504)	*10,487,579	24,961,218	1,513,906	26,475,124

* As at 31 December 2019, these reserve accounts comprised the consolidated other reserves of RMB26,450,053,000 (31 December 2018: RMB21,405,015,000) in the consolidated statement of financial position.

Note (i): In preparation of these consolidated financial statements, the Group has appropriated certain amounts of retained profits to a special reserve fund for each of the years ended 31 December 2018 and 2019, for safety production expense purposes as required by directives issued by the relevant People's Republic of China ("PRC") government authorities. The Group charged the safety production expenses to profit or loss when such expenses were incurred, and at the same time the corresponding amounts of special reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilized.

Consolidated Statement of Cash Flows

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,561,106**	3,682,431
Adjustments for:			
Finance costs	7	**1,109,319**	1,071,300
Foreign exchange difference, net		**301,386**	(55,333)
Interest income	5	**(227,814)**	(222,409)
Share of profits of joint ventures	17	**(348,435)**	(203,078)
Share of profits of associates	18	**(12,770)**	(63,379)
Depreciation of property, plant and equipment and investment properties	6	**1,322,453**	1,218,020
Amortisation of prepaid land lease payments	6	**–**	8,246
Depreciation of right-of-use assets	6	**113,136**	–
Amortisation of other intangible assets	6	**181,975**	126,527
(Gain)/loss on disposal of items of property, plant and equipment and other intangible assets, net	6	**(139,368)**	7,837
Gain on disposal of subsidiaries	5	**(720,830)**	(313,889)
Gain on disposal of investment properties	5	**(197,473)**	–
Gain on remeasurement of the previously held interest in acquirees on the disposal date in disposal of subsidiaries	5	**–**	(627,627)
Gain on disposal of investments in associates and joint ventures, net	5	**(207,253)**	(5,212)
Gain on disposal of financial assets at fair value through profit or loss	5	**–**	(42,716)
Dividend income from other non-current financial assets	5	**(32,853)**	(19,382)
Dividend income from an equity investment at fair value through profit and loss	5	**(4,807)**	(6,042)
Dividend income from derecognition of equity investments at fair value through other comprehensive income	5	**(3,818)**	(416)
Dividend income from financial assets at fair value through other comprehensive income	5	**(3,469)**	(8,916)
Interest from other investments		**(5,308)**	(55,784)
Fair value gain, net on equity investments of fair value through profit or loss	5	**(101,097)**	(209,359)
Fair value (gain)/loss on derivative financial instruments – transactions not qualifying as hedges	5	**(73,681)**	5,292
(Reversal of impairment)/impairment of trade and other receivables	6	**(21,631)**	75,554
(Reversal of impairment)/impairment of financial receivables	6	**(6,691)**	22,249
Impairment of contract assets	6	**3,892**	1,532
(Reversal of impairment)/impairment of other non-current financial assets	6	**(10)**	11
Impairment/(reversal of impairment) of inventories to net realisable value	6	**26,214**	(17,982)
Impairment of assets reclassified as held for sale	6	**11,391**	–
Impairment of property, plant and equipment	6	**3,873**	17,422
Impairment of goodwill	6	**8,479**	11,998
Impairment of other intangible assets	6	**117,241**	–
Government grants and deferred revenue		**(42,237)**	(117,788)
		3,610,920	4,279,107

	Notes	2019 RMB'000	2018 RMB'000
Increase in inventories		**(3,141,454)**	(869,008)
Increase in contract assets		**(656,933)**	(269,784)
Increase in trade and bills receivables		**(937,720)**	(166,155)
Increase in financial receivables		**(487,596)**	(1,741,662)
Increase in prepayments, other receivables and other assets		**(1,582,616)**	(1,129,135)
Increase in trade and bills payables		**2,280,933**	2,980,447
Increase in other payables and accruals		**6,912,612**	737,925
Increase/(decrease) in provision		**242,461**	(317,741)
Decrease in government grants and deferred income		**(61,827)**	(30,758)
Cash generated from operations		**6,178,780**	3,473,236
Income tax paid		**(331,353)**	(399,833)
Interest received		**81,356**	51,952
Net cash flows from operating activities		**5,928,783**	3,125,355
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(10,968,117)**	(5,943,037)
Additions of prepaid land lease payments		**–**	(16,006)
Additions of right-of-use assets		**(95,014)**	–
Additions of other intangible assets		**(225,600)**	(66,840)
Acquisitions of subsidiaries, net of cash acquired	40	**(101,041)**	(995,570)
Investments in joint ventures		**(32,200)**	(213,672)
Investments in associates		**(520,508)**	(100,600)
Purchases of equity investments at fair value through other comprehensive income		**(27,586)**	(12,012)
Purchases of financial assets at fair value through profit or loss		**(740,000)**	(59,730)
Purchases of other non-current financial assets		**(37,592)**	(136,748)
Proceeds from disposal of items of property, plant and equipment and other intangible assets		**132,697**	4,345
Disposals of financial assets at fair value through profit or loss		**351,631**	1,156,169
Disposals of subsidiaries, net of cash disposed of	41	**1,230,321**	(83,805)
Disposals of other non-current financial assets		**90,927**	–
Disposal of equity investment designated at fair value through other comprehensive income		**254,039**	–
Disposals of shareholding in associates and joint ventures		**608,823**	437,719
(Increase)/decrease in pledged deposits		**(33,375)**	572,550
Interest received		**–**	7,415
Dividend income from financial assets at fair value through profit or loss		**6,450**	–
Dividend received from other non-current financial assets		**20,654**	4,622
Dividend received from joint ventures and associates		**49,459**	95,923
Dividend received from equity investments at fair value through other comprehensive income		**9,901**	10,101
Increase in non-pledged time deposits with original maturity of three months or more when acquired		**–**	(5,691)
Loans to joint ventures, associates and third parties		**(161,068)**	(383,011)
Cash to other investments		**(79,413)**	(386,034)
Net cash flows used in investing activities		**(10,266,612)**	(6,113,912)

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings	42(b)	**11,458,078**	12,527,203
Repayment of bank and other borrowings	42(b)	**(7,641,612)**	(10,918,454)
Increase in an amount due to the non-controlling shareholders		**–**	1,022
Increase in loans to jointly-controlled entities and associates		**–**	10,400
Decrease in loans to jointly-controlled entities and associates		**(43,109)**	–
Interest paid	42(b)	**(1,073,351)**	(1,115,051)
Fees for new bank and other borrowings		**(65,456)**	(5,884)
Capital contributions from non-controlling shareholders		**26,522**	1,008,893
Dividend paid	42(b)	**(1,181,356)**	(805,209)
Proceeds from issuance of perpetual securities, net of issuance costs		**–**	498,500
Decrease in pledged time deposit		**11,615**	–
Proceeds from issue of shares		**4,639,734**	–
Net cash flows from financing activities		**6,131,065**	1,201,420
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,793,236**	(1,787,137)
Cash and cash equivalents at beginning of year		**5,012,017**	6,746,183
Effect of foreign exchange rate changes, net		**2,164**	52,971
CASH AND CASH EQUIVALENTS AT END OF YEAR	28	**6,807,417**	5,012,017

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

Information about subsidiaries

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

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

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name*	Place of incorporation/ registration and business**	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xilingol league Area Goldwind Science & Technology Co., Ltd. (錫林郭勒盟金風科技有限公司)	The PRC/ Mainland China	RMB50,000,000	100	–	Manufacture and sale of wind power equipment and accessories
Tianxin International Finance Lease Co., Ltd. (天信國際租賃有限公司)	The PRC/ Mainland China	US$30,000,000	–	100	Finance lease services
Hami Tianrun New Energy Co., Ltd. (哈密天潤新能源有限公司)	The PRC/ Mainland China	RMB25,800,000	–	100	Development and operation of wind farms
Tacheng Tianrun New Energy Co., Ltd. (塔城天潤新能源有限公司)	The PRC/ Mainland China	RMB67,000,000	–	100	Development and operation of wind farms
Pinglu Tianrun Wind Power Co., Ltd. (平陸天潤風電有限公司)	The PRC/ Mainland China	RMB32,000,000	–	100	Development and operation of wind farms
Zhongning Tianrun Wind Power Co., Ltd. (中寧天潤風電有限公司)	The PRC/ Mainland China	RMB4,000,000	–	100	Development and operation of wind farms
Keyou Zhongqi Tianyou New Energy Co., Ltd. (科右中旗天佑新能源有限公司)	The PRC/ Mainland China	RMB75,000,000	–	70	Development and operation of wind farms
Hami Yandun Tianrun Wind Power Co., Ltd. (哈密煙墩天潤風電有限公司)	The PRC/ Mainland China	RMB31,000,000	–	100	Development and operation of wind farms
Xiaxian Tianrun Wind Power Co., Ltd. (夏縣天潤風電有限公司)	The PRC/ Mainland China	RMB46,000,000	–	100	Development and operation of wind farms
Yixian Tianrun Wind Power Co., Ltd. (義縣天潤風電有限公司)	The PRC/ Mainland China	RMB10,000,000	–	100	Development and operation of wind farms
Jiangxian Tianrun Wind Power Co., Ltd. (絳縣天潤風電有限公司)	The PRC/ Mainland China	RMB20,750,000	–	100	Development and operation of wind farms
Guyuan Fengrun Wind Power Co., Ltd. (固原風潤風電有限公司)	The PRC/ Mainland China	RMB4,500,000	–	100	Development and operation of wind farms
Hami Tianrun Solar Energy Co., Ltd. (哈密天潤太陽能有限公司)	The PRC/ Mainland China	RMB44,000,000	–	100	Development and operation of solar power generation projects

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name*	Place of incorporation/ registration and business**	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Buerjin Tianrun New Energy Co., Ltd. (布爾津天潤新能源有限公司)	The PRC/ Mainland China	RMB4,000,000	–	100	Development and operation of wind farms
Fuyun Tianrun Wind Power Co., Ltd. (富蘊天潤風電有限公司)	The PRC/ Mainland China	RMB4,000,000	–	100	Development and operation of wind farms
Jingzhou Tianchu Wind Power Co., Ltd. (荊州天楚風電有限公司)	The PRC/ Mainland China	RMB42,000,000	–	100	Development and operation of wind farms
UEP Penonome I, S.A.	Panama/Penonome	US$53,080,000	–	100	Development and operation of wind farms
Goldwind USA, Inc.	USA/Delaware	US$3,600,000	–	100	Research and sale of wind power equipment and accessories
Goldwind Australia Pty Ltd.	Australia/Victoria	AUD52,093,000	–	100	Research and sale of wind power equipment and accessories
Stockyard Hill Wind Farm Pty Ltd ***	Australia/Ballarat	AUD141,729,000	–	100	Development and operation of wind farms
PARQUE EóLICO LOMA BLANCA S.A	Argentine Republic/ Buenos Aires	Piso150,000	–	100	Development and operation of wind farms
Western Water Corporation	Samoa/Apia	US$5,000,000	–	100	Development and operation of water treatment plants

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

** All these companies were incorporated with limited liability.

*** On 21 November, 2019, the Group entered into a disposal agreement with an independent third party, NEBRAS POWER AUSTRALIA PTY LTD. ("Nebras Power"), to dispose 49% equity of a wholly-owned subsidiary Stockyard Hill Wind Farm Pty Ltd ("Stockyard Hill"). The above transaction is due to be completed within one year, thus as of 31 December, 2019, Stockyard Hill was classified as a disposal group held for sale. The third party actually completed the equity settlement procedures and paid off the sum in January 2020.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group as at 31 December 2019. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

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

The Group has evaluated the going concern for twelve months from 31 December 2019,and was of the opinion that there is no significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements are presented on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
IFRS 16	*Leases*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for the amendments to IFRS 9 and IAS 19, and *Annual Improvements to IFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

IFRS 16 did not have any significant impact on leases where the group is the lessor.

The Group has adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under IAS 17 and related interpretations.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of property, machinery, motor vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings. The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of RMB301,805,000 that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics

- Relying on the entity's assessment of whether leases were onerous by applying IAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under IAS 17.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) RMB'000
Assets	
Increase in right-of-use assets	1,118,940
Decrease in property, plant and equipment	(301,805)
Decrease in prepaid land lease payments	(292,453)
Decrease in prepayments, other receivables and other assets	(30,205)
Increase in total assets	494,477
Liabilities	
Increase in interest-bearing bank and other borrowings	494,477

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	951,825
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(97,231)
	854,594
Weighted average incremental borrowing rate as at 1 January 2019	4.87%
Discounted operating lease commitments as at 1 January 2019	494,477
Add: Finance lease liabilities recognised as at 31 December 2018	301,805
Lease liabilities as at 1 January 2019	796,282

(b) Amendments to IAS 28 clarify that the scope exclusion of IFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies IFRS 9, rather than IAS 28, including the impairment requirements under IFRS 9, in accounting for such long-term interests. IAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with IFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[4]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

4 Effective for annual periods beginning on or after 1 January 2022

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

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

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

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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

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

Business combinations and goodwill

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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

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

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

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

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

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to write off the cost of investment properties using the straight-line method over the estimated useful lives of 30 to 40 years. Owner-occupied property is transferred to investment property when there is a change in use evidenced by the end of owner occupation.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets and disposal groups held for sale

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

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

Other intangible assets (other than goodwill)

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

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

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

Water treatment operating concession

Water treatment operating concession represents the right to operate a water treatment plant and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the operating concession granted to the Group of 25 to 30 years. Details are given in "Service concession agreements" below.

Wind farm development and operating permit

Wind farm development and operating permit represents the right to develop and operate a wind farm and is stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on the straight-line basis over the period of the development and operating permit granted to the Group of 20 to 30 years. If the wind farm is still in development stage, the amortisation will be capitalised in construction in progress.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other intangible assets (other than goodwill) (continued)

Research and development costs

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

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

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

Service concession agreements

Consideration given by the grantor

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Service concession agreements (continued)

Construction or upgrade services

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

Operating services

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

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Prepaid land lease payments	10 to 50 years
Buildings	2 to 25 years
Machinery	2 to 10 years
Motor vehicles	2 to 5 years
Electronic and other equipment	2 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank and other borrowings.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income of such leases is recognised in the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable before 1 January 2019)

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

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

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

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

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

Derecognition of financial assets

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

General approach

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

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

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

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

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

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Financial guarantee contracts

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

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

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

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

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

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

- hedges of a net investment in a foreign operation.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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

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

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

Cash flow hedges

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (continued)

Fair value hedges

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

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

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

Hedges of a net investment

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

Current versus non-current classification

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Government grants

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

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

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

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

Perpetual securities

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

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

(b) *Sale of electricity*

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

(c) *Construction services*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from other sources

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

Other income

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

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Pension scheme

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

Short-term employee benefits

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

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

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Method of determining performance progress for construction contracts

The input method is adopted by the Group to determine the progress of performance of construction contracts. Specifically, the construction costs actually incurred on a cumulative basis as a percentage of estimated total costs is used to determine the progress of performance. Costs actually incurred on a cumulative basis include direct and indirect costs incurred by the Group in the course of transfer of goods to customers. The Group considers that the consideration of construction contracts signed with customers is determined based on construction costs. The construction costs actually incurred on a cumulative basis as a percentage of estimated total costs can practically reflect the progress of performance of the construction service. As the period of validity of construction contracts is relatively long and may span over a number of accounting periods, the Group shall review and revise budget as the duration of the construction contracts continues, and adjust the amount of recognized revenue accordingly.

Determination of one performance obligations

The Group's sales transaction of wind turbine includes two types of goods or services commitments: sales of wind turbine as well as operation and maintenance services. As customers can benefit from the goods or services or together with other readily available resources, and the goods or services commitments can be distinguished from each other, the above goods or services commitments constitute an one performance obligation separately.

Equity instrument

Equity instruments issued by the Group, such as perpetual medium-term notes, do not need to be settled by the Group's own equity instruments, which have no contractual obligation to pay cash or deliver other financial assets to others, nor to exchange financial assets or liabilities with others under potential unfavourable circumstances. Therefore the Group counts them as other equity instruments.

Business model

The classification of financial assets at initial recognition depends on the business model of the Group's management. When judging whether the business model aims to obtain contractual cash flow, the Group needs to analyze the sale of financial assets before the maturity date. It is necessary to analyze the sale, no matter whether the sale is accidental, or the consideration of the sale is very small.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Characteristics of contract cash flow

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. It is necessary to determine whether the contractual cash flow is only the payment on the principal and interest based on the outstanding principal. When contract cash flow involves the assessment of the correction of the time value of money, it is necessary to determine whether it exists significant difference compared with the benchmark cash flow. And it is necessary to determine whether the fair value of the prepayment feature is quite small, if financial assets include the prepayment feature.

Classification of service concession arrangements

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

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

Business combination

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

Loss of control

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Impairment of financial instruments and contract assets

The Group uses expected credit loss ("ECL") model to assess the impairment of financial instruments and contract assets. The application of ECL model requires significant judgments and estimates, and requires consideration for all reasonable and proofed information, including forward-looking information. When making these judgments and estimates, the Group infers expected changes in debtors' credit risk based on historical repayment data combined with economic policies, macroeconomic indicators, industry risks and other factors. Different estimates may affect the accrual of provision for impairment. The accrued provision for impairment may not be equal to the actual amount of impairment losses in the future.

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

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

Useful lives of items of intangible assets

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

Determination of fair value of financial instruments

The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is considered active if quoted market prices can conveniently and regularly be accessed from exchanges, securities dealers, brokers, industry groups, quote service providers or regulatory agencies, and the quoted prices represents actual or regular market transactions based on fair trade standards. The fair value of financial instruments in which there is no active market is recognized by valuation methods. The Group chooses various methods based on its judgments, and makes assumptions mainly based on the current market conditions at each reporting date.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Development costs

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

Current income tax

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

Deferred income tax

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

Clause of sales return

The Group makes a reasonable estimate of the return rate for contract portfolios with similar characteristics based on historical sales returns and current sales returns, considering all relevant information including customer changes and market changes. The estimated return rate may not be equal to the actual return rate in the future. The Group will re-evaluate the return rate at least on each reporting date, and determine the refund payable and cost of returns receivable based on the re-evaluated return rate.

Warranty provision

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Assessment of limits of variable consideration

When the Group estimates variable consideration, all information could be reasonably obtained will be considered, including historical information, current information and forecast information, and estimates various possible amounts of consideration and probability within a reasonable range. The transaction price including variable consideration should not exceed the amount that the accumulated recognized income is unlikely to materially reverse when the relevant uncertainty is eliminated. When assessing the elimination of uncertainties related to variable consideration, the Group considers whether the cumulative amount of recognized revenue is unlikely to occur a significant reversal, and considers the possibility of reversing revenue and the proportion of the reversal amount simultaneously. At each reporting date, the Group re-evaluates the amount of variable consideration, including re-evaluating whether the estimation of variable consideration will be restricted so as to reflect the situation existing at the end of the reporting period and the changes of circumstances during the reporting period.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

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

4. OPERATING SEGMENT INFORMATION

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

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

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

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax.

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

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019

	Wind turbine generator manufacturing and sale RMB'000	Wind power services RMB'000	Wind farm development RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 5):						
Sales to external customers	28,856,924	3,571,357	4,257,234	1,192,690	–	37,878,205
Intersegment sales	4,331,853	1,015,388	6,968	170,038	(5,524,247)	–
Total revenue	33,188,777	4,586,745	4,264,202	1,362,728	(5,524,247)	37,878,205
Segment results	169,768	30,880	2,628,119	729,550	(115,706)	3,442,611
Interest income	447,269	7,104	(19,137)	154,135	(361,557)	227,814
Finance costs	(359,299)	(4,206)	(909,731)	(149,341)	313,258	(1,109,319)
Profit before tax	257,738	33,778	1,699,251	734,344	(164,005)	2,561,106
Segment assets	69,515,510	3,963,311	56,669,364	22,354,118	(49,445,219)	103,057,084
Segment liabilities	43,043,883	2,437,233	42,507,694	14,851,892	(32,007,867)	70,832,835
Other segment information:						
Share of profits and losses of:						
Joint ventures	297	–	286,106	62,032	–	348,435
Associates	9,098	(3,209)	5,523	1,358	–	12,770
Depreciation and amortisation (1)	328,955	38,253	1,315,984	95,389	(128,214)	1,650,367
Impairment of write-down of inventories, net	26,214	–	–	–	–	26,214
Impairment/(reversal of impairment) of trade and other receivables, net	(22,736)	(4,360)	3,008	79,556	(77,099)	(21,631)
Impairment of contract assets, net	694	3,198	–	–	–	3,892
Impairment/(reversal of impairment) of other non-current financial assets, net	(34)	–	24	–	–	(10)
Impairment/(reversal of impairment) of financial receivables, net	–	–	–	(6,691)	–	(6,691)
Impairment of property, plant and equipment	–	–	3,873	–	–	3,873
Impairment of other intangible assets	–	–	117,241	–	–	117,241
Impairment of assets reclassified as held for sale	–	–	11,391	–	–	11,391
Impairment of goodwill	–	–	8,479	–	–	8,479
Product warranty provision	1,530,893	–	–	–	(6,362)	1,524,531
Investments in joint ventures	2,802	–	2,764,288	309,644	(62,038)	3,014,696
Investments in associates	185,188	9,975	730,319	559,502	(8,559)	1,476,425
Capital expenditure (2)	716,801	272,506	11,864,858	154,175	29,186	13,037,526

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018

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

(1) Depreciation and amortisation mainly consists of depreciation and amortisation of property, plant and equipment, other intangible assets, investment properties, leasehold improvement and right-of-use assets.

(2) Capital expenditure mainly consists of additions to property, plant and equipment, other intangible assets, and right-of-use assets, including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
China	**34,458,015**	26,541,974
Overseas	**3,420,190**	2,048,333
	37,878,205	28,590,307

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

(b) Non-current assets

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
China	**32,428,105**	31,138,057
United States of America	**1,746,311**	1,871,819
Australia	**3,017,188**	2,329,517
Argentina	**4,074,013**	662,211
Panama	**661,061**	633,652
Germany	**501,071**	515,011
Other countries	**83,091**	29,839
	42,510,840	37,180,106

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

Information about major customers

For the year ended 31 December 2019, revenue of approximately RMB3,749,303,000 was derived from sales by wind farm development, wind turbine generator manufacturing and sale and wind power services segment to a single customer, including sales to a group of entities which are known to be under common control with that customer, which individually accounted for over 9.8% of the Group's total revenue.

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

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	**37,532,344**	28,331,755
Revenue from other sources		
Finance lease service	**345,861**	258,552
	37,878,205	28,590,307

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Sale of wind turbine generators and wind power components RMB'000	Wind farm development RMB'000	Wind power services RMB'000	Others RMB'000	Total RMB'000
Type of goods or services					
Sale of wind turbine generators and wind power components	28,856,924	–	–	–	28,856,924
Wind power generation	–	4,257,234	–	–	4,257,234
Wind power services	–	–	3,571,357	–	3,571,357
Others	–	–	–	846,829	846,829
Total revenue from contracts with customers	28,856,924	4,257,234	3,571,357	846,829	37,532,344
Geographical markets					
China	27,943,924	4,072,666	1,248,735	846,829	34,112,154
Other countries	913,000	184,568	2,322,622	–	3,420,190
Total revenue from contracts with customers	28,856,924	4,257,234	3,571,357	846,829	37,532,344
Timing of revenue recognition					
Goods transferred at a point in time	28,856,924	4,257,234	–	42,625	33,156,783
Services transferred over time	–	–	3,571,357	804,204	4,375,561
Total revenue from contracts with customers	28,856,924	4,257,234	3,571,357	846,829	37,532,344

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2018

Segments	Sale of wind turbine generators and wind power components RMB'000	Wind farm development RMB'000	Wind power services RMB'000	Others RMB'000	Total RMB'000
Type of goods or services					
Sale of wind turbine generators and wind power components	22,168,536	–	–	–	22,168,536
Wind power generation	–	3,903,991	–	–	3,903,991
Wind power services	–	–	1,647,494	–	1,647,494
Others	–	–	–	611,734	611,734
Total revenue from contracts with customers	22,168,536	3,903,991	1,647,494	611,734	28,331,755
Geographical markets					
China	20,780,302	3,620,632	1,270,754	611,734	26,283,422
Other Countries	1,388,234	283,359	376,740	–	2,048,333
Total revenue from contracts with customers	22,168,536	3,903,991	1,647,494	611,734	28,331,755
Timing of revenue recognition					
Goods transferred at a point in time	22,168,536	3,903,991	–	29,774	26,102,301
Services transferred over time	–	–	1,647,494	581,960	2,229,454
Total revenue from contracts with customers	22,168,536	3,903,991	1,647,494	611,734	28,331,755

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

Set out below is the reconciliation of the revenue from contracts with customers to the amounts disclosed in the segment information:

For the year ended 31 December 2019

Segments	Sale of wind turbine generators and wind power components RMB'000	Wind farm development RMB'000	Wind power services RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers	**33,188,777**	**4,264,202**	**4,586,745**	**1,016,867**	**43,056,591**
External customers	**28,856,924**	**4,257,234**	**3,571,357**	**846,829**	**37,532,344**
Intersegment sales	**4,331,853**	**6,968**	**1,015,388**	**170,038**	**5,524,247**
Intersegment adjustments and eliminations	**(4,331,853)**	**(6,968)**	**(1,015,388)**	**(170,038)**	**(5,524,247)**
Total revenue from contracts with customers	**28,856,924**	**4,257,234**	**3,571,357**	**846,829**	**37,532,344**

For the year ended 31 December 2018

Segments	Sale of wind turbine generators and wind power components RMB'000	Wind farm development RMB'000	Wind power services RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers	23,922,447	3,903,991	2,712,906	655,394	31,194,738
External customers	22,168,536	3,903,991	1,647,494	611,734	28,331,755
Intersegment sales	1,753,911	–	1,065,412	43,660	2,862,983
Intersegment adjustments and eliminations	(1,753,911)	–	(1,065,412)	(43,660)	(2,862,983)
Total revenue from contracts with customers	22,168,536	3,903,991	1,647,494	611,734	28,331,755

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

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

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of wind turbine generators and wind power components	**2,756,259**	2,577,004
Construction services	**135,591**	139,065
Others	**9,286**	16,849
	2,901,136	2,732,918
Revenue recognised from performance obligations satisfied in previous periods:		
Construction services	**2,138,519**	578,443

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

Sale of wind turbine generators and wind power components

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

Wind power generation

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

Wind power services

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

Others

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

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

5. REVENUE, OTHER INCOME AND GAINS (continued)

Other income and gains

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
Interest income		**227,814**	222,409
Dividend income from equity investments at fair value through other comprehensive income		**3,469**	8,916
Dividend income from derecognition of equity investments at fair value through other comprehensive income		**3,818**	416
Dividend income from other non-current financial assets		**32,853**	19,382
Dividend income from equity investment at fair value through profit and loss		**4,807**	6,042
Gross rental income from investment properties and equipment		**19,543**	10,542
Government grants		**135,724**	177,719
Value-added tax refund		**95,089**	100,295
Insurance compensation on product warranty expenditures		**201,712**	230,880
Provision of technical service		**38,149**	11,751
Cash discounts granted		**4,500**	2,267
Gain on disposal of subsidiaries	41	**720,830**	313,889
Gain on remeasurement of the previously held interest in acquirees on the disposal date in disposal of subsidiaries		**–**	627,627
Gain on disposal of financial assets at fair value through profit or loss		**–**	42,716
Gain on disposal of items of property, plant and equipment and other intangible assets		**178,182**	7,083
Gain on disposal of investment properties		**197,473**	–
Gain on disposal of associates and joint ventures, net		**207,253**	5,212
Fair value gains/(losses), net:			
Derivative financial instruments – transactions not qualifying as hedges		**73,681**	(5,292)
Equity investments at fair value through profit or loss		**101,097**	209,359
Others		**127,320**	81,950
		2,373,314	2,073,163

6. PROFIT BEFORE TAX

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

		Year ended 31 December	
	Notes	**2019 RMB'000**	2018 RMB'000
Cost of inventories sold		**25,286,433**	18,023,683
Cost of wind power generation		**1,610,969**	1,403,009
Cost of services provided		**3,347,475**	1,326,588
Cost of others		**669,744**	493,230
		30,914,621	21,246,510
Depreciation of property, plant and equipment (note (a)	12	**1,318,529**	1,213,688
Depreciation of investment properties (note (a)	13	**3,924**	4,332
Depreciation of right-of-use assets (note (b)) (2018: Amortisation of land lease payments)	14(a),14(b)	**113,136**	8,246
Amortisation of other intangible assets (note (c))	16	**181,975**	126,527
		1,617,564	1,352,793
Impairment of trade receivables	24	**315,682**	534,601
Reversal of impairment of trade receivables	24	**(352,911)**	(485,320)
		(37,229)	49,281
Impairment of other receivables	26	**33,031**	36,403
Reversal of impairment of other receivables	26	**(17,433)**	(10,130)
		15,598	26,273
Impairment of contract assets	27	**5,440**	2,168
Reversal of impairment of contract assets	27	**(1,548)**	(636)
		3,892	1,532
Impairment of other non-current financial assets	21	**81**	114
Reversal of impairment of other non-current financial assets	21	**(91)**	(103)
		(10)	11

6. PROFIT BEFORE TAX (continued)

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Impairment of financial receivables	25	**1,496**	22,249
Reversal of impairment of financial receivables	25	**(8,187)**	–
		(6,691)	22,249
Impairment of write-down of inventories		**26,214**	18,092
Reversal of impairment of write-down of inventories		**–**	(36,074)
		26,214	(17,982)
Impairment of assets classified as held for sale	33	**11,391**	–
Impairment of property, plant and equipment	12	**3,873**	17,422
Impairment of other intangible assets	16	**117,241**	–
Impairment of goodwill	15	**8,479**	11,998
(Gain)/loss on disposal of items of property, plant and equipment and other intangible assets, net		**(139,368)**	7,837
Lease expenses under operating leases of land and buildings (note (d))		**–**	68,182
Lease payments not included in the measurement of lease liabilities (note (e))	14(d)	**99,973**	–
Auditors' remuneration		**10,181**	9,442
Employee benefit expenses (note (f)) (including Directors' and supervisors' remuneration):			
Wages and salaries		**1,770,478**	1,782,573
Pension scheme contributions (note (g))		**121,351**	128,894
Welfare and other expenses		**333,506**	393,604
		2,225,335	2,305,071
Research and development costs:			
Staff costs		**577,300**	596,623
Amortisation and depreciation		**87,613**	67,216
Materials expenditure and others		**281,241**	398,186
		946,154	1,062,025

6. PROFIT BEFORE TAX (continued)

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Government grants (note (h))	5	**(135,724)**	(177,719)
Value-added tax refund	5	**(95,089)**	(100,295)
Product warranty provision:			
Additional provision	35	**1,937,836**	1,459,497
Reversal of unutilised provision	35	**(413,305)**	(793,065)
		1,524,531	666,432
Insurance compensation on product warranty expenditures	5	**(201,712)**	(230,880)
Foreign exchange differences, net		**159,170**	53,864
Cash discounts granted	5	**(4,500)**	(2,267)
Fair value (gains)/losses, net:			
Derivative financial instruments – transactions not qualifying as hedges	5	**(73,681)**	5,292
Equity investments at fair value through profit or loss	5	**(101,097)**	(209,359)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**6,340**	1,254
Dividend income from equity investment at fair value through other comprehensive income	5	**(3,469)**	(8,916)
Dividend income from derecognition of equity investment at fair value through other comprehensive income	5	**(3,818)**	(416)
Dividend income from other non-current financial assets	5	**(32,853)**	(19,382)
Interest income	5	**(227,814)**	(222,409)
Gain on disposal of subsidiaries, including wind farm project companies	5	**(720,830)**	(313,889)
Gain on remeasurement of the previously held interest in acquirees on its disposal date in disposal of subsidiaries	5	**–**	(627,627)
Gain on disposal of financial assets at fair value through profit or loss	5	**–**	(42,716)
Gain on disposal of investment properties	5	**(197,473)**	–
Gain on disposal of items of property, plant and equipment and other intangible assets	5	**(178,182)**	(7,083)
Gain on disposal of associates and joint ventures, net	5	**(207,253)**	(5,212)
Dividend income from equity investment at fair value through profit and loss	5	**(4,807)**	(6,042)
Provision of technical service	5	**(38,149)**	(11,751)

6. PROFIT BEFORE TAX (continued)

Notes:

(a) Depreciation of property, plant and equipment and investment properties of approximately RMB1,130,839,000 is included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB1,085,886,000).

(b) Depreciation of right-of-use assets of approximately RMB19,086,000 is included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (Amortisation of prepaid land payments for the year ended 31 December 2018: RMB5,052,000).

(c) Amortisation of other intangible assets of approximately RMB104,753,000 is included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB65,347,000).

(d) Lease expenses under operating leases of land and buildings of approximately RMB17,537,000 are included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

(e) Lease payments not included in the measurement of lease liabilities of approximately RMB82,646,000 are included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

(f) Employee benefit expenses of approximately RMB269,021,000 are included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB185,367,000).

(g) As at 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (31 December 2018: Nil).

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Interest on bank loans and other borrowings	**1,123,565**	1,106,912
Interest on lease liabilities	**26,483**	–
Less: Interest capitalised	**(40,729)**	(35,612)
	1,109,319	1,071,300

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

(a) Directors and supervisors' remuneration

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Fees	**608**	600
Other emoluments:		
– Salaries, allowances and benefits in kind	**8,384**	7,147
– Performance related bonuses	**5,449**	8,173
– Pension scheme contributions	**217**	234
	14,658	16,154

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

(a) Directors and supervisors' remuneration (continued)

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

Year ended 31 December 2019

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors						
Wu Gang		–	2,469	1,465	33	3,967
Cao Zhigang (the chief executive)	(i)	–	2,217	1,633	50	3,900
Wang Haibo		–	2,253	1,761	51	4,065
		–	6,939	4,859	134	11,932
Non-executive directors						
Zhao Guoqing	(ii)	–	–	–	–	–
Lu Hailin	(iii)	–	–	–	–	–
Gao Jianjun		–	–	–	–	–
Gu Hongmei		–	–	–	–	–
		–	–	–	–	–
Independent non-executive directors						
Tin Yau Kelvin Wong		200	–	–	–	200
Wei Wei	(iv)	104	–	–	–	104
Yang Jianping	(v)	104	–	–	–	104
Yang Xiaosheng	(vi)	100	–	–	–	100
Luo Zhenbang	(vii)	100	–	–	–	100
		608	–	–	–	608
Supervisors						
Lu Min		–	738	264	50	1,052
Ji Tian		–	707	326	33	1,066
Wang Mengqiu	(viii)	–	–	–	–	–
Han Zongwei	(ix)	–	–	–	–	–
Luo Jun		–	–	–	–	–
Xiao Hong		–	–	–	–	–
		–	1,445	590	83	2,118
		608	8,384	5,449	217	14,658

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

(a) Directors and supervisors' remuneration (continued)

(i) Cao Zhigang was appointed as the chief executive of the Company with effect from 11 July 2019.

(ii) Zhao Guoqing resigned as a non-executive director of the Company with effect from 21 June 2019.

(iii) Lu Hailin was appointed as a non-executive director of the Company with effect from 22 June 2019.

(iv) Wei Wei was appointed as an independent non-executive director of the Company with effect from 22 June 2019.

(v) Yang Jianping was appointed as an independent non-executive director of the Company with effect from 22 June 2019.

(vi) Yang Xiaosheng resigned as an independent non-executive director of the Company with effect from 21 June 2019.

(vii) Luo Zhenbang resigned as an independent non-executive director of the Company with effect from 21 June 2019.

(viii) Wang Mengqiu resigned as a supervisor of the Company with effect from 21 June 2019.

(ix) Han Zongwei was appointed as a supervisor of the Company with effect from 22 June 2019.

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

(a) Directors and supervisors' remuneration (continued)

Year ended 31 December 2018

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors						
Wu Gang		–	2,096	2,333	35	4,464
Wang Haibo (the chief executive)		–	1,886	2,663	55	4,604
Cao Zhigang		–	1,751	2,576	55	4,382
		–	5,733	7,572	145	13,450
Non-executive directors						
Zhao Guoqing		–	–	–	–	–
Feng Wei	(i)	–	–	–	–	–
Gao Jianjun		–	–	–	–	–
Gu Hongmei	(ii)	–	–	–	–	–
		–	–	–	–	–
Independent non-executive directors						
Tin Yau Kelvin Wong		200	–	–	–	200
Luo Zhenbang		200	–	–	–	200
Yang Xiaosheng		200	–	–	–	200
		600	–	–	–	600
Supervisors						
Lu Min		–	721	268	55	1,044
Ji Tian		–	693	333	34	1,060
Wang Mengqiu		–	–	–	–	–
Luo Jun		–	–	–	–	–
Xiao Hong		–	–	–	–	–
		–	1,414	601	89	2,104
		600	7,147	8,173	234	16,154

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

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

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

(b) Five highest paid employees

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

	2019	2018
Directors	3	3
Non-director, non-supervisor and non-chief executive employees	2	2
	5	5

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Salaries, allowances and benefits in kind	4,917	4,665
Performance related bonuses	3,546	3,371
Pension scheme contributions	50	99
	8,513	8,135

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

	2019	2018
HK$4,000,001 to HK$7,000,000	2	2

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

9. INCOME TAX EXPENSE

The Company and six subsidiaries of the Company have been identified as "high and new technology enterprises" and were entitled to preferential income tax at a rate of 15% for the years ended 31 December 2019 and 2018 in accordance with the PRC Corporate Income Tax Law.

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

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

During the period from 1 January 2019 to 31 December 2021, for certain subsidiaries of the Company in China which are small and micro-sized enterprises, the following Tax policy applies: For annual income amount of RMB1million or below, the taxable income amount should be computed at 25% of the annual income and subject to a tax rate of 20%. For annual income amount of over RMB1million but does not exceed RMB3 million, the taxable income amount should be computed at 50% of the annual income and subject to a tax rate of 20%.

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

Certain subsidiaries of the Company in overseas countries are subject to corporate income tax at a rate varying from 10% to 34% (2018: 10% to 35%).

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong, China during the year.

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

		Year ended 31 December	
	Note	**2019** **RMB'000**	2018 RMB'000
Current			
– China		**399,647**	255,972
– Elsewhere		**15,685**	28,731
		415,332	284,703
Deferred	22	**(83,979)**	115,130
Tax charge for the year		**331,353**	399,833

9. INCOME TAX EXPENSE (continued)

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before tax	**2,561,106**	3,682,431
Tax at the statutory tax rate of 25%	**640,277**	920,608
Effect of different income tax rates for overseas entities	**8,858**	7,722
Effect of the preferential income tax rates for domestic entities	**(390,908)**	(364,004)
Tax losses not recognised	**86,440**	99,893
Tax losses utilised from previous periods	**(73,118)**	(1,169)
Effect of not recognised deferred tax assets due to asset impairment	**6,068**	7,344
Income not subject to tax	**(2,650)**	(160,751)
Expenses not deductible for tax	**52,857**	34,739
Additional tax deduction for research and development expenditure	**(83,142)**	(80,717)
Profits attributable to joint ventures	**(87,109)**	(50,770)
Profits attributable to associates	**(3,193)**	(15,845)
Dividends subject to PRC corporate income tax from an overseas subsidiary	**122,671**	–
Others	**54,302**	2,783
Tax charge for the year at the effective rate of 12.9% (2018: 10.9%)	**331,353**	399,833

10. DIVIDENDS

For the year ended 31 December 2019, the board of Directors proposed to distribute cash dividends of RMB1.60 (tax included) per each 10 shares with total amount of RMB676,011,000 to the shareholders. The proposed final dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

At the annual general meeting held on 21 June 2019, the Company's shareholders approved the payment of the final dividend for the year end 31 December 2018 of RMB2.5 (tax included) per 10 ordinary share which amounted to RMB1,056,267,000.

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

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

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculation of basic earnings per share is based on:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent	**2,209,854**	3,216,604
Less: Distribution relating to the medium-term notes (i)	**(101,000)**	(71,411)
Profit used to determine basic earnings per share	**2,108,854**	3,145,193
Weighted average number of ordinary shares in issue ('000) (ii)	**4,118,701**	3,819,996
Basic earnings per share (expressed in RMB per share)	**0.51**	0.82

(i) The long-term option-embedded medium-term notes (the "Perpetual Medium-term Notes") issued by the Company in May 2016, September 2016 and December 2018 were classified as other equity instruments with deferrable cumulative interest distribution and payment. The interest from the Perpetual Medium-term Notes which has been generated but not yet declared, during the year of 2019 and 2018, was deducted from earnings when calculating the earnings per share for the years ended 31 December 2019 and 31 December 2018.

(ii) The Company completed the A Share and H Share Rights Issues through the Shenzhen Stock Exchange and the Hong Kong Stock Exchange on 27 March, 2019 and 23 April, 2019 respectively. The A Share Rights Issue is conducted on the basis of 1.9 A Rights Shares for every 10 existing A Shares. The H Share Rights Issue is conducted on the basis of 1.9 H Rights Shares for every 10 existing H Shares. After the completion of the rights issues, the total number of issued shares of the Company increased from 3,556,203,000 to 4,225,068,000. According to IFRS 33 – Earnings per share, the company calculated the weighted average number of shares issued by the company in 2019, and retroactively adjusted the weighted number of shares in 2018. Therefore, the earnings per share of each reporting period shall be calculated on the basis of the adjusted number of shares, and the earnings per share of the previous year shall be presented after recalculation.

12. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2019					
	Buildings RMB'000	Machinery RMB'000	Vehicles RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 31 December 2018	1,273,106	21,544,495	116,206	647,360	5,755,106	29,336,273
Effect of adoption of IFRS 16	–	(160,136)	–	–	(142,310)	(302,446)
As at 1 January 2019 (restated)	1,273,106	21,384,359	116,206	647,360	5,612,796	29,033,827
Additions	26,175	261,603	7,457	85,763	11,914,673	12,295,671
Disposals	(67,322)	(235,415)	(10,546)	(56,747)	(1,498)	(371,528)
Acquisition of subsidiaries (note 40)	–	–	–	–	197	197
Disposals of subsidiaries (note 41)	–	(1,762,608)	(242)	(1,139)	(13,677)	(1,777,666)
Transfers	125,853	4,265,720	–	6,380	(4,397,953)	–
Transfer to right-of-use assets (note 14)	–	–	–	–	(16,112)	(16,112)
Transfer to other intangible assets (note 16)	–	–	–	–	(3,940)	(3,940)
Transfer to assets classified as held for sale (note 33)	(20,055)	(1,919,336)	–	(1,837)	(3,444,380)	(5,385,608)
Unrealised gains realised for the year	–	(283,539)	–	–	–	(283,539)
Exchange realignment	(2,993)	(11,127)	1,542	(2,052)	5,520	(9,110)
At 31 December 2019	1,334,764	21,699,657	114,417	677,728	9,655,626	33,482,192
Accumulated depreciation and impairment:						
At 31 December 2018	(210,120)	(3,235,069)	(53,023)	(290,920)	(38,411)	(3,827,543)
Effect of adoption of IFRS 16	–	641	–	–	–	641
As at 1 January 2019 (restated)	(210,120)	(3,234,428)	(53,023)	(290,920)	(38,411)	(3,826,902)
Depreciation provided during the year (note 6)	(41,186)	(1,171,445)	(11,614)	(94,284)	–	(1,318,529)
Disposals	21,497	86,029	6,526	26,586	44	140,682
Disposals of subsidiaries (note 41)	–	212,900	81	496	–	213,477
Transfer to assets classified as held for sale (note 33)	13	309,722	–	830	–	310,565
Depreciation from unrealised gains	–	24,460	–	–	–	24,460
Impairment (note 6)	–	–	–	–	(3,873)	(3,873)
Exchange realignment	(8,101)	(3,685)	(26)	112	–	(11,700)
At 31 December 2019	(237,897)	(3,776,447)	(58,056)	(357,180)	(42,240)	(4,471,820)
Net carrying amount:						
At 31 December 2019	1,096,867	17,923,210	56,361	320,548	9,613,386	29,010,372
At 31 December 2018	1,062,986	18,309,426	63,183	356,440	5,716,695	25,508,730

12. PROPERTY, PLANT AND EQUIPMENT (continued)

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

The net carrying amount of construction in progress of the Group included capitalised interest of approximately RMB40,729,000 (2018: RMB35,612,000), charged for the year 2019 prior to being transferred to buildings, machinery, vehicles and electronic equipment.

As at 31 December 2019, certain of the Group's property, plant and equipment, with a net carrying amount of approximately RMB9,204,317,000 (31 December 2018: RMB11,617,252,000), were pledged to secure certain of the Group's bank loans (Note 34).

As at 31 December 2019, certain of the Group's property, plant and equipment, with a net carrying amount of approximately RMB1,481,875,000 (31 December 2018: RMB1,605,971,000), were pledged to secure the Group's power price swap contract (Note 32).

As at 31 December 2018, the aggregate net book value of property, plant and equipment held under finance leases of the Group amounted to approximately RMB307,975,000 (Note 34).

13. INVESTMENT PROPERTIES

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cost:			
At beginning of year		**161,663**	97,997
Transfer from property, plant and equipment	12	**–**	63,666
Transfer to assets of disposal groups classified as held for sale	33	**(13,675)**	–
Disposals		**(102,307)**	–
At end of year		**45,681**	161,663
Accumulated depreciation:			
At beginning of year		**(41,675)**	(30,093)
Depreciation charge for the year	6	**(3,924)**	(4,332)
Transfer from property, plant and equipment	12	**–**	(7,250)
Transfer to assets of disposal groups classified as held for sale	33	**2,019**	–
Disposals		**31,927**	–
At end of year		**(11,653)**	(41,675)
Net carrying amount:			
At end of year		**34,028**	119,988
At beginning of year		**119,988**	67,904

The Group's have two commercial properties in China on 31 December 2019. The Group's investment properties were valued on 31 December 2019 based on valuations performed by United Asia Assets Appraisal and Advisory Limited, independent professionally qualified valuers, at RMB55,329,000 (31 December 2018: RMB255,699,000). The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

The investment property is leased to third parties under operating leases, further summary details of which are included in note 14 to the financial statements.

13. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

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

31 December 2019

	Fair value measurement using			
Recurring fair value measurement for:	**Quoted prices in active markets (Level 1) RMB'000**	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Commercial property	**–**	**–**	**55,329**	**55,329**

31 December 2018

	Fair value measurement using			
Recurring fair value measurement for:	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Industrial property	–	–	149,300	149,300
Commercial property	–	–	106,399	106,399
	–	–	255,699	255,699

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

The commercial property located in Beijing was valued by the comparison approach with reference to comparable market transactions. Comparison approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land, buildings, machinery, motor vehicles, electronic equipment and other equipment used in its operations. Land leased from owners generally has lease terms from 10 to 50 years. The lease term of buildings is between 2 and 25 years. Leases of machinery, electronic equipment and other equipment generally have lease terms between 2 and 10 years, while motor vehicles generally have lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Prepaid land lease payments (before 1 January 2019)

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

As at 31 December 2018, certain of the Group's land use rights with a carrying value of approximately RMB146,629,000 were pledged to secure certain of the Group's bank loans (note 34).

14. LEASES (continued)

The Group as a lessee (continued)

(b) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Year ended 31 December 2019					
	Prepaid land lease payments RMB'000	Buildings RMB'000	Machinery RMB'000	Motor Vehicles RMB'000	Electronic and other equipment RMB'000	Total RMB'000
Cost:						
As at 1 January 2019	803,178	147,314	203,751	3,312	563	1,158,118
Additions	99,359	63,926	210,296	11,178	4,979	389,738
Disposals	(10,571)	–	–	–	–	(10,571)
Disposals of subsidiaries (note 41)	(8,905)	–	–	–	–	(8,905)
Transfer from construction in progress (note 12)	16,112	–	–	–	–	16,112
Transfer to assets of disposal groups classified as held for sale (note 33)	(246,959)	–	–	–	–	(246,959)
Exchange realignment	7,334	1,936	–	–	–	9,270
At 31 December 2019	659,548	213,176	414,047	14,490	5,542	1,306,803
Depreciation charge:						
As at 1 January 2019	(38,537)	–	(641)	–	–	(39,178)
Depreciation provided during the year (note 6)	(64,514)	(26,962)	(12,795)	(6,863)	(2,002)	(113,136)
Disposals	2,909					2,909
Disposals of subsidiaries (note 41)	339	–	–	–	–	339
Transfer to assets of disposal groups classified as held for sale (note 33)	12,061	–	–	–	–	12,061
Exchange realignment	(185)	(108)	–	–	–	(293)
At 31 December 2019	(87,927)	(27,070)	(13,436)	(6,863)	(2,002)	(137,298)
Net carrying amount:						
At 31 December 2019	571,621	186,106	400,611	7,627	3,540	1,169,505
At 1 January 2019	764,641	147,314	203,110	3,312	563	1,118,940

As at 31 December 2019, certain of the Group's right-of-use assets, with the aggregate carrying amount of approximately RMB66,463,000, were pledged to secure power price swap contract. (note 32).

As at 31 December 2019, certain of the Group's right-of-use assets, with a net carrying amount of approximately RMB146,198,000, were pledged to secure certain of the Group's bank loans (note 34).

As at 31 December 2019, the aggregate net book value of right-of-use assets held under finance leases of the Group amounted to approximately RMB384,395,000 (Note 34).

14. LEASES (continued)

The Group as a lessee (continued)

(c) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	Notes	Year ended 31 December 2019 Lease liabilities RMB'000
Carrying amount at 1 January		796,282
New leases		242,001
Accretion of interest recognised during the year		26,483
Transfer to liabilities of disposal groups classified as held for sale	33	(229,817)
Payments		(60,119)
Exchange realignment		4,796
Carrying amount at 31 December		779,626
Analysed into:		
Current portion	34	78,020
Non-current portion	34	701,606

(d) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December 2019 RMB'000
Interest on lease liabilities	17,909
Depreciation charge of right-of-use assets	113,136
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	99,254
Expense relating to leases of low-value assets (included in administrative expenses)	719
Total amount recognised in profit or loss	231,018

14. LEASES (continued)

The Group as a lessor

The Group leases its equipment under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income from equipment recognised by the Group during the year was RMB13,439,000 (2018: RMB7,310,000), which is part of the gross rental income from investment properties and equipment in note 5 to the financial statements.

The Group leases its investment properties (note 13) consisting of two commercial properties in China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income from investment properties recognised by the Group during the year was RMB6,104,000 (2018: RMB3,232,000), which is part of the gross rental income from investment properties and equipment in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Within one year	**407**	6,586
After one year but within two years	**–**	2,094
After two years but within three years	**–**	2,094
After three years	**–**	2,094
	407	12,868

15. GOODWILL

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cost and net carrying amount at beginning of year		**487,749**	497,601
Acquisition of subsidiaries		**–**	14,405
Disposal of subsidiaries	41	**(7,678)**	(14,004)
Decrease on disposal of a subsidiary		**(3,839)**	–
Impairment of goodwill	6	**(8,479)**	(11,998)
Exchange realignment		**2,407**	1,745
Cost and net carrying amount at end of year		**470,160**	487,749

The movements in the loss allowance for impairment of goodwill are as follows:

	Note	Year ended 31 December 2019 RMB'000	2018 RMB'000
At beginning of year		**11,998**	–
Impairment losses recognised	6	**8,479**	11,998
Exchange realignment		**100**	–
At end of year		**20,577**	11,998

15. GOODWILL (continued)

Impairment testing of goodwill

The recoverable amount of Vensys Energy AG has been determined based on a value in use calculation using cash flow projections based on a financial budget covering a three-year period approved by senior management. The discount rate applied to the cash flow projections is 11.84% (2018: 12.75%). The growth rate used to extrapolate the cash flow of Vensys Energy AG beyond the three-year period is 2.00% (2018: 2.00%).

The recoverable amounts of Moorabool South Wind Farm Pty Ltd, Moorabool Wind Farm Pty Ltd and TianRun Uilk, LLC have been determined by the net amount of fair value minus disposal costs. Other subsidiaries units engaged in wind farm development have been determined based on a value in use calculation using cash flow projections based on installed capacity of wind farms and applicable tariff rates. The discount rates applied to the cash flow projections are from 7.81% to 13.69% (2018: 7.67% to 12.84%).

Except for above mentioned, the recoverable amounts of other subsidiaries have been determined based on a value in use calculation using cash flow projections or by the net amount of fair value minus disposal costs. The discount rates applied to the cash flow projections are 9.09%.

Assumptions were used in the value in use calculation of relevant units for 31 December 2019 and 2018. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

Budgeted gross margins	–	The basis used to determine the value assigned to the budgeted gross margins is the average gross margin achieved in the year immediately before the budget year and expected market development.
Discount rates	–	The discount rates used are before tax and reflect specific risks relating to the relevant units.

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

16. OTHER INTANGIBLE ASSETS

	Year ended 31 December 2019						
	Technology licences RMB'000	Office software RMB'000	Patents and technology know-how RMB'000	Development costs RMB'000	Water treatment operating concession RMB'000 Note (i)	Wind farm development and operating permit RMB'000	Total RMB'000
Cost:							
At 1 January 2019	19,023	270,347	617,044	462,694	1,868,881	880,087	4,118,076
Additions	–	35,815	–	450,578	194,952	26,674	708,019
Acquisition of subsidiaries (note 40)	–	–	–	–	–	62,919	62,919
Disposals	–	(8,093)	–	–	–	(13,604)	(21,697)
Transfer	–	48,821	219,312	(268,133)	–	–	–
Transfer from property, plant and equipment (note 12)	–	3,940	–	–	–	–	3,940
Transferred to assets of a disposal group classified as held for sale (note 33)	–	(412)	–	–	–	(289,105)	(289,517)
Exchange realignment	–	59	1,706	–	154	13,385	15,304
At 31 December 2019	19,023	350,477	838,062	645,139	2,063,987	680,356	4,597,044
Accumulated amortisation and impairment:							
At 1 January 2019	(18,154)	(89,963)	(387,286)	–	(145,558)	–	(640,961)
Amortisation provided during the year (note 6)	(869)	(32,260)	(34,098)	–	(110,487)	(4,261)	(181,975)
Impairment during the year (note 6)	–	–	–	–	–	(117,241)	(117,241)
Disposals	–	6,145	–	–	–	–	6,145
Transferred to assets of a disposal group classified as held for sale (note 33)	–	7	–	–	–	–	7
Exchange realignment	–	(21)	355	–	(1)	(1,391)	(1,058)
At 31 December 2019	(19,023)	(116,092)	(421,029)	–	(256,046)	(122,893)	(935,083)
Net carrying amount:							
At 31 December 2019	–	234,385	417,033	645,139	1,807,941	557,463	3,661,961
At 1 January 2019	869	180,384	229,758	462,694	1,723,323	880,087	3,477,115

16. OTHER INTANGIBLE ASSETS (continued)

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

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

As at 31 December 2018, certain of the Group's other intangible assets with a carrying value of approximately RMB285,511,000 were pledged to secure certain of the Group's bank loans. As at 31 December 2019, such other intangible assets were transferred to assets of a disposal group classified as held for sale (note 33).

17. INVESTMENTS IN JOINT VENTURES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Share of net assets	**2,955,223**	3,015,902
Goodwill on acquisition	**59,473**	59,473
	3,014,696	3,075,375
Provision for impairment	**–**	(7,037)
	3,014,696	3,068,338

The Group's balances of trade and bills receivables, prepayments, other receivables and other assets, trade and bills payables and other payables and accruals with the joint ventures are disclosed in notes 24, 26, 30 and 31 to the financial statements, respectively.

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
At beginning of year	**7,037**	6,996
Impairment written off	**(7,037)**	–
Exchange realignment	**–**	41
At end of year	**–**	7,037

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Share of the joint ventures' profit for the year	**348,435**	203,078
Share of the joint ventures' total comprehensive income	**348,435**	203,078

17. INVESTMENTS IN JOINT VENTURES (continued)

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the joint ventures	**3,014,696**	3,068,338

18. INVESTMENTS IN ASSOCIATES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Share of net assets	**1,458,983**	576,119
Goodwill on acquisition	**17,442**	15,935
	1,476,425	592,054

The Group's balances of trade receivables, prepayments, other receivables and other assets, trade payables, other payables and accruals with the associates are disclosed in notes 24, 26, 30 and 31 to the financial statements, respectively.

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Share of the associates' profit for the year	**12,770**	63,379
Share of the associates' other comprehensive income	**(8,852)**	(4,591)
Share of the associates' total comprehensive income	**3,918**	58,788

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Aggregate carrying amount of the Group's investments in the associates	**1,476,425**	592,054

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

		As at 31 December	
		2019	2018
		RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income			
Listed equity investments, at fair value			
Sinoma Science & Technology Co., Ltd.	(i)	**–**	171,623
Unlisted equity investments, at fair value			
Swancor Renewable Energy Co., Ltd.	(ii)	**–**	75,600
SKYCATCH INC		**55,670**	52,391
ZPARK CAPITAL II, L.P.	(iv)	**58,859**	46,196
Nanjing Turbine & Electric Machinery (Group) Co., Ltd.		**27,050**	21,450
State Power Investment Group Xiangshui New Energy Co., Ltd.		**17,700**	12,000
Guoshui Investment Group Xi'an Wind Power Equipment Co., Ltd.	(iv)	**17,422**	10,619
Inner Mongolia Golden Ocean New Energy Technology Co., Ltd.	(iv)	**19,823**	6,659
Tongling Wanjiang Rural Commercial Bank		**6,066**	5,817
Beijing Jiutian Weather Technology Co., Ltd.		**5,696**	2,400
Nanjing Xinda Meteorological Science and Technology Co., Ltd.		**1,500**	1,500
Innovation Center For Industrial Big Data	(i)	**–**	1,450
Jiuquan Xinmao Technology Wind Power Equipment Manufacturing Co., Ltd.		**–**	1,000
Ningbo Youshuo New Energy Co., Ltd.	(iii)	**–**	4
Ningbo Zhishuo New Energy Co., Ltd.	(iii)	**–**	4
Ningbo Keshuo New Energy Co., Ltd.	(iii)	**–**	4
		209,786	237,094
		209,786	408,717

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

(i) In May 2019, the Group sold its equity interest in Sinoma Science & Technology Co., Ltd. as this investment no longer coincided with the Group's investment strategy. The fair value on the date of sale was RMB251,948,000 and the accumulated gain recognised in other comprehensive income of RMB38,961,000 was transferred to retained earnings. During the year ended 31 December 2019, the Group received dividends in the amount of RMB2,090,000 (2018: RMB4,187,000) from Sinoma Science & Technology Co., Ltd.

19. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

(i) (continued)
In June 2019, the Group sold its equity interest in Innovation Center For Industrial Big Data as the investment no longer coincided with the Group's investment strategy. The fair value on the date of sale was RMB1,506,000, and the accumulated gain recognised in other comprehensive income of RMB56,000 was transferred into retained earnings.

(ii) In May 2019, the Group signed a strategic cooperation agreement with Swancor Renewable Energy Co., Ltd. According to the cooperation agreement, the Group has significant impact on Swancor Renewable Energy Co., Ltd. Swancor Renewable Energy Co., Ltd. is accounted for as an associate of the Group. During the year ended 31 December 2019, the Group received dividends in the amount of RMB1,728,000 (2018: RMB3,780,000) from Swancor Renewable Energy Co., Ltd.

(iii) In March 2019,the Group entered into a share purchase agreement with a third party to acquire an additional 41% equity interest, respectively in Ningbo Youshuo New Energy Co., Ltd., Ningbo Zhishuo New Energy Co., Ltd. and Ningbo Keshuo New Energy Co., Ltd., at a cash consolidation of RMB10,000 for each. The articles of consolidation of the above three entities were revised accordingly upon the completion of the acquisition, and the Group has a total of 51% of equity interest in these three entities and has the power to govern the relevant activities of these three entities. Therefore, the above three entities were accounted for as subsidiaries of the Group.

(iv) During the year ended 31 December 2019, the Group received dividends in the amounts of RMB1,258,000 (2018: Nil), RMB716,000 (2018: RMB716,000) and RMB1,495,000 (2018: Nil) from Guoshui Investment Group Xi'an Wind Power Equipment Co.,Ltd., Inner Mongolia Golden Ocean New Energy Technology Co., Ltd. and ZPARK CAPITAL II, L.P.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Listed equity investments, at fair value	**209,220**	132,621
Unlisted equity investments, at fair value	**578,137**	541,330
Other unlisted investments, at fair value	**400,000**	5,900
	1,187,357	679,851
Portion classified as non-current portion	**(787,357)**	(679,851)
Current portion	**400,000**	–

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

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

21. OTHER NON-CURRENT FINANCIAL ASSETS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Corporate bonds	**50,338**	49,996
Debt investments	**264,328**	267,687
	314,666	317,683
Provision for other non-current financial assets	**(306)**	(316)
	314,360	317,367
Portion classified as non-current assets	**(306,539)**	(309,717)
Current portion	**7,821**	7,650

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

	Note	**Year ended 31 December 2019 RMB'000**	Year ended 31 December 2018 RMB'000
At beginning of the year		**316**	305
Impairment losses recognised	6	**81**	114
Impairment losses reversed	6	**(91)**	(103)
At end of the year		**306**	316

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

22. DEFERRED TAX

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

Year ended 31 December 2019

Deferred tax assets

	Notes	Provision for impairment of assets RMB'000	Tax losses RMB'000	Provisions and accruals RMB'000	Government grants received not yet recognised as income RMB'000	Unrealised gains arising from intra-group sales RMB'000	Fair value adjustments of equity investments at fair value through other comprehensive income/profit or loss RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019		253,371	50,143	688,975	27,402	524,301	34,236	56,563	1,634,991
Deferred tax credited/(charged) to profit or loss during the year	9	12,138	246,578	39,917	(3,039)	(24,523)	(1,977)	(7,559)	261,535
Deferred tax charged to other comprehensive income during the year		–	–	–	–	–	(32,259)	–	(32,259)
Deferred tax generated from assets held for sale	33	–	–	–	–	–	–	3	3
At 31 December 2019		265,509	296,721	728,892	24,363	499,778	–	49,007	1,864,270

Deferred tax liabilities

	Notes	Excess of fair values of identifiable assets over carrying values arising from acquisition of subsidiaries RMB'000	Depreciation of assets RMB'000	Fair value adjustments of equity investments at fair value through other comprehensive income/profit or loss RMB'000	Service concession arrangements RMB'000	Discount of long-term payables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019		533,719	22,912	64,419	130,599	8,892	46,302	806,843
Deferred tax charged/(credited) to profit or loss during the year	9	(87,397)	(1,075)	49,886	20,129	42,385	153,628	177,556
Deferred tax charged to other comprehensive income during the year		–	–	13,888	–	–	–	13,888
Deferred tax generated from acquisition of subsidiaries	40	11,439	–	–	–	–	–	11,439
Deferred tax generated from assets held for sale	33	–	–	–	–	–	(42,202)	(42,202)
Exchange realignment		5,782	–	–	–	–	(25,569)	(19,787)
At 31 December 2019		463,543	21,837	128,193	150,728	51,277	132,159	947,737

22. DEFERRED TAX (continued)

Year ended 31 December 2018

Deferred tax assets

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

Deferred tax liabilities

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

22. DEFERRED TAX (continued)

The Group has tax losses arising in China of RMB239,649,000 (2018: RMB101,416,000) that will expire in one to five years for offsetting against future taxable profits. The Group also has tax losses arising in the United States and the Australia of RMB433,831,000 (2018: RMB281,785,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of the above losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

23. INVENTORIES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Raw materials	**2,414,853**	1,932,201
Work in progress, finished and semi-finished goods	**5,696,911**	3,058,478
Low-value consumables and others	**12,073**	6,003
	8,123,837	4,996,682

As at 31 December 2019, certain of the Group's inventories, with a net carrying amount of approximately RMB437,000 (31 December 2018: RMB150,000), were pledged to secure the Group's power price swap contract (Note 32).

24. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables	**16,754,636**	16,048,239
Bills receivable	**2,430,647**	2,072,226
	19,185,283	18,120,465
Provision for impairment	**(1,192,071)**	(1,225,234)
Current portion	**17,993,212**	16,895,231

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

As part of its normal business, the Group endorsed or discounted bills receivable accepted by banks. Bills receivable is held within a business model whose objective is achieved by both collecting contractual cash flows and selling bills receivable. Therefore, the Group has classified bills receivable presented in trade and bills receivable as at 31 December 2019 amounting to RMB2,430,647,000 (31 December 2018: RMB2,072,226,000) as financial assets measured at fair value through other comprehensive income, but still listed as trade and bills receivables.

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 3 months	**7,306,039**	6,912,184
3 to 6 months	**2,609,695**	2,114,803
6 months to 1 year	**3,248,846**	2,787,902
1 to 2 years	**3,301,186**	3,036,094
2 to 3 years	**709,170**	928,533
Over 3 years	**818,276**	1,115,715
	17,993,212	16,895,231

24. TRADE AND BILLS RECEIVABLES (continued)

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

		Year ended 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
At beginning of year		**1,225,234**	1,188,275
Impairment losses recognised	6	**315,682**	534,601
Impairment losses reversed	6	**(352,911)**	(485,320)
Amounts written off as uncollectible		**(160)**	(25,263)
Acquisition of a subsidiary		**–**	12,387
Exchange realignment		**4,226**	554
At end of year		**1,192,071**	1,225,234

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based ageing of the balances for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

24. TRADE AND BILLS RECEIVABLES (continued)

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

Collectively impaired

	As at 31 December 2019		
	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Individually impaired	**88.17%**	**239,502**	**211,159**
Collectively impaired			
Within 6 months	**0.13%**	**7,697,922**	**9,699**
6 months to 1 year	**1.04%**	**3,051,293**	**31,606**
1 to 2 years	**3.28%**	**3,449,421**	**113,112**
2 to 3 years	**7.42%**	**745,515**	**55,340**
Over 3 years	**49.09%**	**1,570,983**	**771,155**
	5.94%	**16,515,134**	**980,912**
Total	**7.11%**	**16,754,636**	**1,192,071**

Collectively impaired

	As at 31 December 2018		
	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Individually impaired	86.32%	217,568	187,805
Collectively impaired			
Within 6 months	0.13%	7,094,902	9,032
6 months to 1 year	0.75%	2,659,422	19,871
1 to 2 years	4.84%	3,200,532	155,041
2 to 3 years	9.06%	1,022,280	92,622
Over 3 years	41.05%	1,853,535	760,863
	6.55%	15,830,671	1,037,429
Total	7.63%	16,048,239	1,225,234

24. TRADE AND BILLS RECEIVABLES (continued)

The amount due from beneficial shareholders, Xinjiang Wind Power Company Limited ("Xinjiang Wind Power") (新疆風能有限責任公司) and China Three Gorges New Energy Co., Ltd. (中國三峽新能源有限公司), and the amounts due from the Group's joint ventures and associates included in the Group's trade and bills receivables are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Beneficial shareholders of the Company	**1,772,565**	1,421,423
Joint ventures	**667,009**	737,228
Associates	**34,094**	7,680
	2,473,668	2,166,331

The above balances are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to the independent customers of the Group.

As at 31 December 2019, the Group's trade and bills receivables amounting to RMB3,882,996,000 (31 December 2018: RMB3,453,577,000) were pledged to secure certain of the Group's interest-bearing bank and other borrowings (note 34).

As at 31 December 2019, the Group's trade receivables amounting to RMB345,000 (31 December 2018: RMB680,000) were pledged to secure power price swap contract (note 32).

As at 31 December 2019, bills receivable amounting to RMB40,000,000 were pledged to build final assembly plant (31 December 2018: RMB40,000,000).

25. FINANCIAL RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Receivables for service concession agreements	**3,077,183**	2,884,777
Receivables for finance lease services	**4,871,015**	4,816,577
Provision for impairment	**(20,845)**	(27,283)
	7,927,353	7,674,071
Portion classified as non-current assets	**(7,461,270)**	(7,287,309)
Current portion	**466,083**	386,762

Receivables for service concession agreements arose from service concession contracts to build and operate water treatment plants and were recognised to the extent that the Group has an unconditional right to receive cash from or at the direction of the designees.

Receivables for finance lease services arose from finance lease contracts to lease equipment to customers and were recognised to the extent that the Group has the right to collect rental income from customers.

The movements in the loss allowance for impairment of financial receivables based on 12-month ECL are as follows:

	Note	**Year ended 31 December 2019 RMB'000**	Year ended 31 December 2018 RMB'000
At beginning of year		**27,283**	4,976
Impairment losses recognised	6	**1,496**	22,249
Impairment losses reversed	6	**(8,187)**	–
Exchange realignment		**253**	58
At end of year		**20,845**	27,283

As at 31 December 2019, the Group's financial receivables amounting to RMB571,597,000 (31 December 2018: RMB667,262,000) were pledged to secure certain of the Group's bank loans (note 34).

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	As at 31 December 2019 RMB'000	 2018 RMB'000
Advances to suppliers	(ii)	**2,128,661**	1,982,969
Prepayments		**222,481**	364,497
Deductible VAT		**2,948,687**	2,205,561
Deposits and other receivables		**2,199,875**	1,466,055
		7,499,704	6,019,082
Impairment allowance		**(108,615)**	(93,599)
		7,391,089	5,925,483
Portion classified as non-current assets	(i)	**(1,176,854)**	(1,407,300)
Current portion		**6,214,235**	4,518,183

(i) The non-current portion of deposits and other receivables mainly represented advances to suppliers and deductible input value-added tax at 31 December 2019 and 2018.

(ii) As at 31 December 2019, the Group's advances to suppliers amounting to RMB14,341,000 (31 December 2018: RMB8,074,000) were pledged to secure certain of the Group's power price swap contract (note 32).

As at 31 December 2018, the Group's advances to suppliers amounting to RMB384,784,000 were pledged to secure certain of the Group's bank loans (note 34).

Movements in the loss allowance for impairment of prepayments, other receivables and other assets are as follows:

	Note	Year ended 31 December 2019 RMB'000	 2018 RMB'000
At beginning of year		**93,599**	41,354
Impairment losses recognised	6	**33,031**	36,403
Impairment losses reversed	6	**(17,433)**	(10,130)
Amounts written off as uncollectible		**(675)**	(421)
Acquisition of a subsidiary		**–**	26,329
Exchange realignment		**93**	64
At end of year		**108,615**	93,599

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

The amounts due from the Group's beneficial shareholders, joint ventures and associates included in prepayments, other receivables and other assets are as follows:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Beneficial shareholders of the Company	**11,031**	–
Joint ventures	**81,604**	73,427
Associates	**29,197**	194,816
	121,832	268,243

The above amounts are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to the independent third parties.

27. CONTRACT ASSETS

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
Contract assets arising from:			
Retention receivables on the sale of wind turbines	(i)	**3,640,803**	2,964,288
Construction services	(ii)	**928,170**	271,236
Services concession arrangement	(ii)	**836,567**	681,575
		5,405,540	3,917,099
Impairment		**(8,040)**	(4,452)
		5,397,500	3,912,647
Portion classified as non-current assets		**(3,719,519)**	(3,005,214)
Current portion		**1,677,981**	907,433

(i) The Group normally allows a credit period of not more than three months to its customers. For retention money receivables, the due dates usually fall from two to five years after the completion of commissioning for wind turbines.

(ii) Contract assets are initially recognised for revenue earned from the provision of construction services. Upon billing of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables and financial receivables.

27. CONTRACT ASSETS (continued)

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Within one year	**1,677,981**	907,433
After one year	**3,719,519**	3,005,214
Total contract assets	**5,397,500**	3,912,647

The movements in the loss allowance for impairment of contract assets are as follows:

	Note	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
At beginning of year		**4,452**	2,920
Impairment losses recognised	6	**5,440**	2,168
Impairment losses reversed	6	**(1,548)**	(636)
Amounts written off as uncollectible		**(15)**	–
Exchange realignment		**(289)**	–
At end of year		**8,040**	4,452

27. CONTRACT ASSETS (continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

	As at 31 December 2019	As at 31 December 2018
Expected credit loss rate	**0.15%**	0.11%
	RMB'000	RMB'000
Gross carrying amount	**5,405,540**	3,917,099
Expected credit losses	**8,040**	4,452

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Cash and bank balances	**7,165,866**	4,903,096
Time deposits	**188,018**	276,837
	7,353,884	5,179,933
Less: Time deposits pledged for:		
– Bank loans, letters of credit, bills issued and others	**(50,611)**	(38,300)
– Provision for risk and mandatory reserve deposits	**(482,493)**	(113,995)
	(533,104)	(152,295)
Cash and cash equivalents in the consolidated statement of financial position	**6,820,780**	5,027,638
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**(13,363)**	(15,621)
Cash and cash equivalents in the consolidated statement of cash flows	**6,807,417**	5,012,017
Pledged deposits	**533,104**	152,295
Portion classified as non-current assets	**(106,371)**	(113,995)
Current portion	**426,733**	38,300
Cash and cash equivalents and pledged deposits denominated in:		
– RMB	**5,759,945**	3,671,962
– Australian dollar	**448,037**	612,817
– United States dollar	**575,202**	522,300
– Euro	**147,557**	249,758
– Hong Kong dollar	**13,907**	15,644
– Argentine peso	**291,570**	6,893
– Other currencies	**117,666**	100,559
	7,353,884	5,179,933

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and ninety days depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

29. FINANCE LEASE PAYABLES

The Group leases certain of its plant and machinery for its business. These leases are classified as finance leases.

At 31 December 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments As at 31 December 2018 RMB'000	Present value of minimum lease payments As at 31 December 2018 RMB'000
Amounts payable:		
Within one year	19,211	–
In the second year	42,816	23,605
In the third to fifth years, inclusive	128,449	99,439
After five years	210,416	181,115
Total minimum finance lease payments	400,892	304,159
Future finance charges	(96,733)	
Total net finance lease payables	304,159	

30. TRADE AND BILLS PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables	**17,142,173**	14,868,880
Bills payable	**9,763,574**	6,221,491
	26,905,747	21,090,371
Portion classified as non-current liabilities (i)	**(1,477,772)**	(1,090,612)
Current portion	**25,427,975**	19,999,759

(i) The non-current portion of trade payables mainly represented retention amounts held by the Group as at 31 December 2019 and 2018.

Trade and bills payables are non-interest-bearing and are normally settled in 180 days. For the retention payables in respect of warranties granted by the suppliers, the due dates usually fall from three to five years after the completion of the preliminary acceptance of goods.

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

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 3 months	**15,106,505**	13,808,826
3 to 6 months	**7,104,600**	3,799,108
6 months to 1 year	**1,922,115**	1,516,255
1 to 2 years	**1,172,579**	845,241
2 to 3 years	**769,489**	541,662
Over 3 years	**830,459**	579,279
	26,905,747	21,090,371

30. TRADE AND BILLS PAYABLES (continued)

The amounts due to the Group's beneficial shareholders, joint ventures and associates included in the trade and bills payables are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Beneficial shareholders of the Company	**30**	237
Joint ventures	**4,242**	4,442
Associates	**277,891**	309,870
	282,163	314,549

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

31. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Receipt in advance	**5,042**	8,963
Contract liabilities (ii)	**9,755,122**	4,062,463
Accrued salaries, wages and benefits	**679,265**	702,703
Other taxes payable	**140,377**	273,514
Interest payable	**1,117**	7,994
Dividends payable	**65,999**	76,798
Other payables	**1,882,316**	1,266,202
	12,529,238	6,398,637
Portion classified as non-current liabilities (i)	**(343,558)**	(93,552)
Current portion	**12,185,680**	6,305,085

(i) The non-current portion of other payables mainly represented deductible value added tax and guaranteed deposit amounts held by the Group as at 31 December 2019 and 2018.

31. OTHER PAYABLES AND ACCRUALS (continued)

(ii) Details of contract liabilities are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Short-term advances received from customers	**9,159,328**	3,623,954
Amounts due to contract customers	**595,794**	438,509
Total contract liabilities	**9,755,122**	4,062,463

Contract liabilities include short-term advances received from customers, billed earlier than completion of construction service. The increase in contract liabilities in 2019 was mainly due to the increase in short-term advances received from customers in relation to the sale of goods at the end of the year.

The amounts due to the Group's beneficial shareholders, joint ventures and associates included in other payables and accruals are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Beneficial shareholders of the Company	**76,667**	55,651
Joint ventures	**1,015**	84,985
Associates	**490**	4,038
	78,172	144,674

The above balances are unsecured, non-interest-bearing and have no fixed terms of settlement.

32. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	As at 31 December 2019 Assets RMB'000	As at 31 December 2019 Liabilities RMB'000
Power price swap contract	(i)	**136,460**	**–**
Forward currency contracts – not designated for hedge purposes	(iii)	**1,653**	**4,909**
Forward currency contracts – designated for hedge purposes	(ii)	**13,811**	**10,836**
Interest rate swaps – not designated for hedge purposes	(v)	**3**	**–**
Interest rate swaps – designated for hedge purposes	(iv)	**904**	**35,825**
Call option	(vi)	**90,678**	**–**
		243,509	**51,570**
Portion classified as non-current:			
Power price swap contract	(i)	**(136,460)**	**–**
Forward currency contracts – designated for hedge purposes	(ii)	**(6,436)**	**–**
Interest rate swaps – not designated for hedge purposes	(v)	**(3)**	**–**
Interest rate swaps – designated for hedge purposes	(iv)	**(904)**	**(35,825)**
		(143,803)	**(35,825)**
Current portion		**99,706**	**15,745**

	Notes	As at 31 December 2018 Assets RMB'000	As at 31 December 2018 Liabilities RMB'000
Power price swap contract	(i)	52,929	–
Forward currency contracts – designated for hedge purposes	(ii)	25,331	–
Interest rate swaps – not designated for hedge purposes	(v)	103	–
Interest rate swaps – designated for hedge purposes	(iv)	–	126,417
		78,363	126,417
Portion classified as non-current:			
Power price swap contract	(i)	(52,929)	–
Interest rate swaps	(v)	(103)	(126,417)
		(53,032)	(126,417)
Current portion		25,331	–

32. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(i) Power price swap contract is designated as a hedging instrument in respect of forecast future power price to which the Group has firm commitments. The power price swap contact balance varies with the expected power price in the power market. The terms of the power price swap contract match the terms of the commitments. The power price swap contract was assessed to be highly effective and the fair value change was included in other comprehensive income. The power sales contract requires the subsidiary to pledge 100% of its assets as collateral. As at the reporting date, the carrying values of the pledged assets as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Property, plant and equipment	**1,481,875**	1,605,971
Right-of-use assets	**66,463**	–
Inventories	**437**	150
Pledged deposits	**33,760**	–
Trade and bills receivables	**345**	680
Prepayments, other receivables and other assets	**14,341**	8,074
	1,597,221	1,614,875

(ii) The functional currency of the Group is RMB. Some forward foreign currency purchases and sales which occurred highly probable in the future will bring foreign exchange risk to the Group. The Group used foreign exchange forward contracts to hedge the exchange rate risk. Some hedging foreign exchange forward contracts were assessed to be highly effective and fair value change was included in other comprehensive income. And others were assessed to be ineffective and the fair value change were charged to the statement of profit or loss during the year.

(iii) Certain foreign currency forward contracts were not designated for hedge purposes and were measured at fair value through profit or loss. Changes in the fair value of non-hedging foreign currency contracts were charged to the statement of profit or loss during the year.

(iv) The interest swaps were designated for hedge purposes. Some hedging interest swaps were assessed to be highly effective and the fair value change were included in other comprehensive income. Others were assessed to be ineffective and fair value change were charged to the statement of profit or loss during the year.

(v) The interest rate swaps were not designated for hedge purposes and were measured at fair value through profit or loss. Changes in the fair value of non-hedging interest rate swaps were charged to the statement of profit or loss during the year.

(vi) A subsidiary held the call option of 81% equity interest of Clark Creek Wind Farm. The fair value change was charged to the statement of profit or loss during the year.

As at 31 December 2018, the Group's derivative financial instruments amounting to RMB13,046,000 were pledged to secure certain of the Group's bank loans (note 34).

The carrying amounts of the derivative financial instruments are the same as their fair values.

33. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE/ LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE

		As at 31 December	
		2019	2018
		RMB'000	RMB'000
Assets classified as held for sale – non-current assets	(i)	**21,769**	–
Assets classified as held for sale – disposal group [1]	(ii)	**6,192,011**	114,290
		6,213,780	114,290
Liabilities classified as held for sale – disposal group [1]	(ii)	**4,325,763**	–

1 As at 31 December 2019, certain of the Group's assets classified as held for sale, with a net carrying amount of approximately RMB5,967,495,000 (31 December 2018:nil), were pledged to the bank loans classified as held for sale with a net carrying amount of approximately RMB3,670,629,000.

The details of pledge of assets are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Property, plant and equipment	**5,053,539**	–
Right-of-use assets	**234,898**	–
Other intangible assets	**289,510**	–
Trade and bills receivables	**375,221**	–
Prepayments, deposits and other receivables	**3,787**	–
Derivative financial instruments	**4,717**	–
Pledged deposits	**5,823**	–
	5,967,495	–

33. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE/ LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE (continued)

(i) On 10 June 2019, the Group entered into a disposal agreement with an independent third party to sell some of the properties held. The contract agreed that the cash consideration would be RMB11,680,000, the down payment would be RMB500,000, and the second part of payment of RMB6,000,000 would be made within 90 natural days after the contract is signed, and the balance RMB5,180,000 cannot be paid exceeding 180 natural days after the contract is signed. The two parties signed a supplementary agreement on 13 January 2020, and agreed to extend the deadline of transfer of property rights and the transaction is due to be completed by 15 March 2020. As at 31 December 2019, the Group classified this part of the investment property as non-current assets held for sale.

In September 2019, the Group entered into a disposal agreement with an independent third party to sell some of the properties held. The contract agreed that the total cash consideration would be RMB12,000,000. As of 31 December 2019, the transfer of property rights was not completed. The above transaction is due be completed within one year, thus the Group classified this part of non-current assets as held for sale.

The specific details of the Group's non-current assets classified as assets held for sale are as follows:

	Notes	As at 31 December **2019** **RMB'000**	 2018 RMB'000
Assets			
Property, plant and equipment	12	**21,504**	–
Investment properties	13	**11,656**	–
Assets classified as held for sale		**33,160**	–
Provision for impairment	6	**(11,391)**	–
Net carrying amount of assets classified as held for sale		**21,769**	–

33. ASSETS OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE/ LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS CLASSIFIED AS HELD FOR SALE (continued)

(ii) On 25 October 2019, the Group entered into a disposal agreement with an independent third party, Agricultural Bank of China Financial Assets Investment Co., Ltd. ("ABC Investment"), to dispose of 49% equity of each wholly-owned subsidiaries, namely Pinglu Tianshi Wind Power Co., Ltd ("Pinglu Tianshi") and Pinglu Tianrun Wind Power Co., Ltd. ("Pinglu Tianrun"). In October 2019, the Group has received a total cash consideration of RMB667 million. The above transaction is due to be completed within one year, thus as of 31 December 2019, Pinglu Tianshi and Pinglu Tianrun were classified as disposal groups held for sale. On 29 February 2020, the two parties have completed the equity settlement procedures.

On 21 November 2019, the Group entered into a disposal agreement with an independent third party, Nebras Power, to dispose 49% equity of a wholly-owned subsidiary Stockyard Hill Wind Farm (Holding) Pty. Ltd. ("Stockyard Hill"). The above transaction is due to be completed within one year, thus as of 31 December 2019, Stockyard Hill was classified as a disposal group held for sale. The third party actually completed the equity settlement procedures and paid off the consideration in January 2020.

The specific details of the Group's disposal groups classified as held for sale are as follows:

		As at 31 December	
	Notes	**2019 RMB'000**	2018 RMB'000
Assets			
Property, plant and equipment	12	**5,053,539**	–
Right-of-use assets	14(b)	**234,898**	–
Other intangible assets	16	**289,510**	–
Interests in associates		**–**	114,290
Deferred tax assets	22	**3**	–
Inventories		**2,289**	–
Trade and bills receivables		**375,221**	–
Prepayments, deposits and other receivables		**120,471**	–
Derivative financial instruments		**4,717**	–
Pledged deposits		**5,823**	–
Cash and cash equivalents		**105,540**	–
Assets classified as held for sale		**6,192,011**	114,290
Liabilities			
Interest-bearing bank and other borrowings		**3,670,629**	–
Lease liabilities	14(c)	**229,817**	–
Derivative financial instruments		**288,342**	–
Trade and bills payables		**84,387**	–
Other payables and accruals		**7,223**	–
Tax payable		**3,163**	–
Deferred tax liabilities	22	**42,202**	–
Liabilities classified as held for sale		**4,325,763**	–
Net assets directly associated with the disposal group		**1,866,248**	114,290

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2019			As at 1 January 2019	As at 31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Short-term bank loans:							
– Unsecured	2.92-4.35	2020	1,874,072	1,707,501	2.65– 6 months LIBOR* +1.85	2019	1,707,501
– Secured (a)	4.16-4.79	2020	100,000	330,000	4.16-5.22	2019	330,000
Current portion of long-term bank loans:							
– Unsecured	1.20- 6 months LIBOR+3.5	2020	2,262,570	123,293	1.20– 6 months LIBOR+3.5	2019	123,293
– Secured (b)	3.25-9.28	2020	1,106,207	1,126,175	3.25-9.28	2019	1,126,175
Corporate bonds (i):							
– Secured	4.20	2020	284,455	249,828	3.90	2019	249,828
Lease liabilities (note 14(c)):	4.75-5.29	2020	78,020	98,792	–	–	–
			5,705,324	3,635,589			3,536,797
Non-current							
Long-term bank loans:							
– Unsecured	1.20-5.15	2021-2029	1,379,716	4,381,185	1.20-5.00	2020-2026	4,381,185
– Secured (b)	LIBOR+1.75 -9.16	2021-2035	13,666,636	13,619,350	3.25-9.16	2020-2035	13,619,350
Corporate bonds (i):							
– Secured	4.50	2021	288,232	559,825	3.40-4.50	2020-2021	559,825
Lease liabilities: (note 14(c), 29):	4.75-5.29	2021-2048	701,606	697,490	5.29	2020-2028	301,805
Others	–	–	–	2,354	–	–	2,354
			16,036,190	19,260,204			18,864,519
			21,741,514	22,895,793			22,401,316
Interest-bearing bank and other borrowings are denominated in:							
– RMB			16,719,071				17,585,362
– United States dollar			4,060,723				4,094,585
– Australian dollar			899,367				649,078
– Euro			62,353				72,291
			21,741,514				22,401,316

* LIBOR: London Interbank Offered Rate

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(i) The Corporate bond named ABC Hui Yin Goldwind electricity charge rights green-asset-backed special plan ("Special Plan") was issued on 3 August 2016, and Agricultural Bank of China (Shanghai) Asset Management Co., Ltd. was appointed as the Special Plan's manager. The Special Plan was officially listed on the Shanghai Stock Exchange on 26 August 2016, which provides the transfer service on a fixed-income securities electronic platform. The prioritized asset-backed securities under the Special Plan included Goldwind Green A, Goldwind Green B, Goldwind Green C, Goldwind Green D, and Goldwind Green E. The principals are RMB190 million, RMB215 million, RMB250 million, RMB270 million, and RMB285 million, respectively, with applicable interest rates of 3.4%, 3.6%, 3.9%, 4.2%, and 4.5% per annum. The valuation date is 3 August 2016, and maturity dates are 3 February and 3 August 2017, 3 February and 3 August 2018, 3 February and 3 August 2019, 3 February and 3 August 2020, 3 February and 3 August 2021, respectively. The principal of Special Plan is paid half-yearly, and the expected return on each maturity date is paid with the principal. The Special Plan is secured by certain Company's subsidiaries' future electricity charge rights and their future income thereon. As at 31 December 2019, the amount of trade receivables secured was approximately RMB354,435,000.

In November 2018,the Company received an approval from National Association of Financial Market Institutional Investor（中國銀行間交易商協會）to issue ultra-short-term financing bonds up to RMB1.5 billion. In February 2019, the Company issued the first portion of the ultra-short-term financing bonds in an aggregate amount of RMB500 million, which was repayable in November 2019 and its applicable interest rate was 3.70% per annum. As at 31 December 2019, the ultra-short-term financing bonds were due and settled by the Group.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The maturity profile of the interest-bearing bank and other borrowings as at 31 December 2019 and 2018 is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**5,342,849**	3,286,969
In the second year	**1,993,400**	5,434,877
In the third to fifth years, inclusive	**2,795,401**	4,677,335
Above five years	**10,257,551**	7,888,323
	20,389,201	21,287,504
Other borrowings repayable:		
Within one year	**362,475**	249,828
In the second year	**357,677**	295,360
In the third to fifth years, inclusive	**140,024**	387,509
Above five years	**492,137**	181,115
	1,352,313	1,113,812
	21,741,514	22,401,316

Except for the Corporate bonds, the Group's interest-bearing bank loans and other borrowings of approximately RMB16,154,224,000 (31 December 2018: RMB15,447,684,000) were secured or guaranteed by the following:

(a) Certain of the Group's short-term bank loans amounting to approximately RMB100,000,000 (31 December 2018: RMB330,000,000) as at 31 December 2019 were secured by the pledge of the Group's trade receivables amounting to RMB122,162,000 (31 December 2018: RMB363,432,000).

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

(b) Certain of the Group's long-term bank loans amounting to approximately RMB14,772,843,000 (31 December 2018: RMB14,745,525,000) as at 31 December 2019 were secured by mortgages over certain of the property, plant and equipment, other intangible assets, right-of-use assets and prepaid land lease payments of the Group and by the pledge of the Group's bank deposits, trade and bills receivables, financial receivables, bank deposits as provision for risk, derivative financial instruments and prepayments, other receivables and other assets. As at the reporting date, the aggregate carrying values of the assets as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Property, plant and equipment	**9,204,317**	11,617,252
Other intangible assets	**–**	285,511
Right-of-use assets	**146,198**	–
Prepaid land lease payments	**–**	146,629
Bank deposits	**9,619**	27,164
Trade and bills receivables	**3,406,399**	2,815,498
Prepayments, other receivables and other assets	**–**	384,784
Derivative financial instruments	**–**	13,046
Financial receivables	**571,597**	667,262
Bank deposits for provision for risk	**106,371**	104,741
	13,444,501	16,061,887

(c) Certain of the bank loans amounting to RMB900,553,000 (31 December 2018: approximately RMB68,000,000) are guaranteed. Certain of the bank loans of the Company's subsidiaries, amounting to RMB885,553,000 (31 December 2018: RMB51,000,000) as at 31 December 2019 were guaranteed by the Company. Certain of the Company's bank loans amounting to approximately RMB15,000,000 (31 December 2018: RMB17,000,000) as at 31 December 2019 were guaranteed by a subsidiary.

(d) As at 31 December 2018, the Group's finance leases amounting to RMB304,159,000 were secured by the Group's property, plant and equipment with net carrying amount of approximately RMB307,975,000.

As at 31 December 2019, the Group's lease liabilities amounting to RMB380,828,000 were secured by the Group's right-of-use assets with net carrying amount of approximately RMB384,395,000 (note 14).

35. PROVISION

Provision mainly represented product warranties, asset retirement obligations and others. The Group generally provides warranties of two to five years to its customers on the wind turbine generators sold by the Group, under which faulty components are repaired or replaced. The amount of the provision for the warranties is estimated based on sales volumes and past experience of the level of repairs. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

	Note	Year ended 31 December 2019			
		Product warranties RMB'000	**Asset retirement obligations RMB'000**	**Others RMB'000**	**Total RMB'000**
At beginning of year		**3,442,096**	**110,342**	**–**	**3,552,438**
Additional provision	6	**1,937,836**	**–**	**58,683**	**1,996,519**
Reversal of unutilised amounts	6	**(413,305)**	**(31,027)**	**–**	**(444,332)**
Amounts utilised during the year		**(1,292,767)**	**–**	**(8,072)**	**(1,300,839)**
Exchange realignment		**(8,440)**	**(447)**	**–**	**(8,887)**
At end of year		**3,665,420**	**78,868**	**50,611**	**3,794,899**
Portion classified as current liabilities		**(1,608,494)**	**–**	**–**	**(1,608,494)**
Non-current portion		**2,056,926**	**78,868**	**50,611**	**2,186,405**

	Note	Year ended 31 December 2018		
		Product warranties RMB'000	Asset retirement obligations RMB'000	Total RMB'000
At beginning of year		3,870,181	–	3,870,181
Additional provision	6	1,459,497	106,452	1,565,949
Reversal of unutilised amounts	6	(793,065)	–	(793,065)
Amounts utilised during the year		(1,097,325)	–	(1,097,325)
Exchange realignment		2,808	3,890	6,698
At end of year		3,442,096	110,342	3,552,438
Portion classified as current liabilities		(1,569,546)	–	(1,569,546)
Non-current portion		1,872,550	110,342	1,982,892

The carrying amount of the Group's provision approximates to its fair value.

36. GOVERNMENT GRANTS

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Government grants	**214,510**	298,056

Government grants are received by the Group as financial subsidies for the research and development projects and improvement of manufacturing facilities of the Group. Government grants are recognised as income over the periods necessary to match the grant on a systematic basis to the research and development costs that they are intended to compensate or over the expected useful life of the relevant property, plant and equipment.

The movements in government grants during the year are as follows:

		Year ended 31 December	
		2019	2018
	Note	**RMB'000**	RMB'000
At beginning of year		**298,056**	339,109
Additions		**20,518**	74,829
Recognised as income during the year		**(42,237)**	(117,788)
Acquisition of subsidiaries		**–**	25,837
Disposal of a subsidiaries	41	**(61,384)**	(28,701)
Exchange realignment		**(443)**	4,770
At end of year		**214,510**	298,056

37. SHARE CAPITAL

	As at 31 December			
	2019		2018	
	Number of shares	**Value**	Number of shares	Value
	'000	**RMB'000**	'000	RMB'000
Shares				
Issued and fully paid:				
A shares of RMB1.00 each	**3,451,496**	**3,451,496**	2,906,142	2,906,142
H shares of RMB1.00 each	**773,572**	**773,572**	650,061	650,061
	4,225,068	**4,225,068**	3,556,203	3,556,203

37. SHARE CAPITAL (continued)

A summary of movements in the Company's share capital is as follows:

	Year ended 31 December			
	2019		2018	
	Number of shares in issue '000	**Share capital RMB'000**	Number of shares in issue '000	Share capital RMB'000
At beginning of year	**3,556,203**	**3,556,203**	3,556,203	3,556,203
Share Rights Issues	**668,865**	**668,865**	–	–
At end of year	**4,225,068**	**4,225,068**	3,556,203	3,556,203

The Company completed the A Share and H Share Rights Issues through the Shenzhen Stock Exchange and the Hong Kong Stock Exchange on 27 March 2019 and 23 April 2019 respectively. The A Share Rights Issue is conducted on the basis of 1.9 A Rights Shares for every 10 existing A Shares. The H Share Rights Issue is conducted on the basis of 1.9 H Rights Shares for every 10 existing H Shares. After the completion of the rights issues, the total number of issued shares of the Company increased from 3,556,203,000 to 4,225,068,000.

38. RESERVES

The amounts of the Group's reserves and the movements are presented in the consolidated statements of changes in equity for the current and prior years on pages 104 and 105 of these financial statements.

39. OTHER EQUITY INSTRUMENT

In May 2016, the Company received an approval from National Association of Financial Market Institutional Investors ("中國銀行間交易商協會") to issue long-term option-embedded medium-term notes (the "Perpetual Medium-term Notes") of RMB3 billion, which shall be effective for two years commencing from the date of the approval. In May 2016 and September 2016, the Company issued the first portion and the second portion of the Perpetual Medium-term Notes in an aggregate amount of RMB1 billion at the initial distribution rate of 5% and an aggregate amount of RMB500 million at the initial distribution rate of 4.2%, respectively. The proceeds from issuance of the Perpetual Medium-term Notes after the issuance costs were RMB996,547,000 and RMB498,571,000, respectively. The issue price for each of the Perpetual Medium-term Notes is RMB100.

In December 2018, the Company issued the Perpetual Medium-term Notes in an aggregate amount of RMB500 million at the initial distribution rate of 6%. The proceeds from issuance of the Perpetual Medium-term Notes after deducted the issuance costs were RMB498,500,000. The issue price for each of the Perpetual Medium-term Notes is RMB100.

Pursuant to the terms of the Perpetual Medium-term Notes, the Company has no contractual obligation to repay their principal or to pay any coupon distribution. The Perpetual Medium-term Notes are classified as equity and subsequent distribution declared will be treated as distribution to equity owners.

40. BUSINESS COMBINATIONS

In 2019, the following entities were acquired from independent third parties for the purpose of expanding business. Acquisitions of equity interests in these entities have been accounted for using the acquisition method of accounting effective from the dates when the entities were controlled by the Group. Details are as follows:

Company name	Acquisition date	Percentage of equity interests acquired		Cash consideration
Ningbo Pingru Morten Energy Technology Co., Ltd.	January 2019	100%		RMB15,000,000
Henan Jiemei New Energy Co., Ltd.	February 2019	51%		RMB18,600,000
Ningbo Keshuo New Energy Co., Ltd	March 2019	41%	(i)	RMB10,000
Ningbo Youshuo New Energy Co., Ltd	March 2019	41%	(i)	RMB10,000
Ningbo Zhishuo New Energy Co., Ltd	March 2019	41%	(i)	RMB10,000

The fair values of the identifiable assets and liabilities of these companies as at the dates of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	12	197
Other intangible assets	16	62,919
Prepayments, other receivables and other assets		4,413
Cash and cash equivalents		407
Trade and bills payables		(116)
Other payables and accruals		(4,839)
Deferred tax liabilities	22	(11,439)
Total identifiable net assets at fair value		51,542
Non-controlling interests		(17,906)
Investment in equity investments before the step acquisition of subsidiaries		(6)
Total consideration		33,630
Satisfied by cash		33,630

40. BUSINESS COMBINATIONS (continued)

Note:

(i) On 8 March 2019, the Group entered into a share purchase agreement with a third party to acquire an additional 41% equity interest in Ningbo Keshuo New Energy Co., Ltd, Ningbo Youshuo New Energy Co., Ltd, Ningbo Zhishuo New Energy Co., Ltd, equity investments designated at fair value through other comprehensive income of the Group, respectively at a cash consolidation of RMB10,000. The articles of association of Ningbo Keshuo New Energy Co., Ltd, Ningbo Youshuo New Energy Co., Ltd, Ningbo Zhishuo New Energy Co., Ltd were revised accordingly upon the completion of the acquisition, and the Group has a total of 51% of equity interests in Ningbo Keshuo New Energy Co., Ltd, Ningbo Youshuo New Energy Co., Ltd, Ningbo Zhishuo New Energy Co., Ltd and has the power to govern the relevant activities of Ningbo Keshuo New Energy Co., Ltd, Ningbo Youshuo New Energy Co., Ltd, Ningbo Zhishuo New Energy Co., Ltd. Therefore, on 8 March 2019, Ningbo Keshuo New Energy Co., Ltd, Ningbo Youshuo New Energy Co., Ltd, Ningbo Zhishuo New Energy Co., Ltd were accounted for as subsidiaries of the Group.

An analysis of the cash flows in respect of the acquisitions of subsidiaries is as follows:

	RMB'000
Cash consideration	(33,630)
Cash and cash equivalents paid during the current year	(16,430)
Cash and cash equivalents acquired	407
	(16,023)
Cash and cash equivalents paid for prior year transactions	(85,018)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(101,041)

Since the acquisitions, the acquired companies incurred nil to the Group's revenue and a loss of RMB49,000 to the Group's profit for the year ended 31 December 2019.

Had the acquisitions taken place at the beginning of the year, the revenue of the Group and the profit after tax of the Group for the year would have been RMB37,878,205,000 and RMB2,229,703,000, respectively.

41. DISPOSAL OF SUBSIDIARIES

On 7 May 2019, the Group disposed of its 100% equity interests in Musselshell Wind Project One Holdings, LLC and Musselshell Wind Project Two Holdings, LLC to an independent third party for a total cash consideration of USD28,419,000.

On 28 June 2019, the Group disposed of its 100% equity interests in Dezhou Runjin New Energy Co., Ltd. and Toxon Fengcheng New Energy Co., Ltd. to an independent third party for cash considerations of RMB914,781,000 (The consideration for disposal includes the basic transfer consideration of RMB930,780,000 less the contingent consideration of RMB15,999,000) and of RMB178,046,000 (The consideration for disposal includes the basic transfer consideration of RMB173,400,000 plus contingent consideration of RMB4,646,000), respectively.

The net assets/liabilities of the subsidiaries disposed of during the year ended 31 December 2019 were as follows:

	Notes	**RMB'000**
Net assets disposed of:		
Property, plant and equipment	12	1,564,189
Goodwill	15	7,678
Right of use assets	14	8,566
Trade and bills receivables		399,273
Prepayments, other receivables and other assets		151,932
Cash and cash equivalents		26,867
Inventories		47
Trade and bills payables		(60,789)
Interest-bearing bank and other borrowings		(1,465,811)
Government grants	36	(61,384)
Other payables and accruals		(3,249)
		567,319
Gain on disposal of subsidiaries	5	720,830
Satisfied by cash		1,288,149

41. DISPOSAL OF SUBSIDIARIES (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Year ended 31 December 2019 RMB'000
Cash consideration	1,288,149
Cash received during the current year	518,847
Cash and cash equivalents disposed of	(26,867)
	491,980
Cash and cash equivalents received for prior year transactions	738,341
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	1,230,321

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount of RMB9,972,146,000 (2018: RMB10,183,409,000).

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB242,001,000 and RMB242,001,000, respectively, in respect of lease arrangements for plant and equipment (2018: Nil).

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank loans RMB'000	Dividends payable RMB'000	Interest payable RMB'000
At 31 December 2018	22,401,316	76,798	7,994
Effect of adoption of IFRS 16	494,477	–	–
At 1 January 2019 (restated)	22,895,793	76,798	7,994
Changes from financing cash flows	3,816,466	(1,181,356)	(1,073,351)
Interest expense	72,887	–	1,077,161
Final 2018 dividend declared	–	1,056,267	–
Dividend declared to non-controlling shareholders	–	13,290	–
New leases	242,001	–	–
Distribution of other equity instruments	–	101,000	–
Foreign exchange movement	80,624	–	(5,873)
Decrease arising from disposal of subsidiaries	(1,465,811)	–	(1,972)
Decrease arising from classified as liabilities held for sale	(3,900,446)	–	(2,842)
At 31 December 2019	21,741,514	65,999	1,117

42. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

	Interest-bearing bank loans RMB'000	Dividends payable RMB'000	Interest payable RMB'000
At 1 January 2018	21,884,833	76,388	95,577
Changes from financing cash flows	1,608,749	(805,209)	(1,115,051)
Interest expense	66,682	–	1,040,230
Final 2017 dividend declared	–	711,241	–
Dividend declared to non-controlling shareholders	–	35,832	–
Distribution of other equity instruments	–	71,411	–
Foreign exchange movement	(190,456)	–	(12,762)
Increase arising from acquisition of subsidiaries	316,799	29,986	–
Decrease arising from disposal of subsidiaries	(1,589,450)	(42,851)	–
Increase finance lease payables	304,159	–	–
At 31 December 2018	22,401,316	76,798	7,994

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	**99,973**
Within investing activities	**18,532**
Within financing activities	**60,119**
	178,624

43. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Letters of credit issued	**18,834**	29,890
Letters of guarantee issued	**20,275,299**	17,696,283
Guarantees given to banks in connection with bank loans granted to:		
Associates	**458,597**	324,964
A third party	**250,096**	274,655
	21,002,826	18,325,792

In 2015, Beijing Tianrun entered into an agreement with the creditor bank, Chifeng Jinneng New Energy Investment Co., Ltd. and Chifeng Xinneng. According to the agreement, in the case where Chifeng Xinneng fails to repay the bank loans on schedule, Beijing Tianrun shall repurchase the entire share interest in Chifeng Xinneng, and the consideration equals a certain percentage of the net assets of Chifeng Xinneng at that time. Up to 31 December 2019, Chifeng Xinneng operated well, and the risk exposure from the above repurchase clause was insignificant.

The Group was involved in a number of legal proceedings and claims against it in the ordinary course of business. Provision has been made for the probable losses to the Group on those legal proceedings and claims when management can reasonably estimate the outcome of the legal proceedings and claims taking into account the legal advice. No provision has been made for pending legal proceedings and claims when the outcome of the legal proceedings and claims cannot be reasonably estimated or management believes that the probability of loss is remote.

44. PLEDGE OF ASSETS

Details of the Group's bank and other borrowings, power price swap contract, letters of credit, guarantees issued, provision risk, mandatory reserve deposits and uncompleted transactions, which are secured by the assets of the Group, are included in notes 12, 14, 16, 23, 24, 25, 26, 28, 32, 33 and 34, respectively, to the financial statements.

45. COMMITMENTS

(a) The Group had the following capital commitments as at the end of the reporting period:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment and land use rights	**8,532,097**	3,287,895

(b) Operating lease commitments as at 31 December 2018

As at 31 December 2018, the Group had the following total future minimum lease payments under non-cancellable operating leases in respect of land and buildings:

	As at 31 December 2018 RMB'000
Within one year	146,740
In the second to fifth years, inclusive	215,773
After five years	589,312
	951,825

(c) The Group does not have lease contracts that have not yet commenced as at 31 December 2019.

46. RELATED PARTY TRANSACTIONS

(a) The Group had the following significant transactions with related parties during the year:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Continuing transactions		
Beneficial shareholders of the Company:		
Sales of wind turbine generators and spare parts	**2,633,368**	2,050,025
Provision of services	**56,856**	7,798
	2,690,224	2,057,823
Associates:		
Sales of wind turbine generators and spare parts	**24,156**	63,950
Purchases of spare parts	**286,335**	198,701
Purchases of processing services	**223,096**	190,768
Provision of services	**35,779**	6,220
Others	**1,368**	8,973
	570,734	468,612
Joint ventures:		
Sales of wind turbine generators	**2,657**	5,467
Purchases of spare parts and processing services	**8,820**	5,680
Purchases of services	**–**	63,509
Provision of technical services	**66,257**	31,550
Others	**35,273**	28,201
	113,007	134,407

In the opinion of the directors, the transactions between the Group and the related parties were based on prices mutually agreed between the parties.

In the opinion of the directors, the above related party transactions were conducted in the ordinary course of business.

46. RELATED PARTY TRANSACTIONS (continued)

(b) Commitments with related parties

The amounts of total transactions with related parties for the year are included in note 46(a) to the consolidated financial statements. The Group expects the total transactions with related parties as follows:

	Year ended 31 December	
	2020 RMB'000	2021 RMB'000
Continuing transactions		
Beneficial shareholders of the Company:		
Sales of wind turbine generators and spare parts	2,708,460	–
Purchases of spare parts	320,000	300,000
	3,028,460	300,000
Associates:		
Provision of technical services	48,179	49,201
Purchases of services	3,181	250
Purchases of spare parts	223,956	197,397
	275,316	246,848
Joint ventures:		
Purchases of spare parts	11,408	7,000

(c) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 24, 26, 30 and 31 to these consolidated financial statements.

46. RELATED PARTY TRANSACTIONS (continued)

(d) Guarantee for related parties

Guarantee	Year ended 31 December 2019 RMB'000	2018 RMB'000	Guarantee period
An associate	341,901	324,964	From 28 May 2018 to 21 July 2023
An associate	116,696	–	From 28 March 2019 to 28 March 2024
	458,597	324,964	

(e) Compensation of key management personnel of the Group

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Short-term employee benefits	41,013	40,602
Pension scheme contributions	497	514
Total compensation paid to key management personnel	41,510	41,116

The related party transactions with beneficial shareholders in the Company above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

47. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2019

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	–	209,786	–	209,786
Financial assets at fair value through profit or loss	1,187,357	–	–	1,187,357
Other non-current financial assets	–	–	314,360	314,360
Trade and bills receivables	–	2,430,647	15,562,565	17,993,212
Financial receivables	–	–	7,927,353	7,927,353
Financial assets included in prepayments, other receivables and other assets	–	–	2,091,260	2,091,260
Derivative financial instruments	93,310	150,199	–	243,509
Contract assets	–	–	836,567	836,567
Pledged deposits	–	–	533,104	533,104
Cash and cash equivalents	–	–	6,820,780	6,820,780
	1,280,667	2,790,632	34,085,989	38,157,288

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at fair value through other comprehensive income RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	–	26,905,747	26,905,747
Financial liabilities included in other payables and accruals	–	–	1,638,552	1,638,552
Derivative financial instruments	4,909	46,661	–	51,570
Interest-bearing bank and other borrowings	–	–	21,741,514	21,741,514
	4,909	46,661	50,285,813	50,337,383

47. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

As at 31 December 2018

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments at fair value through other comprehensive income	–	408,717	–	408,717
Financial assets at fair value through profit or loss	679,851	–	–	679,851
Other non-current financial assets	–	–	317,367	317,367
Trade and bills receivables	–	2,072,226	14,823,005	16,895,231
Financial receivables	–	–	7,674,071	7,674,071
Financial assets included in prepayments, other receivables and other assets	–	–	1,372,457	1,372,457
Derivative financial instruments	1,527	76,836	–	78,363
Contract assets	–	–	681,575	681,575
Pledged deposits	–	–	152,295	152,295
Cash and cash equivalents	–	–	5,027,638	5,027,638
	681,378	2,557,779	30,048,408	33,287,565

Financial liabilities

	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at fair value through other comprehensive income RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	–	–	21,090,371	21,090,371
Financial liabilities included in other payables and accruals	–	–	1,334,041	1,334,041
Derivative financial instruments	6,815	119,602	–	126,417
Interest-bearing bank and other borrowings	–	–	22,401,316	22,401,316
	6,815	119,602	44,825,728	44,952,145

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000	**As at 31 December 2019 RMB'000**	As at 31 December 2018 RMB'000
Financial assets				
Other non-current financial assets	**306,539**	309,717	**358,725**	389,701
Financial receivables, non-current portion	**7,461,270**	7,287,309	**7,461,270**	7,287,309
Equity investments designated at fair value through other comprehensive income	**209,786**	408,717	**209,786**	408,717
Financial assets at fair value through profit or loss	**1,187,357**	679,851	**1,187,357**	679,851
Contract assets	**836,567**	681,575	**836,567**	681,575
Financial assets included in prepayments, other receivables and other assets, non-current portion	**9,990**	97,261	**9,990**	97,261
	10,011,509	9,464,430	**10,063,695**	9,544,414
Financial liabilities				
Interest-bearing bank and other borrowings, non-current portion	**16,036,190**	18,864,519	**15,691,170**	18,771,641
Trade and bills payables, non-current portion	**1,477,772**	1,090,612	**1,477,541**	1,068,596
Financial liabilities included in other payables and accruals, non-current portion	**79,385**	93,552	**79,385**	93,552
	17,593,347	20,048,683	**17,248,096**	19,933,789

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged deposits, the current portion of trade and bills receivables, the current portion of financial receivables, the current portion of trade and bills payables, the current portion of financial assets included in prepayments, other receivables and other assets, the current portion of financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of pledged deposits, trade and bills receivables, financial receivables, trade and bills payables, financial assets included in prepayments, other receivables and other assets, and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at 31 December 2019 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair value of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple and price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The Group enters into derivative financial instruments with the financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts, foreign currency swaps, interest rate swaps and power price swap contract, are measured using valuation techniques similar to forward currency and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rate, interest rate curves and power price trend. The carrying amounts of the derivative financial instruments are the same as their fair values.

As at 31 December 2019, the mark-to-market value of the derivatives was net of a credit/debit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income:				
Unlisted equity investments	–	–	209,786	209,786
Trade and bills receivables	–	2,430,647	–	2,430,647
	–	2,430,647	209,786	2,640,433
Financial assets at fair value through profit or loss:				
Listed equity investments	209,220	–	–	209,220
Unlisted equity investments	–	–	578,137	578,137
Other financial assets	–	400,000	–	400,000
	209,220	400,000	578,137	1,187,357
Derivative financial instruments:				
Power price swap contract	–	136,460	–	136,460
Foreign exchange forward contracts	–	15,464	–	15,464
Interest rate swaps	–	907	–	907
Call option	–	90,678	–	90,678
	–	243,509	–	243,509
	209,220	3,074,156	787,923	4,071,299

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments	171,623	–	–	171,623
Unlisted equity investments	–	–	237,094	237,094
Trade and bills receivables	–	2,072,226	–	2,072,226
	171,623	2,072,226	237,094	2,480,943
Financial assets at fair value through profit or loss:				
Listed equity investments	132,621	–	–	132,621
Unlisted equity investments	–	–	541,330	541,330
Other financial assets	–	5,900	–	5,900
	132,621	5,900	541,330	679,851
Derivative financial instruments:				
Power price swap contract	–	52,929	–	52,929
Foreign exchange forward contracts	–	25,331	–	25,331
Interest rate swaps	–	103	–	103
	–	78,363	–	78,363
	304,244	2,156,489	778,424	3,239,157

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Derivative financial instruments:				
Interest rate swaps	**–**	**35,825**	**–**	**35,825**
Foreign exchange forward contracts	**–**	**15,745**	**–**	**15,745**
	–	**51,570**	**–**	**51,570**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments:				
Interest rate swaps	–	126,417	–	126,417

On 21 June 2019, Shandong Longertek Technology Co., Ltd. successfully listed on the Gem Board of the Shenzhen Stock Exchange. The input value used by the Group to measure the fair value of the equity investment is converted from significant unobservable inputs (Level 3) to quoted prices in active markets (Level 1). During the year ended 31 December 2019, besides Shandong Longertek Technology Co., Ltd., there were no other transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Pledged deposits, non-current portion	–	106,371	–	106,371
Financial receivables, non-current portion	–	7,461,270	–	7,461,270
Contract assets	–	836,567	–	836,567
Financial assets included in prepayments, other receivables and other assets, non-current portion	–	9,990	–	9,990
Other non-current financial assets	–	358,725	–	358,725
	–	8,772,923	–	8,772,923

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Pledged deposits, non-current portion	–	113,995	–	113,995
Financial receivables, non-current portion	–	7,287,309	–	7,287,309
Contract assets	–	681,575	–	681,575
Financial assets included in prepayments, other receivables and other assets, non-current portion	–	97,261	–	97,261
Other non-current financial assets	–	389,701	–	389,701
	–	8,569,841	–	8,569,841

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings, non-current portion	**–**	**15,691,170**	**–**	**15,691,170**
Trade and bills payables, non-current portion	**–**	**1,477,541**	**–**	**1,477,541**
Financial liabilities included in other payables and accruals, non-current portion	**–**	**79,385**	**–**	**79,385**
	–	**17,248,096**	**–**	**17,248,096**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings, non-current portion	–	18,771,641	–	18,771,641
Trade and bills payables, non-current portion	–	1,068,596	–	1,068,596
Financial liabilities included in other payables and accruals, non-current portion	–	93,552	–	93,552
	–	19,933,789	–	19,933,789

49. TRANSFERRED FINANCIAL ASSETS

Transferred financial assets that are not derecognised in their entirety

(a) At 31 December 2019, the Group endorsed or discounted certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills" or the "Discounted Bills") with a carrying amount of RMB1,524,798,000 (2018: RMB1,548,870,000) to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement" or the "Discount"). In the opinion of the Directors, the Group has retained the substantial risks and rewards, which included default risks relating to such Endorsed Bills or Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills or Discounted Bills and the associated trade payables settled. Subsequent to the Endorsement or the Discount, the Group did not retain any rights on the use of the Endorsed Bills or Discounted Bills, including the sale, transfer or pledge of the Endorsed Bills or Discounted Bills to any other third parties. The aggregate carrying amount of the trade payables settled by the Endorsed Bills or Discounted Bills during the year to which the suppliers have recourse was RMB1,524,798,000 (2018: RMB1,548,870,000) as at 31 December 2019.

(b) As part of its normal business, the Group entered into a trade receivable factoring arrangement (the "Arrangement") and transferred certain trade receivables to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the Arrangement that have not been settled as at 31 December 2019 was RMB122,162,000 (2018: RMB363,432,000). The carrying amount of the assets that the Group continued to recognise as at 31 December 2019 was RMB122,162,000 (2018: RMB363,432,000) and that of the associated liabilities as at 31 December 2019 was RMB100,000,000.00 (2018: RMB273,000,000).

Transferred financial assets that are derecognised in their entirety

At 31 December 2019, the Group endorsed or discounted certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB8,921,756,000 (2018: RMB9,773,991,000). The Derecognised Bills had a maturity of one to twelve months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables or loans. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the Directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the year ended 31 December 2019, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The endorsement has been made evenly throughout the year.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank loans and other borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including interest rate swaps, foreign currency contracts and power price swap contracts. The purpose is to manage the interest rate risks, foreign currency risk and price risk arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are fair value and cash flow interest rate risks, foreign currency risk, credit risk and liquidity risk. Generally, the senior management of the Company meets regularly to analyse and formulate measures to manage the Group's exposure to these risks. In addition, the Directors hold meetings regularly to analyse and approve the proposals made by the senior management of the Company. Generally, the Group introduces conservative strategies on its risk management. The Group's accounting policies in relation to derivative financial instruments are set out in note 2.4 to the financial statements.

Fair value and cash flow interest rate risks

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. With its borrowings issued at fixed and floating interest rates, the Group is exposed to both fair value and cash flow interest rate risks.

The Group regularly reviews and monitors the mix of fixed and floating interest rate borrowings in order to manage its interest rate risk. The Group's interest-bearing bank loans and short-term deposits are stated at amortised cost and not revalued on a periodic basis. Floating rate interest income and expenses are credited/charged to profit or loss as earned/incurred.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. To manage this mix in a cost-effective manner, the Group enters into an interest rate swap, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2019, after taking into account the effect of the interest rate swap, approximately 16% (2018: 14%) of the Group's interest-bearing borrowings bore interest at fixed rates.

If there were a general increase/decrease in the interest rates of bank loans with floating interest rates by 1% point, with all other variables held constant, the consolidated pre-tax profit and construction in progress would have decreased/increased by approximately RMB176,508,000 (2018: RMB188,651,000) for the year ended 31 December 2019, and there would be no impact on other components of the consolidated equity, except for pre-tax profit and construction in progress of the Group.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and the Group has applied the exposure to interest rate risk to those financial instruments in existence at those dates. The estimated one percentage point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group is exposed to foreign currency risk on cash and cash equivalents, receivables, payables and bank loans that are denominated in a currency other than the respective functional currencies of the Group's entities. The currencies giving rise to this risk are primarily Euro, the United States dollar, the Australian dollar, and the Argentine peso.

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group requires all its operating units to use foreign currency forward currency contracts to eliminate the foreign currency exposures on any individual transactions for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The foreign currency forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

At 31 December 2019, the Group had hedged most of its foreign currency sales for which firm commitments existed at the end of the reporting period.

In addition, the Group has currency exposures from its interest-bearing bank borrowings. The Group has used a foreign currency swap contract to reduce the exposure to RMB arising from the borrowings.

It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The Group's exposures to foreign currencies as at 31 December 2019 and 2018 are as follows:

	As at 31 December							
	2019				2018			
	Euro RMB'000	United States dollar RMB'000	Australian dollar RMB'000	Argentine peso RMB'000	Euro RMB'000	United States dollar RMB'000	Australian dollar RMB'000	Argentine peso RMB'000
Trade receivables	96,487	245,136	–	–	–	61,507	–	–
Prepayments, other receivables and other assets	28,950	–	–	–	29,256	4,899	–	–
Cash and cash equivalents	27,517	74,416	168,122	291,571	33,648	(15,188)	153,459	6,893
Trade payables	(26,431)	(881)	(180)	–	(358,367)	(33,555)	–	–
	126,523	318,671	167,942	291,571	(295,463)	17,663	153,459	6,893

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in exchange rates by 5%, with all other variables held constant, of the Group's profit after tax and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in other comprehensive income RMB'000
2019			
If RMB weakens against Euro	**5%**	**4,518**	**47,227**
If RMB strengthens against Euro	**(5%)**	**(4,518)**	**(47,227)**
If RMB weakens against United States dollar	**5%**	**16,749**	**(2,900)**
If RMB strengthens against United States dollar	**(5%)**	**(16,749)**	**2,900**
If RMB weakens against Australian dollar	**5%**	**6,297**	**123,161**
If RMB strengthens against Australian dollar	**(5%)**	**(6,297)**	**(123,161)**
If RMB weakens against Argentine peso	**5%**	**10,934**	**–**
If RMB strengthens against Argentine peso	**(5%)**	**(10,934)**	**–**
2018			
If RMB weakens against Euro	5%	(12,676)	50,227
If RMB strengthens against Euro	(5%)	12,676	(50,227)
If RMB weakens against United States dollar	5%	2,163	50,856
If RMB strengthens against United States dollar	(5%)	(2,163)	(50,856)
If RMB weakens against Australian dollar	5%	5,755	37,368
If RMB strengthens against Australian dollar	(5%)	(5,755)	(37,368)
If RMB weakens against Argentine peso	5%	259	–
If RMB strengthens against Argentine peso	(5%)	(259)	–

The sensitivity analysis above has been determined assuming that the change in foreign currency rates had occurred on 31 December 2019 and the Group had applied the exposure to foreign currency risk to those monetary assets and liabilities and net investment operations in existence at those dates. The estimated 5% increase or decrease represents management's assessment of a reasonably possible change in foreign currency rates over the period until the end of the next reporting period. The sensitivity analysis is performed on the same basis for the year.

Credit risk

The Group trades only with recognised and creditworthy parties. The Group has a credit policy in place which requires credit evaluations on all customers who wish to trade on credit terms. Receivable balances are monitored on an ongoing basis. In most instances, advance payments are required for customers of wind turbine generators. Otherwise, the credit quality of customers is assessed after taking into account the customers' financial position and past experience with the customers.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging as at 31 December 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2019. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Contract assets*	–	–	–	5,405,540	5,405,540
Trade and bills receivables*	–	–	–	19,185,283	19,185,283
Other non-current financial assets	314,666	–	–	–	314,666
Financial receivables	7,948,198	–	–	–	7,948,198
Financial assets included in prepayments, other receivables and other assets					
– Normal**	2,137,774	–	–	–	2,137,774
– Doubtful**	–	55,882	6,219	–	62,101
Pledged deposits					
– Not yet past due	533,104	–	–	–	533,104
Cash and cash equivalents					
– Not yet past due	6,820,780	–	–	–	6,820,780
Guarantees given to banks in connection with facilities granted to associates					
– Not yet past due	458,597	–	–	–	458,597
– Less than 1 month past due	–	–	–	–	–
– 1 to 3 months past due	–	–	–	–	–
– more than 3 months past due	–	–	–	–	–
Guarantees given to banks in connection with facilities granted to third party					
– Not yet past due	250,096	–	–	–	250,096
– Less than 1 month past due	–	–	–	–	–
– 1 to 3 months past due	–	–	–	–	–
– more than 3 months past due	–	–	–	–	–
	18,463,215	55,882	6,219	24,590,823	43,116,139

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging

As at 31 December 2018

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets*	–	–	–	3,917,099	3,917,099
Trade and bills receivables*	–	–	–	18,120,465	18,120,465
Other non-current financial assets	317,683	–	–	–	317,683
Financial receivables	7,701,354	–	–	–	7,701,354
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,437,906	–	–	–	1,437,906
– Doubtful**	–	27,792	357	–	28,149
Pledged deposits					
– Not yet past due	152,295	–	–	–	152,295
Cash and cash equivalents					
– Not yet past due	5,027,638	–	–	–	5,027,638
Guarantees given to banks in connection with facilities granted to an associate					
– Not yet past due	324,964	–	–	–	324,964
– Less than 1 month past due	–	–	–	–	–
– 1 to 3 months past due	–	–	–	–	–
– more than 3 months past due	–	–	–	–	–
Guarantees given to banks in connection with facilities granted to third party					
– Not yet past due	274,655	–	–	–	274,655
– Less than 1 month past due	–	–	–	–	–
– 1 to 3 months past due	–	–	–	–	–
– more than 3 months past due	–	–	–	–	–
	15,236,495	27,792	357	22,037,564	37,302,208

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 24 and 27 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (under IAS 39)

The Group establishes an allowance for impairment that represents its estimate of losses to be incurred in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the impaired financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Management evaluates the creditworthiness of the Group's existing and prospective customers and ensures that the customers have adequate financing for the projects as well as the source of the financing.

As at 31 December 2019, the maximum exposure to credit risk was represented by the carrying amount of financial assets in the statement of financial position.

Cash and bank balances are placed with banks and financial institutions which are regulated.

Liquidity risk

The Group's net current liabilities amounted to approximately RMB1,125 million as at 31 December 2019, and its net cash inflow from operating activities and financing activities was approximately RMB5,929 million and RMB6,131 million respectively, and its net cash outflow used in investing activities amounted to approximately RMB10,267 million for the year ended 31 December 2019. The Group recorded an increase in cash and cash equivalents of approximately RMB1,793 million for the year ended 31 December 2019.

The Group is dependent on its ability to maintain adequate cash inflow from operations, its ability to maintain existing external financing, and its ability to obtain new external financing to meet its debt obligations as they fall due and to meet its committed future capital expenditures. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. As at 31 December 2019, the Group had banking facilities with several banks and financial institutions for providing sufficient bank financing.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. The Group's policy is that not more than 70% of borrowings should mature in any 12-month period.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2019					
Trade and bills payables	**25,427,975**	**485,827**	**683,252**	**567,631**	**27,164,685**
Financial liabilities included in other payables and accruals	**1,559,167**	**8,664**	**17,571**	**87,633**	**1,673,035**
Interest-bearing bank and other borrowings (excluding lease liabilities)	**5,705,324**	**2,278,400**	**2,795,402**	**10,257,550**	**21,036,676**
Lease liability	**95,829**	**91,059**	**165,857**	**497,203**	**849,948**
Derivative financial instruments	**15,745**	**–**	**35,825**	**–**	**51,570**
Interest payments on bank and other borrowings	**874,661**	**672,091**	**1,340,551**	**970,641**	**3,857,944**
	33,678,701	**3,536,041**	**5,038,458**	**12,380,658**	**54,633,858**
As at 31 December 2018					
Trade and bills payables	19,999,759	321,546	591,262	208,460	21,121,027
Financial liabilities included in other payables and accruals	1,240,490	–	8,479	85,072	1,334,041
Interest-bearing bank and other borrowings	3,536,797	5,731,143	5,050,642	8,069,439	22,388,021
Derivative financial instruments	–	–	126,417	–	126,417
Interest payments on bank and other borrowings	947,603	815,631	1,579,919	1,218,583	4,561,736
	25,724,649	6,868,320	7,356,719	9,581,554	49,531,242

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group's policy is to maintain the gearing ratio between 40% and 65%. Net debt includes trade and bills payables, financial liabilities included in other payables and accruals, derivative financial instruments, interest-bearing bank loans and other borrowings, less cash and cash equivalents and the current portion of pledged deposits. Capital represents equity attributable to owners of the parent as stated in the consolidated statement of financial position.

50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group's strategy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses.

The gearing ratios at the end of the reporting periods are as follows:

	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000	As at 31 December 2018 RMB'000
Trade and bills payables	**26,905,747**	**21,090,371**	21,090,371
Financial liabilities included in other payables and accruals	**1,638,552**	**1,334,041**	1,334,041
Derivative financial instruments	**51,570**	**126,417**	126,417
Interest-bearing bank and other borrowings	**21,741,514**	**22,895,793**	22,401,316
Less: Cash and cash equivalents	**(6,820,780)**	**(5,027,638)**	(5,027,638)
Pledged deposits, current portion	**(426,733)**	**(38,300)**	(38,300)
Net debt	**43,089,870**	**40,380,684**	39,886,207
Equity attributable to owners of the parent	**30,675,121**	**24,961,218**	24,961,218
Capital and net debt	**73,764,991**	**65,341,902**	64,847,425
Gearing ratio	**58.42%**	**61.80%**	61.51%

51. EVENT AFTER THE REPORTING PERIOD

1. On 31 March 2020, the board of Directors proposed to distribute cash dividends of RMB1.60 (tax included) per each 10 shares on share capital of 4,225,068,000 with total amount of RMB676,011,000.The proposed final dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

2. On 21 November 2019, the Group entered into a sale and purchase agreement to dispose of its 49% of interest in Stockyard Hill Wind Farm (Holding) Pty. Ltd., a subsidiary as at 31 December 2019, to an independent third party for a total consideration of AU$160 million. The deal has completed on 8 January 2020. The above disposal consideration has been received as of the disposal completion date. The valuation on relevant disposal date is in progress.

3. On 25 October 2019, the Group entered into a sale and purchase agreement to dispose of its 49% of interest in Shuozhou Pinglu District Tianshi Wind Power Co., Ltd. and Shuozhou Pinglu District Tianrun Wind Power Co., Ltd., subsidiaries as at 31 December 2019, to an independent third party for a total consideration of RMB667 million. The deal has completed on 29 February 2020. The above disposal consideration has been received as of the disposal completion date. The valuation on relevant disposal date is in progress.

4. Since the outbreak of the novel coronavirus disease "COVID-19" in January 2020, necessary prevention and control measures were taken to stem the spread of the epidemic throughout the PRC continuously. Responding to the call of the government, the Group actively and strictly implements the requirements of the authorities to prevent COVID-19 epidemic.

   The Group predicted that the outbreak of the COVID-19 will affect the production and operation temporarily, while the effect will depend on the developments, duration, and implementation of prevention measures of coronavirus.

   The Group will focus on the development of the COVID-19, assess and actively respond to its impact on the Group's financial position, business performance and other aspects. Up to the date of approval and submission of the financial statements, no significant adverse effects had been identified.

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**240,706**	233,858
Investment properties	**–**	58,527
Right-of-use assets	**45,914**	–
Prepaid land lease payments	**–**	19,082
Other intangible assets	**859,817**	585,833
Investments in subsidiaries	**16,713,215**	14,843,496
Investments in associates	**13,157**	98,871
Investments in joint ventures	**315,255**	2,500
Equity investments designated at fair value through other comprehensive income	**5,695**	2,400
Other non-current financial assets	**66,101**	99,896
Deferred tax assets	**626,015**	591,845
Prepayments, other receivables and other assets	**3,066,729**	7,073,035
Contract assets	**2,116,312**	1,825,996
Derivative financial instruments	**977**	–
Total non-current assets	**24,069,893**	25,435,339
CURRENT ASSETS		
Inventories	**3,816,223**	2,282,354
Trade and bills receivables	**12,603,673**	10,572,983
Contract assets	**471,504**	307,961
Prepayments, other receivables and other assets	**12,208,587**	9,774,142
Financial assets at fair value through profit or loss	**400,000**	–
Other non-current financial assets	**171**	–
Cash and cash equivalents	**5,173,373**	2,207,958
Total current assets	**34,673,531**	25,145,398
CURRENT LIABILITIES		
Trade and bills payables	**18,481,883**	17,074,816
Other payables and accruals	**10,137,246**	8,531,040
Interest-bearing bank and other borrowings	**3,602,761**	3,807,061
Provision	**1,175,178**	1,179,951
Total current liabilities	**33,397,068**	30,592,868

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
NET CURRENT ASSETS/(LIABILITIES)	**1,276,463**	(5,447,470)
TOTAL ASSETS LESS CURRENT LIABILITIES	**25,346,356**	19,987,869
TOTAL ASSETS LESS CURRENT LIABILITIES	**25,346,356**	19,987,869
NON-CURRENT LIABILITIES		
Trade payables	**763,760**	642,152
Interest-bearing bank and other borrowings	**702,471**	574,825
Deferred tax liabilities	**23,792**	–
Provision	**1,507,245**	1,262,704
Government grants	**51,561**	87,017
Total non-current liabilities	**3,048,829**	2,566,698
Net assets	**22,297,527**	17,421,171
EQUITY		
Share capital	**4,225,068**	3,556,203
Reserves	**18,072,459**	13,864,968
Total equity	**22,297,527**	17,421,171

52. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Special reserve RMB'000	Statutory surplus reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Other equity instruments RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2018	8,264,710	–	1,198,376	–	(635)	1,495,118	–	2,232,349	13,189,918
Total comprehensive income for the year	–	–	–	–	(740)	–	–	959,942	959,202
Final 2017 dividend declared	–	–	–	–	–	–	–	(711,241)	(711,241)
Distribution of other equity instruments	–	–	–	–	–	–	–	(71,411)	(71,411)
Profit appropriation to reserves	–	–	101,552	–	–	–	–	(101,552)	–
Issuance of perpetual medium-term notes	–	–	–	–	–	498,500	–	–	498,500
Transfer to special reserve	–	15,042	–	–	–	–	–	(15,042)	–
Utilisation of special reserve	–	(15,042)	–	–	–	–	–	15,042	–
At 31 December 2018	8,264,710	–	1,299,928	–	(1,375)	1,993,618	–	2,308,087	13,864,968
At 1 January 2019	8,264,710	–	1,299,928	–	(1,375)	1,993,618	–	2,308,087	13,864,968
Total comprehensive income for the year	–	–	–	(20,722)	(236)	–	(2,059)	1,416,905	1,393,888
Final 2018 dividend declared	–	–	–	–	–	–	–	(1,056,267)	(1,056,267)
Capital contributions from shareholders	3,970,870	–	–	–	–	–	–	–	3,970,870
Distribution of other equity instruments	–	–	–	–	–	–	–	(101,000)	(101,000)
Profit appropriation to reserves	–	–	139,642	–	–	–	–	(139,642)	–
Transfer to special reserve	–	14,389	–	–	–	–	–	(14,389)	–
Utilisation of special reserve	–	(14,389)	–	–	–	–	–	14,389	–
At 31 December 2019	12,235,580	–	1,439,570	(20,722)	(1,611)	1,993,618	(2,059)	2,428,083	18,072,459

53. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 31 March 2020.

Financial Highlights for the Past Five Financial Years

(Except share data, all amounts in RMB thousands)

SUMMARY OF CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2015	2016	2017	2018	**2019**
REVENUE	29,845,998	26,173,892	24,970,835	28,590,307	**37,878,205**
PROFIT BEFORE TAX	3,246,830	3,551,956	3,490,556	3,682,431	**2,561,106**
Income tax expense	(371,439)	(446,224)	(341,749)	(399,833)	**(331,353)**
PROFIT FOR THE YEAR	2,875,391	3,105,732	3,148,807	3,282,598	**2,229,753**
Profit attributable to:					
Owners of the Company	2,849,497	3,002,982	3,054,657	3,216,604	**2,209,854**
Non-controlling interests	25,894	102,750	94,150	65,994	**19,899**
OTHER COMPREHENSIVE INCOME, NET OF TAX	(71,650)	89,174	284,105	(455,575)	**76,148**
TOTAL COMPREHENSIVE INCOME	2,803,741	3,194,906	3,338,762	2,761,029	**2,285,771**
EARNINGS PER SHARE:					
Basic and diluted (RMB/Share)	1.05	1.08*	0.84	0.82	**0.51**

SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2015	2016	2017	2018	**2019**
Cash and cash equivalents	6,147,378	7,534,171	6,756,114	5,027,638	**6,820,780**
Current assets	25,286,642	33,096,620	33,081,328	32,917,500	**48,444,168**
Non-current assets	27,285,759	31,340,547	39,706,513	48,446,553	**54,612,916**
Total assets	52,572,401	64,437,167	72,787,841	81,364,053	**103,057,084**
Current liabilities	(20,958,892)	(24,662,979)	(29,600,317)	(31,600,586)	**(49,568,900)**
Non-current liabilities	(14,222,905)	(19,075,394)	(19,712,523)	(23,288,343)	**(21,263,935)**
Total liabilities	(35,181,797)	(43,738,373)	(49,312,840)	(54,888,929)	**(70,832,835)**
Net assets	17,390,604	20,698,794	23,475,001	26,475,124	**(32,224,249)**
Issued share capital	2,735,541	2,735,541	3,556,203	3,556,203	**4,225,068**
Reserves	14,025,905	17,240,611	19,130,490	21,405,015	**26,450,053**
Equity attributable to owners of the Company	16,761,446	19,976,152	22,686,693	24,961,218	**30,675,121**
Non-controlling interests	629,158	722,642	788,308	1,513,906	**1,549,128**

* The EPS data was not restated.

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