龍源電力集團股份有限公司

China Longyuan Power Group Corporation Limited*

(A joint stock limited company incorporated
in the People's Republic of China with limited liability)
Stock Code: 00916

2018
ANNUAL REPORT

* For identification purpose only


龙源电力

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2018 witnessed the formation of China Energy Investment Corporation. In the year, we deepened supply-side structural reform, strived to promote energy revolution and safeguard China's energy security, played the role of stabilizing and securing energy supply, and achieved significant results in restructuring. Currently, the development of the energy sector is undergoing significant changes, with a noticeable slowdown in consumption growth, quickening transition towards green and low-carbon development, and rapid emergence of a new wave of technological and industrial revolution in the world. At the 2018 Central Economic Work Conference, the CPC Central Committee came to the conclusion that China is still and will be in an important period of strategic opportunity for development for a long time to come, and pointed out that the world is experiencing significant changes unseen in a century that will bring about both challenges and opportunities, presenting a major opportunity for the rejuvenation of the Chinese nation. As for the energy industry, the adjustment of energy structure brings new opportunities, green development and clean and efficient utilisation of traditional energy sources are becoming general trends, and the proportion of clean and renewable energy keeps increasing.

In 2018, as an important part of the new energy division of China Energy Investment Corporation, Longyuan Power, under the leadership of the Board, put into action the "One, One, Six and Nine" strategies ("一一六九" 戰略), upheld the underlying principle of pursuing progress while ensuring stability, remained committed to the new development philosophy, and made solid efforts to improve quality and efficiency, thus achieving remarkable results in all its work.

As at the end of 2018, the consolidated installed capacity of Longyuan Power reached 21,044 MW, among which, the consolidated installed capacity of wind power reached 18,919 MW, making the Company the world's largest wind power operator. In 2018, wind power output reached 39.542 billion kWh, representing a year-on-year increase of 5.094 billion kWh. The Company recorded a profit before taxation of RMB5,897 million, representing a year-on-year increase of 7.9%. Net profit attributable to equity holders of the Company amounted to RMB4,166 million, representing a year-on-year increase of 8.3%. Longyuan Power obtained approvals for wind power projects with aggregate installed capacity of 1,710 MW in 2018, including new wind power projects with installed capacity of 523.5 MW.

CHAIRMAN'S STATEMENT

The year 2019, which marks the 70th anniversary of the founding of the People's Republic of China, is a key year for securing a decisive victory in building a moderately prosperous society in all respects and achieving the first centenary goal of our country. Longyuan Power, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, shall put into practice the appeal that "socialism can only be achieved through hard work", adhere to the principle of putting quality first and giving priority to efficiency, and vigorously develop clean energy, thereby making greater contribution to building a beautiful China.

Chairman of the Board
Qiao Baoping

PRESIDENT'S STATEMENT

Dear Shareholders,

The "Four Revolutions, One Cooperation" strategic thoughts on energy development put forth by Mr. Xi Jinping, the General Secretary of the Central Committee of the CPC specified the general guideline for China's energy strategies and charted the direction for the development of the country's energy industry. As set out in the report of the 19th CPC National Congress, China will promote a revolution in energy production and consumption, and build an energy sector that is clean, low-carbon, safe, and efficient. Currently, a new round of energy revolution featuring large-scale development of clean energy is booming, and the global energy industry is developing to become a more efficient, cleaner, safer and more sustainable industry. As China's energy industry is now in the process of replacing traditional growth engines with new ones, the new energy industry, driven by a raft of new development strategies launched by the government, is embracing new development opportunities.

In 2018, under the leadership of the Board, the Group earnestly implemented the guidelines adopted at the working meetings held at the beginning and in the middle of the year, adhered to the underlying principle of pursuing progress while ensuring stability and the new development philosophy, and made solid progress in improving quality and efficiency, thus maintaining a good momentum of business development.

PROFITABILITY FURTHER ENHANCED

In 2018, the Group pursued an active management strategy and strengthened its asset management, thus achieving a new high in profitability. On a consolidated basis, the Group's operating revenue for the year amounted to RMB26,388 million, representing a year-on-year increase of 7.3%; net profit attributable to equity holders of the Company amounted to RMB4,166 million, representing a year-on-year increase of 8.3%; and the earnings per share amounted to RMB48.83 cents. As at the end of 2018, the Group's total assets and net assets amounted to RMB146,504 million and RMB56,566 million, respectively, with a net gearing ratio of 56.18%.

LEADING IN UTILISATION HOURS OF WIND POWER

In 2018, in response to high grid curtailment rates in certain provinces and regions, the Group optimised and refined benchmarking management, strengthened power generation assessment and incentive mechanism, proactively developed fault-free wind farms, optimised the management and control of economic operation and carried out centralized management and elimination of hidden hazards of equipment, sparing no effort to cope with grid curtailment. Aggregate wind power generated in the year amounted to 39,542 million kWh, representing a year-on-year increase of 14.78%, and the utilisation hours of wind power reached 2,209 hours, 114 hours higher than the industry average.

DEVELOPMENT LAYOUT FURTHER OPTIMISED

In 2018, the Group strengthened the overall planning of its preliminary work, focusing on developing high-quality wind resources in the mid-eastern, southern and southeastern coastal regions of China. During the year, wind power projects with an aggregate capacity of 1,710 MW were approved, all of which are located in areas equipped with good power transmission lines and boasting quality wind resources.

PRESIDENT'S STATEMENT

We would like to express our sincere gratitude to our shareholders for their strong support. Looking forward to the new year, we will adhere to the new development philosophy, implement the innovation-driven development strategy and grow our Company into a world-class renewable energy giant with global competitiveness. To this end, we shall focus our efforts on the following aspects: (i) we will uphold overall Party leadership, give top priority to the political work of the Party, ensure and deepen full and strict governance over the Party and give full play to the leading role of Party committees in charting development course, crafting overall plans and ensuring implementation of plans and polices; (ii) we will unswervingly promote high-quality development, scientifically optimise our business layout, persist in strengthening and optimising our main business of wind power, and shift our development focus from speed and scale to quality and efficiency; (iii)

PRESIDENT'S STATEMENT

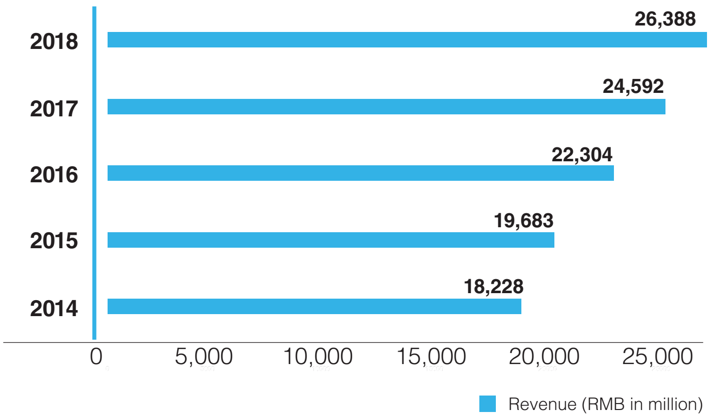
we will continue to deepen reform in all areas, scientifically grasp the new opportunities brought by the reform of state-owned enterprises, focus more energy on key and difficult issues, and remove institutional barriers that restrict the development of the Company; (iv) we shall pursue innovation-driven development, focus on the development direction of the new energy industry, achieve new breakthroughs in key technologies, cultivate high-value core patents, proactively participate in industry standard formulation, and propel the transformation and upgrading of the energy industry; and (v) we will keep improving our management standard, strengthen the development of systems, establish a sound operation mechanism and advanced management system, promote refined management, and consistently improve our work efficiency and scientific management through optimising and re-engineering our business process.

President

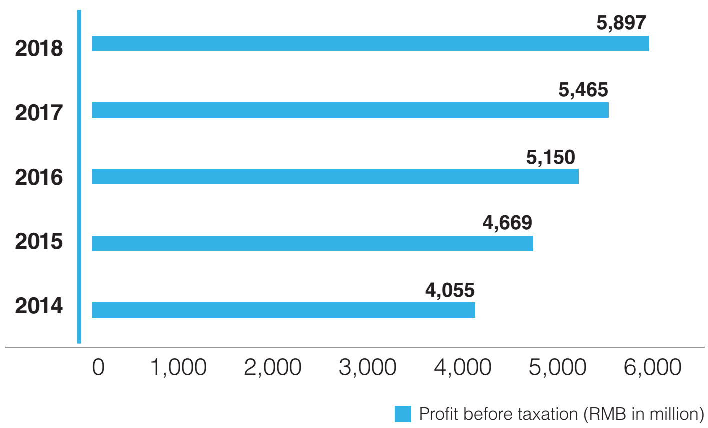
Jia Yanbing

KEY OPERATING AND FINANCIAL DATA

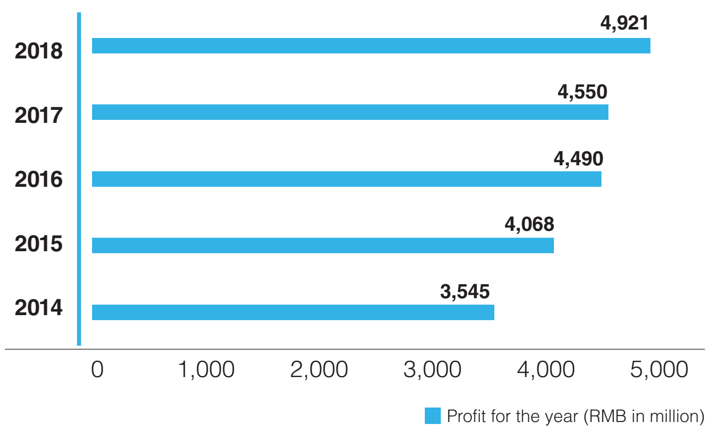
1. Revenue



2. Profit before taxation

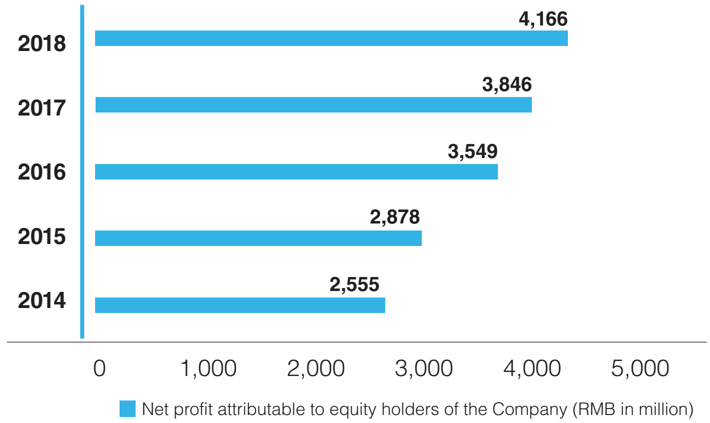


3. Profit for the year

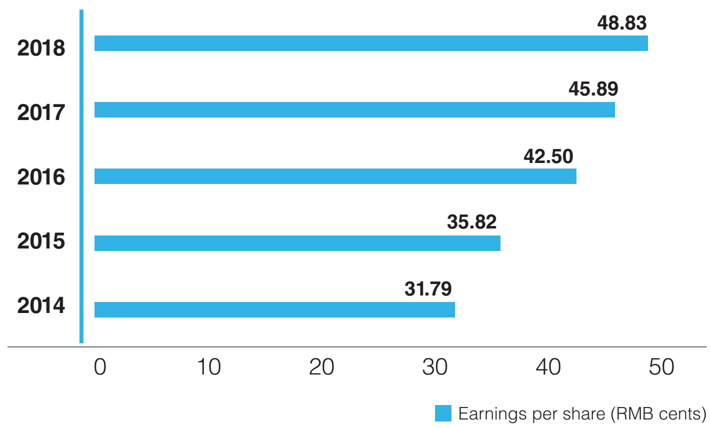


KEY OPERATING AND FINANCIAL DATA

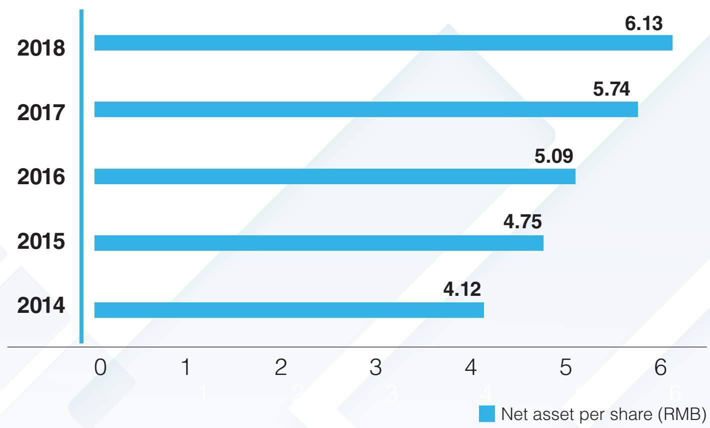
4. Net profit attributable to equity holders of the Company



5. Earnings per share

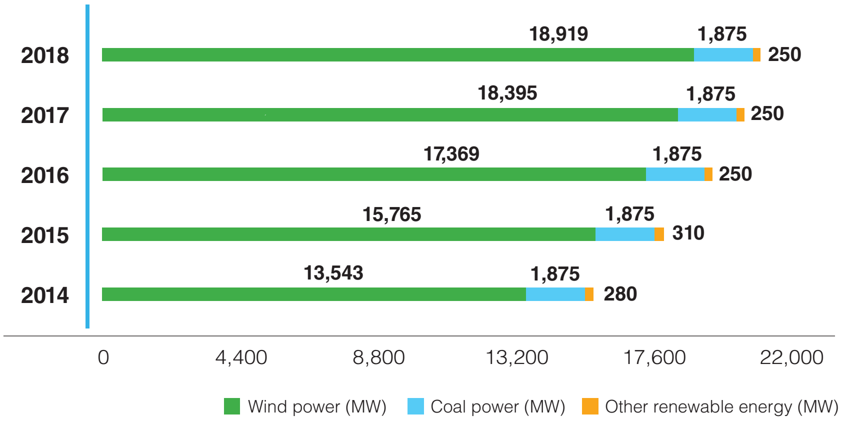


6. Net asset per share

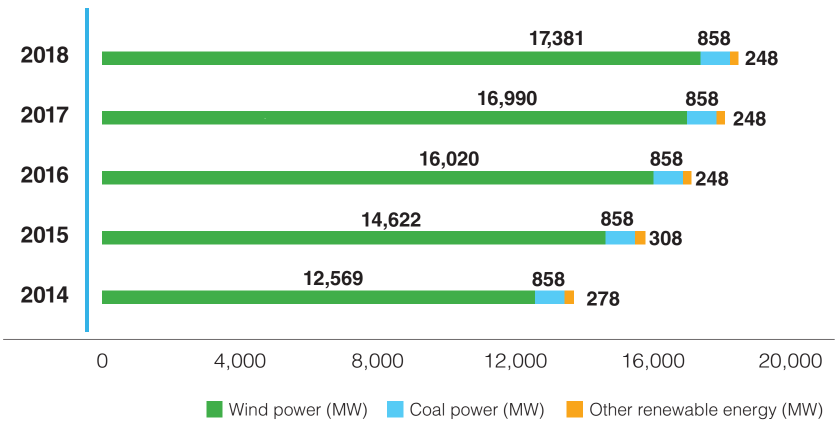


KEY OPERATING AND FINANCIAL DATA

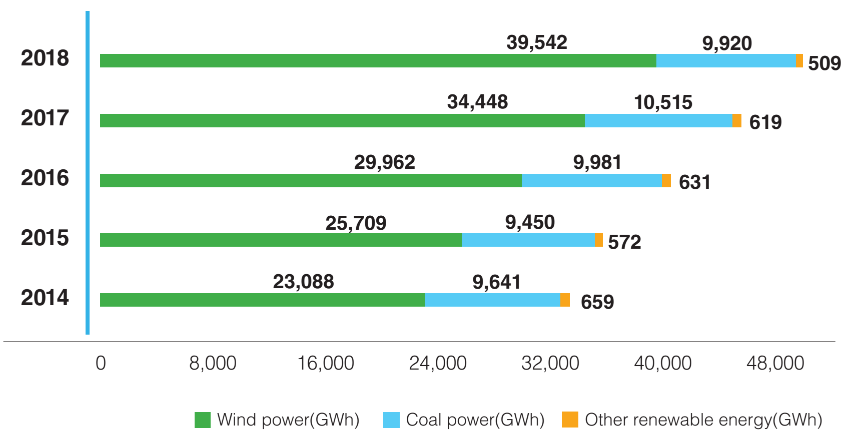
7. Consolidated installed capacity



8. Attributable installed capacity

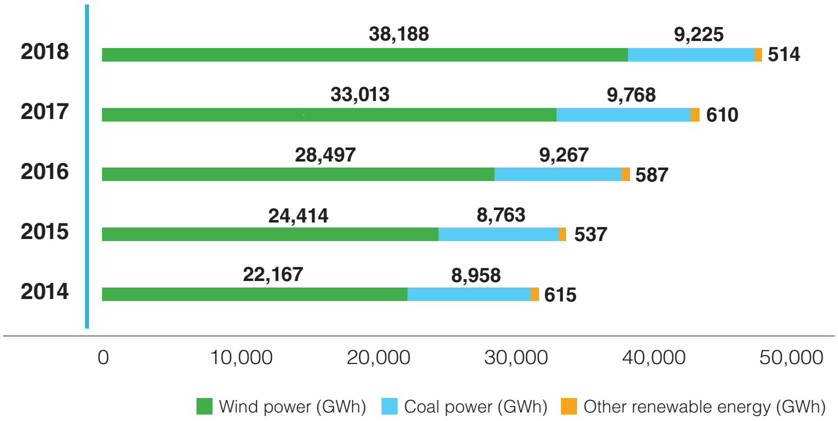


9. Electricity output

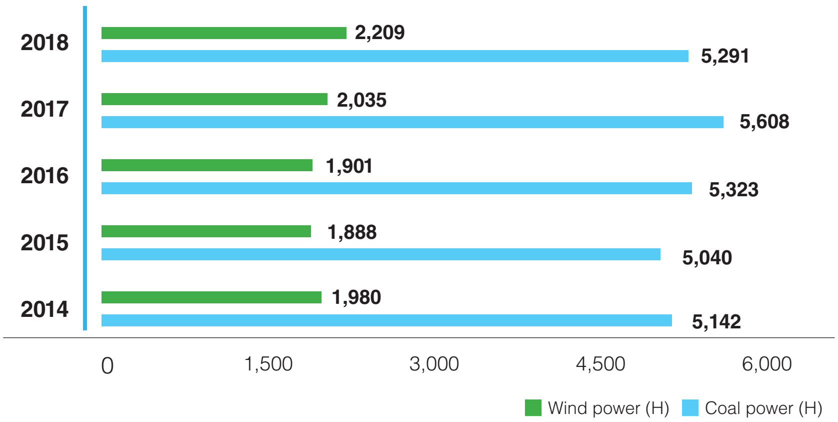


KEY OPERATING AND FINANCIAL DATA

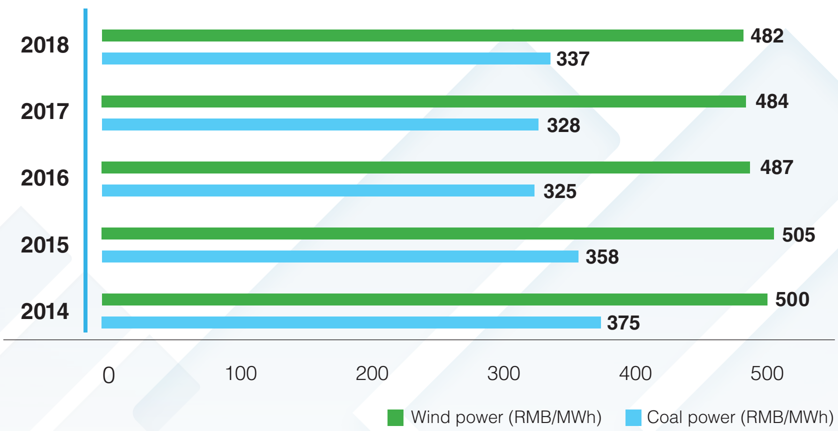
10. Electricity sales



11. Utilisation hours



12. Tariffs (excluding VAT)



KEY OPERATING AND FINANCIAL DATA

	2014 *RMB'000*	2015 *RMB'000*	2016 *RMB'000*	2017 *RMB'000*	**2018** ***RMB'000***
Revenue	18,228,433	19,683,064	22,304,055	24,591,616	**26,387,923**
Profit before taxation	4,054,978	4,668,567	5,149,903	5,465,390	**5,896,836**
Income tax	(510,414)	(600,952)	(660,182)	(915,692)	**(975,616)**
Profit for the year	3,544,564	4,067,615	4,489,721	4,549,698	**4,921,220**
Attributable to:					
Equity holders of the Company	2,554,502	2,878,277	3,548,578	3,845,990	**4,165,809**
Non-controlling interests	990,062	1,189,338	941,143	703,708	**755,411**
Total comprehensive income for the year	3,525,017	3,834,864	4,460,041	4,783,980	**4,622,561**
Attributable to:					
Equity holders of the Company	2,525,552	2,537,669	3,481,342	4,069,314	**3,886,575**
Non-controlling interests	999,465	1,297,195	978,699	714,666	**735,986**
Basic and diluted earnings per share *(RMB cents)*	31.79	35.82	42.50	45.89	**48.83**

KEY OPERATING AND FINANCIAL DATA

	2014 *RMB'000*	2015 *RMB'000*	2016 *RMB'000*	2017 *RMB'000*	**2018** ***RMB'000***
Total non-current assets	109,017,690	121,163,674	125,328,117	128,512,863	**128,718,285**
Total current assets	14,795,095	12,703,603	13,332,576	17,122,177	**17,786,051**
TOTAL ASSETS	123,812,785	133,867,277	138,660,693	145,635,040	**146,504,336**
Total current liabilities	46,328,043	56,000,117	55,807,408	47,159,418	**39,780,268**
Total non-current liabilities	36,580,657	33,292,845	35,067,034	45,176,340	**50,158,275**
TOTAL LIABILITIES	82,908,700	89,292,962	90,874,442	92,335,758	**89,938,543**
NET ASSETS	40,904,085	44,574,315	47,786,251	53,299,282	**56,565,793**
Total equity attributable to the equity holders of the Company	33,107,443	38,135,798	40,889,777	46,125,851	**49,236,430**
Non-controlling interests	7,796,642	6,438,517	6,896,474	7,173,431	**7,329,363**
TOTAL EQUITY	40,904,085	44,574,315	47,786,251	53,299,282	**56,565,793**
NET ASSETS PER SHARE *(RMB)*	4.12	4.75	5.09	5.74	**6.13**

CORPORATE PROFILE

Founded in 1993, Longyuan Power was originally affiliated to the National Energy Administration of the PRC and became an affiliated corporation of former Ministry of Power Industry, former State Power Corporation and Guodian Group successively. It is currently affiliated to China Energy Investment Corporation and a pioneer specialised in wind power development in the PRC. In 2009, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange, which made it known as the "First Listed New Energy Company in the PRC". Currently, Longyuan Power has developed into a large-scale power generation conglomerate focusing on new energy. It possesses over 300 wind farms as well as PV, biomass, tidal, geothermal and coal power generation projects, distributed in 32 provinces and municipalities of the PRC and other countries such as Canada and South Africa.

CORPORATE PROFILE

As at the end of 2018, the consolidated installed capacity of the Group was 21,044 MW, of which the consolidated installed capacity of wind power was 18,919 MW, maintaining the position of the Company as the biggest wind power operator in the world. Due to its sound operation performance, the Company was successively awarded as the "National Civilized Unit (全國文明單位)", "The Best Listed Company Award in Corporate Governance (最佳公司治理上市公司)", "The Listed Company with the Most Investment Value during the "13th Five-Year" Period (「十三五」最具投資價值上市公司)", "The Listed Company with the Best Brand Value (最具品牌價值上市公司)" and "The Best Listed Company (最佳上市公司)". Further, the Company ranked among "Global Top 500 New Energy Companies" for six consecutive years, and was granted the "National Labour Day Award (全國五一勞動獎狀)", the highest honour awarded by All-China Federation of Trade Unions (中華全國總工會) to enterprises and public institutions.

CORPORATE PROFILE

CORPORATE STRUCTURE

Hero Asia (BVI) Company Limited — 100%

100%	Longyuan (Bayannur) Wind Power Generation Co., Ltd.	246.90 MW
100%	Longyuan (Baotou) Wind Power Generation Co., Ltd.	201.00 MW
100%	Longyuan (Siziwang) Wind Power Generation Co., Ltd.	49.50 MW
100%	Longyuan Damao Wind Power Generation Co., Ltd.	300.70 MW
100%	Longyuan (Wulatehou Banner) Wind Power Generation Co., Ltd.	99.00 MW
100%	Guodian Wuchuan Hongshan Wind Power Co., Ltd.	49.50 MW
100%	Longyuan Xinghe Wind Power Generation Co., Ltd.	99.50 MW
100%	Inner Mongolia Longyuan New Energy Development Co., Ltd.	198.00 MW
34%	Chifeng Xinsheng Wind Power Generation Co., Ltd.	150.00 MW
97.01%	Chifeng Longyuan Wind Power Generation Co., Ltd.	148.00 MW
100%	Chifeng Longyuan Songzhou Wind Power Generation Co., Ltd.	945.20 MW
100%	Longyuan (Xing'anmeng) Wind Power Generation Co., Ltd.	99.00 MW
100%	Longyuan (Keyouqian Banner) Wind Power Generation Co., Ltd.	49.50 MW
61.71%	Yichun Xing'anling Wind Power Generation Co., Ltd.	112.30 MW
40%	Yichun Longyuan Wind Power Generation Co., Ltd.	49.30 MW

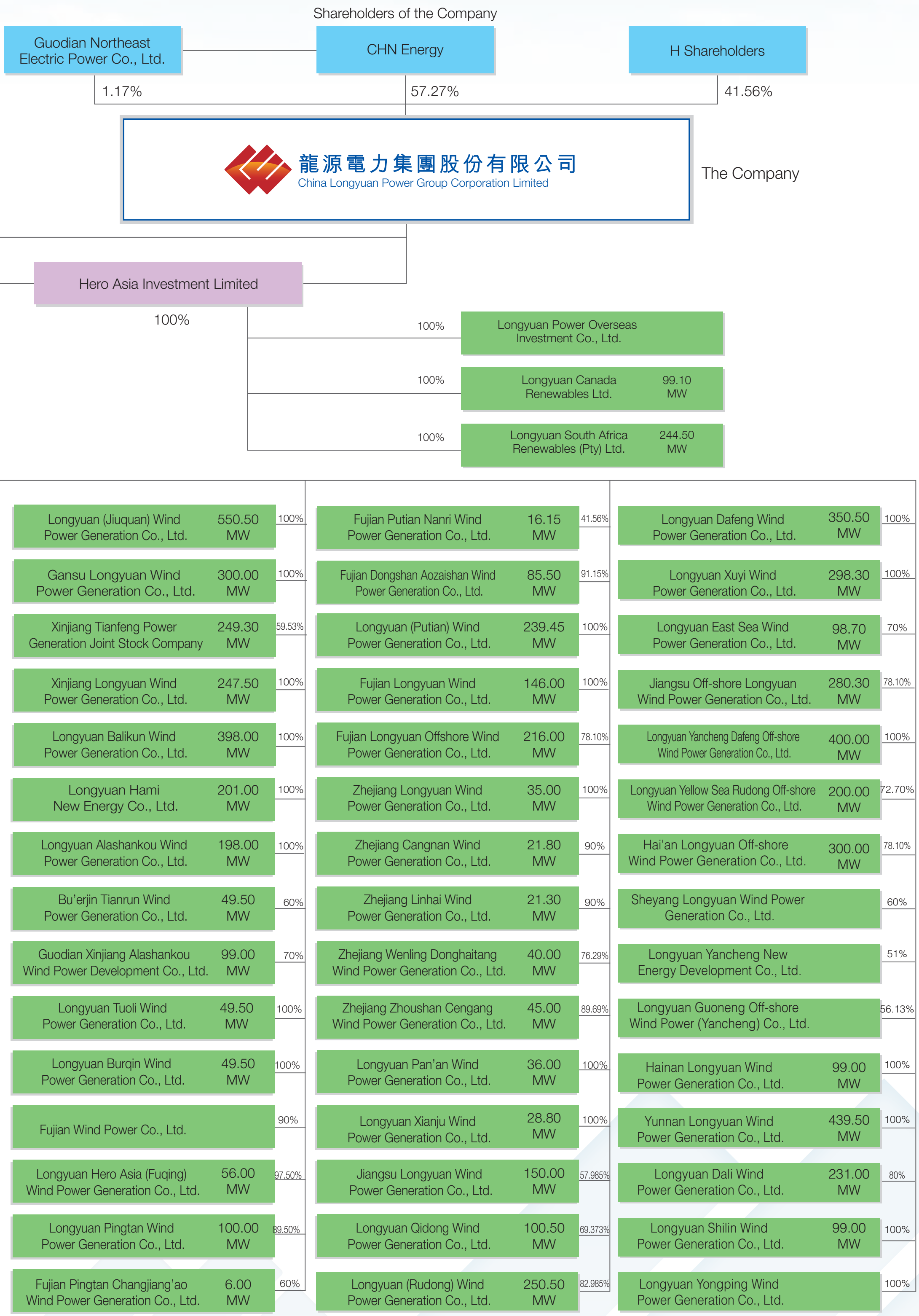
40%	Huanan Longyuan Wind Power Generation Co., Ltd.	139.60 MW
100%	Yichun Longyuan Hero Asia Wind Power Generation Co., Ltd.	99.00 MW
51%	Hailin Longyuan Wind Power Generation Co., Ltd.	20.40 MW
100%	Fuyuan Longyuan Wind Power Generation Co., Ltd.	31.50 MW
92%	Yilan Longyuan Huineng Wind Power Generation Co., Ltd.	98.60 MW
95%	Hegang Longyuan Wind Power Generation Co., Ltd.	49.30 MW
100%	Shuangyashan Longyuan Wind Power Generation Co., Ltd.	49.50 MW
100%	Harbin Longyuan Wind Power Generation Co., Ltd	
70%	Hailin Chenguang Wind Power Generation Co., Ltd.	
80%	Tonghe Longyuan Wind Power Generation Co., Ltd.	48.30 MW
100%	Heilongjiang Longyuan New Energy Development Co., Ltd.	536.90 MW
66.23%	Jilin Longyuan Wind Power Generation Co., Ltd.	200.60 MW
100%	Longyuan (Tongyu) Wind Power Generation Co., Ltd.	49.30 MW
100%	Longyuan (Changling) Wind Power Generation Co., Ltd.	99.00 MW
100%	Tongyu Xingfa Wind Power Generation Co., Ltd.	49.50 MW

100%	Yanbian Longyuan Wind Power Generation Co., Ltd.	50.00 MW
100%	Longyuan (Nong'an) Wind Power Generation Co., Ltd.	99.00 MW
88%	Jilin Dongfeng Longxin Power Generation Co., Ltd.	
98.60%	Shenyang Longyuan Wind Power Generation Co., Ltd.	141.30 MW
100%	Tieling Longyuan Wind Power Generation Co., Ltd.	98.60 MW
100%	Shenyang Longyuan Hero Asia Wind Power Generation Co., Ltd.	148.50 MW
100%	Longyuan Fuxin Wind Power Generation Co., Ltd.	
100%	Liaoning Longyuan New Energy Development Co., Ltd.	614.80 MW
50%	Hebei Weichang Longyuan Construction and Investment Wind Power Generation Co., Ltd.	99.00 MW
55%	Longyuan Jiantou (Chengde) Wind Power Generation Co., Ltd.	148.50 MW
100%	Hebei Longyuan Wind Power Generation Co., Ltd.	398.10 MW
100%	Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd.	425.50 MW
100%	Longyuan (Zhangbei) Wind Power Generation Co., Ltd.	99.00 MW
77.11%	Gansu Jieyuan Wind Power Generation Co., Ltd.	340.30 MW
54.54%	Gansu Xin'an Wind Power Generation Co., Ltd.	99.00 MW

Major Subsidiaries:

Wind power business | Coal power business | Other new energy business | Other enterprises

CORPORATE PROFILE



CORPORATE PROFILE

Hero Asia (BVI) Company Limited

100%

Shareholding	Company	Installed capacity
100%	Longyuan Weishan Wind Power Generation Co., Ltd.	
100%	Longyuan Lijiang New Energy Co., Ltd.	
51%	Guodian Yunnan Longyuan Luoping Wind Power Generation Company Limited	
100%	Anhui Longyuan Wind Power Generation Co., Ltd.	198.00 MW
100%	Longyuan Fengyang Wind Power Generation Co., Ltd.	49.50 MW
100%	Longyuan Dingyuan Wind Power Generation Co., Ltd.	97.80 MW
100%	Longyuan Quanjiao Wind Power Generation Co., Ltd.	95.50 MW
70%	Longyuan Suzhou Wind Power Generation Co., Ltd.	
70%	Hanshan Longyuan Meishan Wind Power Generation Co., Ltd.	48.30 MW
100%	China Longyuan Power Group Anhui New Energy Development Co., Ltd.	244.00 MW
100%	Shandong Longyuan Wind Power Generation Co., Ltd.	99.00 MW
70%	Shangdong Longyuan Hengxin Wind Power Generation Co., Ltd.	
51%	Longyuan Huitai (Binzhou) Wind Power Generaion Co., Ltd.	98.70 MW
100%	Longyuan Linyi Wind Power Generation Co., Ltd.	98.20 MW
100%	Hero Asia (Changdao) Wind Power Generation Co., Ltd.	

Shareholding	Company	Installed capacity
100%	Hero Asia (Ningyang) Wind Power Generation Co., Ltd.	
50%	Guodian Shandong Jinan Longyuan Wind Power Generation Co., Ltd.	49.50 MW
50%	Guodian Shandong Longyuan Linqu Wind Power Generation Co., Ltd.	48.00 MW
100%	Longyuan (Dezhou) Wind Power Generation Co., Ltd.	
100%	Longyuan Guan County Wind Power Generation Co., Ltd.	
100%	Tianjin Longyuan Wind Power Generation Co., Ltd.	146.00 MW
100%	Longyuan (Tianjin Binhai New Area) Wind Power Generation Co., Ltd.	48.00 MW
100%	Longyuan Guizhou Wind Power Generation Co., Ltd.	642.00 MW
50%	Guodian Longyuan Songtao Wind Power Generation Co., Ltd.	
50%	Guodian Longyuan Duyun Wind Power Generation Co., Ltd.	49.50 MW
100%	Shanxi Longyuan Wind Power Generation Co., Ltd.	298.50 MW
100%	Guodian Shanxi Jieneng Youyu Wind Power Generation Co., Ltd.	99.00 MW
100%	Longyuan Ningwu Wind Power Generation Co., Ltd.	84.00 MW
100%	Longyuan Pianguan Wind Power Generation Co., Ltd.	49.50 MW
100%	Longyuan Kelan Wind Power Generation Co., Ltd.	49.50 MW

Shareholding	Company	Installed capacity
100%	Longyuan Jingle Wind Power Generation Co., Ltd.	150.00 MW
100%	Longyuan Heshun Wind Power Generation Co., Ltd.	
100%	Longyuan Lanxian Wind Power Generation Co., Ltd.	49.50 MW
51%	Guodian Longyuan Shenchi Wind Power Generation Co., Ltd.	49.50 MW
52%	Shanxi Guodian Jinke Wind Power Generation Co., Ltd.	49.50 MW
100%	Longyuan Ningxia Wind Power Generation Co., Ltd.	396.50 MW
100%	Ningxia Tianjing Wind Power Generation Co., Ltd.	79.50 MW
100%	Longyuan Litong Wind Power Generation Co., Ltd.	98.70 MW
100%	Longyuan Wuzhong Wind Power Generation Co., Ltd.	150.00 MW
100%	Longyuan Shaanxi Wind Power Generation Co., Ltd.	144.10 MW
100%	Longyuan Jingbian Wind Power Generation Co., Ltd.	99.00 MW
100%	Longyuan Dingbian Wind Power Generation Co., Ltd.	50.00 MW
100%	Longyuan Hengshan New Energy Co., Ltd.	46.00 MW
51%	Guodian Longyuan Wuqi New Energy Co., Ltd.	100.10 MW
100%	Jiangxi Longyuan Wind Power Generation Co., Ltd.	

Major Subsidiaries:

Wind power business | Coal power business | Other new energy business | Other enterprises

CORPORATE PROFILE

Shareholders of the Company

- Guodian Northeast Electric Power Co., Ltd. — 1.17%
- CHN Energy — 57.27%
- H Shareholders — 41.56%

The Company: 龍源電力集團股份有限公司 China Longyuan Power Group Corporation Limited

- Hero Asia Investment Limited — 100%
  - 100% Longyuan Power Overseas Investment Co., Ltd.
  - 100% Longyuan Canada Renewables Ltd. — 99.10 MW
  - 100% Longyuan South Africa Renewables (Pty) Ltd. — 244.50 MW

Longyuan Yichun Wind Power Generation Co., Ltd.	40.00 MW	100%
Longyuan Le'an Wind Power Generation Co., Ltd.	60.00 MW	100%
Longyuan Tibet Naqu New Energy Co., Ltd.	7.50 MW	100%
Guangxi Longyuan Wind Power Generation Co., Ltd.	95.50 MW	100%
Longyuan Yulin Wind Power Generation Co., Ltd.		100%
Longyuan Liuzhou Wind Power Generation Co., Ltd.		100%
Longyuan Binyang Wind Power Generation Co., Ltd.		100%
Longyuan Qinzhou Wind Power Generation Co., Ltd.		100%
Longyuan Power Group (Shanghai) Wind Power Co., Ltd.	47.50 MW	100%
Guangdong Guodian Longyuan Wind Power Generation Co., Ltd.	25.74 MW	51%
Guodian Longyuan Longchuan Wind Power Co., Ltd.	26.00 MW	51%
Chaozhou Haishan Island Wind Power Development Co., Ltd.	50.00 MW	30.60%
Guodian Yangjiang Hailing Island Wind Power Generation Co., Ltd.		51%
Guodian Longyuan Shaoguan Wind Power Generation Co., Ltd.		51%
Hubei Longyuan New Energy Co., Ltd.		100%
Longyuan Baokang Wind Power Generation Co., Ltd.	48.00 MW	100%
Guodian Longyuan Jiangyong Wind Power Generation Co., Ltd.	48.00 MW	50%
Guodian Longyuan Anhua Wind Power Generation Co., Ltd.	50.00 MW	50%
Hunan Longyuan Wind Power Generation Co., Ltd.		100%
Guodian Chongqing Wind Power Development Co., Ltd.	209.50 MW	51%
Longyuan Da Chai Dan New Energy Development Co., Ltd.		100%
Henan Longyuan New Energy Development Co., Ltd.		100%
China Longyuan Power Group Sichuan New Energy Co., Ltd.		100%
Nantong Tianshenggang Power Generating Co., Ltd.	660.00 MW	31.94%
Jiangyin Sulong Heat and Power Generating Co., Ltd.	1,215.00 MW	27%
Longyuan Tibet New Energy Co., Ltd.	42.00 MW	100%
Longyuan Tibet Shigatse New Energy Co., Ltd.	30.00 MW	100%
Longyuan Ge'ermu New Energy Development Co., Ltd.	90.00 MW	100%
Longyuan Zhangye New Energy Co., Ltd.	19.00 MW	100%
Longyuan Turpan New Energy Co., Ltd.	8.72 MW	90%
Longyuan (Beijing) New Energy Co., Ltd.	2.00 MW	100%
Wenling Jiangxia Pilot Tidal Power Station of China Longyuan Power Group Corporation Limited	4.10 MW	100%
Donghai Longyuan Biomass Power Plant	24.00 MW	95%
Guodian Youyi Biomass Power Co., Ltd.	30.00 MW	100%
Zhongneng Power-Tech Development Co., Ltd.		100%
China Fulin Wind Power Engineering Co., Ltd.		100%
Longyuan (Beijing) Wind Power Projects Design & Consultation Co., Ltd.		100%
Longyuan (Beijing) Wind Power Projects Technology Co., Ltd.		100%
Longyuan (Beijing) Carbon Assets Management Technology Co., Ltd.		100%
Longyuan (Beijing) Solar Energy Technology Co., Ltd.		100%
China Longyuan Power Group Energy Sales Co., Ltd.		100%
Xinjiang Wind Power Engineering Consultant Co., Ltd.		100%
Suzhou Longyuan Wind Power Technique Vocational Training Centre Co., Ltd.		100%
Longyuan (Yichun) Wind Power Engineering Services Co., Ltd.		100%
Longyuan Power Group (Shanghai) Investment Limited		100%
Guodian United Power Technology (Changchun) Co., Ltd.		100%

CORPORATE PROFILE

GEOGRAPHICAL BREAKDOWN OF OUR PROJECTS

Wind Power: 18,918.8MW (distributed among 29 regions)

Coal power: 1,875.0MW

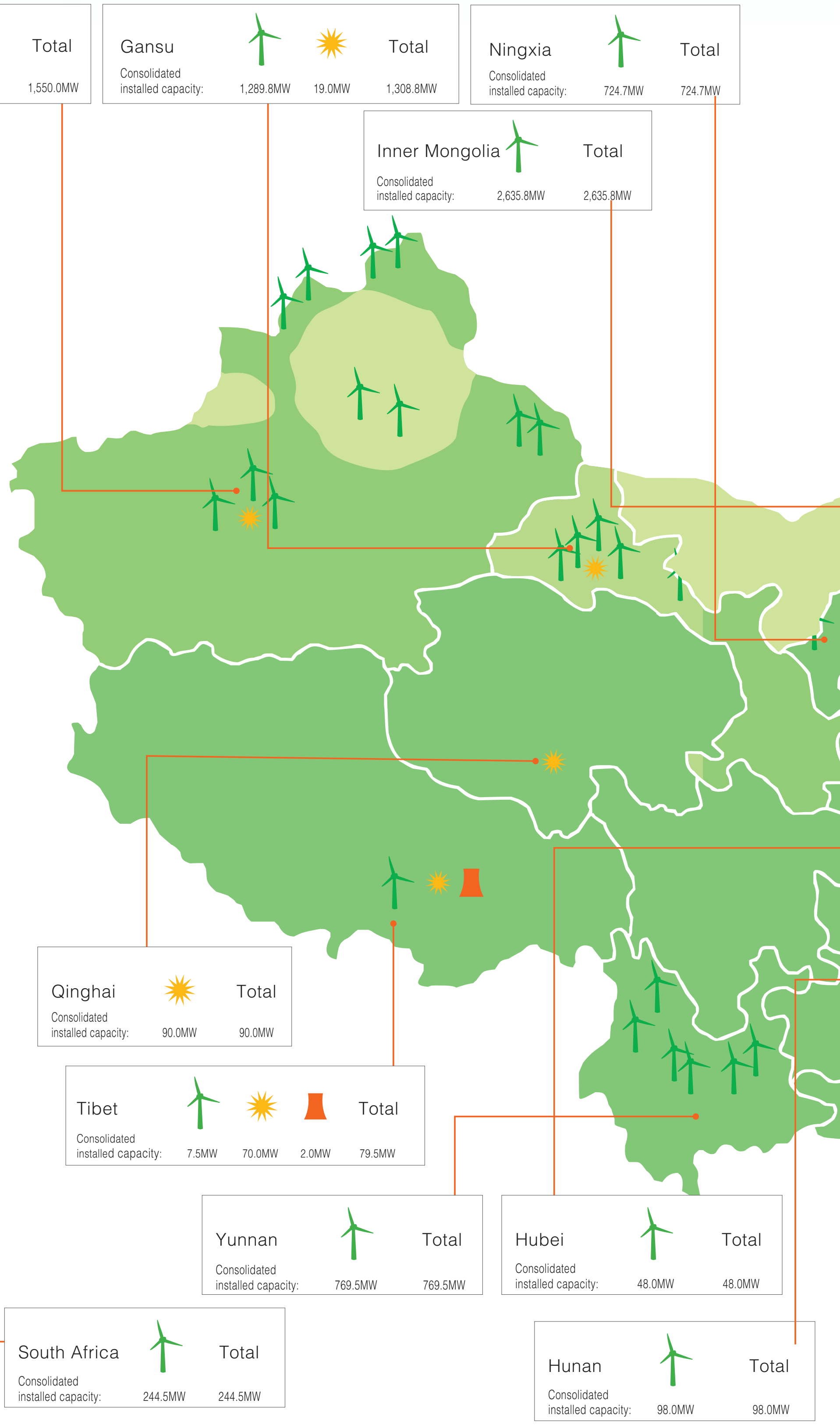
Biomass energy: 54.0MW

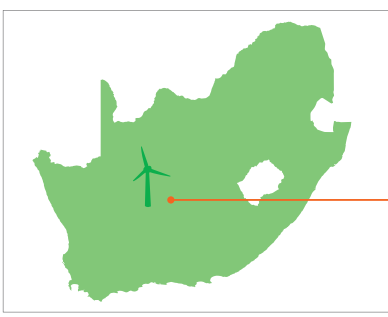
Tidal power: 4.1MW

Geothermal power: 2.0MW

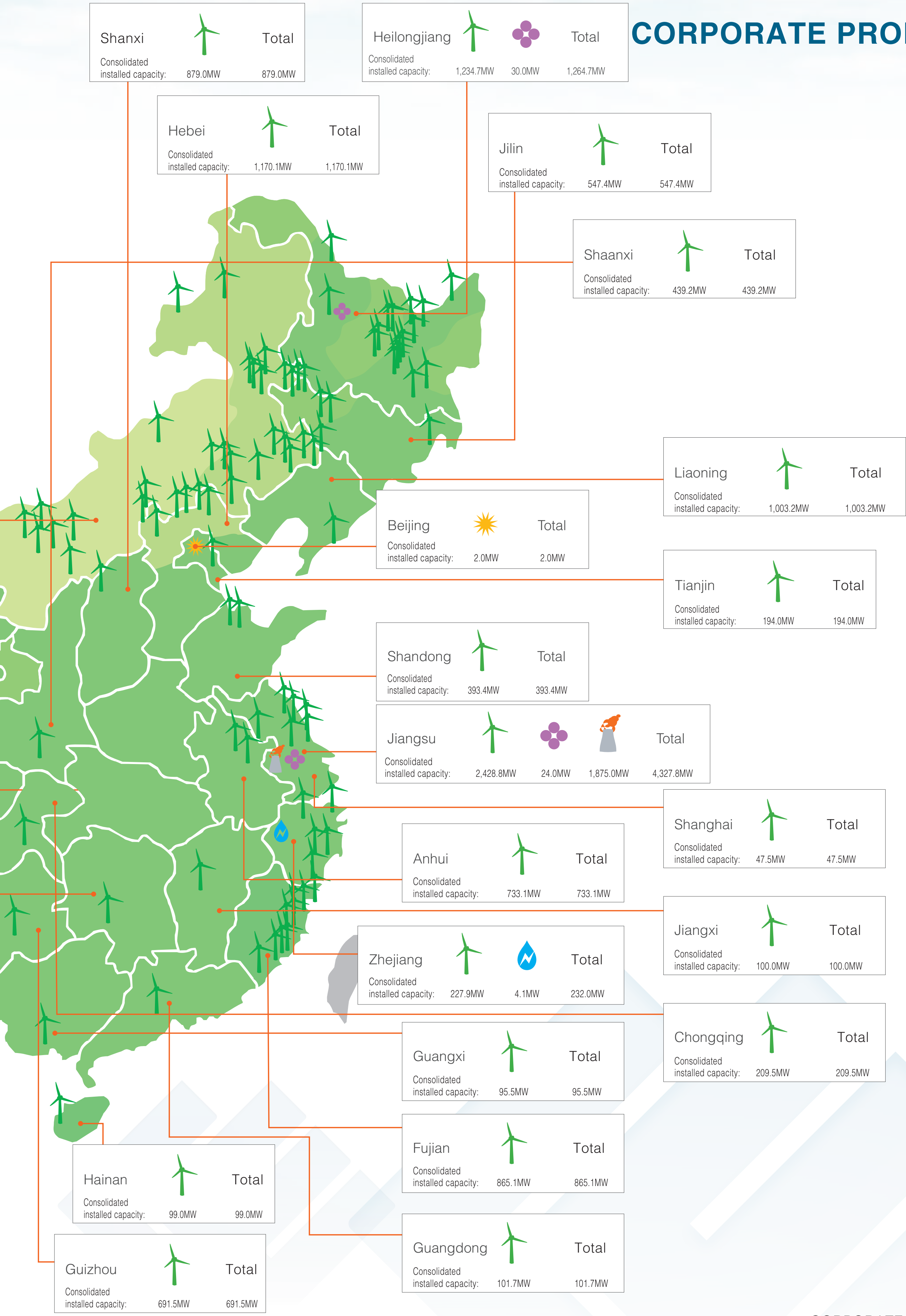
PV power: 189.7MW

As at 31 December 2018





CORPORATE PROFILE



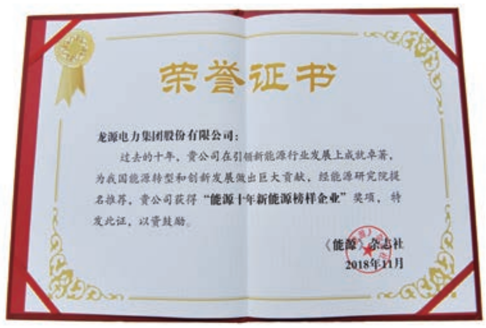
HONOURS AND AWARDS

2018 全球新能源企业 500 强榜单

排名	公司	国籍
1	协鑫（集团）控股有限公司	中国
2	Panasonic Corporation	日本
3	Vestas Wind Systems A/S	丹麦
4	GE Energy	美国
5	Scottish and Southern Energy plc	英国
6	Siemens AG	德国
7	Total S.A.	法国
8	Archer Daniels Midland Company	美国
9	Enercon GmbH	德国
10	Enel Green Power S.P.A.	意大利
11	晶龙实业集团有限公司	中国
12	Copersucar S.A.	巴西
13	LG Chem., Ltd.	韩国
14	Ørsted A.S.	丹麦
15	天能国际集团	中国
16	晶科能源控股有限公司	中国
17	天合光能有限公司	中国
18	Bunge Ltd.	美国
19	Samsung Sdi Co., Ltd.	韩国
20	Engie Group	法国
21	龙源电力集团股份有限公司	中国

The results of the "Global Top 500 New Energy Enterprises in 2018" were unveiled at the International Energy Executive Forum 2018 & the Eighth Global Top 500 New Energy Enterprises Summit and the Company ranked 21st and has thus been on the list for the sixth consecutive year.

The Company was awarded the "Model New Energy Enterprise in Ten Years Development of Energy" (能源十年新能源榜樣企業) by the Energy Magazine at the 2018 Annual Conference of Energy and the 10th China Energy Enterprises Summit.



荣誉证书

龙源电力集团股份有限公司：

过去的十年，贵公司在引领新能源行业发展上成就卓著，为我国能源转型和创新发展做出巨大贡献，经能源研究院提名推荐，贵公司获得"能源十年新能源榜样企业"奖项，特发此证，以资鼓励。

《能源》杂志社

2018年11月

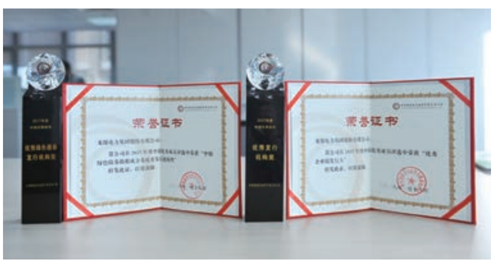
The Company was granted the prize of "The Best Listed Company" at the Eighth Session of China Securities Golden Bauhinia Award (第八屆中國證券"金紫荊"獎).

The Company was granted the title of "Model Company in Corporate Culture Building in the Power Industry in China in 2017" (2017年度全國電力行業企業文化建設示範單位) by the China Electricity Council.

HONOURS AND AWARDS

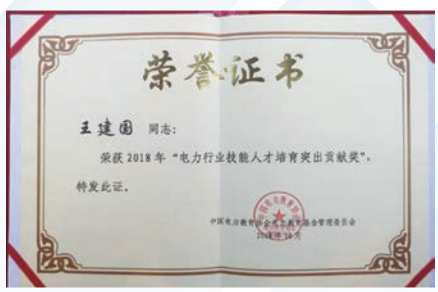
The wind power projects of the Company in Yushan and Qingyun Towns, Shandong, Liujing Town, Heng County, Guangxi and the phase-I wind power project in Beibao Town, Chongming County, Shanghai were awarded the “China Power Quality Engineering Award” by the China Electric Power Construction Association

The Unit 1 of Wenling Jiangxia Pilot Tidal Power Station (溫嶺江廈潮汐試驗電站) of the Company was granted the title of the national “Outstanding Oceanic Project” issued by the China Association of Oceanic Engineering.



The Company was awarded the prizes of “Outstanding Issuer” and “Innovative Business” at the “Commendation Conference of 2017 Excellent CCDC Members” (2017年度中債優秀成員表彰大會).

Mr. Wang Jianguo, chief inspector of the Company, was awarded the “Prize for Outstanding Contribution to Fostering of Skilled Talents in Power Industry in 2018” (2018年電力行業技能人才培育突出貢獻獎) issued by the Electric Power Education Foundation Management Committee of the China Electric Power Education Association (中國電力教育協會電力教育基金管理委員會).



CORPORATE MILESTONES IN 2018

From 8 to 9 February, the Company held the second session of the third Staff Representatives Assembly & 2018 Working Conference in Beijing to better understand and follow the guiding principles from the 19th CPC National Congress, earnestly carry through the 2018 Work Deployment of CHN Energy, and comprehensively summarize the work of the Company in 2017. Besides, at the meeting the Company also analysed the current situation, made arrangements for the key tasks in 2018 and urged cadres and staff members to adhere to the general instruction of Party building and implement rigorous corporate governance practices, with the view to accelerating the process of building itself into an international top-notch new energy enterprise.

On 15 March, the Company held the graduation oral examination for the first session of Chief Leader Trainees at the training center in Nantong. As part of a broad effort to carry through the "13th Five-Year" education and training plan of the Company, the training program aims to fully leverage the experience and expertise of Mr. Wang Jianguo, the chief maintenance engineer of the Company, in the cultivation of skilled workers and to develop a wider talent pool for building a "Long-lasting Longyuan". The training program is the largest one set up by the Company in terms of investment amount, training time and planning level.

On 17 July, Mr. Lu Shaye, the Chinese plenipotentiary ambassador to Canada together with his companions visited the Dufferin wind farm and spoke highly of the achievements of the Company in new energy development in Canada. He pointed out that, among the numerous investments made by Chinese enterprises in Canada, environment-friendly wind power projects provided the localities with clean power, created jobs and brought economic benefits to the communities and the natives, thus having set up a positive image for Chinese enterprises in Canada.

From 25 to 27 July, the 10th BRICS Summit was held in Johannesburg, South Africa and President Xi Jinping attended the summit. In order to smoothly deliver the story of China's Belt and Road Initiative, the CCTV Chinese International Channel broadcast worldwide the "Belt and Road" special program for South Africa – "Homeland, Dreamland", of which, the episodes titled "De Aar Town – A Story about Wind" and "Arriving at the Southernmost Place of the African continent" gave a special coverage on the De Aar project in South Africa of the Company, having demonstrated the Company's overseas development achievements in respect of project operation, fulfillment of social responsibility, etc.

CORPORATE MILESTONES IN 2018

On 9 August, Youyu County was approved to get rid of the label of being a poverty-stricken county pursuant to a notice issued by Shanxi Provincial Government, which marked a significant periodical triumph of the Company in respect of its targeted poverty alleviation work.

On 8 September, the pile-sinking operations at the Longyuan Dafeng H7 offshore wind power project in Jiangsu for the single pile foundation, which is the longest one of the Group, were completed. The single pile under construction had a length of 86 metres with a diameter of 5.5 metres and a weight of 677.92 tonnes, the construction plan of "jack-up platform – piling with double hooks (自升式平台 — 雙鉤對翻)" was adopted, and "Longyuan Zhenhua No. 3", the largest specialised offshore wind power construction platform, was employed to carry out the construction works. The final perpendicularity of the pile body reached 0.32‰, which was far better than the designed requirement of 3‰, was of great significance to the development of China's offshore wind power.

On 14 October, Mr. Xiao Yaqing, the director and deputy secretary to the Party Committee of SASAC of the State Council, came to the South African arm of the Company for investigation and survey. He highly appreciated the achievements of the South African arm of the Company in respect of operational development, Party building and others and gave high praise to the "Going Global" work of the Company, especially the performance of its wind power project in the South Africa.

On 8 November, Fujian Company completed the construction of the No. A72 single pile foundation for the Nanri Island offshore wind power project phase I in Putian after four days of work and thus created the record of spending the shortest time in the construction of single pile foundation for batholith seabed offshore wind power project in China, which represented a significant stride in the construction of rock-socketed single piles in China.

MANAGEMENT DISCUSSION AND ANALYSIS

(Unless otherwise specified, the following information disclosure was based on financial information prepared in accordance with IFRSs)

I. INDUSTRY REVIEW

Operational Environment

In 2018, in consistent adherence to the overall keynote of seeking progress while maintaining stability in economic development, China implemented new development concepts and requirements on high-quality development. With the supply-side structural reform as the central task, China focused on the three critical battles against potential risk, poverty, and pollution and sped up in reforming and opening to the outside. As a result, China's economy made progress amid overall stability. However, the current economic operation faces uncertainties despite the overall stability. The structural adjustment, transformation and upgrading of the domestic economy are yet to be achieved; deep-seated structural conflicts in economic operation still exist; and the external environment is undergoing obvious changes. When the domestic intrinsic contradictions clash with external uncertainties, resonance effects are very likely to outbreak, which will bring challenges and pressures to the sustainable and stable development of China's economy.

In 2018, China's electricity supply and demand were roughly balanced on the whole. Based on the statistics of China Electricity Council, the power consumption across the country was 6,844.9 billion kWh, representing a year-on-year increase of 8.5%, 1.9 percentage points higher than that of 2017; and the total power generation across the country was 6,994.0 billion kWh, representing a year-on-year increase of 8.4%, 1.8 percentage points higher than that of 2017. In particular, grid-connected wind power generation amounted to 366.0 billion kWh, representing a year-on-year increase of 20.2%, and up by 0.5 percentage point over last year in terms of the percentage in nationwide power generation. The average utilisation hours of power generation facilities across the country in 2018 were 3,862 hours, representing an increase of 73 hours year-on-year, of which wind power utilisation hours were 2,095 hours, up by 146 hours year-on-year. The power generation capacity newly added through infrastructure construction across the country amounted to 124 GW, of which grid-connected capacity of wind power amounted to 21 GW. As at the end of 2018, the total power generation installed capacity across the country was 1,900 GW, representing a year-on-year increase of 6.5%, of which grid-connected capacity of wind power amounted to 184 GW, accounting for 9.7% of the total installed capacity.

Policy factors

In 2018, China issued various policies and specified the target in the development of the clean energy industry in China. In June 2018, the State Council promulgated and distributed the Opinion on Enhancing Protection of the Ecological Environment on All Fronts and Fighting the Battle of Pollution Control with Resolution (《關於全面加強生態環境保護堅決打好污染防治攻堅戰的實施意見》), proposing to increase the use of clean energy, expand the channels for the consumption of clean energy and implement the policies on fully protected purchase of power generated with renewable energy. In July 2018, the State Council issued the Three-year Action Plan on Winning the Battle for Blue Sky Protection (《打贏藍天保衛戰三年行動計劃》), specifying that consumption of non-fossil energy shall account for 15% of the total energy consumption by 2020. China will develop hydropower in an orderly way and nuclear power in a safe and efficient way, optimise the development layout of wind and solar energy and develop biomass and geothermal energy based on local conditions. County-scale biomass heat and power cogeneration, biomass briquette-fueled boilers and biogenic natural gas are encouraged in resource eligible areas. It will also promote the consumption of renewable energy to address hydro, wind and solar power curtailment fundamentally.

The NDRC further implemented the arrangement of the CPC Central Committee to establish a long-term mechanism on clean energy consumption. The NDRC and the National Energy Administration ("NEA") jointly issued the Action Plan on Clean Energy Consumption (2018–2020) (清潔能源消納行動計劃) (2018–2020) (the "Plan") in October 2018, proposing to fundamentally solve the consumption of clean energy by 2020 and setting out clean energy consumption quota for each province or region. In particular, it specifies that the average utilisation rate of wind power shall be above 88% (striving for above 90%) and the wind power curtailment rate shall be below 12% (striving to be controlled within 10%) across the country in 2018. In 2019, it shall guarantee that the average utilisation rate of wind power shall be above 90% (striving for above 92%) and the wind power curtailment rate shall be below 10% (striving to be controlled below 8%) across the country. In 2020, it shall guarantee that the average utilisation rate of wind power shall reach the advanced level in the world (striving for above 95%) and the wind power curtailment rate shall be controlled at a reasonable level (striving to be controlled below 5%) across the country. Meanwhile, to address the consumption of wind power and other clean energy and establish the long-term mechanism for the consumption of clean energy, the Plan sets out relevant measures on optimising power layout and reasonably controlling the power development pace; speeding up the market-oriented reform of the power industry and displaying the adjustment function of the market; enhancing the guidance of macro policies to establish systems and mechanisms to the benefit of clean energy consumption; deeply exploring the potential in peak-shaving from the power side and fully improving the adjustment capacity of the power system; improving power grid infrastructure and giving full display to the power grid as a platform for resources allocation; promoting the interaction of generation, grid, load and energy storage and actively advancing the reform of the power consumption; and implementing the accountability system to enhance consumption appraisal and regulation standards.

The NEA, the leading energy authority, also introduced a series of measures to promote the rapid and healthy development of the renewable energy industry. In March 2018, the NEA issued the Notice on Guiding Opinions on Energy Work in 2018 (《關於印發2018年能源工作指導意見的通知》), setting out the overall plan on the development of renewable energy for the year and proposing to steadily promote the development of wind power and solar energy generation. According to the Notice, enhancement of investment monitoring and alarming mechanism on wind power and photovoltaic power projects is required in order to control the size of new construction in the regions with severe wind and solar power curtailment and achieve declines in the amount and rate of wind and photovoltaic power curtailment; key wind power bases shall be constructed in an orderly way to boost the construction of distributed wind power, low-speed wind power and offshore wind power projects; the establishment of grid parity wind power demonstration projects shall be vigorously promoted and the roadmap in relation thereto be prepared; and construction of wind power projects shall be carried forward progressively with the plan to commence construction of wind power projects in an aggregate capacity of approximately 25,000 MW, representing newly-added installed capacity of approximately 20,000 MW in the year. Efforts would be made to promote the preliminary work of wind power projects with an aggregate capacity of approximately 20,000 MW in certain areas. It requires to actively and steadily push forward the construction of offshore wind power projects, explore and advance the construction of offshore wind power demonstration projects in deep waters in Shanghai and speed up in pressing ahead the development of distributed wind power projects.

The Circular on Interim Administrative Measures for the Development and Construction of Distributed Wind Power Projects (《分散式風電項目開發建設暫行管理辦法的通知》), the Circular on Matters Concerning Easing Burdens of Enterprises in Renewable Energy Sector (《關於減輕可再生能源領域企業負擔有關事項的通知》) and the Circular on Improving and Perfecting the Working Mechanism on Establishment of the Trial Power Spot Market (《關於健全完善電力現貨市場建設試點工作機制的通知》) were promulgated by the NEA successively to set out provisions on developing distributed wind power projects, promoting the reduction of renewable energy cost, improving and perfecting the working mechanism on the establishment of the trial power spot market, etc.

In May 2018, the NEA issued the Circular on the 2018 Administrative Requirements of Wind Power Construction (《關於2018年度風電建設管理有關要求的通知》), which put forward requirements on strictly implementing plans and early warning requirements, giving priority to the consumption work, strictly implementing power delivery and consumption conditions, enforcing competitive allocation of wind projects, optimising the investment environment for the construction of wind power projects and actively promoting full consumption of wind power projects in the neighborhood. For newly added centralized onshore wind power projects located in provinces (autonomous regions and municipalities directly under the Central Government) that have not yet issued their respective wind power construction plans for 2018 and offshore wind power projects whose investors are not yet determined, the allocation and determination of on-grid tariffs shall be conducted through a competitive tender process while the original plans shall continue to apply for provinces (autonomous regions and municipalities directly under the Central Government) that have issued their respective wind power development plans for 2018 and offshore wind power projects whose investors have been determined. From 2019 onwards, a competitive tender process should be adopted for allocation and determination of on-grid tariffs of newly approved centralized onshore wind power projects in every province (autonomous region and municipality directly under the Central Government) and all offshore wind power projects. The wind power industry will see a new round of tariffs reduction and the market competition will be intensified.

After three rounds of opinion canvassing on the Circular on Implementing the Quota System for Renewable Energy Power (《關於實行可再生能源電力配額制的通知》) conducted by the NEA in March, September and November 2018, such document specifies the implementing procedure of the quota system on renewable energy power and the methods for determining the quota indicators of renewable energy power and verifying the fulfillment of the quota. Meanwhile, it also published the quota indicators of total renewable energy power and the renewable energy power other than hydropower for each province (autonomous region and municipality directly under the Central Government), respectively, which comprise restrictive indicators and incentive indicators. In addition to further promoting the consumption of renewable energy and relieving grid curtailment tension by virtue of policies, the implementation of the quota system will also provide a consumption mechanism in favor of the development of renewable energy and thus lay a systematic foundation for further advancing the energy production and consumption revolution in China.

II. BUSINESS REVIEW

1. Promoted production safety soundly and increased wind power generation steadily

In 2018, the Group followed the fundamental principle of improving the production and management system and carried out such tasks as research on institutional systems, implementation of safety measures, establishment of safe and civilized production standards, professional training and equipment management to accomplish the closed-loop management process and the work effectiveness and advance various tasks in relation to production safety in a solid manner.

In 2018, the Group strengthened the implementation of accountability system of production safety and formulated the Measures on Safety Monitoring and Assessment to standardize the assessment; it also further enhanced the system establishment and compiled the Working System on Safety Monitoring, which covers over 60 new safety provisions and provides system guarantee for safety monitoring. It promoted the risk prevention system across the Group, amended professional measures, sorted risk points in operations and prepared the corresponding prevention measures on safety to enhance the guarantee on operation safety. The Group organised trainings on safety skills and examinations on safety knowledge and mounted the event themed "castigating those violating regulations, preventing occurrence of accidents" on the warning day to establish the guarantee on safety culture and enhance the safety awareness and skills of all employees. It enhanced efforts in safety checks and modification, reinforced safety monitoring and inspections, identified safety hazards in an all-round way, designated responsible persons on the implementation of modification, monitored the closed loop for addressing issues and solved deep-rooted problems affecting safety. In addition, the Group launched equipment management and organised relevant departments to discuss and study to form unified thoughts and seek the best solutions. It also rolled out various technical transformation programs while actively coordinating with equipment manufacturers in equipment management to improve operation efficiency of the equipment. Following the business-driven principle and with the targets of improving the working efficiency and quality of wind farms and achieving safety management, the Group steadily facilitated the trial construction of intelligent wind farms and preliminarily realized overall supervision on the processes of operation, maintenance and repair, equipment and safety and enhanced the working efficiency and quality of wind farms.

The Group strictly implemented dual controls on grid curtailment rate and quantity. The Group further addressed grid curtailment management through a two-pronged approach as well as other methods to prevent risk backlashes. Internally, it performed stringent assessment on grid curtailment, deepened follow-up analysis on grid curtailment, established the emergency response mechanism on grid curtailment management and implemented the reporting and other systems on grid curtailment; externally, it strengthened marketing awareness and strove for additional transactions. Meanwhile, despite the ever-expanding scale of wind power trading, the Group observed the principle of "striving for larger capacity while maintaining the price" and further conducted market transactions to maximise the benefits of the Group.

In 2018, the Group generated a cumulative gross electricity output of 49,971 GWh, of which electricity generated from our wind power segment amounted to 39,542 GWh, representing a year-on-year increase of 14.78%, mainly attributable to the increase in utilisation hours and installed capacity. In 2018, the average utilisation hours of the wind power business was 2,209 hours, up by 174 hours as compared with that of 2017, which was primarily attributable to the decrease in grid curtailment rate, the increase in wind resources and the enhanced efficiency of new units.

Geographical breakdown of the consolidated power generation of the Group's wind farms for 2017 and 2018:

Region	2018 (MWh)	2017 (MWh)	Percentage of change
Heilongjiang	**2,744,502**	2,470,344	11.10%
Jilin	**955,094**	857,589	11.37%
Liaoning	**2,266,022**	2,181,498	3.87%
Inner Mongolia	**5,499,564**	4,909,500	12.02%
Jiangsu (onshore)	**2,637,447**	2,356,064	11.94%
Jiangsu (offshore)	**2,279,162**	1,089,998	109.10%
Zhejiang	**360,597**	409,719	-11.99%
Fujian	**1,992,853**	1,898,992	4.94%
Hainan	**123,736**	147,438	-16.08%
Gansu	**2,590,060**	2,095,533	23.60%
Xinjiang	**3,208,338**	2,827,684	13.46%
Hebei	**2,485,556**	2,606,858	-4.65%
Yunnan	**2,093,666**	1,808,015	15.80%
Anhui	**1,642,302**	1,550,076	5.95%
Shandong	**795,852**	723,540	9.99%
Tianjin	**365,676**	251,443	45.43%
Shanxi	**1,779,727**	1,403,353	26.82%
Ningxia	**1,491,700**	1,291,969	15.46%
Guizhou	**1,201,921**	1,263,221	-4.85%
Shaanxi	**763,605**	712,616	7.16%
Tibet	**14,313**	13,010	10.02%
Chongqing	**307,455**	349,950	-12.14%
Shanghai	**137,712**	132,176	4.19%
Guangdong	**170,783**	124,343	37.35%
Hunan	**131,937**	163,022	-19.07%
Guangxi	**263,319**	258,569	1.84%
Jiangxi	**91,149**	72,863	25.10%
Hubei	**112,383**	52,909	112.41%
Canada	**272,338**	282,092	-3.46%
South Africa	**762,755**	144,093	429.35%
Total	**39,541,526**	34,448,476	14.78%

Geographical breakdown of the average utilisation hours/load factor of wind power of the Group's wind farms for 2017 and 2018:

Region	Average utilisation hours of wind power for 2018 *(hour)*	Average load factor of wind power for 2018	Average utilisation hours of wind power for 2017 *(hour)*	Average load factor of wind power for 2017	Percentage of change of the average utilisation hours of wind power
Heilongjiang	2,223	25%	2,001	23%	11.09%
Jilin	1,825	21%	1,730	20%	5.49%
Liaoning	2,261	26%	2,175	25%	3.95%
Inner Mongolia	2,113	24%	1,898	22%	11.33%
Jiangsu (onshore)	2,123	24%	1,957	22%	8.48%
Jiangsu (offshore)	2,885	33%	2,269	26%	27.15%
Zhejiang	1,571	18%	1,798	21%	-12.63%
Fujian	2,890	33%	3,029	35%	-4.59%
Hainan	1,250	14%	1,489	17%	-16.05%
Gansu	2,008	23%	1,625	19%	23.57%
Xinjiang	2,079	24%	1,835	21%	13.30%
Hebei	2,120	24%	2,228	25%	-4.85%
Yunnan	2,721	31%	2,448	28%	11.15%
Anhui	2,240	26%	2,205	25%	1.59%
Shandong	2,146	24%	2,100	24%	2.19%
Tianjin	1,967	22%	1,873	21%	5.02%
Shanxi	2,146	24%	1,860	21%	15.38%
Ningxia	2,055	23%	1,783	20%	15.26%
Guizhou	1,872	21%	1,969	22%	-4.93%
Shaanxi	2,068	24%	2,100	24%	-1.52%
Tibet	1,908	22%	1,735	20%	9.97%
Chongqing	2,050	23%	2,341	27%	-12.43%
Shanghai	2,899	33%	2,783	32%	4.17%
Guangdong	2,168	25%	2,219	25%	-2.30%
Hunan	2,749	31%	3,396	39%	-19.05%
Guangxi	2,757	31%	2,708	31%	1.81%
Jiangxi	2,279	26%	2,343	27%	-2.73%
Hubei	2,341	27%	2,261	26%	3.54%
Canada	2,748	31%	2,847	32%	-3.48%
South Africa	3,120	36%	–	–	–
Total	2,209	25%	2,035	23%	8.55%

In 2018, the consolidated gross power generation from coal power segment of the Group was 9,920 GWh, representing a decrease of 5.66% as compared with 10,515 GWh in 2017. This was mainly due to the significant increase in the electricity from outside the region and the new energy power generation, which squeezed the share of coal power. The average utilisation hours of the Group's coal power segment in 2018 was 5,291 hours, representing a decrease of 317 hours as compared with 5,608 hours in 2017.

2. Deepened the preliminary work and continued to optimise the development layout

In 2018, in the context of the "5.18" new policy in respect of wind power issued by the NEA, the Group had 14 wind power projects with an aggregate capacity of 1,710 MW approved, thus preserving the fixed tariff for the year. In particular, offshore wind power projects with an aggregate capacity of 1,000 MW were approved, hitting a historical high; the Group obtained the approval for the sole wind power project in Sichuan Province, filling the Group's gap of wind power development in Sichuan Province. As at the end of 2018, the Group had wind power projects of 7.0 GW approved but not yet put into operation, which would be sufficient to meet the sustainable development requirement during the "13th Five-Year Plan" period.

In 2018, the Group continued to deepen its work and proactively strengthened its strategic leadership to overcome difficulties. The Group, in close compliance with a series of wind power policies promulgated in China in recent years, maintained close communication with local governments and energy authorities, made prompt deployment for and guided the units to change their working ideas and carried out relevant design and research in advance so as to accurately identify project risks and advance each task in a proactive and steady way. The focus was placed on promoting the development layout of wind power development in southeastern coastal provinces, non-restricted areas in the central and eastern regions, and at sea. The Group paid close attention to and timely participated in the development and construction of bases and UHV transmission channel projects, and continuously adjusted the key development sector of national wind power to achieve the development pattern of "nationwide presence and provincial dispersion". It launched wind power projects in 31 provinces and regions across the country, thereby effectuating nationwide coverage (excluding Hong Kong, Macau and Taiwan).

3. Optimised project quality management and steadily promoted project construction

In 2018, the Group effectively promoted the progress of construction projects by fulfilling the conditions for commencement of construction in advance, further strengthening cost management and control and optimising project quality management, resulting in steady progress in the construction of wind power projects. Thanks to reinforced management of construction safety, project construction was carried out under stable safety environment without any construction or equipment-related safety accident. Six wind power projects with a capacity of 523.5 MW were put into operation throughout the year.

The Group continued to lead the industry development by strengthening technological innovation and promoting safe and civilized construction. It effectively ensured safe construction at sea by adopting innovative construction management means, setting up mobile satellite base stations, introducing accurate coordinate weather forecasting system and implementing full coverage of communication over the construction site. The Group strengthened the research on the basic types of offshore wind power projects and promoted the development of large-diameter rock-socketed single pile construction technology. The successful experience concluded in rock broaching anchor foundation provided technical reserves for the application thereof in subsequent projects. The new single-blade hoisting construction technology was proactively applied in projects in forested and mountainous areas so as to reduce the negative impact of construction on the forested and mountainous areas. The construction start-up procedures were strictly implemented to ensure that projects were constructed in accordance with the laws and regulations. Water and soil conservation was regulated in wind farm construction to build ecological wind farms nationwide and achieve green and sustainable development. In June 2018, the wind power project of Shandong Longyuan with an installed capacity of 98.2 MW in Yushan and Qingyun Towns, Linshu County, the wind power project of Guangxi Longyuan with an installed capacity of 48 MW in Liujing Town, Heng County and the wind power project with an installed capacity of 47.5 MW in Beibao Town, Chongming County, Shanghai of the Group obtained the “China Quality Power Project Award”, the highest prize for project quality in the power construction industry in China.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2018, the consolidated installed capacity of the Group was 21,044 MW, among which, the consolidated installed capacity of the wind power, coal power and other renewable energy segments were 18,919 MW, 1,875 MW and 250 MW, respectively.

Geographical breakdown of the consolidated installed capacity of the Group's wind farms as at 31 December 2017 and 2018 is set out as below:

Region	31 December 2018 *(MW)*	31 December 2017 *(MW)*	Percentage of change
Heilongjiang	1,234.7	1,234.7	0.00%
Jilin	547.4	547.4	0.00%
Liaoning	1,003.2	1,003.2	0.00%
Inner Mongolia	2,635.8	2,635.8	0.00%
Jiangsu (onshore)	1,248.5	1,248.5	0.00%
Jiangsu (offshore)	1,180.3	980.3	20.40%
Zhejiang	227.9	227.9	0.00%
Fujian	865.1	717.1	20.64%
Hainan	99.0	99.0	0.00%
Gansu	1,289.8	1,289.8	0.00%
Xinjiang	1,541.3	1,541.3	0.00%
Hebei	1,170.1	1,170.1	0.00%
Yunnan	769.5	769.5	0.00%
Anhui	733.1	733.1	0.00%
Shandong	393.4	393.4	0.00%
Tianjin	194.0	194.0	0.00%
Shanxi	879.0	829.5	5.97%
Ningxia	724.7	724.7	0.00%
Guizhou	691.5	641.5	7.79%
Shaanxi	439.2	439.2	0.00%
Tibet	7.5	7.5	0.00%
Chongqing	209.5	209.5	0.00%
Shanghai	47.5	47.5	0.00%
Guangdong	101.74	75.74	34.33%
Hunan	98.0	48.0	104.17%
Guangxi	95.5	95.5	0.00%
Jiangxi	100.0	100.0	0.00%
Hubei	48.0	48.0	0.00%
Canada	99.1	99.1	0.00%
South Africa	244.5	244.5	0.00%
Total	18,918.84	18,395.34	2.85%

4. **Innovated marketing strategies and basically maintained stable tariff**

In 2018, the average on-grid tariffs for overall power generation segments of the Group amounted to RMB457 per MWh (value-added tax ("VAT") exclusive), representing an increase of RMB4 per MWh as compared with RMB453 per MWh (VAT exclusive) in 2017. The average on-grid tariffs for wind power amounted to RMB482 per MWh (VAT exclusive), representing a decrease of RMB2 per MWh as compared with RMB484 per MWh (VAT exclusive) in 2017, which was due to: (1) the increase in the sales volume of wind power in the regions with lower tariffs brought by the improvement of grid curtailment as compared with the corresponding period of 2017; and (2) the increase in electricity sales in the regions with wind power trading as compared with the corresponding period of 2017. The average on-grid tariffs for coal power amounted to RMB337 per MWh (VAT exclusive), representing an increase of RMB9 per MWh as compared with the average on-grid tariffs for coal power of RMB328 per MWh (VAT exclusive) in 2017, which was mainly due to a joint influence of the higher proportion of direct power supply, the upward adjustments to the benchmark tariff of electricity generated by desulphurization coal power generating units and the decrease in the VAT rate by one percentage point.

5. Continued to strengthen capital management to give advantage to the capital cost advantage

In 2018, in response to the severe currency markets at home and abroad, the Group continued its intensified management and control of financing to raise the cash sweep ratio, and laid down an overall operation plan to optimise regional capital allocation and effectively control capital cost. By leveraging the capital scheduling and coordination mechanism under the direct management of the headquarters, it strengthened capital plan management and continued to improve capital utilisation efficiency to maximise the time value of funds. In terms of financing, it kept a close watch on domestic and foreign capital markets to further expand financing channels and varieties, successfully obtaining approval for registration of debt financing instruments and green asset-backed notes from the National Association of Financial Market Institutional Investors and spared no effort to ensure the safety of its funds. In 2018, the Company successfully issued ten tranches of ultra short-term debentures, one tranche of green enterprise bonds, one tranche of green corporate bonds and one tranche of green asset-backed notes, enabling the Group to maintain an advantage among its peers in terms of capital cost throughout the year. The Group continued to make the best of the financing advantages of bond markets and won the “outstanding issuer of green bonds” and “outstanding issuer of corporate bonds” awards in Chinese bond market, setting up a well-established corporate image.

6. Increased efforts on technical research and development and continuously improved supporting capacity of technology

In 2018, the Group continued to increase its support for science and technology projects that had significant influence on wind power development and obtained 14 new science and technology projects, 38 authorized patents and 13 software copyrights. Further efforts were made to strengthen the preparation of standards and directive procedures. In particular, the Group undertook the preparation of 11 national and industry standards, and the "Guidelines on Vibration Evaluation of Wind Turbine" and the "Post-evaluation Procedures for Photovoltaic Power Station Equipment", two standards in the energy industry prepared by the Group, were approved by the NEA for implementation, manifesting the Company's consistent technology-leading advantage in the industry. The Power Generating Unit No. 1 of Wenling Jiangxia Pilot Tidal Power Station of the Group won the honorary title of China's top 20 "Outstanding Marine Projects". The "Three-blade New Tidal Generator Set Design, Manufacturing and Engineering Demonstration" and the "Research and Application of Dedicated Large Drill and Key Construction Technologies for Offshore Wind Power Construction" won three provincial and ministerial awards including China Electric Power Science and Technology Award. The "Safety Monitoring and Evaluation Technology for Support Structure of Offshore Wind Turbine" won the China Electric Power Construction Science and Technology Progress Award. Three projects including the "Technical Design, Manufacturing and Installation of Multi-pile Steel Structure of Offshore Wind Turbine" won the Energy Innovation Award granted by China Energy Research Society, and ten scientific and technological projects including the "Technical Research and Engineering Demonstration Construction of Digital Wind Farms" won the Science and Technology Progress Award of China Energy Investment Corporation. The Group made a large number of scientific and technological achievements with core competitiveness including the "New Intertidal Single Pile Foundation Design for Wind Power Development in Intertidal Zone, Large Diameter Pile Rock Embedded Technology", etc., many of which were the first of the kind in the world.

7. Adhered to the requirements of high quality development to "go global" in a proactive and steady way

In 2018, following the requirements of high-quality development, the Group proactively participated in the construction of the "Belt and Road", steadily implemented the "go global" strategy, and exerted concentrated efforts on overseas wind power and photovoltaic market to optimise the layout structure and steadily promote the development of overseas business. During the year, the Group increased its research and development efforts in regional markets such as North Africa and South America. Through field visits and negotiations on specific projects and negotiations thereon, the Group has formed the overseas market development idea of "expansion of business to cover North America with the operating projects in Canada as the base, extension of presence from Argentina to the entire Latin America, development of the market in Central and Eastern Europe and the countries along the "Belt and Road" starting from Poland and Ukraine, and achievement of coordinated development of North and South Africa relying on the operating projects in South Africa" and the market strategy of focusing on greenfield investment and laying equal stress on greenfield development and acquisition of projects under construction, which has laid a sound foundation for the future development of overseas business.

In 2018, Longyuan Canada of the Group intensified the safety management of wind farms and improved the quality of wind turbine operation and maintenance. Dufferin Wind Farm recorded total power generation of 272 GWh. As at 31 December 2018, it has maintained safe production for a total of 1,492 days. Longyuan Canada also proactively fulfilled its social responsibilities and established close relationship with the government, community organisations, and aboriginal tribes where the project is located. In 2018, the Group's project in De Aar, South Africa has been put into production and operation for a full year. After one year of hard efforts, the project's utilisation hours reached 3,120 hours, ranking the forefront of the Group, and its accumulated power generation reached 763 GWh, far beyond the target set at the beginning of the year.

III. RESULTS OF OPERATIONS AND ANALYSIS THEREOF

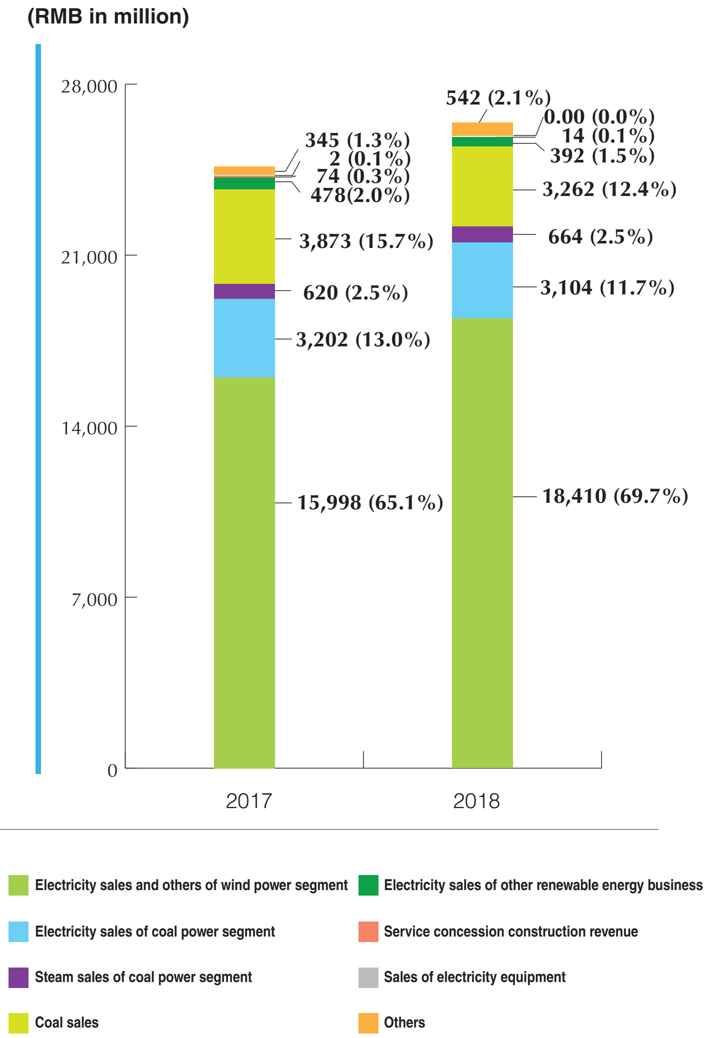
Profit or loss and other comprehensive income

In 2018, the net profit of the Group amounted to RMB4,921 million, representing an increase of 8.2% as compared to RMB4,550 million in 2017. Net profit attributable to equity holders amounted to RMB4,166 million, representing an increase of 8.3% as compared to RMB3,846 million in 2017. Earnings per share amounted to RMB48.83 cents, representing an increase of RMB2.94 cents as compared to RMB45.89 cents in 2017.

Operating revenue

Operating revenue of the Group amounted to RMB26,388 million in 2018, representing an increase of RMB1,796 million or 7.3% as compared to RMB24,592 million in 2017, the increase of operating revenue mainly due to: (1) electricity sales and other revenue of wind power segment increased by RMB2,412 million or 15.1% in 2018 as compared to 2017, mainly due to the increase in electricity sales volume of wind power segment; (2) revenue from coal sales of coal power segment decreased by RMB611 million or 15.8% in 2018 as compared to 2017, mainly due to the decrease in coal sales volume; (3) revenue from electricity sales of coal power segment decreased by RMB98 million or 3.1% in 2018 as compared to 2017, mainly due to a joint influence of the decrease in electricity sales volume and the increase in average price of coal power segment; and (4) revenue from electricity sales of other renewable energy segments decreased by RMB86 million or 18.0% as compared to 2017, mainly due to the decrease in photovoltaic and biomass power generation.

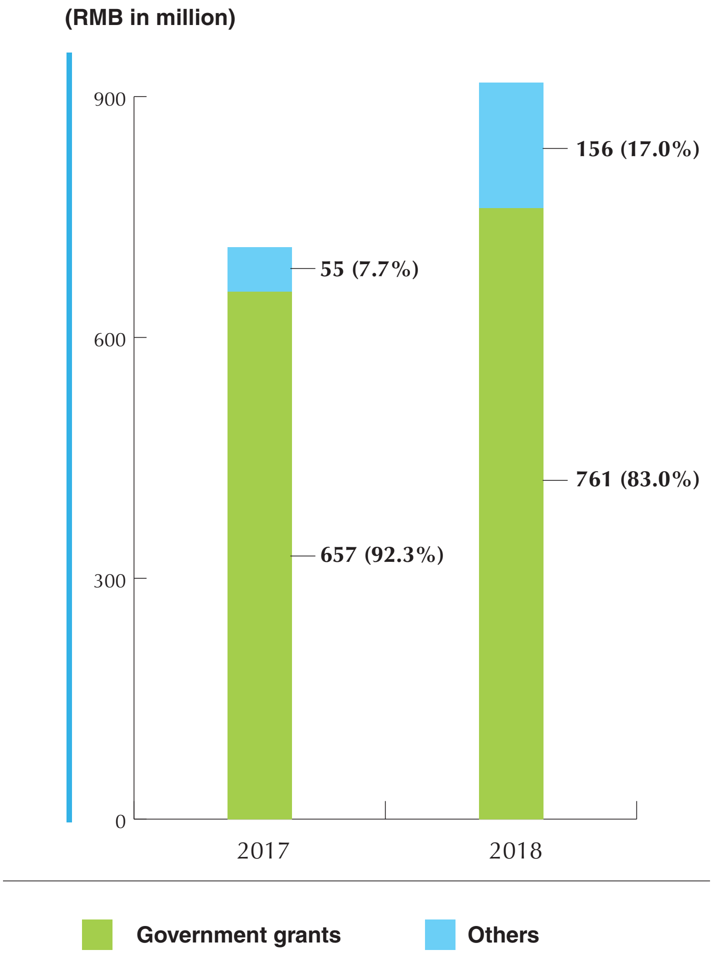
Operating revenue of each segment and their respective proportions are set out in the diagram below:



Other net income

Other net income of the Group amounted to RMB917 million in 2018, representing an increase of 28.8% as compared with RMB712 million in 2017, mainly due to the corresponding increase in VAT refund amount (part of government grants) as a result of the increase in revenue of electricity sales of wind power segment.

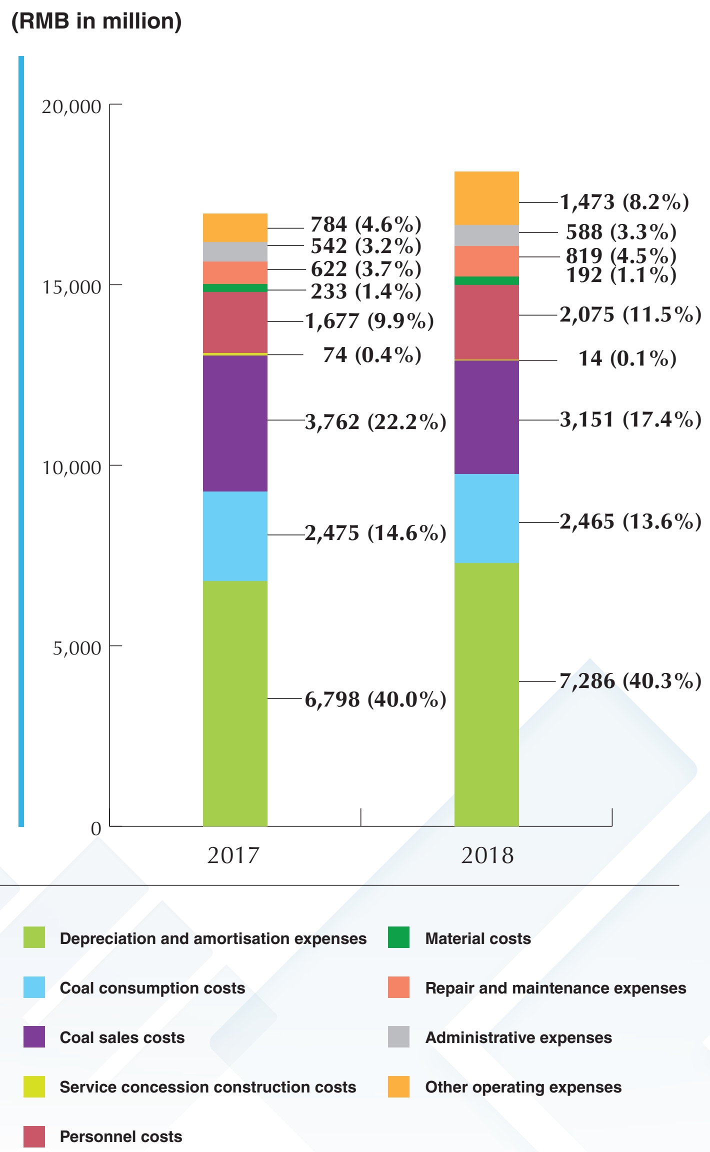
The breakdown of other net income items and their respective proportions are set out in the diagram below:



Operating expenses

Operating expenses of the Group amounted to RMB18,063 million in 2018, representing an increase of 6.5% as compared to RMB16,967 million in 2017, primarily due to (1) the provision of RMB257 million made for asset impairment, the increase in depreciation and amortisation expenses, repair and maintenance expenses and personnel costs in the wind power segment; (2) the decrease in the coal sales costs in the coal power segment; and (3) provision of RMB248 million made for impairment in other segments.

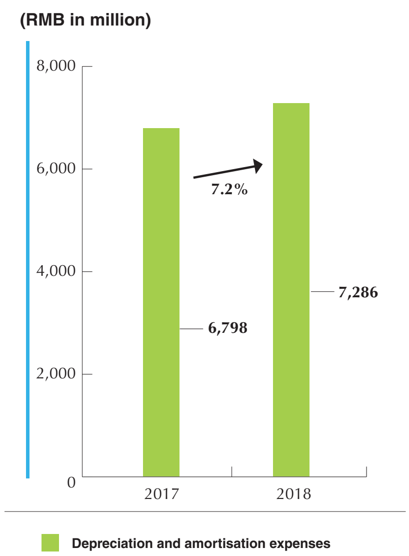
Operating expenses items and their respective proportions are set out in the diagram below:



Depreciation and amortisation expenses

Depreciation and amortisation expenses of the Group amounted to RMB7,286 million in 2018, representing an increase of 7.2% as compared to RMB6,798 million in 2017, primarily due to the increase of RMB439 million or 7.0% in depreciation and amortisation expenses of wind power segment over 2017 as a result of expansion in the installed capacity of wind power projects.

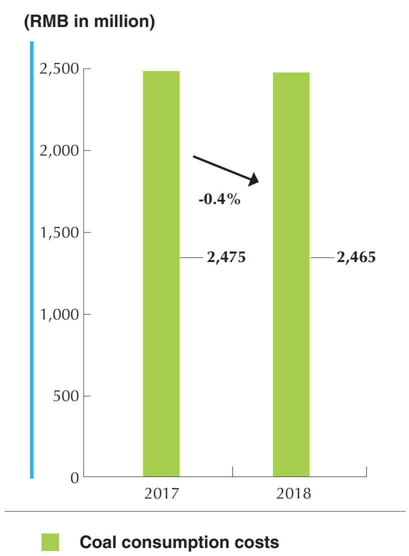
Depreciation and amortisation expenses are set out in the diagram below:



Coal consumption costs

Coal consumption costs of the Group amounted to RMB2,465 million in 2018, representing a decrease of 0.4% as compared to RMB2,475 million in 2017, which was mainly due to (1) an increase of approximately 4.3% in the average unit price of standard coal for power and steam generation as affected by the slight increase in the coal price in 2018 and (2) a decrease of approximately 4.5% in the standard coal consumption as a result of the decrease in power generation.

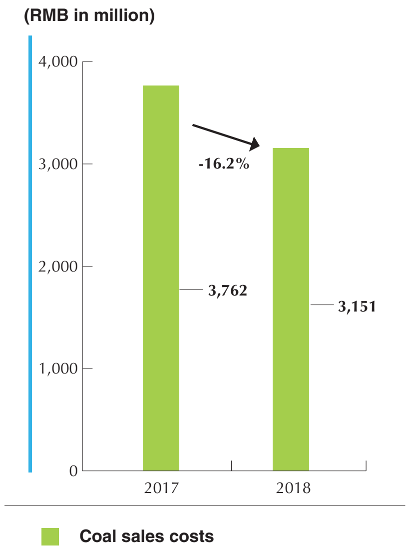
Coal consumption costs are set out in the diagram below:



Coal sales costs

Coal sales costs of the Group in 2018 amounted to RMB3,151 million, representing a decrease of 16.2% as compared to RMB3,762 million in 2017, which was mainly due to the decrease of approximately 16.6% in the sales volume of coal of the Group in 2018.

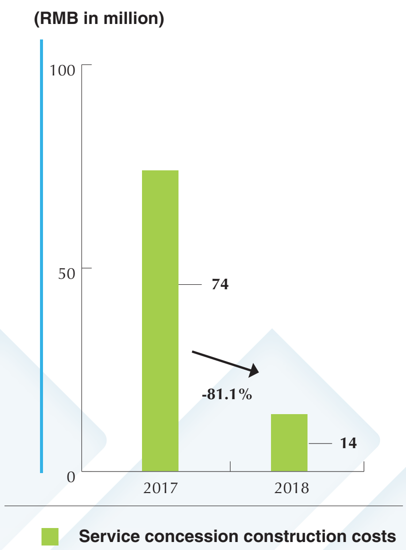
Coal sales costs are set out in the diagram below:



Service concession construction costs

The Group's service concession construction costs in 2018 amounted to RMB14 million, representing a decrease of 81.1% as compared to RMB74 million in 2017, primarily due to a decrease in the construction volume of service concession projects under construction in 2018 as compared to 2017.

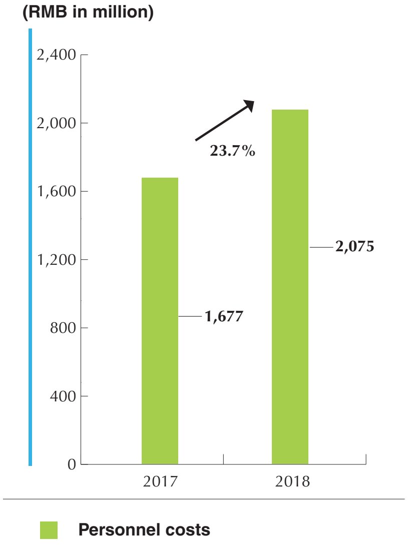
Service concession construction costs are set out in the diagram below:



Personnel costs

Personnel costs of the Group amounted to RMB2,075 million in 2018, representing an increase of 23.7% as compared to RMB1,677 million in 2017, which was mainly due to (1) an increase in headcounts as a result of the Group's expansion; (2) the increases in personnel salary and benefits; and (3) the fact that a portion of the personnel costs were expensed instead of being capitalised as more projects commenced operation.

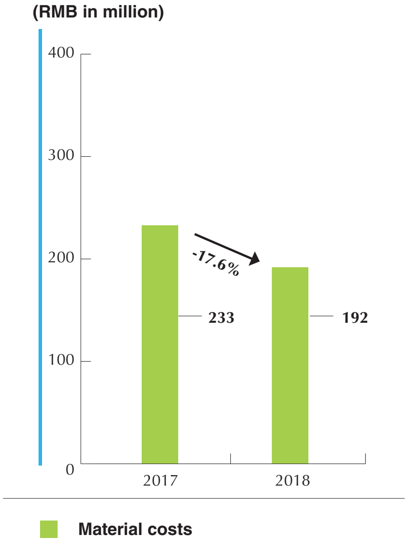
The personnel costs are set out in the diagram below:



Material costs

Material costs of the Group amounted to RMB192 million in 2018, representing a decrease of 17.6% as compared to RMB233 million in 2017, which was primarily due to (1) the decrease in the materials consumed for desulphurization and denitration as the coal power electricity generation decreased by 5.7%; and (2) the decreases of electricity sales and material costs as a result of the overhaul of Guodian Youyi Biomass Power Co., Ltd. (國電友誼生物質發電有限公司) in certain period of the year.

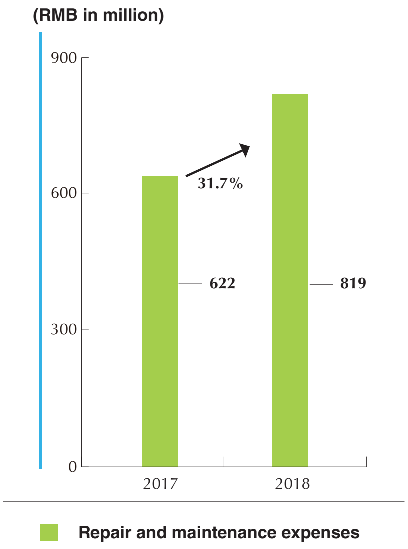
The material costs are set out in the diagram below:



Repair and maintenance expenses

The repair and maintenance expenses of the Group amounted to RMB819 million in 2018, representing an increase of 31.7% as compared to RMB622 million in 2017, which was mainly due to (1) the increase in the repair expenses of the wind power segment with the growth of the wind power installed capacity; (2) the increase in the repair expenses as a result of standard safety and civilisation construction conducted intensively in the wind power segment in 2018; and (3) the increase in the repair and maintenance expenses as a result of the extended maintenance period for units under overhauls in the coal power segment during the year.

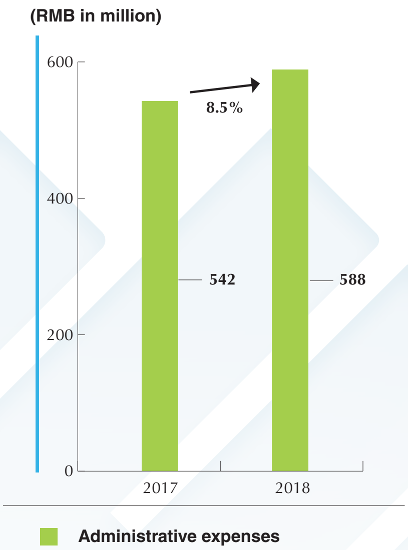
Repair and maintenance expenses are set out in the diagram below:



Administrative expenses

Administrative expenses of the Group amounted to RMB588 million in 2018, representing an increase of 8.5% as compared to RMB542 million in 2017, which was primarily due to the increase in expenses such as the travelling expenses, office allowance, utility bills and maintenance expenses as a result of the business growth of the Group.

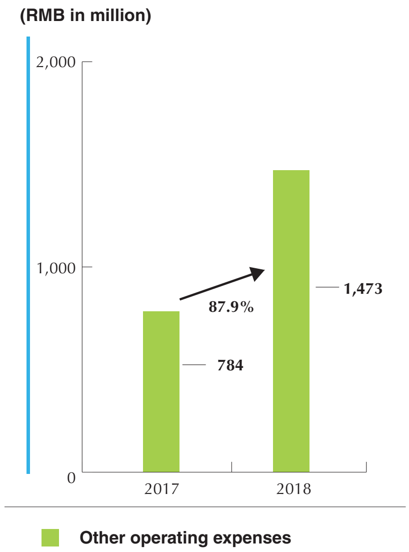
Administrative expenses are set out in the diagram below:



Other operating expenses

Other operating expenses of the Group amounted to RMB1,473 million in 2018, representing an increase of 87.9% as compared to RMB784 million in 2017, which was mainly due to (1) the provision of RMB257 million, RMB9 million and RMB248 million respectively made for asset impairment in the wind power, coal power segments as well as other segments in 2018, as compared to the provision RMB105 million made for asset impairment in 2017; (2) an increase in taxes as a result of increased revenue from power generation business; (3) the increase in property insurance for relevant wind power equipment; and (4) an increase in the EPC costs arising from the provision of engineering procurement construction services by the Group.

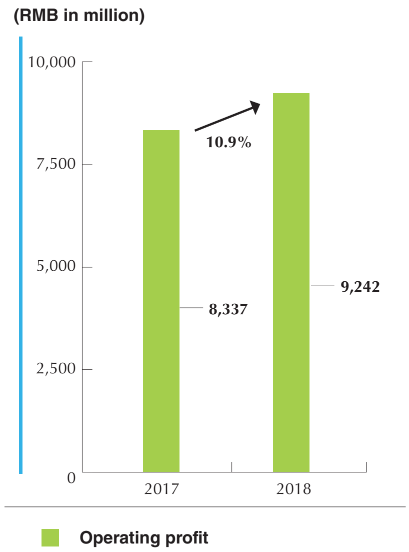
Other operating expenses are set out in the diagram below:



Operating profit

Operating profit of the Group amounted to RMB9,242 million in 2018, representing an increase of 10.9% as compared to RMB8,337 million in 2017, which was mainly due to (1) an increase of RMB1,378 million in operating profit from sales of electricity of wind power segment as a result of the increase in average utilisation hours of wind power and installed capacity expansion; and (2) a decrease of RMB67 million in the operating profit of coal power segment as a result of the decrease of electricity sales.

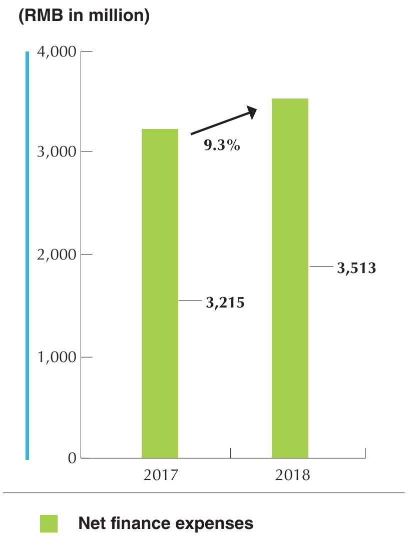
Operating profit is set out in the diagram below:



Net finance expenses

Net finance expenses of the Group amounted to RMB3,513 million in 2018, representing an increase of RMB298 million or 9.3% as compared to RMB3,215 million in 2017. The main reasons are as follows: (1) an increase of RMB245 million in the gain on changes in fair value of the cross-currency exchange contracts and interest rate swap contracts as compared to 2017; (2) interest income generated from financial assets in 2018 increased by RMB62 million as compared to 2017; (3) the interest expenses increased by RMB345 million in 2018 as compared to the corresponding period in 2017 as a result of the increase in average balance of borrowings and interest rate; (4) an increase of RMB203 million in the factoring expenses and ABN expenses in 2018 as compared to 2017; and (5) the Group's net foreign exchange loss in 2018 increased by RMB48 million as compared to 2017.

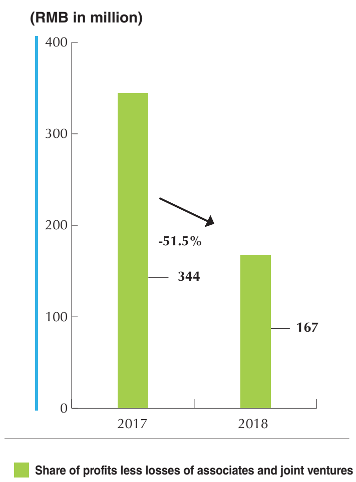
Net finance expenses are set out in the diagram below:



Share of profits less losses of associates and joint ventures

The Group's share of profits less losses of associates and joint ventures amounted to RMB167 million in 2018, representing a decrease of 51.5% as compared to RMB344 million in 2017, which was mainly due to (1) the decrease of RMB46 million in the share of net profits of Jiangsu Nantong Power Generation Co., Ltd. (江蘇南通發電有限公司), a joint venture, in 2018 as affected by the increased coal prices and the decrease of power generation; (2) the decrease of RMB74 million in the share of net profits of China Guodian Financial Leasing Co., Ltd. (國電融資租賃有限公司), an associate, in 2018; and (3) the decrease of RMB50 million in the share of net profits of Guodian United Power Technology Co., Ltd.(國電聯合動力技術有限公司), an associate, in 2018.

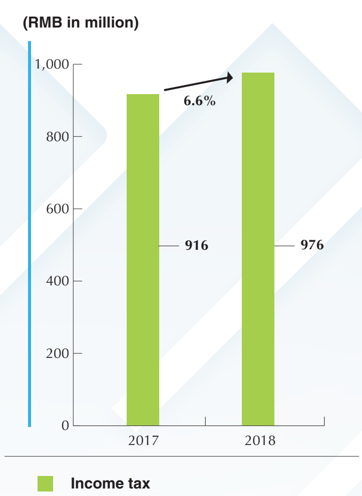
Share of profits less losses of associates and joint ventures is set out in the diagram below:



Income tax

Income tax of the Group amounted to RMB976 million in 2018, representing an increase of 6.6% as compared to RMB916 million in 2017, which was mainly due to (1) a year-on-year increase of 7.9% in profit before tax in 2018; and (2) higher tax rate in 2018 as compared to that in 2017 as a result of the end of tax holiday for certain wind power projects.

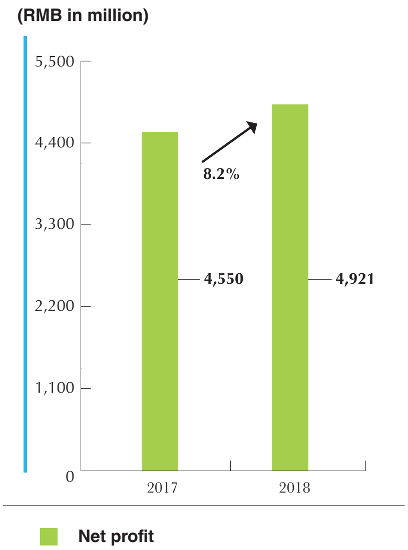
Income tax is set out in the diagram below:



Net profit

In 2018, the net profit of the Group amounted to RMB4,921 million, representing an increase of 8.2% as compared to RMB4,550 million in 2017, mainly attributable to the year-on-year increase in net profit of wind power segment.

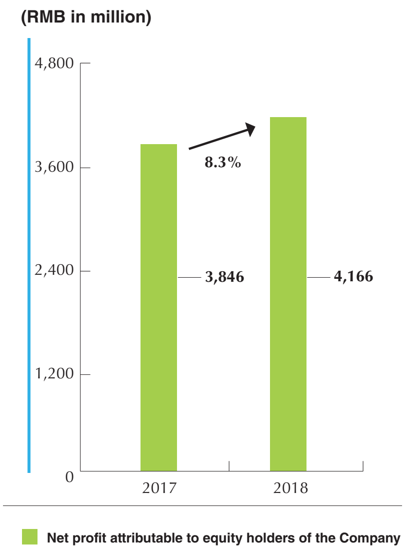
Net profit is set out in the diagram below:



Net profit attributable to equity holders of the Company

In 2018, net profit attributable to equity holders of the Company amounted to RMB4,166 million, representing an increase of 8.3% as compared to RMB3,846 million in 2017, mainly attributable to the increase in net profit from wind power segment, most equity interests of which were held by equity holders of the Company.

Net profit attributable to equity holders of the Company is set out in the diagram below:



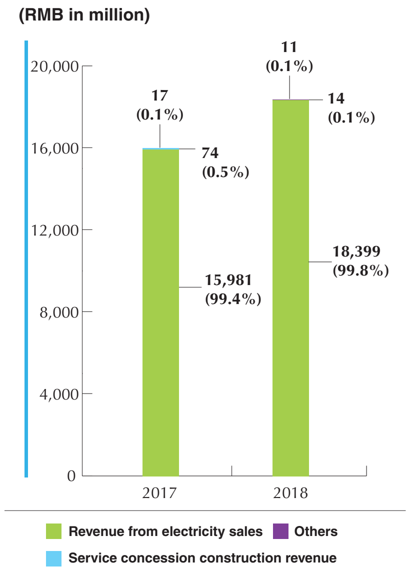
Segment results of operations

Wind power segment

Operating revenue

In 2018, the operating revenue of the wind power segment of the Group amounted to RMB18,424 million, representing an increase of 14.6% from RMB16,072 million in 2017, primarily due to an increase in revenue from electricity sales as a result of growing electricity sales of wind power segment caused by an increase in average utilisation hours and installed capacity of wind power business.

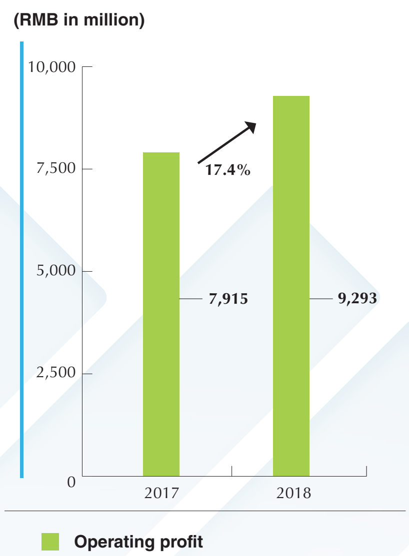
Operating revenue of the wind power segment and proportions are set out in the diagram below:



Operating profit

In 2018, the operating profit of the wind power segment of the Group amounted to RMB9,293 million, representing an increase of 17.4% as compared to RMB7,915 million in 2017. The fact that growth of operating profit was higher than that of the revenue from electricity sales in the wind power segment, was mainly due to the growth of revenue from electricity sales outpaced that of the costs as a result of the increase in average utilisation hours of power equipment in 2018.

Operating profit of the wind power segment is set out in the diagram below:

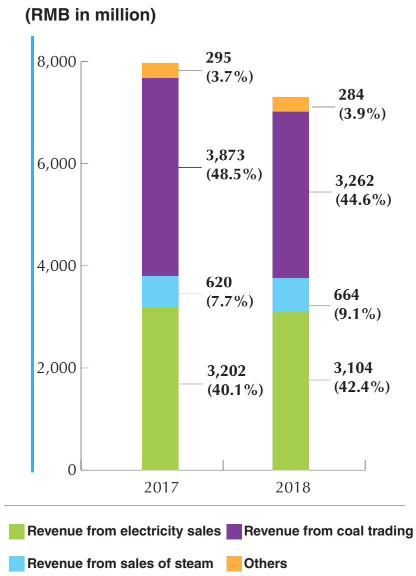


Coal power segment

Operating revenue

In 2018, the operating revenue of the coal power segment of the Group amounted to RMB7,314 million, representing a decrease of 8.5% as compared to RMB7,990 million in 2017, primarily attributable to: (1) a decrease in revenue from electricity sales due to a decrease of 5.6% in the electricity sales volume of the coal power segment in 2018 as compared to 2017; (2) a year-on-year decrease in the revenue from coal trading due to the scaling down of coal trading volume in 2018.

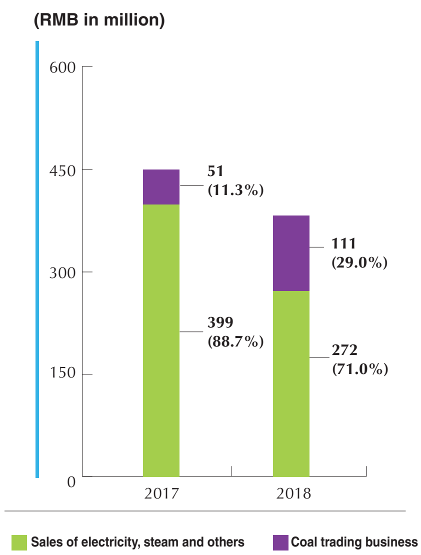
Operating revenue of the coal power segment and proportions are set out in the diagram below:



Operating profit

In 2018, operating profit of the coal power segment of the Group amounted to RMB383 million, representing a decrease of 14.9% as compared to RMB450 million in 2017, which was mainly attributable to the combined effect of a decrease in the electricity sales of the coal power segment and rising coal purchasing prices.

Operating profit of the coal power segment and proportions are set out in the diagram below:

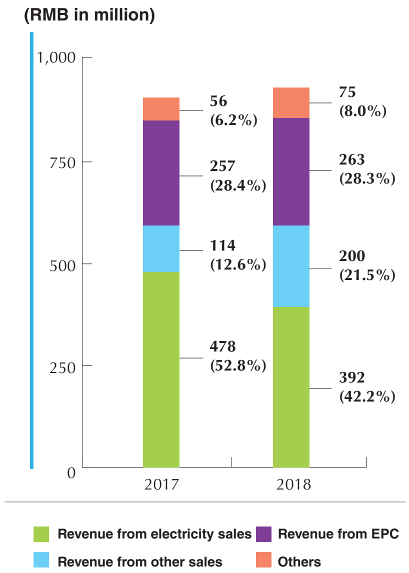


Other segments

Operating revenue

In 2018, the operating revenue of other segments of the Group amounted to RMB930 million, representing an increase of 2.8% as compared to RMB905 million in 2017, which was mainly due to: (1) an increase in the revenue from consulting and design services and revenue from EPC in other segments; and (2) a decrease in the revenue from electricity sales as a result of a decrease in the power generation of the photovoltaic and biomass businesses.

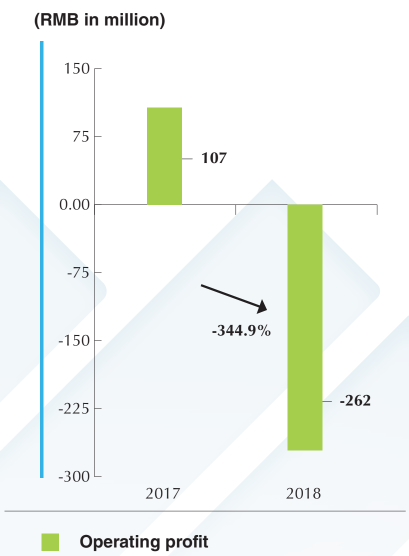
Operating revenue of other segments and proportions are set out in the diagram below:



Operating profit

In 2018, the operating loss of other segments of the Group amounted to RMB262 million, representing a decrease of 344.9% as compared to the operating profit of RMB107 million in 2017, which was primarily due to: (1) the provision of RMB248 million made for impairment in 2018; and (2) a decrease in the revenue from electricity sales of the photovoltaic and biomass businesses.

Operating profit of other segments is set out in the diagram below:



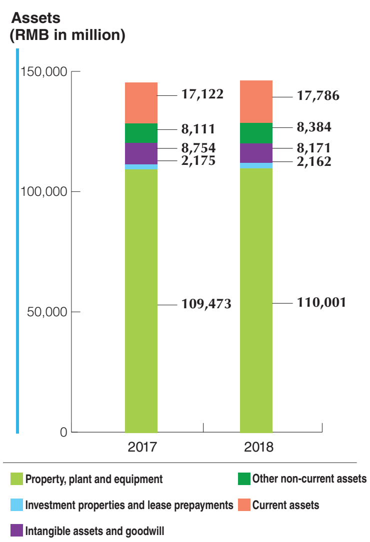
Assets and liabilities

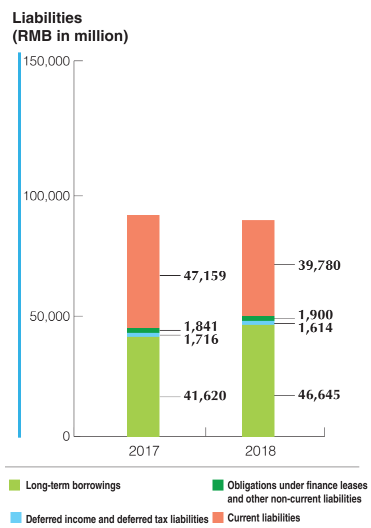
As at 31 December 2018, total assets of the Group amounted to RMB146,504 million, representing an increase of RMB869 million as compared with total assets of RMB145,635 million as at 31 December 2017. This was primarily due to: (1) an increase of RMB664 million in current assets including trade and bills receivables; and (2) an increase of RMB205 million in non-current assets including property, plant and equipment.

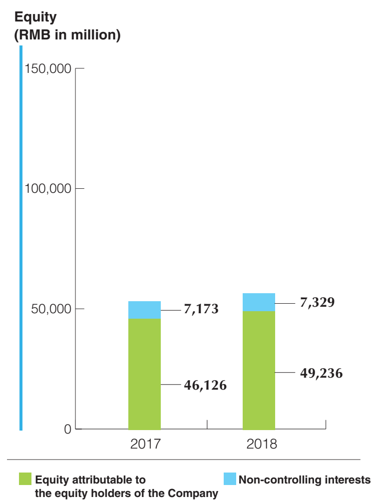
As at 31 December 2018, total liabilities of the Group amounted to RMB89,939 million, representing a decrease of RMB2,397 million as compared to total liabilities of RMB92,336 million as at 31 December 2017. This was primarily due to: (1) an increase of RMB4,982 million in non-current liabilities including long-term borrowings; and (2) a decrease of RMB7,379 million in current liabilities including short-term borrowings.

As at 31 December 2018, equity attributable to equity holders of the Company amounted to RMB49,236 million, representing an increase of RMB3,110 million as compared with RMB46,126 million as at 31 December 2017, which was mainly earnings from normal business operation during the year.

Details of assets, liabilities and equity are set out in the diagrams below:



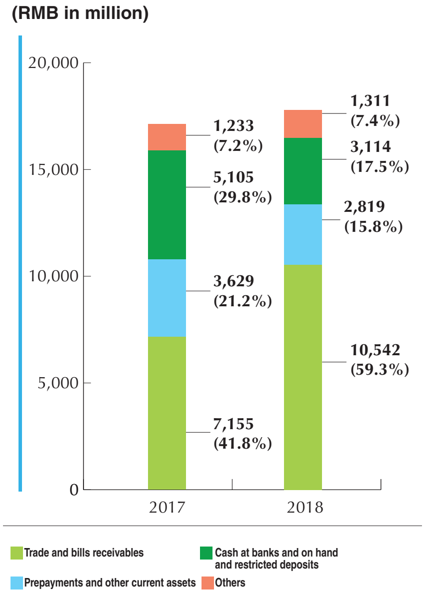




Capital liquidity

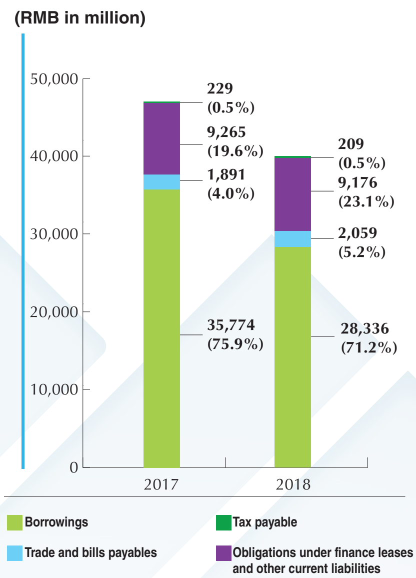
As at 31 December 2018, current assets of the Group amounted to RMB17,786 million, representing an increase of RMB664 million as compared with RMB17,122 million as at 31 December 2017, which was mainly attributable to an increase in trade and bills receivables, and a decrease in other current assets including cash at banks and on hand.

Current assets by item and proportions are set out in the diagram below:



As at 31 December 2018, current liabilities of the Group amounted to RMB39,780 million, representing a decrease of RMB7,379 million as compared with RMB47,159 million as at 31 December 2017, which was mainly due to repayment of external short-term borrowings.

Current liabilities by item and proportions are set out in the diagram below:



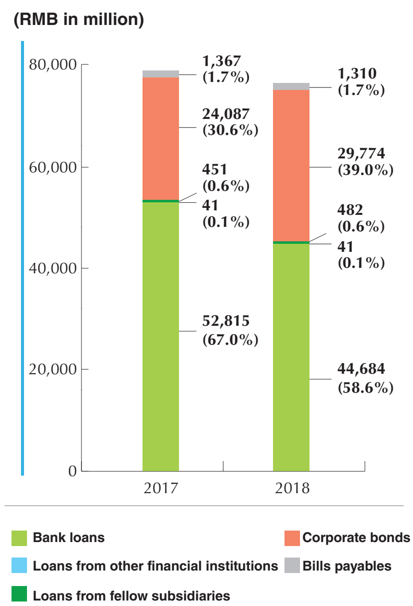
As at 31 December 2018, net current liabilities of the Group amounted to RMB21,994 million, representing a decrease of RMB8,043 million as compared with RMB30,037 million as at 31 December 2017. The liquidity ratio was 0.45 as at 31 December 2018, representing an increase of 0.09 as compared with the liquidity ratio of 0.36 as at 31 December 2017, which was mainly attributable to the combined effect of an increase in current assets including receivables and a decrease in short-term borrowings in the year.

Restricted deposits amounted to RMB253 million, mainly including monetary funds deposited in the custodial account opened by the Company which can only be transferred to a trust account or be used for repaying bank loans.

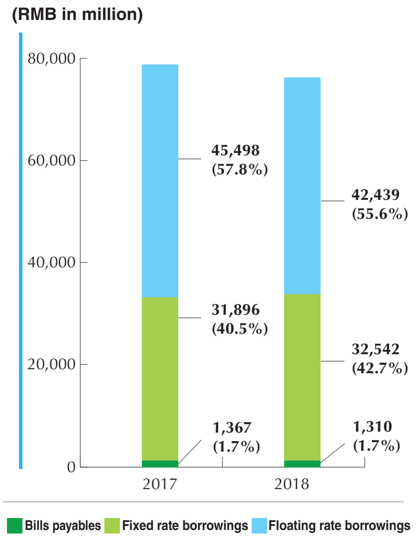
Borrowings and bills payables

As at 31 December 2018, the Group's balance of the borrowings and bills payables amounted to RMB76,291 million, representing a decrease of RMB2,470 million as compared with the balance of RMB78,761 million as at 31 December 2017. As at 31 December 2018, the Group's outstanding borrowings and bills included short-term borrowings and bills payables of RMB29,646 million (including long-term borrowings due within one year of RMB5,273 million and bills payables of RMB1,310 million) and long-term borrowings amounting to RMB46,645 million (including debentures payables of RMB21,293 million). The abovementioned borrowings included borrowings denominated in Renminbi of RMB69,525 million, borrowings denominated in U.S. dollars of RMB2,593 million and borrowings denominated in other foreign currencies of RMB2,863 million. As at 31 December 2018, the long-term liabilities with fixed interest rates of the Group included long-term borrowings with fixed interest rates of RMB252 million and corporate bonds with fixed interest rates of RMB21,293 million. As at 31 December 2018, the balance of bills payables issued by the Group amounted to RMB1,310 million.

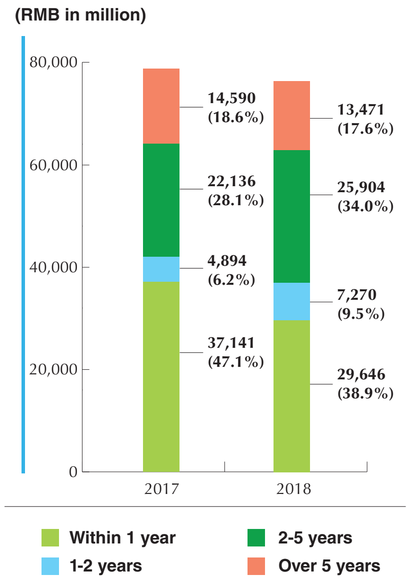
Borrowings and bills payables by category and proportions are set out in the diagram below:



The types of interest rate structure of borrowings and bills payables and their respective proportions are set out in the diagram below:



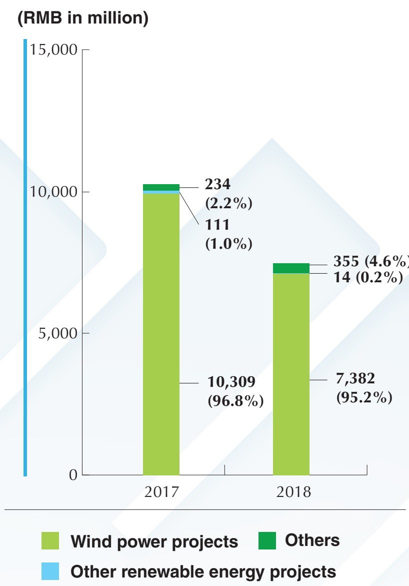
Borrowings and bills payables by term and proportions are set out in the diagram below:



Capital expenditures

The capital expenditures of the Group amounted to RMB7,751 million in 2018, representing a decrease of 27.2% as compared with RMB10,654 million in 2017, among which, the expenditures for the construction of wind power projects amounted to RMB7,382 million, and the expenditures for the construction of other renewable energy projects amounted to RMB14 million. The sources of funds mainly included self-owned funds and external borrowings.

Capital expenditures classified by use and proportions are set out in the diagram below:



Net gearing ratio

As at 31 December 2018, the net gearing ratio of the Group, which is calculated by dividing net debt (the sum of total borrowings and obligations under finance leases less cash and cash equivalents) by the sum of net debt and total equity, was 56.18%, representing a decrease of 1.55 percentage points from 57.73% as at 31 December 2017. This was primarily due to the increase in total equity in 2018 as a result of the increase in retained earnings this year.

Major investments

The Group made no major investment in 2018.

Material acquisitions and disposals

The Group did not have any material acquisitions or disposals in 2018.

Pledged assets

As at 31 December 2018, general banking facilities amounted to RMB12,200 million are secured by tariff collection rights and equipment with net carrying amount of RMB1,195 million.

Contingent liabilities/Guarantees

As at 31 December 2018, the Group provided a guarantee of RMB142 million for bank loans of an associate, and issued a counter-guarantee of no more than RMB19 million to the controlling shareholder of an associate. As at 31 December 2018, the bank loan balance for which the Group provided the counter-guarantee amounted to RMB9 million.

Cash flow analysis

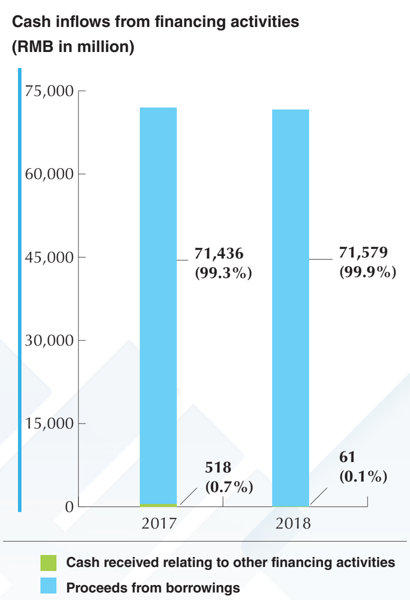
As at 31 December 2018, cash at banks and on hand held by the Group amounted to RMB2,861 million, representing a decrease of RMB2,211 million as compared with RMB5,072 million as at 31 December 2017, which was mainly attributable to the expenditures on investment in wind power projects and repayment of borrowings. The principal sources of funds of the Group mainly include cash inflow generated from operating activities and external borrowings. The Group mainly used the funds for capital turnovers and the construction of projects.

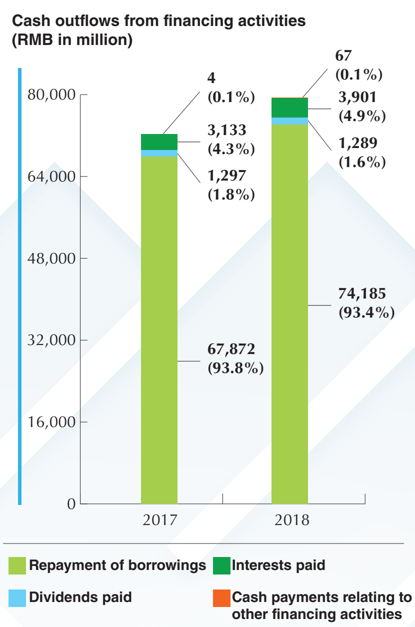
The net cash inflow of the Group's operating activities amounted to RMB14,255 million in 2018, representing an increase of RMB2,124 million as compared with that of RMB12,131 million in 2017, mainly due to the increase in revenue of electricity sales.

The net cash outflow from investing activities of the Group for 2018 was RMB8,633 million. The cash outflow for investment activities were mainly used for the construction of wind power projects.

The net cash outflow from financing activities of the Group for 2018 was RMB7,802 million. The cash inflow from financing activities was mainly generated from the issue of corporate bonds and bank loans. The cash outflow for financing activities was primarily used for the repayment of borrowings and payments of interest of borrowings.

Cash inflows from financing activities and cash outflows from financing activities are set out in the diagrams below:





IV. RISK FACTORS AND RISK MANAGEMENT

1. Policy risk

As the power system reform continues to deepen, the trading scale and scope of new energy market will continue to increase, the construction of pilot exploratory markets for spot goods and auxiliary services will speed up and policies on renewable energy quota system, grid parity of wind power generation, competitive allocation, market-oriented subsidy, etc. will be successively implemented. Since the increasingly severe market competition poses more severe test for enterprise marketing and operation, the Group will keep tracking relevant national policies, judge the effects of policies in order to leverage on relevant policies reasonably, and proactively propose its own appeals to safeguard its benefits as a new energy enterprise.

2. Climatic risk

The major climatic risk confronted by the wind power industry is the annual fluctuation of wind resources, which is represented by the higher power generation in years of high wind speed and the lower power generation in years of low wind speed than that in normal years. On the vast territory of the PRC which covers a wide span of areas, there is a great variation in climate conditions in different regions. To be specific, the regions have different climate characteristics of the years of high and low wind speeds in the same period. In response to different climate conditions in different regions, the Group carried out the nationwide dispersed layout to reduce investment risks. As at the end of 2018, following the progress of projects in Sichuan and Henan, the Group had substantial projects in 31 provinces, autonomous regions and municipalities in China, covering all regions except for Hong Kong, Macau and Taiwan and formulating an increasingly optimised and rational project layout. In the future, we will further balance the project development ratio in the regions subject to the impact of different monsoons.

3. Risks relating to power grids

In recent years, grid curtailment received high concerns. In 2018, the nationwide grid curtailment tended to be improving on the whole. Due to the grid connection structure and sluggish growth of power load, the situation of grid curtailment was not fundamentally alleviated in a few exceptional districts. The Group will continue to study the characteristics of operation and absorption of wind power, accurately judge the changing trends of policies and make full use of national policies to cope with the grid curtailment and prevent recurrence risk. In addition, it will enhance proactive communication with the government and grid companies, and take the initiative to capture market share of power generation.

4. Interest rate risk

The Group is principally engaged in domestic investment in wind farms, which requires enormous capital expenditure and a large amount of loan fund. Therefore, any changes in interest rate will have certain impacts on the Group's cost of funds. With sound performance and credibility, a stable debt structure and diversified financing channels, the financing interest rate incurred always remains lower than the average level among the peers. Meanwhile, the Group will, through active participation in direct financing markets within and outside the PRC, innovate financing products in order to effectively avert interest rate risks. In addition, the Group will pay close attention to changes of policy in the domestic and international financial markets, timely adopt a targeted financing model during fluctuation of interest rate so as to partially offset the impacts on financial costs brought by changes in interest rates.

5. Risk in currency exchange rate

The business of the Group is mainly situated in mainland China where most of its revenue as well as expenses are denominated in Renminbi. Meanwhile, a certain portion of the Group's investments are carried out abroad and a certain amount of its loans are denominated in foreign currencies. Therefore, fluctuations in the Renminbi exchange rate will result in foreign exchange losses or gains of the Group in those transactions denominated in foreign currencies. The Group pays close attention to monitoring and analysing the risk in the foreign exchange rate, keeps close contact with domestic and international financial institutions in terms of businesses relating to exchange rate and designs appropriate means to use foreign currencies and other approaches to improve risk management of the currency exchange rate.

6. Risk in fuel prices

The Group has two coal power plants with an installed capacity of 1,875 MW. The fluctuations in coal price will affect the operating results of the Group's coal power business and there are many uncertain factors in the domestic coal market. The Group will strengthen communication with key coal enterprises to ensure orderly purchase of thermal coal under long term agreements on a yearly basis under the premise of ensuring power generation and heat supply of units as well as controlling fuel costs. The Group will keep a close eye on and earnestly analyze the trends of coal and transportation as well as the changes in prices, work out and implement coal purchasing strategies, maintain reasonable coal inventory, and constantly improve the capability to comprehend the operating law of the coal market and to control fuel costs and ensure supplies. The Group will constantly standardize and expand supply channels of spot coal, optimise coal structure, prevent operational risks and improve the Group's capability to ensure coal supply and control costs.

V. OUTLOOK IN 2019

Outlook for Business Environment at Home and Abroad

2019 will be a year of opportunities and challenges for wind power developers. Since 2018, the curtailment pressure weighing on the wind power market in China has been eased somewhat, with high levels of curtailment in the wind power being effectively curbed, and cumulative grid-connected wind power capacity and the average utilisation hours of wind power generating units being picked up significantly. The goal of "largely eliminating renewable energy curtailment by 2020" and the upcoming quota system after rounds of consultation will boost wind power consumption, spur the trading of green certificates, and cover the shortfall of the Renewable Energy Development Fund effectively.

In order to achieve the development goals set out in the "13th Five-Year Plan", the central government and provincial governments have introduced a number of favorable policies aiming at supporting the wind and solar power plants through multiple channels and from multiple aspects, such as reducing non-technical costs, ensuring consumption, giving priority to power generation, acquiring at full payment, launching trading of renewable energy certificates, cutting electricity transmission and distribution tariffs, promoting market-based trading, and giving financial support. Thanks to the state's policy-based support and guidance, there have been breakthrough advances in wind power technologies, bringing down the costs of wind farms. In some places of the "Three North" areas and plain and hilly areas, the power generation cost of a new wind power project could be equivalent to that of a local coal-fired power plant if no grid curtailment was imposed, indicating that grid parity is becoming a reality. With easing grid curtailment and the support of relevant incentive measures, the Group will be able to exploit the huge advantages of its projects in the pipeline in the "Three North" areas. We will keep a close eye on the annual monitoring and early warning and the construction of UHV power transmission lines, ensure adequate consumption capacity and focus on promoting construction of large base projects.

In 2019, provincial governments in China are introducing measures for competitive allocation of wind power projects, signaling the official launch of an auction mechanism for newly approved centralized onshore wind power projects and offshore wind power projects. Competitive allocation will initiate the market-driven development of the wind power industry and pose higher requirements to wind power developers in respect of technologies and management standard. As a major wind power developer in China, the Group has stronger market competitiveness and will rely on its technical advantages in project construction and operation and maintenance, and lower capital costs to continuously reduce development costs and improve project performance. The measures for competitive allocation introduced in various provinces indicate that the competition for wind power projects is not only about electricity price, but also about such factors as the depth of preliminary works and the occupation of ecological and environmental protection areas. In such a context, we will compare the projects in the pipeline subject to auctions with other projects in the same region, analyze the comprehensive competitiveness and ranking levels in the region, and preliminarily estimate the lowest bidding price that could enable us to secure profit, so as to prepare for the kick-off of the auction mechanism in various provinces. Understanding that only precise cost estimation will give us an edge in a bidding process, we will further improve the accuracy of calculations regarding power generation, study how to estimate project cost that is more approximate to the actual cost, and explore new designs to reduce costs. In addition, we will keep a close eye on projects with strong competitiveness in the regions and refine our preliminary work to get us well-prepared and thus enable us to win in a bidding process.

In recent years, local governments have tightened regulation over wind power projects, and imposed more rigorous requirements for approving the planning, environmental impact assessment, land, forest land and grip connection, setting stricter conditions for the implementation of project development. Further, domestic wind turbine manufacturers, private enterprises and financial institutions have all set foot in the wind power filed, making the competition for wind power resources even more fierce. In response to such situation, the Group will timely adjust its development strategy, proactively explore new ways to temporize with the development needs, and consistently seek breakthroughs with innovative management concepts and professional technical support, so as to further expand its market share.

The world is going through a new round of major development, transformation and adjustment. The economic and social well-being of countries in the world is increasingly interconnected. The reform of the global governance system and the international order is picking up speed, and it has become a consensus of all countries in the world to cope with climate change and develop green energy. All these have created favorable conditions for us to "Go Global" to explore overseas markets, strengthen cooperation with other countries in new energy sector, and participate in energy development in other countries. On the other hand, the world economy is going through profound adjustment, and protectionism and unilateralism are resurging. Economic globalization faces headwinds, and multilateralism and the system of free trade are under threat. Uncertainties and instabilities still abound, and risks and challenges are growing. Driven by the "Belt and Road" initiative, China's state-owned and private enterprises have gone abroad to explore overseas markets, especially new energy markets, leading to increasingly fierce competition. We will continue to actively participate in promoting the "Belt and Road" initiative and focus on overseas wind power and photovoltaic markets, implementing our "Go Global" strategy step by step.

Operation Targets of the Group in 2019

In 2019, the business guidelines of the Company are as follows: Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we will fully implement the guiding principles from the 19th CPC National Congress and the Second and Third Plenary Sessions of the 19th CPC Central Committee, earnestly study and follow the gist of the Central Economic Work Conference and the National Work Conference on Party Building of State-owned Enterprises, uphold and strengthen overall Party leadership, adhere to the underlying principle of pursuing progress while ensuring stability, put into practice the new development philosophy and deepen supply-side structural reform; we will vigorously pursue the strategy of innovation-driven development, enhance our ability to unite, and improve political ecology; and we will strive to develop our Company into a world-class renewable energy giant with global competitiveness and greet the 70th anniversary of the founding of the People's Republic of China with outstanding achievements.

In 2019, the Group will endeavor to achieve the following objectives:

1. To uphold and strengthen Party leadership, and move further forward with the full and rigorous governance over the Party;

2. To strengthen safety management over production and operation, and continuously improve operation quality;

3. To optimise our strategic plans and push for high-quality development;

4. To strengthen technological innovation and enhance our core competitiveness;

5. To deepen management innovation and strengthen endogenous impetus;

6. To highlight political standards and strengthen the building of leadership team and cadres; and

7. To insist on the leading role of cultural advancement and make Longyuan a harmonious and happy big family.

DIRECTORS' REPORT

The Board of the Company hereby presents to Shareholders the annual report and the audited financial statements for the year ended 31 December 2018 (the "Financial Statements").

BOARD MEETINGS

During the reporting period, seven Board meetings were held and a total of 34 resolutions of the Board were approved:

1. The 2018 first meeting of the third session of the Board was held on 12 March 2018, at which 19 resolutions were considered and approved.

2. The 2018 second meeting of the third session of the Board was held on 26 April 2018, at which two resolutions were considered and approved.

3. The 2018 third meeting of the third session of the Board was held on 18 May 2018, at which two resolutions were considered and approved.

4. The 2018 first meeting of the fourth session of the Board was held on 6 July 2018, at which two resolutions were considered and approved.

5. The 2018 second meeting of the fourth session of the Board was held on 21 August 2018, at which four resolutions were considered and approved.

6. The 2018 third meeting of the fourth session of the Board was held on 30 October 2018, at which three resolutions were considered and approved.

7. The 2018 fourth meeting of the fourth session of the Board was held on 12 December 2018, at which two resolutions were considered and approved.

Directors' attendance at the Board meetings is as follows:

Name	Position in the Company	Number of Meetings Attended/Held	Attendance Rate
Qiao Baoping	Chairman of the Board and Non-executive Director	7/7	100%
Liu Jinhuan	Non-executive Director	4/4	100%
Wang Baole	Non-executive Director	3/3	100%
Luan Baoxing	Non-executive Director	7/7	100%
Yang Xiangbin	Non-executive Director	7/7	100%
Li Enyi	Executive Director	6/6	100%
Huang Qun	Executive Director	7/7	100%
Zhang Songyi	Independent Non-executive Director	7/7	100%
Meng Yan	Independent Non-executive Director	7/7	100%
Han Dechang	Independent Non-executive Director	7/7	100%

Notes:

1. During the year ended 31 December 2018, a total of seven Board meetings were held, and at two of these meetings, Mr. Qiao Baoping was a connected Director and therefore abstained from voting on relevant resolutions in such meetings.

2. Mr. Liu Jinhuan was appointed as a non-executive Director of the Company on 25 May 2018. Since his appointment and up to 31 December 2018, a total of four Board meetings were held, and at one of these meetings, Mr. Liu Jinhuan was a connected Director and therefore abstained from voting on relevant resolutions in such meeting.

3. Mr. Wang Baole resigned as a non-executive Director of the Company on 25 May 2018. From 1 January 2018 until his resignation, a total of three Board meetings were held, and at one of these meetings, Mr. Wang Baole was a connected Director and therefore abstained from voting on relevant resolutions in such meeting.

4. During the year ended 31 December 2018, a total of seven Board meetings were held, and at two of these meetings, Mr. Luan Baoxing was a connected Director and therefore abstained from voting on relevant resolutions in such meetings.

5. During the year ended 31 December 2018, a total of seven Board meetings were held, and at two of these meetings, Mr. Yang Xiangbin was a connected Director and therefore abstained from voting on relevant resolutions in such meetings.

6. Mr. Li Enyi resigned as an executive Director of the Company on 2 December 2018. From 1 January 2018 until his resignation, a total of six Board meetings were held.

7. As considered and approved at the 2019 first extraordinary general meeting of the Company, Mr. Jia Yanbing was appointed as an executive Director on 28 February 2019. Therefore, he did not attend any of the Board meetings held in the reporting period.

Save as disclosed above, during the year of 2018, non-executive Directors (including independent non-executive Directors) held one meeting of non-executive Directors. Save as disclosed in the notes, the term of office of each of the aforesaid Directors shall expire at the expiry of the term of the fourth session of the Board.

SHARE CAPITAL

As at 31 December 2018, the total share capital of the Company was RMB8,036,389,000, divided into 8,036,389,000 shares of RMB1.00 each. Details of movements in the share capital of the Company during the year are set out in Note 36(c) to the Financial Statements.

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

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

PRE-EMPTIVE RIGHTS

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

DIRECTORS' REPORT

PRINCIPAL BUSINESS

The Group is principally engaged in the design, development, construction, management and operation of wind farms in areas with abundant wind resources in the PRC and the sales of electricity to the local grid companies. Details of major subsidiaries and associated companies of the Company are set out in Notes 19 and 20 to the Financial Statements respectively.

BUSINESS REVIEW

In 2018, the Group followed strictly the Company Law of the PRC (中華人民共和國公司法), the Securities Law of the PRC (中華人民共和國證券法), the Contract Law of the PRC (中華人民共和國合同法), the Electricity Law of the PRC (中華人民共和國電力法), the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Labour Law of the PRC (中華人民共和國勞動法) and other relevant laws and regulations as well as environmental policies in China, and added or modified 49 rules under its existing institutional framework. It has established complete mechanisms for regulatory-compliant operation so as to prevent and avoid material legal risks to the maximum extent and to ensure the regulatory compliance of the operation and development of the Company. The Group acted in strict compliance with relevant laws and regulations and was not involved in any serious violation of laws or regulations in 2018.

For the analysis of business using key financial indicators, major risks the Company is exposed to, particulars of important events affecting the Company and the future business development of the Company, please refer to the section headed Management Discussion and Analysis. For the discussion on the Company's environmental policies and their effectiveness, please refer to the section headed Environmental, Social, and Governance Report. For the discussion on the relations between the Company and its employees, customers and suppliers, please refer to the sections headed Environmental, Social, and Governance Report and Corporate Governance Report.

RELATIONS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group had no material or major disputes with its suppliers and customers in 2018.

The Group has maintained friendly relationship with the employees. It improved the working environment and living conditions for the front-line production staff, relaxed the restrictions on the incorporation of the front-line employees in distressed regions into the advanced study and recreation systems for model workers and thoroughly implemented the system of employee fraternal funds, which enhanced the staff's sense of belonging and the enterprise cohesiveness.

The Group has maintained a sound relationship with the suppliers. The Group gives an annual comprehensive evaluation for suppliers and set up a warning and no-access mechanism for dishonest suppliers. Besides, the Group implements a manufacturing supervision and management system for main units, turbine towers and key electrical equipment to guarantee product quality.

The Group has maintained a satisfactory relationship with the customers and has conducted analysis and research on the opinions of the customers in a timely manner.

For particulars of the relations with employees, suppliers and customers, please refer to the section headed Environmental, Social, and Governance Report.

ENVIRONMENT-RELATED PERFORMANCE AND POLICIES

The Group has actively taken actions in response to environmental protection policies and strictly complied with national and local environmental protection laws, regulations and policies. In adhering to the environmental protection concept of "green operation for sustainable development", the Group focused on developing green energy and made great efforts to establish a clean development mechanism to abide by its commitments to green operation. Through practical green designs and specific environmental management system, the Group intensified its control over environment and reduced its impact on environment in construction and operation.

The Group, in adhering to the operation concept of "improving efficiency through cost reduction", explored energy-saving potential, improved energy utilisation efficiency and reduced energy consumption. The Company has established operation guidelines for planning energy consumption, promoting energy conservation and improving productivity and efficiency through energy conservation. Through advanced technologies and improved management methods, the Company continuously reduced its own energy consumption, carbon dioxide and pollutant emissions, thus achieving coordinated development of its economy and environment.

The Company always adheres to high standards of performance in the relevant requirements related to environmental protection and actively carries out national policies on energy saving and emission reduction. In this regard, the Company keeps improving its environmental management system and environmental protection rules, and implements emission reduction measures according to the Company's actual business condition. The Company strives to develop environmental-friendly business, mitigate emissions from its business operations, reduce the use of resources and promote environmental protection at the places where it operates. The Company has complied with the environmental laws and regulations such as the Environmental Protection Law of the PRC (中華人民共和國環境保護法) and has always fulfilled its environmental responsibility in accordance with the standards of local environmental regulations and industry rules and practices so as to achieve higher environmental performance. During the reporting period, the Company did not experience any incident of non-compliance with environmental laws and regulations. For details, please refer to the Environmental, Social, and Governance Report as set out on pages 114 to 156 of this annual report.

MATERIAL LITIGATION

As at 31 December 2018, the Group was not involved in any material litigation or arbitration. As far as the Directors are aware, there is no material litigation or claim of material importance pending or threatened against the Group.

PERFORMANCE

The audited results of the Company and its subsidiaries for the year ended 31 December 2018 are set out in the Consolidated Statement of Profit or Loss on pages 195 to 196. The financial position of the Company and its subsidiaries as at 31 December 2018 is set out in the Consolidated Statement of Financial Position on pages 197 to 198. The cash flows of the Company and its subsidiaries for the year ended 31 December 2018 is set out in the Consolidated Statement of Cash Flows on pages 201 to 203.

A discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are set out in the section headed Management Discussion and Analysis on pages 26 to 70 of this annual report.

PROFIT DISTRIBUTION

The Board recommends to distribute a final dividend of RMB0.0977 per share (tax inclusive) in cash to the Shareholders for the year ended 31 December 2018. Such dividend will be subject to Shareholders' approval at the annual general meeting of the Company to be held on Friday, 17 May 2019, and is expected to be paid on Friday, 26 July 2019. Details of the dividend payment will be announced after holding of the annual general meeting.

Pursuant to the Enterprise Income Tax Law of the PRC and its implementation rules, which came into force on 1 January 2008 and other relevant rules, where the Company distributes the proposed 2018 final dividend to non-resident enterprise Shareholders whose names appear on the register of members for H shares of the Company, it is required to withhold and pay enterprise income tax at the rate of 10%. Any H shares registered in the name of non-individual registered H-share Shareholders, including HKSCC Nominees Limited (香港中央結算(代理人)有限公司), other nominees or trustees, or other organisations or groups, will be treated as shares being held by non-resident enterprise Shareholders, and consequently will be subject to the withholding of the enterprise income tax. According to regulations by the State Taxation Administration (Guo Shui Han [2011] No.348) and relevant laws and regulations, if the individual H-share Shareholders are residents of Hong Kong or Macau or those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these Shareholders. If the individual H-share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the relevant tax treaty. If the individual H-share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the actual tax rate stipulated in the relevant tax treaty. If the individual H-share Shareholders are residents of those countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or those countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these Shareholders.

In respect of Southbound Trading, the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading (港股通H股股票現金紅利派發協議) with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the holders of H shares for Southbound Trading, will receive all cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of H shares of Southbound Trading through its depositary and clearing system.

The cash dividends for the investors of H shares of Southbound Trading will be paid in RMB whilst that paid to holders of domestic shares and holders of H shares will be in RMB and in Hong Kong dollar respectively. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No.81), for dividends received by domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the company of such H shares shall withhold individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in properties, plants and equipments of the Company and its subsidiaries during the year are set out in Note 15 to the Financial Statements.

RESERVES

Details of the movements in reserves of the Company during the year are set out in Note 36(a) to the Financial Statements, among which, details of reserves distributable to the Shareholders are set out in Note 36(e) to the Financial Statements.

BANK LOANS AND OTHER BORROWINGS

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth some information concerning the Directors, supervisors and senior management of the Company for the year ended 31 December 2018.

Name	Position in the Company	Date of appointment/re-election
Qiao Baoping	Chairman of the Board and Non-executive Director	Re-elected on 6 July 2018
Liu Jinhuan	Non-executive Director	Re-elected on 6 July 2018
Luan Baoxing	Non-executive Director	Re-elected on 6 July 2018
Yang Xiangbin	Non-executive Director	Re-elected on 6 July 2018
Jia Yanbing	Executive Director	Appointed on 28 February 2019
	President	Appointed on 12 December 2018
Huang Qun	Executive Director and Vice President	Re-elected on 6 July 2018
Zhang Songyi	Independent Non-executive Director	Re-elected on 6 July 2018
Meng Yan	Independent Non-executive Director	Re-elected on 6 July 2018
Han Dechang	Independent Non-executive Director	Re-elected on 6 July 2018
Chen Bin	Chairman of the Supervisory Board	Re-elected on 6 July 2018
Yu Yongping	Supervisor	Re-elected on 6 July 2018
Ding Yinglong	Employee Supervisor	Appointed on 15 August 2018
Jia Nansong	Vice President, Board Secretary, Joint Company Secretary	Re-elected on 6 July 2018
Zhang Binquan	Vice President	Re-elected on 6 July 2018
Chang Shihong	Chief Accountant	Re-elected on 6 July 2018
Jin Ji	Vice President	Re-elected on 6 July 2018

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management are set out on pages 98 to 113 of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with each of the Directors. The principal particulars of such service contracts include: (1) from the date of appointment to the date of expiry of the term of the current session of the Board/Supervisory Board; and (2) subject to termination in accordance to the terms of respective contracts.

Each of the supervisors has entered into a contract in respect of compliance of relevant laws and regulations, Articles of Association and provisions on arbitration with the Company.

Save as disclosed above, none of the Directors or supervisors has entered into a service contract with the Company which could not be terminated without payment of compensation (other than statutory compensation) paid by the Company within one year.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the remuneration of the Company's Directors, supervisors and senior management are set out in Notes 10 and 11 to the Financial Statements.

DIRECTOR INSURANCES

The Company has bought effective insurances for the Directors.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

At the end of the year or at any time during the year, there was no transaction, arrangement or contract of significance relating to the Group's business and still valid during the year or at the end of the year, in which the Company or its subsidiaries were a party, directly or indirectly involved in its formulation process, and in which a Director, supervisor or an entity connected with a Director or supervisor had a material interest subsisted.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year of 2018, save as disclosed below, none of the Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group:

Name of Director	Position in the Company	Other interests
Qiao Baoping	Chairman of the Board and Non-executive Director	Chairman of CHN Energy
Liu Jinhuan	Non-executive Director	Assistant to President and Director of Strategic Planning Department of CHN Energy
Luan Baoxing	Non-executive Director	Director of Finance and Property Rights Department of CHN Energy
Yang Xiangbin	Non-executive Director	Director of Capital Operation Department of CHN Energy

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 December 2018, so far as known to the Directors, the following persons (other than the Directors, chief executives or supervisors of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held *(Share)*	Percentage in the Relevant Class of Share Capital *(Note 1)* *(%)*	Percentage in the Total Share Capital *(Note 1)* *(%)*
CHN Energy	Domestic shares	Beneficial owner and interest of corporation controlled by substantial Shareholders	4,696,360,000 *(Note 2)* (Long position)	100	58.44
JPMorgan Chase & Co.	H shares	Interest of corporation controlled by substantial Shareholders, investment manager, person having a security interest in shares and approved lending agent	367,217,887 *(Note 3)* (Long position)	10.99	4.57
JPMorgan Chase & Co.	H shares	Interest of corporation controlled by substantial Shareholders	9,627,991 *(Note 4)* (Short position)	0.29	0.12
JPMorgan Chase & Co.	H shares	Approved lending agent	276,946,875 (Shares in a lending pool)	8.29	3.45
Wellington Management Group LLP	H shares	Investment manager	315,738,076 *(Note 5)* (Long position)	9.45	3.93
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	244,065,053 *(Note 6)* (Long position)	7.31	3.04
BlackRock, Inc.	H shares	Interest of corporation controlled by substantial Shareholders	10,844,000 *(Note 7)* (Short position)	0.32	0.13
National Council for Social Security Fund (全國社會保障基金理事會)	H shares	Beneficial owner	233,758,000 (Long position)	7.00	2.91

Name of Shareholder	Class of Share	Capacity	Number of Shares/ Underlying Shares Held *(Share)*	Percentage in the Relevant Class of Share Capital *(Note 1)* *(%)*	Percentage in the Total Share Capital *(Note 1)* *(%)*
The Bank of New York Mellon Corporation	H shares	Interests of corporation controlled by substantial Shareholders	202,709,042 *(Note 8)* (Long position)	6.07	2.52
The Bank of New York Mellon Corporation	H shares	Approved lending agent	197,680,442 (Shares in a lending pool)	5.92	2.46
T. Rowe Price Associates, Inc. and its Affiliates	H shares	Beneficial owner	196,748,000 (Long position)	5.89	2.45

Notes：

1. The percentage is based on the issued number of relevant class of shares/total issued shares of the Company as at 31 December 2018.

2. Among these 4,696,360,000 domestic shares, 4,602,432,800 domestic shares were directly held by CHN Energy while the remaining 93,927,200 shares were held by Guodian Northeast Electric Power Co., Ltd.* (國電東北電力有限公司), a subsidiary of CHN Energy. Accordingly, CHN Energy was deemed as the owner of the equity interests held by Guodian Northeast Electric Power Co., Ltd.* (國電東北電力有限公司).

3. Among these 367,217,887 H shares, 4,661,000 H shares were held by J.P. Morgan Bank Luxembourg S.A. – Amsterdam Branch, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 1,522,000 H shares were held by J.P. Morgan AG, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 250,000 H shares were held by J.P. Morgan Bank Luxembourg S.A. – Stockholm Bankfilial, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 494,000 H shares were held by J.P. Morgan Securities LLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 15,904,070 H shares were held by JPMorgan Chase Bank, N.A. – London Branch, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 1,819,000 H shares were held by J.P. Morgan Investment Management Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 4,209,000 H shares were held by JPMorgan Asset Management (Taiwan) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 141,549 H shares were held by J.P. Morgan Europe Limited, Oslo Branch, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 485,000 H shares were held by JPMorgan Asset Management (UK) Limited, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 83,000 H shares were held by J.P. Morgan Prime Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 829,000 H shares were held by J.P. Morgan Europe (UK), Copenhagen Br, filial af J.P. Morgan Europe Ltd, Storbritannien, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 12,286,000 H shares were held by J.P. Morgan Europe Limited, Helsingin sivuliike, an indirect wholly-owned subsidiary of

JPMorgan Chase & Co., 8,737,000 H shares were held by J.P. Morgan Bank Luxembourg, Copenhagen Br, filial af J.P. Morgan Bank Luxembourg S.A., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 577,000 H shares were held by JPMorgan Chase Bank, N.A. – Sydney Branch, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 1,032,451 H shares were held by J.P. Morgan Europe Limited (UK), Stockholm Bankfilial, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 69,976,000 H shares were held by J.P. Morgan Bank Luxembourg S.A., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 135,648,876 H shares were held by JPMorgan Chase Bank, National Association, a wholly-owned subsidiary of JPMorgan Chase & Co., 28,274,929 H shares were held by JPMorgan Chase Bank, N.A. – Hong Kong Branch, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 48,329,000 H shares were held by JF Asset Management Limited, an indirect non-wholly-owned subsidiary of JPMorgan Chase & Co., 2,207,000 H shares were held by J.P. Morgan (Suisse) SA, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 29,752,012 H shares were held by J.P. Morgan Securities plc, an indirect wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.

4. Among these 9,627,991 H shares, 494,000 H shares were held by J.P. Morgan Securities LLC, an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 83,000 H shares were held by J.P. Morgan Prime Inc., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 1 H share was held by J.P. Morgan Structured Products B.V., an indirect wholly-owned subsidiary of JPMorgan Chase & Co., 9,050,990 H shares were held by J.P. Morgan Securities plc, an indirect wholly-owned subsidiary of JPMorgan Chase & Co. Accordingly, JPMorgan Chase & Co. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.

5. Among these 315,738,076 H shares, 240,195,686 H shares were held by Wellington Management Company LLP, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 1,320,100 H shares were held by Wellington Management Hong Kong Ltd, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP, 74,222,290 H shares were held by Wellington Management International Ltd, an indirect non-wholly-owned subsidiary of Wellington Management Group LLP. Accordingly, Wellington Management Group LLP was deemed as the owner of the H shares equity interests held by its aforesaid subsidiaries.

6. Among these 244,065,053 H shares, 1,024,100 H shares were held by BlackRock Investment Management, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 3,746,000 H shares were held by BlackRock Financial Management, Inc., an indirect wholly-owned subsidiary of BlackRock, Inc., 39,235,468 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 73,198,000 H shares were held by BlackRock Fund Advisors, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 10,508,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 2,736,741 H shares were held by BlackRock Japan Co., Ltd., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 1,362,000 H shares were held by BlackRock Asset Management Canada Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 839,000 H shares were held by BlackRock Investment Management (Australia) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 2,013,661 H shares were held by BlackRock Asset Management North Asia Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 465,000 H shares were

held by BlackRock (Netherlands) B.V., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 171,000 H shares were held by BlackRock Advisors (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 819,200 H shares were held by BlackRock International Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 27,011,000 H shares were held by BlackRock Asset Management Ireland Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 40,387,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc., 21,150,339 H shares were held by BlackRock Investment Management (UK) Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 6,766,366 H shares were held by BlackRock Fund Managers Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 12,604,178 H shares were held by BlackRock Life Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 28,000 H shares were held by BlackRock Asset Management (Schweiz) AG, an indirect non-wholly-owned subsidiary of BlackRock, Inc. Accordingly, BlackRock, Inc. was deemed as the owner of the H share equity interests held by its aforesaid subsidiaries.

7. Among these 10,844,000 H shares, 4,642,000 H shares were held by BlackRock Institutional Trust Company, National Association, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 3,651,000 H shares were held by BlackRock Advisors, LLC, an indirect wholly-owned subsidiary of BlackRock, Inc., 82,000 H shares were held by BlackRock Asset Management Ireland Limited, an indirect non-wholly-owned subsidiary of BlackRock, Inc., 2,469,000 H shares were held by BLACKROCK (Luxembourg) S.A., an indirect non-wholly-owned subsidiary of BlackRock, Inc. Accordingly, BlackRock, Inc. was deemed as the owner of the H share short positions held by its aforesaid subsidiaries.

8. These 202,709,042 H shares were held by The Bank of New York Mellon, a wholly-owned subsidiary of The Bank of New York Mellon Corporation. Accordingly, The Bank of New York Mellon Corporation was deemed as the owner of the H shares equity interests held by its aforesaid subsidiary.

* *For identification purpose only*

ISSUE OF DEBENTURES

The debentures issued by the Company in 2018 are set out as below:

Issue date	Type of debentures	Financing amount *(RMB million)*	Reasons for the issue
23 April 2018	Green enterprise bonds	3,000	Project investment and construction, replenishment of working capital
4 December 2018	Green corporate bonds	3,000	Project investment and construction, repayment of interest-bearing debts
14 November 2018	Green asset-backed notes	1,010	Project investment and construction, replacement of debts arising from relevant projects, replenishment of working capital
18 May 2018	Ultra short-term debentures	2,000	Replacement of due loans
15 June 2018	Ultra short-term debentures	1,000	Replacement of due loans
12 July 2018	Ultra short-term debentures	1,000	Replacement of due loans
13 July 2018	Ultra short-term debentures	1,000	Replacement of due loans
24 August 2018	Ultra short-term debentures	1,000	Replacement of due loans
28 September 2018	Ultra short-term debentures	1,000	Replacement of due loans
28 September 2018	Ultra short-term debentures	1,000	Replacement of due loans
16 November 2018	Ultra short-term debentures	1,000	Replacement of due loans
20 November 2018	Ultra short-term debentures	1,500	Replacement of due loans, replenishment of working capital
20 December 2018	Ultra short-term debentures	1,000	Repayment of due loans

MANAGEMENT CONTRACTS

The Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business of the Company nor did any such contract subsist at any time during 2018.

SUBSEQUENT EVENTS

Since the last day of the reporting period, there have been no significant changes or subsequent events which need to be adjusted or disclosed in the financial statements.

CONNECTED TRANSACTIONS

Details of substantial connected transactions occurred during the reporting period of the Company are set out in the Connected Transactions section of this report.

DONATIONS

In 2018, the Group donated RMB10,000,000 in targeted poverty alleviation for Youyu County, Shanxi Province.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the purchase from the Group's five largest suppliers in aggregate contributed 64.13% of the Group's total purchase for the year, among which, the total purchase from the largest supplier contributed 27.33% of the Group's total purchase for the year.

For the year ended 31 December 2018, the sales to the Group's five largest customers in aggregate contributed 46.8% of the Group's total sales for the year, among which, the sales to the largest customer contributed 23.2% of the Group's total sales for the year.

During the year, so far as the Directors are aware, none of the Directors or their associates or the Shareholders of the Company (who, to the knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Company's five largest suppliers or five largest customers during the year.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company and the Group in 2018 are respectively set out in Note 36(e) and Consolidated Statement of Changes in Equity to the Financial Statements.

REMUNERATION OF THE FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the five highest paid individuals (excluding Directors and supervisors) of the Company in 2018 are set out in Note 11 to the Financial Statements.

MATERIAL CONTRACTS

Save as disclosed in the section headed Connected Transactions on pages 91 to 97 of this annual report, none of the Company or any of its subsidiaries entered into any material contracts with the controlling Shareholder or any of its subsidiaries other than the Group, nor was there any material contracts between the Group and the controlling Shareholder or any of its subsidiaries other than the Group in relation to provision of services in 2018.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At the end of 2018, none of the Directors or supervisors or any of their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right.

ARRANGEMENTS FOR SHARE PRE-EMPTIVE RIGHT AND SHARE OPTION

In 2018, no arrangement for share pre-emptive right and share option was made by the Company.

EQUITY-LINKED AGREEMENTS

In 2018, no equity-linked agreement was entered into by or subsisted in the Company, and there was no provision to enter into any agreement which will or may result in the Company issuing new shares.

PERMITTED INDEMNITY PROVISION

In 2018, no permitted indemnity provision (whether made by the Company or otherwise) was made or in force for the benefit of the Directors of the Company or any directors of the subsidiaries of the Company (if made by the Company). The Company has liability insurance coverage for certain relevant lawsuits for the Directors, supervisors and senior management.

ACCOUNTING POLICIES

Other than the new standards which took effect on 1 January 2018, the principal accounting policies adopted in the preparation of the Company's 2018 audited consolidated financial statements are consistent with the principal accounting policies for the preparation of the Company's 2017 audited consolidated financial statements, details of which are set out in Notes 2 and 3 to the Financial Statements.

RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Group's retirement and employees benefit scheme are set out in Note 33 to the Financial Statements.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Hong Kong Stock Exchange, the Company has committed itself to maintaining a high standard of corporate governance practices and complying with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules. Please refer to the Corporate Governance Report as set out on pages 157 to 182 of this annual report for details.

DIRECTORS' REPORT

PUBLIC FLOAT

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

AUDIT COMMITTEE

The 2018 annual results of the Group and the Financial Statements for the year ended 31 December 2018 prepared in accordance with the International Financial Reporting Standards have been reviewed by the audit committee of the Company.

AUDITORS

Ernst & Young and Baker Tilly China Certified Public Accountants LLP were appointed as the Company's auditors for the financial statements prepared in accordance with the International Financial Reporting Standards and China Accounting Standards for Business Enterprises, respectively, for the year ended 31 December 2018. The accompanying Financial Statements prepared in accordance with the International Financial Reporting Standards have been audited by Ernst & Young. The Company has appointed Ernst & Young as its auditor since 20 June 2017 and appointed Baker Tilly China Certified Public Accountants LLP as its auditor since 21 December 2018.

By order of the Board
China Longyuan Power Group Corporation Limited*
Chairman of the Board
Qiao Baoping

Beijing, 19 March 2019

* *For identification purpose only*

CONNECTED TRANSACTIONS

Particulars of the major related party transactions of the Group for the year ended 31 December 2018 are set out in Note 40 to the Financial Statements.

Some of the aforementioned related party transactions also constitute connected transactions as prescribed under Chapter 14A of the Listing Rules and are subject to reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules. The aforementioned connected transactions have complied with the requirements under Chapter 14A of the Listing Rules, particulars of which are as follow:

The connected transactions disclosed below constitute connected transactions or continuing connected transactions as defined under Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange, and are thus subject to the relevant disclosure requirements. In relation to the connected transactions mentioned below, the Directors confirm that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules. For details, please refer to the announcements disclosed on the website of the Hong Kong Stock Exchange and the website of the Company.

NON-EXEMPT ONE-OFF CONNECTED TRANSACTIONS

Loan Agreement between Hero Asia and Guodian Financial Leasing

On 26 April 2018, Hero Asia, a wholly-owned subsidiary of the Company, and Guodian Financial Leasing entered into a loan agreement, pursuant to which, Hero Asia will provide a shareholder loan amounting to RMB500 million to Guodian Financial Leasing for a term of one year. The former Guodian Group directly and indirectly held approximately 58.44% of the issued share capital of the Company and was then a controlling Shareholder of the Company under the Listing Rules, thus it is a connected person of the Company. Guodian Capital is a wholly-owned subsidiary of the former Guodian Group, and since Guodian Capital holds 51% equity interest in Guodian Financial Leasing, thus Guodian Financial Leasing constitutes an associate of the former Guodian Group. As Guodian Financial Leasing is a connected person of the Company, accordingly, the provision of a shareholder loan by Hero Asia, a wholly-owned subsidiary of the Company, to Guodian Financial Leasing constitutes a connected transaction of the Company.

For details of the loan agreement, please refer to the announcement of the Company dated 26 April 2018. The entering into of the loan agreement would enable the Company not only to share the shareholders' profit of Guodian Financial Leasing through Hero Asia, but also to earn differences between domestic and overseas interests by way of shareholder loan.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

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

In respect of the type 1 to type 2 non-exempt continuing connected transactions as set out below, at the time of the listing of the Company's H shares, the Hong Kong Stock Exchange approved the annual caps of those continuing connected transactions and granted a waiver to the Company from complying with the announcement and independent Shareholders' approval requirements. For type 1 and type 2 non-exempt continuing connected transactions as set out below, the annual caps for each year from 2018 to 2020 have been approved at the first extraordinary general meeting in 2017 held on 15 December 2017.

The table below sets out the annual caps and actual transaction amounts of such connected transactions for 2018:

	Connected Transactions	Connected Persons	Annual Cap for 2018 (RMB'000)	Actual Transaction Amount for 2018 (RMB'000)
1.	Provision of products and services by the Group	The former Guodian Group[1]	1,115,000	61,820
2.	Provision of products and services to the Group	The former Guodian Group[1]	7,623,610	2,390,776
3.	Provision of financial services to the Group	Guodian Finance	Deposit Services: 2,700,000	Maximum outstanding balance: 2,658,017

1. Reference is made to the announcement of the Company dated 28 August 2018. Pursuant to the Consolidation Agreement between China Energy Investment Corporation Limited and China Guodian Corporation Ltd., the controlling shareholder of the Company was changed to China Energy Investment Corporation. For details, please refer to the definition of "China Energy Investment Corporation Limited" or "CHN Energy" in the section headed GLOSSARY OF TERMS.

1. Provision of products and services by the Group

1.1 The Company entered into the New Guodian Master Agreement with the former Guodian Group on 9 November 2017. Pursuant to the agreement, the Group shall provide the former Guodian Group with products and services, mainly including wind power design and consulting services, technical services, spare parts of wind power equipment and wind power vocational training.

Material terms and conditions of the agreement are set out as follows:

- The provision of products and services by the Group to the former Guodian Group mainly includes wind power design and consulting services, wind power technical services, spare parts of wind power equipment and wind power vocational training;

- The terms for provision of products and services offered by the Group to the former Guodian Group are no better than those offered by an independent third party, or the terms for provision of products and services offered by the former Guodian Group to the Group are no less favourable than those offered by an independent third party;

- The settlement terms shall be determined separately and in line with market practice applicable to each specific transaction. The detailed settlement terms will be set out in separate agreements; and

- Relevant subsidiaries of both parties will enter into separate agreements which shall set out the specific scope of products and/or services to be provided and terms and conditions of providing such products and/or services according to the principles laid down in the New Guodian Master Agreement.

The New Guodian Master Agreement has a term of three years commencing on 1 January 2018 and expiring on 31 December 2020, and is renewable subject to the agreement of the parties and the compliance with the Listing Rules.

The former Guodian Group was then a controlling Shareholder of the Company. Therefore, the former Guodian Group and its subsidiaries are connected persons of the Company under the Listing Rules.

During the reporting period, the annual cap of this continuing connected transaction for 2018 was RMB1,115,000,000 and the actual transaction amount was RMB61,820,000.

2. Provision of products and services to the Group

2.1 The Company entered into the New Guodian Master Agreement with the former Guodian Group on 9 November 2017. Pursuant to the agreement, the former Guodian Group shall provide the Group with products and services mainly including wind power generating units, turbine towers, cables, transformers and coals. For details of the major terms and conditions of the agreement, please refer to the relevant disclosure of the non-exempt continuing connected transaction set out in subsection 1.1 above.

The former Guodian Group was then a controlling Shareholder of the Company. Therefore, the former Guodian Group and its subsidiaries are connected persons of the Company under the Listing Rules.

During the reporting period, the annual cap of this continuing connected transaction for 2018 was RMB7,623,610,000 and the actual transaction amount was RMB2,390,776,000.

3. Provision of financial services to the Group

3.1 The Company entered into the New Financial Services Agreement with Guodian Finance on 26 October 2015, pursuant to which, the services provided by Guodian Finance to the Group include credit facilities, intra-group transfer and settlement services, assistance in the receipt and payment of transaction proceeds, bill acceptance and discounting services, deposit services, finance leasing, investment banking advisory services, financial consulting and training services and other services.

The principal terms and conditions of the agreement are set out as follows:

- Guodian Finance shall ensure the stable operation of its fund management system to safeguard the funds, and to manage the credit risk of assets and liabilities so as to satisfy the payments needs of the Group;

- In respect of the provision of loan services under the New Financial Services Agreement, Guodian Finance will grant integrated credit facilities of RMB3 billion to the Group. The credit facilities shall be free of any security and utilised as fixed assets loans, project financing loans, working capital loans, letter of guarantee and accounts receivable factoring, etc.;

- In respect of the provision of the deposit services under the New Financial Services Agreement, the amount of the daily deposit balance (including any interest accrued thereon) for the Group's deposits with Guodian Finance shall be no more than RMB2.7 billion for each of the three years ended 31 December 2016, 31 December 2017 and 31 December 2018;

- The term of the New Financial Services Agreement shall be three years, beginning from 1 January 2016 to 31 December 2018; and

- Guodian Finance provides the aforementioned financial services to the Group based on the following pricing principles: (1) the interest rate for deposits of the same type for the same term as published by the People's Bank of China from time to time; and (2) the interest rate for deposits of the same type for the same term offered to the Group by other major independent commercial banks.

CONNECTED TRANSACTIONS

The former Guodian Group was then a controlling Shareholder of the Company. Therefore, the former Guodian Group and its subsidiaries are connected persons of the Company under the Listing Rules. Guodian Finance is a subsidiary of the former Guodian Group, and is therefore a connected person of the Company.

During the reporting period, the annual cap of the maximum daily deposit balance for deposit services under this continuing connected transaction for 2018 was RMB2,700,000,000 (including any interest accrued thereon) and the actual maximum amount of daily deposit balance was RMB2,658,017,000.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company have reviewed each of the abovementioned continuing connected transactions and confirmed that such transactions have been conducted:

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

2. on normal commercial terms or, if there are no sufficient comparable transactions to determine whether the transaction terms are on normal commercial terms, on terms no less favourable to the Group than those available to or from independent third parties; and

3. in accordance with relevant terms of the transaction agreements, and the transaction terms are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

CONFIRMATION OF AUDITORS

The Company has engaged its external auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to Hong Kong Stock Exchange.

Based on its work, the Company's auditor provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

(1) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board.

(2) for the continuing connected transactions entered into by the Company, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(4) with respect to the aggregate amount of each of the continuing connected transactions disclosed above, nothing has come to the auditor's attention that causes the auditor to believe that such continuing connected transactions have exceeded the annual caps set by the Company.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Qiao Baoping, aged 63, is a non-executive Director and the Chairman of the Board of the Company. He graduated from Nankai University with a bachelor's degree in Economics and is a senior economist. He served as the chairman of the Supervisory Board from August 2011 to July 2013, a non-executive Director and the chairman of the second session of the Board from July 2013 to July 2015, a non-executive Director and the chairman of the third session of the Board from July 2015 to July 2018, and a non-executive Director and the chairman of the fourth session of the Board since July 2018. Mr. Qiao Baoping had served as the deputy secretary general of All-China Students' Federation. He had worked at the institution directly under the Central Commission of China Communist Youth League as executive deputy secretary of the Party Committee and secretary of the Commission for Disciplinary Inspection, and he had served successively as the deputy head of the United Work Front Department at the Central Commission of China Communist Youth League, member of the Standing Committee and head of the Juvenile Rights and Interests Department at the Central Commission of China Communist Youth League, member of the Standing Committee and head of the Organisation Department at the Central Commission of China Communist Youth League. Further, he had served as head of Mass Work Department of the Working Committee of Central Government-owned Enterprises, secretary of the Central Government-owned Enterprises Working Committee of China Communist Youth League, head of the Mass Work Department (Mass Work Department of the Party Committee) and head of the United Work Front Department at the SASAC, a member of the Party Group and chief of the Discipline Inspection Group at China Power Investment Corporation, the chairman and secretary of the Party Group of China Guodian Corporation as well as the chairman and secretary of the Party Group of China Energy Investment Corporation Limited. Mr. Qiao currently acts as the chairman of GD Power Development Co., Ltd. (國電電力發展股份有限公司) (SSE: 600795).

Mr. Liu Jinhuan, aged 56, is a non-executive Director of the Company. He graduated from Wuhan Technical Institute with a master's degree of Engineering in geotechnical engineering from the civil engineering and construction school and is a professorate senior engineer. He served as a non-executive Director of the third session of the Board of the Company from May 2018 to July 2018, and a non-executive Director of the fourth session of the Board of the Company since July 2018. Mr. Liu Jinhuan had served as the deputy general manager, general manager and the chairman of the board of directors of Gezhouba Group No. 1 Engineering Co., Ltd. (葛洲壩集團第一工程有限公司), the deputy executive superintendent of the Gezhouba Group Three Gorges Headquarter (葛洲壩集團三峽指揮部), the deputy general manager of Gezhouba Stock Company Limited (葛洲壩股份有限公司) and the general manager of Hubei Xiangjing Expressway Company Limited (湖北襄荊高速公路有限公司) concurrently, as well as the superintendent (general manager) of the Three Gorges Headquarter (construction contracting company) of China Gezhouba Water Conservancy and Hydropower Engineering Group Co., Ltd. (中國葛洲壩水利水電工程集團公司), the deputy general manager of China Gezhouba Water Conservancy and Hydropower Engineering Group Co., Ltd. (中國葛洲壩水利水電工程集團公司), the general manager and chairman of the board of directors of Guodian Dadu River Hydropower Development Co., Ltd. (國電大渡河流域水電開發有限公司), and an assistant to president and head of Plan & Development Department of China Guodian Corporation, successively. Mr. Liu currently acts as an assistant to president and head of the Strategic Planning Department of China Energy Investment Corporation Limited.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Luan Baoxing, aged 51, is a non-executive Director of the Company. He holds an MBA degree from Harbin Institute of Technology and is a senior accountant and a certified public accountant. He acted as a non-executive Director of the first session of the Board of the Company from July 2009 to July 2012, a non-executive Director of the second session of the Board of the Company from July 2012 to May 2014, a non-executive Director of the third session of the Board of the Company from August 2016 to July 2018, and a non-executive Director of the fourth session of the Board of the Company since July 2018. Mr. Luan Baoxing had served as deputy head of Property and Fund Division, head of Accounting Cost Division of Finance Department of Heilongjiang Power Company (黑龍江省電力公司), deputy head and head of Accounting Cost Division of Finance Department and deputy head of Finance Department of China Northeast Power Group Company (東北電力集團公司), deputy chief accountant and head of Finance Department of Chongqing Power Company (重慶電力公司), deputy head of Finance and Ownership Department and deputy head and head of Capital Operation and Ownership Management Department of China Guodian Corporation, general manager of China Guodian Capital Holdings Ltd., chairman and general manager of Guodian Finance Co., Ltd., and head of the Financial Management Department of China Guodian Corporation, successively. Mr. Luan is currently the head of the Finance and Ownership Department of China Energy Investment Corporation Limited and the chairman of supervisory board of Guodian Technology & Environment Group Corporation Limited (HKSE: 1296).

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Yang Xiangbin, aged 53, a non-executive Director of the Company, holds an MBA degree from the Open University of Hong Kong and is a senior accountant and a certified public accountant. He acted as a non-executive Director of the third session of the Board of the Company from August 2016 to July 2018 and a non-executive Director of the fourth session of the Board of the Company since July 2018. Mr. Yang Xiangbin had served as head of the Budget Office of the Finance Department of Heilongjiang Power Company Limited; deputy head and head of the Budget Office of the Finance and Ownership Department, deputy head of the Finance and Ownership Department and deputy head of the Financial Management Department of China Guodian Corporation; secretary of the Party committee, director and deputy general manager of Inner Mongolia Pingzhuang Coal (Group) Co., Ltd. (內蒙古平莊煤業(集團)有限責任公司), vice chairman of Inner Mongolia Pingzhuang Energy CO., LTD (內蒙古平莊能源股份有限公司) (SZSE: 000780), and head of the Capital and Asset Management Department of China Guodian Corporation, successively. Mr. Yang currently serves as the head of the Capital Operation Department of China Energy Investment Corporation Limited and a supervisor of Guodian Technology & Environment Group Corporation Limited (HKSE: 1296).

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Jia Yanbing, aged 52, is an executive Director and the President of the Company. He graduated from Northeast China Institute of Electric Power, holding a bachelor's degree in Engineering, and from Nankai University, holding a master's degree in Business Administration. He is a senior engineer. He acted as an executive Director of the fourth session of the Board of the Company since February 2019. He joined the Group in 2018. Mr. Jia Yanbing had consecutively served as deputy general manager and general manager of Hebei No.1 Electric Power Construction Company (河北省電力建設第一工程公司); deputy head and head of the Engineering Construction Department (工程建設部) of China Guodian Corporation; and the team leader of the Party Committee Inspection Team of China Energy Investment Corporation Limited.

Mr. Huang Qun, aged 57, is an executive Director and vice president of the Company. He graduated from Tongji University with a bachelor's degree in Engineering. He is a senior engineer. Mr. Huang Qun acted as an executive Director of the first session of the Board of the Company from May 2012 to July 2012, an executive Director of the second session of the Board of the Company from July 2012 to July 2015, an executive Director of the third session of the Board of the Company from July 2015 to July 2018, and an executive Director of the fourth session of the Board of the Company since July 2018. He joined the Group in 1993. Mr. Huang Qun had worked as an engineer at Power Department of the Ministry of Energy Resources and Policy Research Office of the Ministry of Water Resources and Electric Power. He had successively served at China Longyuan Electric Power Group Corporation (龍源電力集團公司) (the predecessor of the Company) as deputy head and head of Manager Department, head of the First Division of the Operation Department, chief economist and head of Operation Department, as well as assistant to president, and vice president.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Songyi, aged 63, is an independent non-executive Director of the Company. He holds a Juris Doctor degree from Yale University. He acted as an independent non-executive Director of the first session of the Board of the Company from July 2009 to July 2012, an independent non-executive Director of the second session of the Board of the Company from July 2012 to July 2015, an independent non-executive Director of the third session of the Board of the Company from July 2015 to July 2018, and an independent non-executive Director of the fourth session of the Board of the Company since July 2018. Mr. Zhang Songyi practiced law at Milbank, Tweed, Hadley & McCloy LLP from 1985 to 1993. He was the vice president, executive director, managing director, and head of joint department of Morgan Stanley Asia Limited. Mr. Zhang is currently an independent non-executive director of China Renewable Energy Investment Limited (中國再生能源投資有限公司) (HKSE: 0987), an independent director of Sina Corporation (NASDAQ: SINA), a director of Athenex, Inc. (NASDAQ: ATNX), a non-executive director of Jimu Group Limited (formerly known as Ever Smart International Holdings Limited (積木集團有限公司(前稱為"永駿國際控股有限公司", renamed on 12 February 2018)) (HKSE: 8187) and the chairman of Mandra Capital.

Mr. Meng Yan, aged 63, is an independent non-executive Director of the Company. He holds a doctorate degree in Economics (Accounting) from the Research Institute for Fiscal Science of the Ministry of Finance and the qualification of PRC Certified Public Accountant. He acted as an independent non-executive Director of the first session of the Board of the Company from July 2009 to July 2012, an independent non-executive Director of the second session of the Board of the Company from July 2012 to July 2015, an independent non-executive Director of the third session of the Board of the Company from July 2015 to July 2018, and an independent non-executive Director of the fourth session of the Board of the Company since July 2018. Mr. Meng received the special government allowance from the State Council in 1997. Mr. Meng used to act as the dean of the School of Accountancy of Central University of Finance and Economics, an expert consultant for accounting standards, an expert consultant for management accounting and an expert for enterprise performance evaluation at the Ministry of Finance, and an independent director of each of Wanhua Chemical Group Co., Ltd. (萬華化學集團股份有限公司) (SSE: 600309) and COFCO Property (Group) Co., Ltd. (中糧地產(集團)股份有限公司) (SZSE: 000031). Currently, Mr. Meng Yan serves as a professor and a tutor of doctorate candidates in the School of Accountancy of Central University of Finance and Economics, an independent non-executive director of Jolimark Holdings Limited (映美控股有限公司) (HKSE: 2028), an independent director of Beijing Bashi Media Co., Ltd. (北京巴士傳媒股份有限公司) (SSE: 600386), independent director of Beijing Capital Co., Ltd. (北京首創股份有限公司) (SSE: 600008), an independent non-executive director of China Isotope & Radiation Corporation (中國同輻股份有限公司) (HKSE:1763) and an independent non-executive director of Sinotrans Limited (中國外運股份有限公司) (HKSE: 598).

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Han Dechang, aged 63, is an independent non-executive Director of the Company. He is a tutor of doctoral candidates and has a doctorate degree in Economics. He acted as an independent non-executive Director of the second session of the Board of the Company from May 2014 to July 2015, an independent non-executive Director of the third session of the Board of the Company from July 2015 to July 2018, and an independent non-executive Director of the fourth session of the Board of the Company since July 2018. Mr. Han Dechang was admitted to the Faculty of Economics of Nankai University majoring in politics and economics in 1979 and became a teacher of the Faculty after his graduation with a bachelor's degree in 1983. During that time, he obtained his master and doctorate degrees in Economics. Mr. Han Dechang served as a lecturer in 1988 and then was promoted as an associated professor in 1992. In 1997, he was promoted as a professor and re-designated from the School of Economics to Business School taking the position of dean of the department of marketing in the same year due to restructuring of discipline. Then, he served as the deputy dean of the Business School and director of EMBA centre. Mr. Han Dechang currently serves as a member of the academic degree committee and titles assessment and employment committee of Nankai University. Mr. Han Dechang also works as the vice chairman of the Tianjin Marketing Association, an executive director of the China Marketing Association and the vice chairman of the Chinese Universities Pricing and Teaching Association.

SUPERVISORS

Mr. Chen Bin, aged 59, is the chairman of the Supervisory Board of the Company. He graduated from North China Electric Power University majoring in business management. He obtained a master's degree and is a senior accountant. He served as the chairman of the Supervisory Board of the Company from July 2009 to August 2011, a non-executive Director of the Company from August 2011 to May 2014, a supervisor and the chairman of the third session of the Supervisory Board of the Company from May 2018 to July 2018, and a supervisor and the chairman of the fourth session of the Supervisory Board of the Company since July 2018. Mr. Chen had served successively as chief accountant of Dalian Power Plant (大連發電總廠), Liaoning, deputy head of Financial Division of Financial Department of Northeast Power Industry Management Bureau of Ministry of Electric Power (電力部東北電業管理局), chief accountant and deputy head of Finance Department of Northeast Electric Power Group Company (東北電力集團公司), head of Financial Budget Division as well as head of Assets Division of Finance and Property Right Management Department of State Power Corporation (國家電力公司), chief accountant of China Hydropower Construction Company (中國水利水電工程總公司), chief accountant, vice president and member of the Party Group of GD Power Development Co., Ltd. (國電電力發展股份有限公司) (SSE: 600795), deputy chief accountant and head of Finance and Ownership Department of China Guodian Corporation, assistant to president and head of Financial Management Department of China Guodian Corporation, and a member of the Party Group and the chief accountant of China Guodian Corporation. Mr. Chen is currently the chief accountant and a member of the Party Group of China Energy Investment Corporation Limited.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Yu Yongping, aged 58, is a supervisor of the Company. He graduated from Liaoning Institute of Finance and Economics majoring infrastructure finance and credit with a bachelor's degree in Economics. He is a senior accountant. Mr. Yu acted as a supervisor of the first session of the Supervisory Board of the Company from July 2009 to July 2012, a supervisor of the second session of the Supervisory Board of the Company from July 2012 to July 2015, a supervisor of the third session of the Supervisory Board of the Company from July 2015 to July 2018, and a supervisor of the fourth session of the Supervisory Board of the Company since July 2018. Mr. Yu had served as accountant of Finance Division of Machinery Manufacturing Construction Bureau of the Ministry of Water Resources and Electric Power. He had also served in the Emigration and Development Bureau of the State Council Three Gorges Project Construction Committee as deputy head and head of Finance Division of Financial Planning Department, deputy head of Planning Department, deputy head of Resettlement Department, and assistant ombudsman of General Office. He held positions as the head of Market Development Division of Marketing Department of China Guodian Corporation, secretary of the Party Committee and vice president of Guodian Finance Co, Ltd., vice president and chief accountant of Guodian Northeast Electric Power Co., Ltd. (國電東北電力股份有限公司), deputy head of Finance and Ownership Department and head of Audit Department of China Guodian Corporation. Mr. Yu is currently the chief auditor of China Energy Investment Corporation Limited.

Mr. Ding Yinglong, aged 41, is an employee supervisor of the Company. Mr. Ding graduated from North China Electric Power University with a master's degree in Business Administration and is a senior engineer. He has acted as an employee supervisor of the fourth session of the Supervisory Board of the Company since August 2018. Mr. Ding successively served as the deputy manager of the sales department and the deputy manager (in charge) of the wind power repair department (風電檢修部) of Zhongneng Power-Tech Development Company Limited (中能電力科技開發有限公司), the deputy manager (in charge) of the spare parts department and the manager of the comprehensive management department of Beijing Zhongneng Lianchuang Wind Power Technology Company Limited (北京中能聯創風電技術有限公司), a deputy-division-head level staff of Guodian Power Research Institute (國電能源研究院) (Guodian Group Technical and Economic Consulting Centre (國電集團技術經濟諮詢中心)), the deputy director (in charge) and the director of the general office of the Company. Mr. Ding is currently the head of the organisation department of the Party Committee (human resources department) of the Company.

SENIOR MANAGEMENT

Mr. Jia Yanbing, is an executive Director and the President of the Company. Biographical details of Mr. Jia Yanbing as at the date hereof are set out on page 102 of this annual report.

Mr. Huang Qun, is an executive Director and a vice President of the Company. Biographical details of Mr. Huang Qun as at the date hereof are set out on page 103 of this annual report.

Mr. Jia Nansong, aged 56, is a vice president, the Board secretary and one of the joint company secretaries of the Company. He graduated from North China Electric Power University majoring in Engineering and served as a senior engineer. He joined the Group in 1994. Mr. Jia held positions in the Electric Power Planning and Design Institute and the Information Centre of the Ministry of Electric Power. He also successively served as the deputy manager of Technical Development Department, the manager of the Market Exploitation and Technical Development Department, the manager of the Project Development Department and the manager of the Technical Development Department of China Longyuan Electric Power Group Corporation as well as the standing vice president of Long yuan West Heat. He was also the manager of the Human Resource Department and the Auditing Supervision Department, the deputy chief economist and the assistant to president as well as the director of the Office of President of China Longyuan Electric Power Group Corporation, and the Board secretary and one of the joint company secretaries of China Longyuan Power Group Corporation Limited*.

* *For identification purpose only*

Mr. Zhang Binquan, aged 55, is a vice president of the Company. He graduated from Harbin Institute of Technology and Yanshan University with a master's degree in Public Administration. He is a senior engineer. Mr. Zhang joined the Group in 2014. He has served successively as project manager of the import department of China Great Wall Industry Corporation (中國長城工業公司), project manager of CITIC International Cooperation Co., Ltd. (中信國際合作公司), general manager assistant and deputy general manager of Guodian Longyuan Power Technology & Engineering Co., Ltd. (國電龍源電力技術工程公司), manager of planning department and manager of operation and development department of Guodian Technology & Environment Group Company (國電科環集團公司), general manager of Guodian Ningxia Solar Co., Ltd. (國電寧夏太陽能有限公司) and deputy general manager of Guodian Technology & Environment Group Corporation Limited (國電科技環保集團有限公司) (HKSE: 1296), and concurrently served as the general manager of Guodian United Power Technology Co., Ltd. (國電聯合動力有限公司) in the period.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chang Shihong, aged 44, is the chief accountant of the Company. Mr. Chang graduated from Dongbei University of Finance & Economics with a master's degree in Accounting. He is a senior accountant. Mr. Chang joined the Group in 2009. Mr. Chang had successively worked as a member of the Party Committee and the chief accountant of Guodian Datong No. 2 Power Plant, deputy head (in charge) of Finance Division of Finance and Ownership Department of China Guodian Corporation, deputy head (in charge) of Accounting Division of Finance Management Department of China Guodian Corporation, director of Finance and Property Right Management Department of China Longyuan Electric Power Group Corporation, and director of Finance and Property Right Management Department and deputy chief accountant of China Longyuan Power Group Corporation Limited*.

Mr. Jin Ji, aged 49, is the vice president and chairman of labour union of the Company. Mr. Jin graduated from the Graduate School of Party School of the Central Committee of C.P.C. majoring in Economic Management, and is a senior economist. Mr. Jin joined the Group in 1994. He used to work in Tianshenggang Power Plant and Tianshenggang Power Generating Co., Ltd. (天生港發電有限公司), and he had successively served as the vice general manager, general manager and secretary of the Party committee of Jiangsu Longyuan Wind Power Generation Co., Ltd.

JOINT COMPANY SECRETARIES

Mr. Jia Nansong, is the board secretary of the Company and one of the joint company secretaries. He has profound knowledge and deep understanding of the PRC power industry and abundant operation and management experience. Biographical details of Mr. Jia Nansong as at the date hereof are set out on page 110 of this annual report.

Ms. Chan Sau Ling, was appointed as one of the joint company secretaries on 26 October 2017. She is a director of the Corporate Services Division of Tricor Services Limited (卓佳專業商務有限公司) ("Tricor"). Ms. Chan is a chartered secretary and a fellow of both the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Hong Kong Institute of Chartered Secretaries. Ms. Chan has extensive experience in the corporate service field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. *(Note: The Company has engaged Tricor as external service provider and appointed Ms. Chan Sau Ling as the Company's joint company secretary.)*

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

By integrating the concept of Environmental, Social and Corporate Governance responsibility into our corporate strategy and operating practices, the Group has actively implemented the energy-saving and emission-reduction policies on a continuous basis, practically fulfilled its social responsibility as an international first-class green energy enterprise. We adhere to the management philosophy of "Leadership of Party building, advantage Development, Talent thriving enterprise, Innovation, Safety first, Responsibilities, efficient Implementation, lifelong Study, Anti-corruption practices and Green Care", and the environmental protection policy of "environmental Protection, pollution Prevention, legal Management and sustainable Development in green power". In the process of developing renewable energy, we exert great efforts in establishing a mechanism of the clean development, continuously strengthen the environmental protection and fulfill the environmental responsibilities. While striving to shape the Company's image with green and low-carbon characters, we always bear in mind our responsibilities and missions of supplying clean energy which contributes to a beautiful Country and the Ecological Civilization.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

CONTENTS

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

I. REPORT INTRODUCTION

This Environmental, Social and Corporate Governance (ESG) report emphasizes on the disclosure of information in relation to environment and social responsibility of the Company, and ensures compliance with the requirements under the ESG Reporting Guidelines (環境社會及管治報告指引) of The Stock Exchange of Hong Kong Limited. We raveled out different ESG topics during the preparation of this ESG report, and would gradually conduct specific analysis and improvements so as to meet the expectations of each related party. The report will be published in Chinese and English that covers the period from 1 January to 31 December 2018.

This report is a document incorporated into the annual report of Longyuan Power which is available for inspection at www.clypg.com.cn. Particulars concerning corporate governance are set forth in the annual report for 2018 financial year from page 157 to page 182.

1.1 Scope of the Report

Unless otherwise specified, all cases and data in the report are originated from China Longyuan Power Group Corporation Limited and its subsidiaries (collectively referred to as the "Group") as well as their associates.

1.2 Assurance on Reliability of the Report

The Company assures that this report does not contain any false or misleading information. In case of any opinions or suggestions on the report, you are welcome to email or call us so as to help us make continuous improvements.

II. INTERNATIONAL FIRST-CLASS GREEN ENERGY COMPANY

By upholding the Longyuan Spirit of "taking the lead and shouldering the responsibility, achieving win-win harmoniously and cooperatively", the Group makes overall plans for and coordinates resources and environmental protection in the course of development, and regulates and controls the relationship between development speed and project quality as well as scale expansion and economic benefits in line with compliance regulations. Over the years, we have cultivated a homological culture that emphasize "sharing the same womb, pursuing common aspiration with concerted resolution, developing through thick and thin, striving for the same goal with united efforts", based on which we have kept on with our goal of building an international first-class green energy enterprise.

As a leader in the new energy field of the PRC, the Group has always attached great importance to shouldering corporate social responsibility and deemed it as an important component for its fulfillment of the mission of "developing clean energy and building a Beautiful China" and realisation of the strategic goal of "building an international first-class new energy company with global competitiveness". Furthermore, we have also proactively explored the concept of corporate social responsibility and the practice thereof, and are committed to the mutual promotion of enterprise's discharge of responsibility and operation. Aiming at sustainable development and maximizing comprehensive value, we adopted the way of all staff participation and all-rounded integration, and implemented the concept of corporate social responsibility in terms of enterprise decisions, systems and procedures, business operation, daily administration and enterprise culture through the transparent and ethical enterprise behaviors. We continuously promoted the fulfilment of corporate social responsibility and enhanced the comprehensive value creativity, operation transparency and brand influence in an all-rounded way, thus establishing the core values of Longyuan comprising "progress, efficiency, innovation and harmony".

2.1 Wind Power – Green and Clean Energy

Mainly engaged in wind power generation, the Group is a new energy-oriented integrated power generating group. The new energy power generation business of the Group is an environment-friendly business that protects the environment without consumption of resources including fossil fuels and water or discharge of waste or greenhouse gases, pollutants or hazardous wastes. It has no material adverse impact on the environment and natural resources.

2.2 Energy-saving and Emission-reduction

We strictly comply with the national uniform environmental protection laws, regulations and policies and proactively undertake the environmental protection responsibilities of energy-saving and emission-reduction. In 2018, there was no violation of national environmental laws, regulations and policies. While developing new projects according to the development and changes in market conditions, the Group also paid attention to energy-saving and emission-reduction, striving to maximize green benefits. Meanwhile, the Group optimised the operation of generating units by advancing technological innovation. In 2018, both coal-fired power plants strictly complied with the national standards on emission of air pollutants, namely GB 13223–2011 Emission Standard of Air Pollutants for Thermal Power Plants (《火電廠大氣污染物排放標準》), realised up-to-standard emission and recorded significant reduction in the emission volume of pollutants as compared to 2017. The Group is principally engaged in green power generation that in the year of 2018, wind power and renewable energy power generation reached 40,050,925 MWh, which equated to the reduction of CO_2 discharge in the amount of 39,576,559 tonnes, roughly as much as the CO_2 discharge volume of 13 million regular gasoline-powered vehicles in one year.

The emission reduction from the new energy and emission of two coal-fired power plants under the Group are as follows:

2018		**Consumption or decrease in consumption**				
	Power generation	**Standard coal**	**CO_2**	**SO_2**	**Oxynitrides**	**Dust**
	MWh	***Tonne***	***Tonne***	***Tonne***	***Tonne***	***Tonne***
Wind power and other renewable energy sources	**40,050,925**	**-14,249,577**	**-39,576,559**	**-2,500**	**-6,006**	**-193**
Coal power	**9,919,721**	**3,529,302**	**9,802,231**	**619**	**1,488**	**48**
Total	**49,970,646**	**-10,720,275**	**-29,774,328**	**-1,881**	**-4,518**	**-145**

2017		Consumption or decrease in consumption				
	Power generation	Standard coal	CO_2	SO_2	Oxynitrides	Dust
	MWh	*Tonne*	*Tonne*	*Tonne*	*Tonne*	*Tonne*
Wind power and other renewable energy sources	35,067,416	-12,320,567	-34,275,144	-2,162	-5,756	-187
Coal power	10,515,483	3,694,504	10,277,908	648	1,726	56
Total	45,582,899	8,626,063	23,997,236	-1,514	-4,030	-131

We effectuated extremely low discharge of pollutants due to our consistent effective operation of desulfurization and dust removal facilities, reinforced management and control of the quality of pre-boiler coal to reduce sulfur dioxide and dust; and due to our adoption of denitration measures such as increasing ammonia-spraying volume and optimising operational control to reduce the discharge of nitric oxide. In 2018, the sulfur dioxide, oxynitrides, dust and carbon dioxide discharged by our two coal-fired power plants reduced by 29 tonnes, 238 tonnes, 8 tonnes and 475,677 tonnes respectively as compared to 2017.

In 2018, the comprehensive utilisation ratio of ash in the coal-fired power plants of the Group was 100% and the ash was used for road construction and cement concrete manufacturing, etc. As a power generation conglomerate, energy consumption of the Group mainly includes the service power utilisation in the process of power generation apart from the coal consumption of the coal-fired power plants and a modicum of fuel consumption of the renewable energy enterprises, and water consumption mainly consists of the water needed in the cooling process and the water steam used to drive the turbine during the process coal-fired power generation. We have strictly observed the state laws and regulations and exerted stringent control over the consumption of service power. We have been saving energy and reducing consumption through intensified management and optimised operation. In 2018, the comprehensive service power utilisation ratio for the entire Group was 3.93%, representing a decrease of 0.16 percentage point as compared to 2017. Although the two coal-fired power plants are located in regions with abundant water resources, they also took measures such as treatment and recycling of the cooling water and flushing water of the coal yard as well as closed-type recycling of cooling water in the slag conveyor to reduce water consumption. As a result, the water consumption of these two coal-fired power plants amounted to 146kg/MWh in 2018, representing a decrease of 15.6% as compared to 2017.

2.3 Harmonious Environment

Lucid waters and lush mountains are invaluable assets. The Group has been pursuing the concepts of green development and committed to the development of clean energy. It actively implements national policies on energy saving and emission reduction. While developing green energy, it put great efforts in the establishment of the clean development mechanism. In addition, it consistently strengthened environmental protection, earnestly performed responsibilities in respect of environmental protection, set clear management rules on environmental protection, enhanced environmental control and took various measures for consolidating environmental protection in project construction and operation.

Strict noise control. In the construction of wind farms, the Group strengthened its equipment maintenance to lubricate machinery, reduce the noise of excavators, concrete mixers and bulldozers, and minimize the noise caused by the maintenance of construction equipment. After the completion of wind farms, attention was paid to the reduction of mechanical noise in units caused by wind turbines in operation. Our noise control in these two aspects meet the Class I standards on noise in daytime and at night under the Environmental Quality Standard for Noise (《聲環境質量標準》) (GB3096–2008), causing no influence on surrounding residents.

Protection of creatures. During the development and construction of wind farms, the Group emphasized the control over the influence of wind turbine on the migration of birds and ensured sufficient space between wind turbines to allow safe passage of birds. In addition, warning colors were used to minimize the probability of hit of birds against blades at night. In the construction and operation of offshore wind farms, we attached great importance to the protection of marine and fishery resources and promoted the breeding and growth of fish resources by way of freeing fries regularly. Meanwhile, we kept a close eye on the changes in biological resources in the reservoir areas in which tidal power plants are located to ensure normal growth of relevant creatures.

Insisting on green operation. In addition to effective control of noise, sulfur dioxide emission, etc., the Group built a clean development mechanism and proceeded with greening operation to protect the vegetation, striving to offer green power to the society and protect the environment in a proactive manner.

2.3.1 In order to deeply implement the guiding principles of the 19th CPC National Congress and promote the activities of "Volunteer Program (志願者在行動)", the Youth League branch of Daiqintala wind farm of Mengdong Longyuan organised the activity of "eliminating white trash and restoring clean villages" for the surrounding villagers, which was highly appraised by local villagers.

2.3.2 Xinjiang Longyuan conducted the activity of "Clean Courtyards • Beautiful Company", which had more than 30 participants, including young employees, Party members and the Youth League members at the headquarters participated. The activity realized the targets of sanitary improvement, orderly layout and beautiful environment of the company and wrote a new chapter in the establishment of the "Green Longyuan".

2.3.3 The Party Committee of Hebei Longyuan launched the trees planting activity with the theme of following the spirit of Saihan Dam. All management and staff voluntarily donated RMB78,200 and planted trees in the "Longyuan Power Green Memorial Forest" covering an area of 150mu.

2.3.4 The Jiangjiasha Wind Farm of Jiangsu Offshore Longyuan successfully rolled out a breeding and releasing activity. It contributed approximately RMB1 million for the release of 2,100,850 large yellow croakers and rented a professional "perforated ship" for releasing, which effectively guaranteed the survival rate of large yellow croakers.

2.3.5 Anhui Longyuan organised the "picking up cigarette butts, weeding and cleaning garbage" activity with the theme of "beautifying the environment". The staff felt the homely atmosphere of the wind farm through the activity, which enhanced the consciousness of the big picture. They said that they would start with themselves and actively promote to create an atmosphere of "everyone is responsible for protecting the environment".

2.3.6 The Dabancheng Party branch of Xinjiang Longyuan launched the regular Party activities on voluntary environmental protection services with the theme of "We are acting to maintaining green forest and clear water". The participants walked up along the Qinaer cascade and picked up the waste paper, plastic bags, bottles and other trash alongside, which fully displayed the spiritual outlook of young Party members and the determination of the Company to develop ecological civilization.

2.3.7 In order to protect the marine environment in the area where the wind farm is seated, Jiangsu offshore Longyuan installed ultrasonic bird repeller on the top platform of offshore booster stations. The ultrasonic bird repeller is an ultrasonic generation and control system with ultra-low power consumption designed and manufactured with imported microcontrollers. The ultrasonic wave generated by the repeller can stimulate the nervous system of birds and drive them away from the area covered by the ultrasonic wave, which can reduce the probability of bird strike against the blades.

2.4 Low-Carbon Action

The Group has been actively promoting low carbon living and its philosophy by nurturing and propelling voluntary reduction in domestic society, giving support to enterprises which are willing to cut back on carbon emission voluntarily or refraining from personal emission of carbon, so as to expedite the development of low-carbon living. Meanwhile, the Group promoted a low-carbon work and life style at corporate level, guiding the staff to take real action to save resources and protect the environment. The Group have set up 37 volunteer organisations of young employees and launched 191 service activities on regular basis, to implement the low-carbon concept by activities including green travel fitness, environmental protection promotion and environment renovation.

III. TALENT THRIVING ENTERPRISE

3.1 Introduction

Human resources are at the core of all resources for an enterprise. Excellent talents are precious wealth of the Group and the fundamental power for our continued high-speed development. The Group gives priority to professional ethics and occupational skills when hiring employees. Concurrence with our enterprise culture and being passionate on the job are basic requirements.

The Group further carried out the Green Care Action. It improved the working environment and living conditions for the front-line production staff, relaxed the restrictions on the incorporation of the front-line employees in difficult regions into the advanced study and recreation systems for model workers and thoroughly implemented the system of employee fraternal funds, which enhanced the staff's sense of belonging and the enterprise cohesiveness.

3.2 Employment Norms

The Group strictly abides by the Labour Contract Law《勞動合同法》in its labour and employment policies and has formulated the Administrative Measures for Employment (勞動用工管理辦法) based on the Labour Contract Law. The Group adopts campus recruitment for fresh graduates and social open recruitment and carries out checks and verifications over the applicants in the recruiting process in close compliance with the Provisional Measures on Recruitment, Allocation and Management of Employees (員工招聘及調配管理暫行辦法) and the Administrative Measures for Employment issued by CHN Energy. The Group has never had any child labour exploitation and forced labour ever since its incorporation.

3.3 Staff of the Group

As at 31 December 2018, the Group had a total of 7,610 staff, of which 6,415, or 84.29%, were male, while 1,195, or 15.71%, were female. The staff structure is as follows:

Table 1: Analysis of the Group's staff by business segments

No.	Business segments	Number of staff in 2018	Percentage	Number of staff in 2017	Percentage
1	Overall management	149	1.96%	157	2.09%
2	Wind power business	4,893	64.30%	4,667	62.07%
3	Coal power business	1,933	25.40%	2,046	27.21%
4	Technical and related services business	347	4.56%	336	4.47%
5	Other renewable energy	288	3.78%	313	4.16%
Total		7,610		7,519	

Table 2: Analysis of the Group's staff by academic qualifications

No.	Academic qualifications	Number of staff in 2018	Percentage	Number of staff in 2017	Percentage
1	Postgraduate and above	458	6.02%	426	5.67%
2	Undergraduate	4,178	54.90%	3,922	52.16%
3	College diploma	1,717	22.56%	1,745	23.21%
4	Technical secondary school and below	1,257	16.52%	1,426	18.97%
Total		7,610		7,519	

Table 3: Analysis of the Group's staff by age

No.	Age	Number of staff in 2018	Percentage	Number of staff in 2017	Percentage
1	56 years old and above	205	2.69%	256	3.40%
2	46–55 years old	1,247	16.39%	1,239	16.48%
3	36–45 years old	1,417	18.62%	1,402	18.65%
4	35 years old and below	4,741	62.30%	4,622	61.47%
Total		7,610		7,519	

Table 4: Analysis of the Company's staff by academic qualifications

No.	Academic qualifications	Number of staff in 2018	Percentage	Number of staff in 2017	Percentage
1	Postgraduate and above	76	54.29%	88	56.05%
2	Undergraduate	58	41.43%	62	39.49%
3	College diploma	5	3.57%	6	3.82%
4	Technical secondary school and below	1	0.71%	1	0.64%
Total		140		157	

Table 5: Analysis of the Company's staff by age

No.	Age	Number of staff in 2018	Percentage	Number of staff in 2017	Percentage
1	56 years old and above	8	5.71%	7	4.46%
2	46–55 years old	34	24.29%	34	21.66%
3	36–45 years old	46	32.86%	53	33.76%
4	35 years old and below	52	37.14%	63	40.13%
Total		140		157	

3.4 Staff Motivation

In order to cater to its development needs, the Group, on the basis of its existing position-based accountability system, has further perfected an effective mechanism for staff performance appraisal and management. Standardisation of the establishment for the organisation of the enterprise and the allocation of personnel to positions were promoted by adhering to the headcount standard in evaluating headcount. By maintaining a clear division of the Group's objectives for the year, identification of the performance targets of different positions, formulation of performance assessment standards, appraisal of staff performance in an objective and accurate manner, stimulation of the potential and enthusiasm of the employees, the Group has made clear its approach of stressing on both motivations and regulations. The Group increased the linkage between income and performance indicators, implemented dynamic process assessment and feasibly improved staff's subjective initiatives. Meanwhile, the remuneration distribution was implemented proactively to lay emphasis on supporting front-line staff and staff from difficult and remote regions by enhancing the wind power enterprise's standards of subsidies for poor regions, which could keep stability of the Group. The critical illness insurance set up by the Group for its staff is an important component of the medical insurance system of the PRC and an important measure for the Group to implement the scientific outlook on development and thoroughly execute the "people-benefit project". To reduce the cost of medical services of staff suffering from outbreak of critical illness and eliminate their worries, we have referred to the Guidelines on Establishment of "Sunshine Huimin Welfare Plan (陽光惠民福利保障計劃)" of CHN Energy, and set up the "Sunshine Huimin Welfare Plan" (i.e. Employee Critical Disease Insurance), which provided protection with insurance covering 40 kinds of critical diseases, complete disability due to illness, traffic accidental injuries and so forth. Meanwhile, the Group also organised its enterprises to take out insurance policies. In 2018, 10 cases of insurance claims were settled for the Company and quenched the thirst of our employees and their family members, thus safeguarding the health of employees of the Company. In 2018, 129 Excellent Employees were selected and rated and 29 enterprises were granted the general manager's incentive fund.

As at the end of 2018, the Group recorded 189 cases of staff turnover and the turnover rate (staff turnover rate =number of outgoing staff/(headcount as at the beginning of the Reporting Period + the number of new recruits in the year)) was 2.39%. Particulars of the staff turnover proportion are set out below:

Table 6: Information of the Group's staff turnover

No.	Company name	Staff turnover	Age: 35 years old and below	Age: 36–45 years old	Age: 46–55 years old	Age: 56 years old and above
	China Longyuan Power Group Corporation Limited (collectively)	189	150	15	16	8
1	The headquarters of China Longyuan Power Group Corporation Limited	3	2		1	
2	Jiangyin Sulong Heat and Power Generating Co., Ltd. (江陰蘇龍熱電有限公司)	9	4	4	1	
3	Nantong Tianshenggang Power Generation Co., Ltd. (南通天生港發電有限公司)	15	5	4	6	
4	Xinjiang Longyuan Wind Power Generation Co., Ltd. (新疆龍源風力發電有限公司)	18	17	1		
5	Inner Mongolia Longyuan Mengdong Wind Power Generation Co., Ltd. (內蒙古龍源蒙東風力發電有限公司)	8	6		2	
6	Hebei Longyuan Wind Power Generation Co., Ltd. (河北龍源風力發電有限公司)	2	2			
7	Heilongjiang Longyuan New Energy Development Co., Ltd. (黑龍江龍源新能源發展有限公司)	7	6		1	
8	Gansu Longyuan Wind Power Generation Co., Ltd. (甘肅龍源風力發電有限公司)	5	5			
9	Jiangsu Longyuan Wind Power Generation Co., Ltd. (江蘇龍源風力發電有限公司)	2	2			
10	Donghai Longyuan Biomass Power Plant (東海龍源生物質發電有限公司)	9	2		1	6

No.	Company name	Staff turnover	Age: 35 years old and below	Age: 36–45 years old	Age: 46–55 years old	Age: 56 years old and above
11	Inner Mongolia Longyuan New Energy Development Co., Ltd. (內蒙古龍源新能源發展有限公司)	7	7			
12	Liaoning Longyuan New Energy Development Co., Ltd. (遼寧龍源新能源發展有限公司)	8	5	2	1	
13	Jiangsu Offshore Longyuan Wind Power Generation Co., Ltd. (江蘇海上龍源風力發電有限公司)	4	4			
14	Shanxi Longyuan Wind Power Generation Co., Ltd. (山西龍源風力發電有限公司)	2	2			
15	Yunnan Longyuan Wind Power Generation Co., Ltd. (雲南龍源風力發電有限公司)	2	2			
16	Fujian Longyuan Wind Power Generation Co., Ltd. (福建龍源風力發電有限責任公司)	2	2			
17	Anhui Longyuan Wind Power Generation Co., Ltd. (安徽龍源風力發電有限公司)	11	10	1		
18	Longyuan Ningxia Wind Power Generation Co., Ltd. (龍源寧夏風力發電有限公司)	4	3	1		
19	Longyuan Guizhou Wind Power Generation Co., Ltd. (龍源貴州風力發電有限公司)	5	5			
20	Jilin Longyuan Wind Power Generation Co., Ltd. (吉林龍源風力發電有限公司)	8	7	1		
21	Longyuan Shaanxi Wind Power Generation Co., Ltd. (龍源陝西風力發電有限公司)	11	11			
22	Zhejiang Longyuan Wind Power Generation Co., Ltd. (浙江龍源風力發電有限公司)	9	7			2
23	Tianjing Longyuan Wind Power Generation Co., Ltd. (天津龍源風力發電有限公司)	3	3			

No.	Company name	Staff turnover	Age: 35 years old and below	Age: 36–45 years old	Age: 46–55 years old	Age: 56 years old and above
24	Guangdong Guodian Longyuan Wind Power Generation Co., Ltd. (廣東國電龍源風力發電有限公司)	3	3			
25	Guangxi Longyuan Wind Power Generation Co., Ltd. (廣西龍源風力發電有限公司)	3	3			
26	Longyuan Power Group (Shanghai) Wind Power Co., Ltd. (龍源電力集團(上海)風力發電有限公司)	1	1			
27	Longyuan Jiangxi Wind Power Generation Co., Ltd. (龍源江西風力發電有限公司)	3	2	1		
28	Longyuan Tibet New Energy Co., Ltd. (龍源西藏新能源有限公司)	13	13			
29	Longyuan Golmud New Energy Development Co., Ltd. (龍源格爾木新能源開發有限公司)	1	1			
30	Longyuan South Africa Renewables (Pty) Ltd. (龍源南非可再生能源有限公司)	3	2		1	
31	Longyuan Canada Renewables Ltd. (龍源加拿大可再生能源有限公司)	1	1			
32	Zhongneng Power-Tech Development Co., Ltd. (中能電力科技開發有限公司)	1	1			

No.	Company name	Staff turnover	Age: 35 years old and below	Age: 36–45 years old	Age: 46–55 years old	Age: 56 years old and above
33	Longyuan (Beijing) Wind Power Projects Design & Consultation Co., Ltd. (龍源(北京)風電工程設計諮詢有限公司)	1	1			
34	Longyuan (Beijing) Wind Power Projects Technology Co., Ltd. (龍源(北京)風電工程技術有限公司)	2	2			
35	Xinjiang Wind Power Engineering Consultant Co., Ltd (新疆風電工程設計諮詢有限責任公司)	1	1			
36	Suzhou Longyuan Wind Power Technique Vocational Training Centre Co., Ltd. (蘇州龍源風電職業技術培訓中心有限公司)	2			2	

3.5 Staff Development

The Group paid special attention to personnel training and development, put more efforts to train young cadres through constant innovation of selection and appointment mechanism, continuously optimised leadership structure of enterprises and kept innovation capabilities of the Company. The Group implemented "dual-track" management mechanism for Administrative positions and Technical operation positions, which has broadened the career prospects of the staff. In order to meet the requirements of talent transformation and due to the business development needs of production post or management post, a staff post transformation and development channel has been established. Before job transfer to administrative management posts, production personnel must pass the exams in terms of analysis and decision capability, communication and coordination capability, emergency response capability, etc.; should administrative management personnel be transferred to production posts, they must pass professional technical exams to obtain the certificate for production posts. Meanwhile, a leadership development channel has also been built, and training measures such as enriching curriculum system, innovating teaching methods, etc. were taken to serve the construction of corporate leadership to improve managers' corporate culture and judgment on work value, communication and management skills and other leadership skills.

In 2018, the Group formulated and distributed the Administrative Measures for Evaluation and Appointment of Chief Talent (首席師評聘管理辦法), which set forth the positions of skilled talent in addition to the existing two-channel promotion mechanism for administrative and technical talent sequences, thus consummating the vocational development systems covering the capable personnel teams in the aspects of "administration, technology and skill". In 2018, the Company appointed 10 group-level chief talents and 13 grassroots enterprise-level chief talents. So far, the Group had a total of 298 chief talents at all levels, including 10 group-level chief talents (7 persons from technology sequence and 3 from skill sequence) and 31 grassroots enterprise-level chief operation inspectors (13 persons from technology sequence and 18 from skill sequence). The establishment of the chief talents team effectively boosted the progress and success of outstanding in-service employees and gave full play to the guiding and driving effects of excellent capable persons. Besides, fruitful achievements were obtained in educational trainings, tackling major technological problems, research studies and other aspects, having creating the benign atmosphere of gathering, attracting, fostering and utilising capable persons.

3.6 Staff Training

In 2018, the Group continued to implement the strategy of "strengthening enterprise through capable personnel", spared no effort to promote the construction of the "Big training" systems, kept cementing the foundations and blazing new trails, and furthered the regulation and intensification on its systematic training work. The Group has established training centers and training bases, built a team of internal trainers, and revised, edited and improved internal training materials which have been published for the Group's internal trainings. The Group has formulated annual training programs and organised training projects for the duty requirements of the management, technical and skilled personnel. The Group attached importance to trainings of senior management and key professional technicians, implemented customized trainings through specific survey in accordance with talents' needs and paid special attention to improve operational capabilities of staff. Through continuous development of various training courses, the Group has continuously improved the quality of staff, especially front-line operation and maintenance staff, reinforced the modern management concept among its administrative staff and enhanced the overall management efficiency.

In 2018, the Group advanced the construction of "Big training" systems with all its strength according to the "Thirteenth Five-year" Plan for Education and Training (教育培訓"十三五"規劃) and Measures for Management of Safety Production Training (安全生產培訓管理辦法) formulated by the Group. Firstly, it mapped out and published the opinions on further strengthening the construction of training bases, according to which, five units located in Liaoning (the north), Xinjiang (the west), Yunnan (the south), Gansu (the west) and Shanxi (the central region), respectively was selected as the trial construction units based on the layout covering "East, West, South, North and Central region" across China to gradually establish a number of distinct training bases in the five regions in addition to the training center and the southern and northern training bases, and thereby form the "1+2+N(5)" training base systems. Secondly, the "Tutorial Series on Safe Production Standards at Wind Farms (One)" filmed independently by the Company was published officially by China Electric Power Press in July 2018 and became the first professional video training materials on standard operation trainings for the operation and maintenance position at wind farms. It also organised and formulated the construction plan for group-wide online learning platform (session one) and basically completed the structural construction and trial operation of the platform. It organised the subordinate units and relevant departments at the headquarters to make full use of the online learning platform. Online practice and online examination for trainees were carried out for 14,338 person-times and 4,390 person-times, respectively, and three company-level spot tests were arranged and carried out on the online learning platform. Thirdly, the Company worked out the training plans named "Young Cadre Training Course" and "Advanced Training Course for Operation and Maintenance Personnel at Wind Farms (Craftsmanship Training Camp) and Advanced Training Course for the Management at Wind Farms (Leadership Training Camp)". In particular, 89 reserve cadres, mid-to-long-term leadership candidates and newly promoted deputy director-level cadres from a total of 39 subordinate units attended the Young Cadre Training Course for informative content in a variety of forms with distinct focal points and fruitful enlightenments; 40 outstanding operation and maintenance practitioners from 20 subordinate wind power enterprises were selected to attend the craftsmanship training camp for a term of six months. During the course, theoretical knowledge and bylaws were expounded systematically and internship at the manufacturers and field practice at wind farms for over a month was also arranged, which resulted in telling benefits; the Leadership Training Camp was expected to kick over in the first half of the next year and 40 outstanding plant directors (vice plant directors) have been selected for the training so far. In addition, the fostering of the first session of the chief operation inspector trainee course with 8 participants for a term of one year and a half were brought off and the 12 participants selected for the second session of chief operation inspector trainee course also attended the training course of the Craftsmanship Training Camp. Fourthly, the "Six-phased, Stepwise and Bimodal" pre-service training model for new recruits was further implemented, and five sessions of work permit trainings and certification through exams were conducted for 389 participants throughout the year.

The post qualification certification for production personnel at wind farms were carried forward in a deep-going manner. Two sessions of specialized position qualification certification for plant directors (vice plant directors) and security (technological) principals were conducted for 225 participants throughout the year. As of December 2018, the Group managed to achieve full coverage of qualification certification for posts at plant director or specialized principal level within two years, which meant that all of its 525 plant directors (vice plant directors) and security (technological) specialized principals had received post qualification certificates. Meanwhile, the Group also proactively organised the subordinate units to conducted work in relation to qualification certification for shift foremen and lower production posts. The subordinate wind power enterprises are expected to complete the post qualification certification for all production personnel in the first half of next year. The Group organised 1,707 specialised training courses for 5,990 participants or a total of 25,777 person-times throughout the year.

Table 7: Statistic Table on Staff Training of the Group

								Training method		
Item		Number of staff as at the end of the period	Number of staff trained	Training percentage *(%)*	Accumulative number of days for attending training	Training expenses *(RMB0'000)*	Number of training person-times	Organisation of training	Online training	Other training
1. Managerial and skilled staff	1	2,190	1,669	76.21	2,341	481	5,997	668	200	5,129
Including: Managerial staff of department head level	2	373	316	–	339	106	1,018	176	13	829
General managerial staff	3	1,464	1,027	–	994	319	3,202	384	131	2,687
Skilled staff	4	353	326	–	1,008	56	1,777	108	56	1,613
2. Production staff	5	5,088	4,059	79.78	3,597	1,677	18,857	1,293	223	17,341
Including: Production operating staff	6	2,833	2,190	–	1,681	891	12,751	686	162	11,903
Production inspecting and repairing staff	7	1,868	1,527	–	1,553	738	4,753	559	61	4,133
Production supporting staff	8	387	342	–	363	48	1,353	48		1,305
3. Other staff	9	332	262	78.92	433	8	923		7	916
Total	10	7,610	5,990	78.71	6,371	2,166	25,777	1,961	430	23,386

3.7 Staff Remuneration

The staff remuneration of the Group comprises of post performance salary, special bonus and various subsidies. The Group improved the treatment of job at various levels through adoption of the selection mechanism composed of competition for a post, gradual delay in retirement and dynamic adjustment to stimulate the vitality of staff team; on the basis of performance assessment including periodic examination, production indexes, etc. and with the focus on special awards, the Group gives priority to front-line staff and key technical personnel; It provided hardship and backcountry subsidies to encourage the employees to work hard and take root in the front-line areas in the light of the influence on the work and life of employees arising from the natural environment and humanity factors of the places where the inspection and repair fields are located; it also energetically implemented the chief operation inspector system, improved the stall vocational development systems, expanded the technological and expertise development channels and provided special subsidies to inspire the working and entrepreneurship vitality of the staff.

IV. SAFETY FIRST

4.1 Systematic and Standardised Management

Adhering to the concept of safety foremost, the Group improves the safety supervision system and has formed a four-tier safety supervision system composed of "headquarter, regional companies, wind farms and work teams" covering production, engineering, traffic, firefighting, etc.. During the year, the Group compiled multiple rules and regulations issued by the State, Industry and the Company into the Working System on Safety Monitoring (安全監督工作制度) (volume 1 to 4) for staff circulation, providing system guarantee for rule-based operation and observance of disciplines. Moreover, the Group implemented Special Measures on Safety Monitoring and Assessment (安全監督工作專項考核辦法) to standardize assessment and incentive mechanism, supervise the observance of disciplines and strengthen accountability, so as to provide policy support for carrying out the safety supervision works.

The Group stringently complied with various safety supervision rules and regulations of the State, Industry and CHN Energy. In 2018, the Group spared no efforts to untangle the risks, strived to improve risk control measures to reduce possible casualties and the risk of equipment damage, so as to provide a more secure working environment and protect staff from operational hazard. Furthermore, the Group also sorted out the Analysis Table of Wind Power Safety Production and Control (風電生產安全管控分析表), and modified Special Measures on Prevention of Accidents Involving Casualties (防止人身傷亡事故專項措施) and Special Measures on Protection of Wind Turbines against Serious Damage (防止風電機組嚴重損壞專項措施). Beyond that, the Group prepared safety operation manuals for main electrical equipments, and formulated safety protection measures by analyzing hidden danger and defects of units to define the requirements for safety production. In addition, the Group conducted safety inspection and assessment on onshore and offshore wind power, photovoltaic energy, geothermal energy, biomass and tide. By analyzing key issues exposed in recent years and potential risks identified in the assessment and putting them on records, the Group put forward rectification opinions and supervised implementation accordingly, to realize closed-loop control. The Group comprehensively strengthened the effective performance of accountability by the subject of responsibility, to improve safety supervision and management.

4.2 Health and Safety Management

The Group has fostered the concept of "Comprehensive Safety" and firmly regards safety as its primary responsibility. It has consolidated the base for safe production, sought for vulnerable sections in safety production thoroughly and deepened rectification of potential safety hazards so as to continuously strengthen the management of safety production. In 2018, no staff of the Group died in accidents, representing 0% of the total number of staff and resulting in loss of 0 working days.

In an effort to ensure safety and health of employees in the process of production, reduce the occurrence of occupational diseases and achieve effective management of occupational health, the Group arranges pre-employment physical examinations, including normal physical examination and occupational disease examination, and subsequent unified annual physical examination for staff. Furthermore, the Group regularly distributes labour protection appliances to ensure protection measures for employees before they start to work. A safety supervision department has been established in each project company to strengthen on-site supervision, guidance and regulation of operations. In addition, the Group holds safety knowledge contests involving all employees, and provides training in rotation for safety officers with a view to enhance safety awareness and safety technical levels of staff.

V. RESPONSIBILITIES

5.1 Supply Chain Management

Pursuant to the requirements under the Bidding Law of the PRC, tender is compulsory for any domestic projects which are completely or partly invested by state-owned funds. For the domestic projects subject to tender according to the law, the Group, as a state-owned company, shall determine the suppliers by way of public tender. For projects of which no tender is required by laws, the suppliers shall be determined in a competitive manner on the "CHN Energy E Procurement" platform according to the procurement management system established by the Company. For overseas projects, invitation tender, price enquiry and other methods shall be adopted in accordance with the practices in the country where the projects are located and the actual situation of the projects. So far, all suppliers in cooperation with the Group have been selected in compliance with the abovementioned supplier engagement conventions. All procurement projects subject to tender or not were conducted on the specified online platform which would record important matters and the process traces at each stage of the procurement activity automatically, and such projects were subject to external audit and supervisory inspection.

Currently, in the procurement of major equipment, the Group requires suppliers to have an environmental management system, and is not aware that any key suppliers had any significant actual and potential negative impact on environment protection, human rights and labour practices or non-compliance.

The Group selects its suppliers in a completely competitive manner without a fixed list of suppliers. As such, there is no statistical data of suppliers by region. The Group gives an annual comprehensive evaluation for suppliers and set up a warning and no-access mechanism for dishonest suppliers. Besides, the Group implements a manufacturing supervision and management system for main units, turbine towers and key electrical equipment to guarantee product quality.

5.2 Compliance Management

On 1 January 2018, the Chinese government promulgated the Environmental Protection Tax Law《環境保護稅法》to reinforce pollution control and protect the environment. The Environmental Protection Tax Law effectuated the "transformation of pollution discharge fees into taxes", which means to collect environmental protection taxes instead of pollution discharge fees. As the collection standards thereunder varied from the previous rates, coal-fired power enterprises of the Group were affected to some extent, but there was no material impact on the Group on the whole.

On 1 January 2018, the General Office of the CPC Central Committee and the General Office of the State Council promulgated the Plan on Reform of the Ecological Environment Damage Compensation System《生態環境損害賠償制度改革方案》, which specified the compensation scope, the liability subject, the claimant and compensation solutions for ecological environment damages, and established corresponding verification, evaluation, management and technological systems as well as the funding and operation mechanism, thus setting up the ecological environment damage restoration and compensation systems in a stepwise manner. In 2018, the Group intensified management of the constructing process, compiled and issued the Guidance on Conservation of Water and Soil In Wind Power Projects《風電項目水土保持工作指導意見》and Reference Constructing Measures on Conservation of Water and Soil of Wind Farms《風電場水土保持施工措施參考》to enhance environmental protection measures of projects and elaborate safe and civilized construction and design standards. The water and soil conversation of projects under construction were conducted together with the constructing progress of the projects and the vegetation coverage enjoyed benign growth. So far, the implementation of the plan has had no material impact on the Group.

VI. ANTI-CORRUPTION PRACTICE

In strict compliance with the national laws and regulations and its internal policies, the Group requires its employees to abstain from misconducts such as offering or accepting bribery and corruption in any circumstance and to strictly comply with honesty and self-discipline standards. The Group has a Supervision Department, which, under the leadership of the Board, the Discipline Inspection Group at higher level, the Party Committee and Discipline Inspection Committee of the Group, is responsible for internal supervision, prevention of corruption, acceptance of whistle-blowing, investigation and handling of rule-breaking or law-breaking cases. For petition and whistle-blowing matters and clues, the Supervision Department will make dispositions investigation and verification in strict compliance with the national laws and regulations as well as the Measures for Management and Handling of Petition and Whistle-blowing Matters and Clues in respect of Discipline Inspection and Supervision of Longyuan Power (Trial) (龍源電力紀檢監察信訪舉報和問題線索管理處置辦法(試行)). Staff suspected of violation or criminal offence will be promptly reported to the Discipline Inspection Group at higher level, the Party Committee and Discipline Inspection Committee of the Group after being identified through investigation, and will be handed over to the local judicial authority in accordance with the established procedures of the Company.

The Group prepares and distributes the Annual Work Plan on Integrity Education (年度廉潔教育工作方案) and organises group-wide cautionary and educational activities on integrity by invoking typical cases. Cautionary and educational seminars on observance of regulations and disciplines are organised regularly to enhance the integrity awareness of our staff. Under the principle of "keeping an eye on critical minorities", the Group regularly makes integrity conversations with persons in charge of critical work and positions in order to achieve proactive supervision. In addition, the Group prepares the Annual Work Plan on Supervision and Inspection, carries out special inspections and reinforces its efforts on preventing integrity risks in key fields. In December 2018, Mr. Li Enyi, a former executive Director and the general manager of the Group was detained by the supervisory authority for involvement in grave duty-related crime. As of 31 December 2018, the Group was not aware of any other information in relation to his detention.

VII. GREEN CARE

Adhering to the guideline of "corporate development concurrent with repaying the society", the Group proactively discharged its obligations in respect of serving the local economy, participating in public welfare and charitable undertakings, engaging in volunteer service activities, etc. It also fulfilled its responsibility as a corporate citizen and participated in public welfare businesses, striving to make more contributions to social harmony and development.

7.1 Serving the Local Economy

We do everything for people's livelihood and conduct small good deeds frequently to achieve a win-win situation through cooperation. The Group implements localized operation. In the process of project development, construction and operation, the Group has established a mechanism for regular communication and exchange with local representatives and endeavours to consolidate the close connection with relevant local governments to maintain effective communication channels with local competent departments. In addition, The Group proactively adopts reasonable suggestions from local governments, enterprises and residents, improves local infrastructures, and shares corporate welfare facilities with community members. All these measures have promoted local new energy construction and sound development of the local economy.

The Group gratuitously helped Youyu County, a national impoverished county by constructing photovoltaic power station for the purpose of poverty alleviation and completed the construction of the photovoltaic project with a capacity of 1.49 MW in 2018. Such project is expected to contribute an additional annual income of RMB3,000 to over 400 underprivileged families in the next two decades. While adhering to the fundamental principle of "targeted and green poverty alleviation", the Group gave prominence to the targeted guidance, laid stress on reform and innovation, and continued to reinforce its efforts in targeted poverty alleviation. Poverty alleviation funds in a cumulative amount of more than RMB13 million had been allocated to Youyu County to finance a series of targeted poverty alleviation measures including poverty alleviation through development of green and ecological industries, E-commerce business, photovoltaic projects, as well as by medical aid, job creation, Party building,etc.

7.2 Participating in Public Welfare and Charitable Undertakings

Proactively participating in public welfare and charitable undertakings, the Group continuously advances the "Longyuan's Green Care Action" plan with continued efforts. It earned trust and respect with its integrity, dedication, kindheartedness and harmony and strived to foster harmonious relationship between corporate and social development, creating a positive image of a responsible corporation. In 2018, the Group repaid the society in various channels such as proactive launch of disaster relief, subsidies for education and to the handicapped, and assistance to the poor.

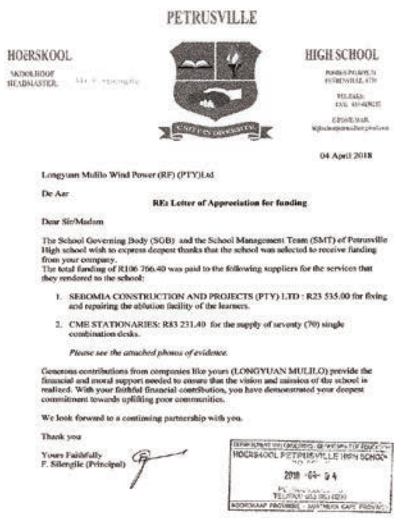
The Group implemented the gist of the national "Poverty Alleviation Day" put forward the State Council and actively organised and participated in the "Poverty Alleviation Day"-themed activity in 2018. In the "Poverty Alleviation Day" donation activity, the Group received compassionate donations of RMB406,125 in aggregate contributed by 3,004 staff 36 units at the headquarters of the Company and from the subordinated companies, which were later transferred into the poverty alleviation funds account of CHN Energy for supporting the poverty alleviation undertakings of our country.

7.2.1 Jiangsu Offshore Longyuan carried out the activity of "Learning from Lei Feng to extend warmth and volunteer services to community members" and placed more than 70 used clothes donated by the company staff into the clothes recycling box. The volunteers paid a visit to the Guanyinshan Gerocomium in Chongchuan District, Nantong where the wind power base of Jiangsu Offshore Longyuan locates. They did some cleaning in the gerocomium and brought the solitary elderly with some presents to express their solicitude.

7.2.2 The Youth League of Xinjiang Longyuan organised and carried out the volunteer service activity with the theme of "learning from Lei Feng, helping the herdsmen, performing responsibilities, and establishing a sound image". The volunteers also taught the herdsmen knowledge on safe utilisation of electricity. Such concrete deeds were well received among the fellow herdsmen and help create a sound corporate image for the Group. The volunteer service corps of the company has kept satisfying the production and living needs of the power station as well as serving the masses in the surrounding pastoral areas, continued to improve its organisational structure and the service portfolio, and actively carried out a variety of volunteer service activities, thereby making positive contributions to raising socialist cultural-ethical standards as well as maintaining the stability of border areas with mainly ethnic minority populations.

7.2.3 Huanan Youth League of Heilongjiang Longyuan offered stipends to students from underprivileged families. With its strong sense of social responsibility and dedication, Heilongjiang Longyuan has carried out charitable voluntary service activities for consecutive years. By doing so, the company formed a closer tie with local people and established a sound corporate image.

7.2.4 Longyuan South Africa made a charitable donation to a local school for repair and replacement of facilities, which was highly appreciated by the school leader in its letter of thanks.



PETRUSVILLE

HOËRSKOOL

HIGH SCHOOL

04 April 2018

Longyuan Mulilo Wind Power (RF) (PTY)Ltd

De Aar

RE: Letter of Appreciation for funding

Dear Sir/Madam

The School Governing Body (SGB) and the School Management Team (SMT) of Petrusville High school wish to express deepest thanks that the school was selected to receive funding from your company.
The total funding of R106 766.40 was paid to the following suppliers for the services that they rendered to the school:

1. SEBOMIA CONSTRUCTION AND PROJECTS (PTY) LTD : R23 535.00 for fixing and repairing the ablution facility of the learners.
2. CME STATIONARIES: R83 231.40 for the supply of seventy (70) single combination desks.

Please see the attached photos of evidence.

Generous contributions from companies like yours (LONGYUAN MULILO) provide the financial and moral support needed to ensure that the vision and mission of the school is realized. With your faithful financial contribution, you have demonstrated your deepest commitment towards uplifting poor communities.

We look forward to a continuing partnership with you.

Thank you

Yours Faithfully
F. Silengile (Principal)

HOËRSKOOL PETRUSVILLE HIGH SCHOOL
2018 -04- 04

7.2.5 The volunteer group of CHEN Energy paid a visit to an artificial cochlea training school in Xicheng District and carried out a special philanthropic-themed Party day activity. On that day of the voluntary activities, the Party organisations of both parties first shared and exchanged their respective experiences; and later on, young employees from the company's big data research office, with their well-prepared presentation, cartoon video clips and interesting Q&As, helped hearing-impaired children to develop an understanding of wind power resources, the principles of wind power generators and other green energy knowledge in plain language.

7.2.6 The front-line Party branch of Guizhou Longyuan conducted the campaign of bringing concern and care to school and made donations to outstanding poverty-stricken students at school. The Party member representatives brought along school supplies for the children and exhorted them to "read a lot and read alertly so as to grow into an aspiring, morally virtuous, well-educated and self-disciplined youth".

7.2.7 Longhu Wind Farm of Anhui Longyuan reached out to Weidong Community to provide local residents with consultation services on safe production with the view to popularizing safe production and improving the safety awareness of the residents. It set up the consultation counter to spread the idea of safe production and knowledge about safe production by way of putting up banners, setting out display panels and distributing pamphlets. The extensively informative promotion materials drew the drummed up the attention of local people and they stopped to seek consultation. The advocates made explanations on the doubts of the people enthusiastically, thus giving a vivid speech on safe production and relevant promotional consultation to the residents of the community.

7.2.8 In adherence to the principle of stemming from the people and returning to the people, Guizhou Longyuan visited and consoled the 69-aged senior Party member at Wuxing Village, Yina Town, Weining County. Through paired support, Guizhou Longyuan advocated "caring for others, contributing to the society and keeping in mind the spirit of revolutionary forerunners" in the society, carried forward the traditional merits and enabled the Party members and the masses to practically experience the responsibility and accountability of a central enterprise and the warmth of the social family.

7.3 Launching of Recreational and Sports Activities

The Group proactively implemented the outline of "Health China 2030 (健康中國2030)" Plan to promote national fitness and further the Green Care Action. The Company has long been committed to enriching staff's spare-time cultural life, proactively arousing staff's spirit for unity and progress by strengthening physical exercise and forming a good attitude and creating a happy work environment by establishing positive attitude. The formation of harmony-inclined and aspiring vibe and the establishment of the internal communication platform have inspired the sense of collective honor of the staff. This year, the basketball team of Longyuan Power held together, forged ahead and won the third prize against the strong competitors in the first session of staff basketball games hosted by CHN Energy

7.3.1 33 teams with a total of 315 players participated in the fourth session of the staff basketball games held by the Group in Shanxi. The games went through four phases including group round-robin contests, cross-out elimination contests, rank contests and the finals. During the games, the teams played intensively and showed wonderful competition scenes. The tenacious endeavors of the athletes fully demonstrated the well-established spirituality of the young employees.

7.3.2 The labour union of Jiangsu Offshore Longyuan organised the women employees to carry out the "ceramic culture and artistically innovative life" themed activity. In addition to conveying the care and concern of the Company's labour union for the women employees, such activity also enriched the employees' cultural life after work, cultivated their sentiments and enhanced their manipulative ability and innovating ability. Meanwhile, it also strengthened the women employees' understanding of the traditional culture and helped to carry forward China's ceramic culture.

7.3.3 Gansu Longyuan held the 2018 autumn fun sports meeting, which had more than 250 participants. The event was an innovative cultural and sports activity integrating fun and exercise. It aroused healthy and upbeat working enthusiasm of the employees of the Company and exerted positive effect in enriching the Company's cultural life after work, enhancing the physical well-being and cohesiveness of the employees and nurturing excellent corporate culture for the Company.

7.3.4 Hebei Longyuan made it a success in having the 2018 fun sports meeting. 6 teams from the Company with 143 players attended the event. The competitions were very intensive and fascinating. The concerted efforts and tenacious struggle of all participants of the meeting demonstrated the spirituality of the staff of the Company excellently.

VIII. REPORT DISCLOSURE INDEX

Subject Areas and Aspects		Disclosure		KPIs		Page
A.	**Environmental**					
A1	*Emissions*	Information on:		A1.1	The types of emissions and respective emissions data.	118-120
		(a)	the policies; and	A1.2	Greenhouse gas emissions in total (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	119
		(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	119
				A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, Intensity (e.g. per unit of production volume, per facility).	119
				A1.5	Description of measures to mitigate emissions and results achieved.	118-120
				A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	120-125

Subject Areas and Aspects		Disclosure	KPIs		Page
A2	*Use of Resources*	Policies on the efficient use of resources, including energy, water and other raw materials. (Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.)	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	118, 120
			A2.2	Water consumption in total and intensity (e.g. per unit of production volume per facility).	120
			A2.3	Description of energy use efficiency initiatives and results achieved.	120
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			A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Not Applicable
A3	*The Environment and Natural Resources*	Policies on minimising the issuer's significant impact on the environment and natural resources	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	117-125, 142

Subject Areas and Aspects		Disclosure	KPIs		Page
B.	**Social**				
Employment and Labour Practices					
B1	*Employment*	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	B1.1	Total workforce by gender, employment type, age group and geographical region.	125-128, 139
			B1.2	Employee turnover rate by gender, age group and geographical region.	130-133
B2	*Health and Safety*	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe environment and protecting employees from occupational hazards	B2.1	Number and rate of work-related fatalities.	140
			B2.2	Lost days due to work injury.	140
			B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	139-141

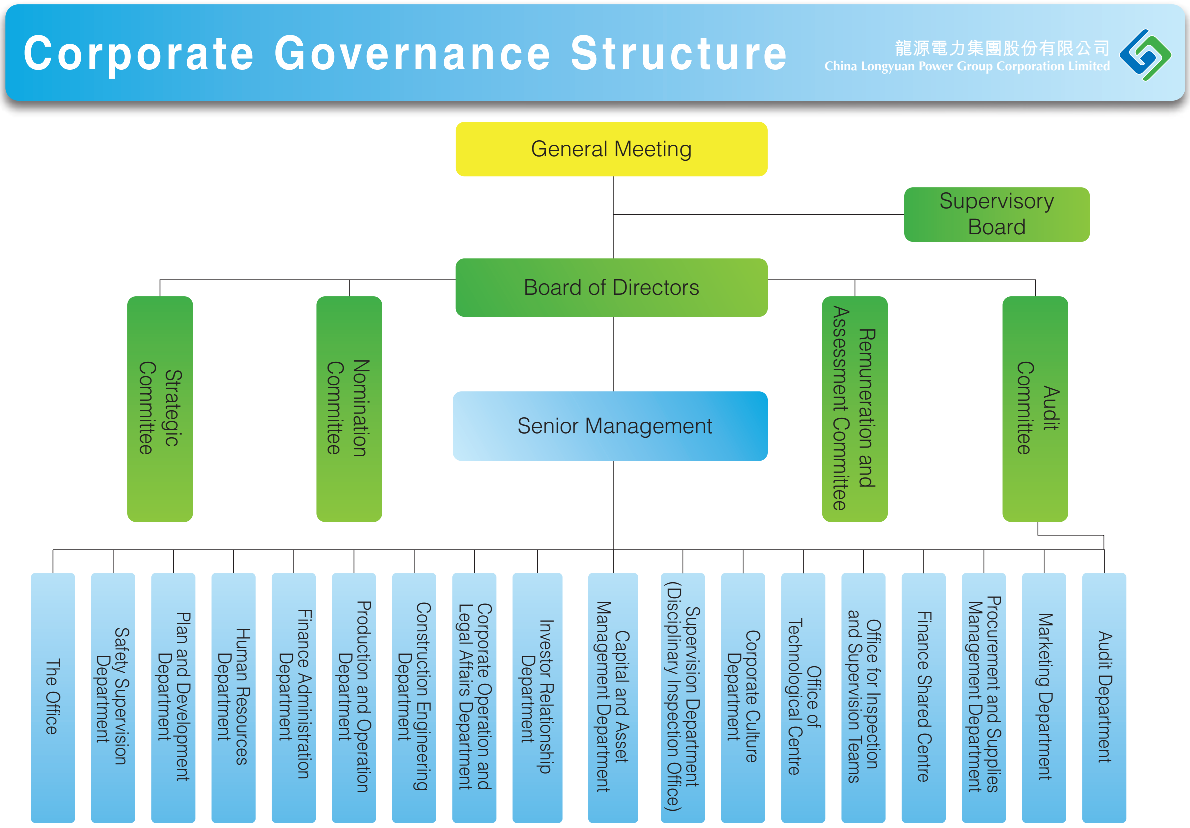
Subject Areas and Aspects		Disclosure	KPIs		Page
B3	*Development and Training*	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities *Note:* Training refers to vocational training. It may include internal and external courses paid by the employer.	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	135-138
			B3.2	The average training hours completed per employee by gender and employee category.	138
B4	*Labour Standards*	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	B4.1	Description of measures to review employment practices to avoid child and forced labour.	125-126
			B4.2	Description of steps taken to eliminate such practices when discovered.	125-126, 143
Operating Practices					
B5	*Supply Chain Management*	Policies on managing environmental and social risks of the supply chain	B5.1	Number of suppliers by geographical region.	141
			B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	141

Subject Areas and Aspects		Disclosure	KPIs		Page
B6	*Product Responsibility*	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not Applicable to the Group
			B6.2	Number of products and service related complaints received and how they are dealt with.	-
			B6.3	Description of practices relating to observing and protecting intellectual property rights.	-
			B6.4	Description of quality assurance process and recall procedures.	-
			B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	-
B7	*Anti-corruption*	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	143
			B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	143
Community					
B8	*Community Investment*	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	120-125, 144-151
			B8.2	Resources contributed (e.g. money or time) to the focus area.	144-151

CORPORATE GOVERNANCE REPORT

The Board of the Company hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2018.

The corporate governance structure of the Company is set out as follows:



CORPORATE GOVERNANCE PRACTICES

The Board is responsible for performing the corporate governance duties of the Company, which are specifically as follows: (1) formulating and reviewing the Company's policies and practices on corporate governance; (2) reviewing and monitoring the training and continuous professional development of directors and senior management; (3) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (4) formulating, reviewing and monitoring the code of conduct of employees and directors; and (5) reviewing the Company's compliance with the Corporate Governance Code and the disclosures in the Corporate Governance Report contained in annual report.

CORPORATE GOVERNANCE REPORT

As a company listed on the Hong Kong Stock Exchange, the Company is committed to maintaining a high standard of corporate governance practices. For the year ended 31 December 2018, save for the deviation from the code provision E.1.2 disclosed in paragraph 5 below, the Company has complied with all the code provisions and, where appropriate, adopted certain recommended best practices as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

Corporate governance practices adopted by the Company are summarised below:

1. The Board

The Board exercises its powers and functions in accordance with the provisions as set out in the Articles of Association. The Board follows the principle of acting in the best interest of the Company and its Shareholders, reports its works at general meetings, implements the resolutions passed at general meetings and is accountable to the general meetings.

1.1 Composition of the Board

As at 31 December 2018, the Board consisted of eight Directors, including one executive Director, four non-executive Directors and three independent non-executive Directors.

The biographical details of the Directors as at the date of this report are set out on pages 98 to 106 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationship) among members of the Board. The structure of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operation and development of the Group. All Directors are aware of their joint and several responsibilities to the Shareholders.

Since the listing of the Company, the Board has been in compliance with the requirement under Rule 3.10(1) of the Listing Rules requiring the appointment of at least three independent non-executive Directors. It has also complied with the subsequent new requirement of Rule 3.10A of the Listing Rules which requires that independent non-executive Directors shall represent at least one third of the Board. The Company is also in compliance with Rule 3.10(2) of the Listing Rules regarding the qualifications requirement of at least one of the independent non-executive Directors. In addition, the Company has received annual confirmations from independent non-executive Directors as to their respective independence in accordance with Rule 3.13 of the Listing Rules. The Company therefore believes that all independent non-executive Directors are independent as required under the Listing Rules.

Upholding its belief that the increasing diversity at the board level is one of the essential elements in supporting the attainment of its strategic objectives and its sustainable development, the Company formulated the Board Diversity Policy in October 2013. While determining the composition of the Board, the Company shall consider the diversity of the Board from various perspectives, including but not limited to gender, age, cultural and educational background, professional experiences, skills, knowledge and service tenure, and finally make decisions based on the value of candidates and contributions they can brought to the Board. All nominees proposed by the Board shall comply with the principle of appointment based on merits and fully take into account objective conditions and benefits of diversity of the Board while considering candidates. The nomination committee will report the composition of the Board at a diversity level in the annual report each year, supervise the implementation of the Board Diversity Policy and review the policy when appropriate to ensure its effectiveness. The nomination committee will discuss any amendments to the Board Diversity Policy when necessary and propose such amendments to the Board for approval.

The current composition of the Board is set out as follows:

Name	Position in the Company	Date of Being Appointed/ Re-elected
Qiao Baoping	Chairman of the Board and Non-executive Director	6 July 2018
Liu Jinhuan	Non-executive Director	6 July 2018
Luan Baoxing	Non-executive Director	6 July 2018
Yang Xiangbin	Non-executive Director	6 July 2018
Jia Yanbing	Executive Director	28 February 2019
	President	12 December 2018
Huang Qun	Executive Director and Vice President	6 July 2018
Zhang Songyi	Independent Non-executive Director	6 July 2018
Meng Yan	Independent Non-executive Director	6 July 2018
Han Dechang	Independent Non-executive Director	6 July 2018

1.2 Board Meetings

Pursuant to the Articles of Association, the Board is required to hold at least four meetings each year, to be convened by the Chairman of the Board. A notice of at least 14 days shall be given for a regular Board meeting. The notice shall state relevant information such as the time, venue, agenda and the subject matters to be discussed, etc.

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

The details regarding Board meetings convened in the reporting period and the attendance of Directors at such meetings are set out in the Directors' Report in this annual report.

1.3 Powers Exercised by the Board and the Management

The powers and duties of the Board and the management are expressly stipulated in the Articles of Association, which aims to provide adequate check and balance mechanism for good corporate governance and internal control.

The Board is responsible for deciding on the Company's business and investment plans, deciding on the establishment of the Company's internal management structure, formulating the Company's basic administration rules, determining other material business and administrative matters of the Company and monitoring the performance of the management.

Led by the President (who is also an executive Director), the management of the Company is responsible for implementing the resolutions approved by the Board and administering the Company's day-to-day operation and management.

1.4 Chairman and President

The roles of the Chairman of the Board and President (i.e. the chief executive pursuant to the relevant Listing Rules) of the Company are separate and held by different persons to ensure their respective independence of responsibilities, accountability and the balance of power and authority between them. Mr. Qiao Baoping acts as the Chairman of the Board and Mr. Jia Yanbing acts as the President. The Board considered and approved the Rules of Procedures of the Board Meeting and the Terms of Reference of the Senior Management of the Company, which clearly defined the division of duties between the Chairman and the President.

Mr. Qiao Baoping, the Chairman of the Board, is responsible for leading the Board in determining the overall development strategies of the Company, ensuring that the Board is functioning effectively in performing its duties, discussing significant and appropriate matters in a timely manner, ensuring the formulation of good corporate governance practices and procedures by the Company and ensuring that the Board acts in the best interests of the Company and its Shareholders as a whole. Mr. Jia Yanbing, the President, is mainly responsible for the Company's day-to-day operation and management, including organising the implementation of Board resolutions, making day-to-day decisions, etc.

1.5 Appointment and Re-election of Directors

Pursuant to the Articles of Association, the Directors shall be elected at the Shareholders' meetings with a term of office of three years, renewable upon re-election. The Company has implemented a set of effective procedures for appointment of new Directors. Nomination of new Directors shall be first considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated Directors are subject to election and approval at general meetings.

The Company has entered into service contracts with each of the Directors (including non-executive Directors). Such service contracts are for a term commencing from the date of appointment to the expiry of the current session of the Board.

1.6 Directors' Remuneration

The remuneration and assessment committee makes recommendations in respect of Directors' remuneration according to criteria such as educational background and work experience. Directors' remuneration is determined by the Board, subject to approval at general meeting, with reference to Directors' experience, work performance, positions and market conditions.

2. Board Committees

There are four Board committees, namely the audit committee (its yearly work report should include its performance of duties on reviewing the risk management and internal audit systems and confirm the effectiveness of the internal audit function of the Company unless such matters are to be handled by separately established risk committee or the Board itself), remuneration and assessment committee, nomination committee and strategic committee.

2.1 Audit Committee

The audit committee of the Board consists of three Directors: Mr. Luan Baoxing (non-executive Director), Mr. Zhang Songyi (independent non-executive Director) and Mr. Meng Yan (independent non-executive Director). Mr. Meng Yan is the chairman of the audit committee.

The audit of risk management system of the Company is included in the Terms of Reference of the audit committee.

The primary responsibilities of the audit committee are to review the annual internal audit plan, material risks and the ability of the Company to cope with risks; oversee the appointment, re-appointment and removal of external auditors, and make recommendations to the Board to approve the remuneration and terms of appointment of external auditors; review and oversee the independence and objectivity of external auditors and effectiveness of audit process; formulate and implement policies in relation to non-audit services provided by external auditors; oversee the quality of internal audit and disclosure of financial information of the Company; review interim and annual financial statements before submission to the Board; review and oversee the financial reporting system, risk management and internal control procedures of the Company and the effectiveness of the procedures in complying with relevant regulations under the Listing Rules; review material faults or defects (if any) and the impact that has and may incur thereby; evaluate the effectiveness of the internal control and risk management system; ensure coordination between the internal and external auditors and ensure that the internal audit function is operating with adequate resources in the Company and the relevant staff have sufficient capabilities and experience and are provided with regular training programs or similar arrangement. In 2018, the audit committee and the Board of the Company had no disagreements with the selection, appointment, resignation or dismissal of the external auditors.

During the reporting period, the audit committee held four meetings, details of which are as follows:

- On 12 March 2018, the 2018 first meeting of the audit committee of the third session of the Board was held, at which three proposals were considered and approved.

- On 26 April 2018, the 2018 second meeting of the audit committee of the third session of the Board was held, at which one proposal was considered and approved.

- On 21 August 2018, the 2018 first meeting of the audit committee of the fourth session of the Board was held, at which four proposals were considered and approved.

- On 30 October 2018, the 2018 second meeting of the audit committee of the fourth session of the Board was held, at which two proposals were considered and approved.

All members of the audit committee, being Mr. Meng Yan, Mr. Luan Baoxing and Mr. Zhang Songyi, attended the above meetings, with the attendance rate of 100%.

2.2 Remuneration and Assessment Committee

The remuneration and assessment committee consists of three Directors: Mr. Liu Jinhuan (non-executive Director)[1], Mr. Zhang Songyi (independent non-executive Director) and Mr. Han Dechang (independent non-executive Director). Mr. Zhang Songyi is the chairman of the remuneration and assessment committee.

The Company has adopted the approach that the remuneration and assessment committee makes recommendations to the Board for determining the remuneration packages of executive Directors and senior management.

The primary responsibilities of the remuneration and assessment committee are to make recommendations to the Board with respect to the establishment of policies, schemes or proposals for Directors' and senior management's overall remuneration; review, approve and oversee the overall remuneration proposals for Directors and senior management; formulate the evaluation standards on Directors and senior management and assess the said standards; and ensure that neither the Director nor any of his or her associates may determine his or her own remuneration, etc.

1 Mr. Liu Jinhuan was appointed as a non-executive Director and a member of the remuneration and assessment committee of the Company on 25 May 2018 and Mr. Wang Baole resigned as a non-executive Director and a member of the remuneration and assessment committee of the Company on the same day. Therefore, Mr. Liu Jinhuan did not attend the meeting of the remuneration and assessment committee convened in the reporting period.

During the reporting period, the remuneration and assessment committee held one meeting, details of which are as follows:

- On 12 March 2018, the 2018 first meeting of the remuneration and assessment committee of the third session of the Board was held, at which one proposal was considered and approved.

All incumbent members of the remuneration and assessment committee at the above meeting, being Mr. Wang Baole, Mr. Zhang Songyi and Mr. Han Dechang attended the said meeting, with the attendance rate of 100%.

2.3 Nomination Committee

The nomination committee consists of three Directors: Mr. Qiao Baoping (non-executive Director), Mr. Meng Yan (independent non-executive Director) and Mr. Han Dechang (independent non-executive Director). Mr. Qiao Baoping is the chairman of the nomination committee.

The primary responsibilities of the nomination committee are to review the structure, size and composition of the Board, formulate the procedures and standards for nominating candidates for Directors and senior management, conduct preliminary review of the qualifications and other credentials of the candidates for Directors and senior management and comment and review the independence of independent non-executive Directors.

In accordance with the Board Diversity Policy issued by the Company in October 2013, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board nominations will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The nomination committee shall supervise the implementation of the Board Diversity Policy and review the policy when appropriate to ensure its effectiveness. Meanwhile, the nomination committee will discuss any amendments to the Board Diversity Policy when necessary and propose such amendments to the Board for the approval of the Board. The nomination committee considered that during the reporting period, the composition of the members of the Board was in accordance with the requirements of the Board Diversity Policy.

During the reporting period, the nomination committee held three meetings, details of which are as follows:

- On 12 March 2018, the 2018 first meeting of the nomination committee of the third session of the Board was held, at which one proposal was considered and approved.

- On 18 May 2018, the 2018 second meeting of the nomination committee of the third session of the Board was held, at which one proposal was considered and approved.

- On 12 December 2018, the 2018 first meeting of the nomination committee of the fourth session of the Board was held, at which one proposal was considered and approved.

All members of the nomination committee, being Mr. Qiao Baoping, Mr. Han Dechang and Mr. Meng Yan attended the said meetings, with the attendance rate of 100%.

2.4 Strategic Committee

The strategic committee consists of four Directors: Mr. Liu Jinhuan (non-executive Director)[1], Mr. Jia Yanbing (executive Director), Mr. Yang Xiangbin (non-executive Director) and Mr. Huang Qun (executive Director). Mr. Jia Yanbing is the chairman of the strategic committee.

The primary responsibilities of the strategic committee are to formulate the Company's overall development plans and investment decision-making procedures; review the Company's long-term development strategies; review the Company's strategic planning and implementation reports; and review significant capital expenditure, investment and financing projects that require approval of the Board.

During the reporting period, the strategic committee held one meeting, details of which are as follows:

- On 12 March 2018, the 2018 first meeting of the strategic committee of the third session of the Board was held, at which two proposals were considered and approved.

1 Mr. Liu Jinhuan was appointed as a non-executive Director and a member of the strategic committee of the Company on 25 May 2018 and Mr. Wang Baole resigned as a non-executive Director and a member of the strategic committee of the Company on the same day. Therefore, Mr. Liu Jinhuan did not attend the meeting of the strategic committee convened in the reporting period.

All incumbent members of the strategic committee at the above meeting, being Mr. Wang Baole, Mr. Li Enyi, Mr. Yang Xiangbin and Mr. Huang Qun attended the said meeting, with the attendance rate of 100%.[2]

3. Directors' Responsibility for the Financial Statements

The Board acknowledges its responsibility for preparing the financial statements of the Group for the year ended 31 December 2018.

The Board is responsible for presenting a clear and specific assessment of annual and interim reports, inside information and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment and approval, as appropriate, of the financial information and position of the Group.

There are no material uncertainties relating to events or conditions that may have a severe impact on the Company's ability to continue as a going concern.

In addition, the Company has arranged appropriate insurance cover in respect of possible legal actions and liabilities against the Directors.

4. Compliance with the Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct governing dealings by its Directors and supervisors in the securities of the Company. Having made specific enquiry of the Directors and supervisors of the Company, all Directors and supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code during the reporting period. The Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company's securities, which are no less exacting terms than the Model Code. The Company is not aware of any breach of the guidelines by its relevant employees.

2 As considered and approved at the 2019 first extraordinary general meeting of the Company, Mr. Jia Yanbing was appointed as an executive Director and the chairman of the strategic committee of the Company on 28 February 2019. Therefore, he did not attend the meeting of the strategic committee convened in the reporting period. Mr. Li Enyi resigned as an executive Director and the chairman of the strategic committee of the Company on 2 December 2018.

The Board will examine the corporate governance practices and operation of the Company from time to time so as to ensure compliance with relevant requirements under the Listing Rules and to protect Shareholders' interests.

5. Compliance with the Corporate Governance Code

As a company listed on the Hong Kong Stock Exchange, the Company is committed to maintaining a high standard of corporate governance practices. For the year ended 31 December 2018, save as disclosed below, the Company complied with all the code provisions and, where appropriate, adopted the recommended best practices set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

In respect of code provision E.1.2 of the Corporate Governance Code, Mr. Qiao Baoping, the Chairman of the Company, was unable to attend the 2017 annual general meeting of the Company held on 25 May 2018 due to work reasons.

6. Training of Directors and Company Secretaries

All Directors participated in continuous professional development training in 2018 to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains informed and relevant. Details of all current Directors' training are set out as below:

Name	**Position**	**Length of training received in 2018** *(hours)*	**Areas covered in the training**
Qiao Baoping	Chairman of the Board and Non-executive Director	362	Corporate governance and relevant regulations, policy study, corporate management, energy industry, enterprise restructuring and reform, etc.
Liu Jinhuan	Non-executive Director	212	Corporate governance and relevant regulations, strategy management, corporate management, industry policies, etc.

Name	Position	Length of training received in 2018 *(hours)*	Areas covered in the training
Luan Baoxing	Non-executive Director	323	Corporate governance and relevant regulations, accounting policies, financial management, financial analysis, etc.
Yang Xiangbin	Non-executive Director	318	Corporate governance and relevant regulations, capital operating, assets management, financial research, etc.
Huang Qun	Executive Director and Vice President	312	Corporate governance and relevant regulations, strategic planning, corporate culture, industry technologies, human resources, etc.
Zhang Songyi	Independent Non-executive Director	356	Corporate governance and relevant regulations, finance and management, legal research, energy business, etc.
Meng Yan	Independent Non-executive Director	384	Corporate governance and relevant regulations, accounting policies, financial management, finance and management, audit and internal control, etc.
Han Dechang	Independent Non-executive Director	382	Corporate governance and relevant regulations, industry policies, marketing, corporate management, etc.

Note:

1. As considered and approved at the 2019 first extraordinary general meeting of the Company, Mr. Jia Yanbing was appointed as an executive Director of the Company on 28 February 2019. Therefore, he did not accept trainings in the reporting period.

In 2018, Mr. Jia Nansong and Ms. Chan Sau Ling, being the joint company secretaries of the Company, received no less than 15 hours of relevant professional training respectively, as required under Rule 3.29 of the Listing Rules.

7. Risk Management and Internal Controls

The Company highly recognizes the importance of risk management and internal control. A sound and effective internal control system has been established to protect Shareholders' investments and the Company's assets.

In respect of rules and regulations, the Company has set up systems on internal control, including the Rules of Procedures of the Board Meeting (《董事會議事規則》), the Terms of Reference for the Audit Committee (《審計委員會議事規則》), the Terms of Reference for the Remuneration and Assessment Committee (《薪酬與考核委員會議事規則》), the Terms of Reference for the Nomination Committee (《提名委員會議事規則》), the Terms of Reference for the Strategic Committee (《戰略委員會議事規則》), the Provisions on Information Disclosure Management (《信息披露事務管理規定》), the Rules on the Management of Connected Transactions (《關連交易管理辦法》), Tentative Risk Management Framework (《風險管理框架(試行)》), the Template for Regular Declaration Requirement by Directors and Senior Management (《董事與高管定期聲明規定模板》), the Terms of Reference of the Senior Management of the Company (《公司高管職責說明書》), the Interim Measures on Anti-Corruption, Complaints and Reports (《反舞弊及接收投訴、舉報的暫行辦法》) and the Management System of Internal Audit (《內部審計管理制度》), etc.

In terms of organisational structure, the Company establishes sound governance and organisational structure. The Board, management and internal audit department fulfill their own duties and have clear division of work in risk management and internal supervision. The Board acts as the highest decision-making body with respect to overall risk management. The Board is responsible for assessing and determining the risk appetite for its operating strategy and supervising the management's design and implementation and inspection of the risk management and internal monitoring system to ensure the system is effective. The Board continuously guides and supervises risk management and internal control specifically through approval of the Company's overall objectives, planning and annual plan of risk management; determination of the overall objectives of risk management, risk appetite and risk tolerance of the Company, approval of the Company's risk judgment standards or judgment mechanism, risk management strategy, solutions for major risks, annual work report on overall risk management and risk assessment report on major decisions; approval of the supervision, appraisal and audit report of the Company's risk management; correction and treatment of risky decisions in violation of risk management systems made by any organisations or individuals; and determination of other major issues in relation to overall risk management of the Company. The management of the

Company is in charge of the daily work of the overall risk management of the Company, organising the formulation, ongoing amendments and improvement of the risk management measures and other relevant management systems of the Company, establishment and improvement of the risk classification framework of the Company, and organisation of preparation of risk management operation guidelines, annual work plan on risk management and risk assessment standards of the Company. They should carry out risk assessment, determine risk management strategies, and prepare annual work report on overall risk management. Moreover, they take charge of publication and maintenance of basic information on risk management in the risk management information system of the Company and completion of other issues in relation to the overall risk management of the Company. The Company establishes Safety Supervision Department, Finance Administration Department, Corporate Operation and Legal Affairs Department, Audit Department, Supervision Department to take charge of monitoring finance, operation and regulatory compliance, including but not limited to financial operation and supervision, risk management, internal audit and anti-cheating.

The Company has a sound risk information report system in place. The Company conducts annual risk investigation, results of which will be reported to the audit committee directly and then to the Board by the audit committee on a regular basis. Furthermore, each department of the Company is able to submit relevant risk information to the Board smoothly. Being the most senior point of contact to each department, the President of the Company has the ability to effectively report to the Board in relation to the operational conditions of each department, and to coordinate and mobilise each department to enhance reasonable decision making within the Company. Accordingly, any possible significant risk factor (if subject to disclosure to the market) discovered by the staff can be reported to the management of the Company in a timely, accurate and effective manner and the decisions from the management of the Company can be implemented accurately and timely, and be exercised with supervision.

In respect of specific execution, the Company effectively ensures the implementation of risk management measures in all business sections by establishing a complete set of risk control implementation mechanisms including risk indicator early warning mechanism, risk information report system, risk management culture system and incentive system. The Company has established a top-down risk indicator early warning mechanism at different levels. The risk indicators cover 216 risks under five risk categories, i.e. company strategy, market, finance, operation and law. As at the end of 2018, a total of 61 of the above-mentioned risk indicators have been optimised, each of which is set with an early warning interval. The Company calculates all the indicators on a monthly basis, and analyses and gives prompt early warning for the indicators within the early warning interval and issues a risk monitoring report on a regular basis. The Company makes use of the abovementioned systematic and normalized procedures to identify, assess and manage risks, so as to identify major risks through overall strategic level, business risks through competitive strategic level and operational risks through business strategic level, and makes scientific and reasonable decisions according to duly acquired risk information.

The Company continuously conducts review and inspection of risk management and internal control. In 2018, the Company carried out comprehensive self-inspection and self-correction for the risk management and internal control system centering on four aspects, i.e. "major decisions", "authenticity of financial revenue and expenditure and operating results", "internal management" and "compliance with laws, regulations and disciplines". For the leaders who have left the Company, economic responsibility audit was performed and an objective and fair evaluation was conducted on their performance of "one post two responsibilities" ("一崗雙責"), completion of operating indicators and compliance with rules and disciplines during their term of office; a special audit was executed on the use of eight expenses which were mainly the "three public" ("三公") expenses since 2015. During April to October 2018, the Group conducted key risk inspection mainly covering investment risks, HSE risks, international operation risks, capital management risks, competition and price risks, engineering management risks and lawsuit risks, and confirmed the effectiveness of the risk management and internal control systems of the Group during the year. In November 2018, the Company assessed the operation of the overall risk management system. It was not aware of any material deficiencies or any material defaults with respect to internal controls of the Company. The Board believes that the current monitoring control systems of the Company are effective and considers that the Company's resources in terms of accounting and financial reporting functions are adequate including staff qualifications and experience, staff training programs and relevant budget. The inspection improved the business department's capacities in terms of risk collection, risk assessment, risk analysis and risk response and improved the internal control process, thereby helping optimise the corporate governance, risk management and control process of the Company, improve the management of the Company, advance the continuous and healthy development of the Company and realise the Company's strategic goals.

8. Internal Audit Function

The Company establishes audit department, which is responsible for group-wide audit. It regularly or irregularly carries out supervision on the comprehensive risk management of the units of the Company with a focus on material risks, important events and decisions as well as key businesses, and carries out independent and impartial supervision and assessment on the implementation of risk information collection, risk evaluation, risk resolution and risk management solutions. The scope of supervision includes: relevant units' implementation of applicable laws, regulations and rules of the PRC, and the rules and regulations and material decisions of superior units and the Company in the usual course of business; financial budgets and final accounts, financial revenues and expenditures, implementation of internal control system; compliance with laws and regulations in respect of major infrastructure projects and technical renovation projects. The audit department may initiate a special audit or review on any material financial irregularities or issues of high concern or difficulties and, upon approval by the audit committee of the Company, may perform an unannounced inspection in special circumstances.

Relevant departments of the Company shall submit their work plans, budgets, statements, related document and other information to the audit department in a timely fashion; internal auditors have unrestricted access to accounting statements, accounts, vouchers and other documentary materials.

In 2018, the Company compiled and published the Guide Book for Engineering Audit (《工程審計指導手冊》) and the Guide Book for Internal Audit (《內部審計指導手冊》) to provide guidelines for internal auditors in auditing additional assets and stock assets and to provide reference for its subordinate units in enhancing "audit thinking", compliance awareness, duty awareness and bottom line awareness.

The Board bears the ultimate responsibility for the Company's risk management, internal control and compliance management and is responsible for reviewing the effectiveness of such systems. Considering that the above-mentioned risk management and supervision through internal control systems are designed to manage rather than eliminate the risks of failure to achieve business objectives, the Board can only provide reasonable and not absolute assurance that such systems and internal control can prevent any material misstatement or loss.

9. Inside Information

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the Safe Harbours set out in the Securities and Futures Ordinance;

- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Securities and Futures Commission in June 2012 and the Hong Kong Stock Exchange in 2008 respectively; and

- has established and implemented procedures for responding to external enquiries about the Group's affairs. Senior management of the Company is identified and authorized to act as the Company's spokesperson and responds to enquiries in allocated areas of issues.

10. Auditors and Their Remuneration

Ernst & Young and Baker Tilly China Certified Public Accountants LLP were appointed as auditors for the Company's financial statements prepared in accordance with the International Financial Reporting Standards and China Accounting Standards for Business Enterprises for the year ended 31 December 2018, respectively.

For the year ended 31 December 2018, the fees payable to Ernst & Young and Baker Tilly China Certified Public Accountants LLP for annual audit services were RMB8,380,000 and RMB6,600,000 respectively and the fees for interim review and other services were RMB6,300,000 and RMB1,170,000, respectively. The statements of the reporting responsibility of Ernst & Young, the Group's external auditor, in respect of the financial statements are set out on pages 192 to 194 of this annual report.

11. Shareholders' Meetings

During the reporting period, the Company held three Shareholders' meetings in total.

On 25 May 2018, the 2017 annual general meeting of the Company was held. Mr. Wang Baole (non-executive Director, resigned on 25 May 2018), Mr. Huang Qun (executive Director), and Mr. Meng Yan and Mr. Han Dechang (independent non-executive Directors) were present at the meeting; and Mr. Qiao Baoping, Mr. Luan Baoxing and Mr. Yang Xiangbin (non-executive Directors) and Mr. Zhang Songyi, (independent non-executive Director), were absent from the meeting due to work reasons.

On 6 July 2018, the first extraordinary general meeting of the Company in 2018 was held. Mr. Han Dechang (independent non-executive Director) was present at the meeting; and Mr. Qiao Baoping, Mr. Liu Jinhuan, Mr. Luan Baoxing and Mr. Yang Xiangbin (non-executive Directors), Mr. Huang Qun (executive Director), Mr. Zhang Songyi and Mr. Meng Yan (independent non-executive Directors) were absent from the meeting due to work reasons.

On 21 December 2018, the second extraordinary general meeting of the Company in 2018 was held. Mr. Huang Qun (executive Director), Mr. Meng Yan and Mr. Han Dechang (independent non-executive Directors) were present at the meeting; and Mr. Qiao Baoping, Mr. Liu Jinhuan, Mr. Luan Baoxing and Mr. Yang Xiangbin (non-executive Directors), and Mr. Zhang Songyi (independent non-executive Director) were absent from the meeting due to work reasons.

The Company will arrange the Board and relevant committee members to attend and answer questions from Shareholders at the forthcoming 2018 annual general meeting of the Company.

12. Communication Policy with Shareholders

The Company highly values Shareholders' opinions and advice, and proactively organises various investor relations activities to maintain connections with Shareholders and respond to the reasonable requests of Shareholders in a timely manner.

12.1 Shareholders' Rights

The Board is committed to maintaining an on-going dialogue with Shareholders and makes timely disclosure to Shareholders and investors as to the significant development of the Company. The general meetings of the Company provide a forum for communication between Shareholders and the Board. A forty-five (45) days' prior written notice for convening a general meeting shall be served to notify Shareholders, whose names appear in the register of members of the Company, of the matters proposed to be considered and the date and venue of the meeting. Shareholders who intend to attend the general meeting shall serve their written replies to the Company twenty (20) days prior to the date of the meeting.

Two or more Shareholders who severally or jointly hold more than 10% (including 10%) of the issued and voting shares of the Company may request the Board, in writing, to convene an extraordinary general meeting or a Shareholders' class meeting, with the matters to be considered at the meeting stated in the request. The Board shall as soon as possible after receipt of the request proceed to convene an extraordinary general meeting or a Shareholders' class meeting within two months. The calculation of the abovementioned shareholdings shall be based on the information as at the date on which the written request is submitted.

If the Board fails to issue a notice to convene such a meeting within 30 days from the date of receipt of the above written request, Shareholders severally or jointly holding more than 10% (including 10%) of the issued and voting shares of the Company are entitled to request the Supervisory Board to convene an extraordinary general meeting or a Shareholders' class meeting and such request should be made in written form. The Supervisory Board may itself convene such a meeting within four months of the receipt of the request by the Board. In the case of the failure of the Supervisory Board to convene and preside over such a meeting, Shareholders severally or jointly holding more than 10% (including 10%) of the Company's shares for more than 90 consecutive days shall be entitled to convene the meeting. The procedures of convening such a meeting should follow, as far as possible, those of a Shareholders' meeting convened by the Board.

In the event the Company convenes an annual general meeting, Shareholders holding an aggregate of 3% (including 3%) or more of the Company's shares with voting rights are entitled to propose ad hoc motions in writing to the Company. The Company should include those motions which fall within the scope of duties and functions of general meetings into the agenda of the meeting. The ad hoc motions proposed by Shareholders shall be subject to the following requirements: (i) the contents shall not contravene any requirements of the laws and regulations and shall fall within the scope of the Company's operations and duties and functions of general meetings; (ii) they shall relate to definite topics and specific matters to resolve; and (iii) they shall be made in writing and submitted/delivered to the Board at least ten days prior to the holding of the general meeting.

12.2 Shareholders' Enquiries and Communication

The Company publishes its announcements, financial information and other relevant information on its website at www.clypg.com.cn, as a channel to enhance effective communication. Shareholders are welcomed to make enquiries to the Company by sending the enquiries to the principal place of business of the Company in Hong Kong, or via phone, fax or email. The Company will respond to all enquiries in a timely and appropriate manner.

Information about the principal place of business in Hong Kong of the Company and investors' means of enquiries and communication is set out on pages 383 to 384 of this annual report.

The Board welcomes Shareholders' views and encourages them to attend general meetings to communicate and raise any concerns they might have with the Board or the management. The Chairman of the Board and the chairmen of the respective Board committees usually attend the annual general meeting and other general meetings to address Shareholders' queries.

13. Investor Relations

13.1 Investor Relations Activities

Results Roadshows

In 2018, the Company published its 2017 annual results and 2018 interim results in March and August, respectively, and organised results roadshows. During the period of annual results conference, 200 analysts and investors attended the meeting. During the period of annual report roadshow, the management of the Company communicated with 68 new and existing Shareholders in a face-to-face manner through 16 investor meetings. 170 analysts and investors attended the interim results conference. 12 investor meetings were organised for the interim report roadshow and in-depth communications were conducted with 35 representatives from investment institutions.

After the announcement of the first quarterly results and third quarterly results for 2018, the Company organised and held a teleconference with global investors. The two quarterly report teleconferences were attended by 90 and 101 large institutional investors and investment bank analysts, respectively, from Hong Kong, Singapore, Europe, the US and other regions.

Investors' Routine Calls and Visits

In 2018, the Company arranged 85 routine investor meetings by way of one-to-one/group/teleconference meetings and fully and effectively communicated and exchanged opinions with 372 institutional investors and analysts.

Investment Summits

In 2018, the Company participated in the summit held by five well-known investment banks, and held face-to-face conversations with 96 investors through one-to-one and group meetings.

13.2 Information Disclosure

The Company formulated the Provisions on Information Disclosure Management (《信息披露事務管理規定》) to ensure a timely and fair disclosure of comprehensive and accurate information to investors. We extensively utilised the website of the Company to release information and ensured that all Shareholders can receive important information of the Company in a timely and fair manner. The financial reports, energy generation and other news and exchange announcements of the Company are available on the website of the Company. In 2018, the Company published 102 pieces of information on the stock exchange.

14. Contact Person of Joint Company Secretary

Ms. Chan Sau Ling from Tricor Services Limited, being an external service provider, is acting as the joint company secretary of the Company. Mr. Jia Nansong, secretary to the Board of the Company, is her primary contact person.

15. Articles of Association

No major amendments were made by the Company to the Articles of Association in 2018.

16. Roles and Responsibilities

Good governance emanates from an effective and accountable Board. The Board, directly and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Company's operational and financial performance, reviews the Company's compensation policies and succession planning, and ensures that effective governance and corporate social responsibility policies and sound internal control and risk management systems are in place.

The Chairman of the Board and the President of the Company are held by different persons. The Board and the management fulfill their duties in strict compliance with the requirements under the Articles of Association, the Terms of Reference for the Board of Directors of China Longyuan Power Group Corporation Limited (《龍源電力集團股份有限公司董事會議事規則》) and the Work Rules for President of China Longyuan Power Group Corporation Limited (《龍源電力集團股份有限公司總經理工作細則》).

17. Authorization of the Board

The Board reserves the decision making power on all major matters of the Company, including approving and supervising all matters relating to policies, overall strategy, internal control and risk management system, significant transactions (especially transactions involving conflicts of interest), financial information, nomination of Director candidates and other important financial, production and operational matters. The Directors may seek independent and professional opinions when performing their duties, with the expenses being borne by the Company. Meanwhile, the Directors are encouraged to independently consult the senior management of the Company.

The senior management is authorized to take charge of the Company's day-to-day management, administration and operation, and the Board will regularly review the performance of the senior management and the execution of relevant resolutions. The management shall obtain approval from the Board before entering into any major transactions.

18. Confirmation on the Independence of Independent Non-executive Directors

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company believes that each of the independent non-executive Directors is independent of the Company.

SUPERVISORY BOARD'S REPORT

On 6 July 2018, the current session of Supervisory Board was established upon the approval of the extraordinary general meeting of the Company. The current session of the Supervisory Board consists of three supervisors.

In 2018, the Supervisory Board acted in strict compliance with relevant laws, regulations, rules, regulatory documents (such as the Company Law of the PRC), and the Articles of Association, the Terms of Reference of the Supervisory Board of China Longyuan Power Group Corporation Limited (《龍源電力集團股份有限公司監事會議事規則》) and the Listing Rules of the Hong Kong Stock Exchange. In line with the Company's long-run interests and Shareholders' interests, it earnestly performed its duties of supervision as to the acts of Directors and senior management of the Company during the performance of their respective duties of the Company. Major work of the Supervisory Board in the reporting period is reported as follows:

I. MEETINGS CONVENED BY THE SUPERVISORY BOARD

The 2018 first meeting of the third session of the Supervisory Board was held on 12 March 2018, at which (1) the Resolution Regarding the Change of Supervisor of the Company; (2) the Resolution Regarding the Election of the Chairman of the Supervisory Board of the Company; (3) the Resolution Regarding the 2017 Annual Report and Results Announcement of the Company; and (4) the Resolution Regarding the Work Report of the Supervisory Board of the Company for the year 2017 were considered and approved.

The 2018 second meeting of the third session of the Supervisory Board was held on 18 May 2018, at which (1) the Resolution Regarding the Re-election of the Supervisory Board of the Company; and (2) the Resolution Regarding the Proposal for Convening the 2018 First Extraordinary General Meeting of the Company were considered and approved.

The 2018 first meeting of the fourth session of the Supervisory Board was held on 21 August 2018, at which the Resolution Regarding the 2018 Interim Results Announcement and Interim Report of the Company was considered and approved.

II. WORK OF THE SUPERVISORY BOARD

The Supervisory Board mainly carried out the following work:

1. Inspection of the Legal Compliance of the Company's Operation

During the reporting period, members of the Supervisory Board reviewed the proposals which were submitted to the Board for consideration. Through attending such meetings as non-voting participants, the Supervisory Board was able to supervise the major decision-making processes and the performance of duties by the Board members and the senior management members of the Company. The Supervisory Board is of the opinion that the material decision-making process of the Company has been in compliance with laws and regulations, that all Directors and senior management members of the Company have faithfully performed their duties with due diligence, earnestly implemented the resolutions of the general meetings, and stuck to lawful operation and prudent decision-making, and that no violation of laws, regulations and the Articles of Association or prejudice to the interests of the Shareholders have been found.

2. Inspection of the Company's Financial Condition

During the reporting period, the Supervisory Board reviewed the relevant financial information and the auditors' reports of the Company and its subsidiaries. The Supervisory Board is of the opinion that the accounts and audit work of the Company and its subsidiaries are in compliance with the Accounting Law of the People's Republic of China, the accounting system issued by the Ministry of Finance of the People's Republic of China and the Hong Kong Financial Reporting Standards, for which no concerns have been found. Having duly reviewed the 2018 annual financial report and relevant information to be submitted by the Board to the general meeting, and as audited by the independent auditors with an unqualified opinion, the Supervisory Board is of the opinion that such report gives an accurate, true and fair reflection of the financial condition and operating results of the Company on a consistent basis.

3. Inspection of the Company's Connected Transactions

During the reporting period, the Supervisory Board reviewed the information related to the Company's connected transactions with the controlling Shareholder of the Company. The Supervisory Board is of the opinion that such connected transactions were conducted in a fair and just way, at reasonable price, without prejudice to the interests of the Company and other Shareholders. The Directors, President and other senior management members of the Company have exercised the rights granted by the Shareholders and discharged their obligations in good faith and with due diligence. So far, the Supervisory Board is not aware of any abuse of authority which impairs the interests of the Shareholders and the legitimate rights of the employees of the Company.

4. Inspection of the Company's Information Disclosure

During the reporting period, the Supervisory Board reviewed the relevant documents the Company publicly disclosed. The Supervisory Board is of the opinion that the Company has disclosed the relevant information in a legitimate, timely and complete manner in accordance with the requirements of the Hong Kong Stock Exchange and no false information was found.

III. OPINIONS OF THE SUPERVISORY BOARD ON THE COMPANY'S WORK

The Supervisory Board opines that during the reporting period, the Group intensified operation and management and furthered reform and innovation, having thus maintained the healthy and advantageous sustainable developing momentum. The Supervisory Board is satisfied with the achievements of the Company made in the reporting period and is confident in the development prospects of the Company.

Chairman of the Supervisory Board
Chen Bin

Beijing, 19 March 2019

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of China Longyuan Power Group Corporation Limited
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Longyuan Power Group Corporation Limited (the "Company") and its subsidiaries (the"Group") set out on pages 195 to 377, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), 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 MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment testing of certain property, plant and equipment	
As at 31 December 2018, the Group had property, plant and equipment ("PPE") of RMB110,001 million, which accounted for a significant portion of the Group's total assets. Management determined that impairment indicators for certain PPE existed. For those PPE with impairment indicators identified, management performed impairment testing by determining the recoverable amounts of the cash-generating units ("CGUs") to which the PPE belong. The estimation of the recoverable amounts of the CGUs involved estimation of the discounted future cash flows which required significant management judgement and estimates, such as future sales volumes, future on-grid tariffs, future operating costs and discount rates. Related disclosures are included in notes 2(n), 4(b) and 15 to the consolidated financial statements.	We evaluated management's assumptions in determining the recoverable amounts of the CGUs to which the PPE belong. We assessed the key assumptions such as future sales volumes, future on-grid tariffs, future operating costs by comparing them with the recent historical results of the related CGUs, the budget and feasibility report, and evidence obtained subsequent to the end of the reporting period. In addition, we evaluated the sensitivity analysis performed by management. We also involved our internal valuation specialists to assist us in evaluating the methodology and discount rates used in the calculation of the recoverable amounts, and evaluated the adequacy of the disclosures in the consolidated financial statements.

KEY AUDIT MATTERS (Continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Assessing the excepted credited losses("ECL") of loans and advances to related parties and third parties</td></tr>
<tr><td>As at 31 December 2018, the Group had loans and advances to related parties and third parties of RMB1,329 million, of which RMB1,106 million was included in the prepayments and other current assets and RMB223 million was included in the other assets of the Group. ECL of the loans and advances to related parties and third parties was assessed by considering the individual debtors and the groups of debtors with similar credit risk characteristics.

We focused on this area because significant judgement is required in determining the ECL of these receivables. Specific factors that management considered included the ageing of the balances, the credit-worthiness of the debtors and the historical loss experience.

Related disclosures are included in notes 2(q), 4(a), 21and 24 to the consolidated financial statements.</td><td>Our audit procedures included:

• assessing the categorisation of loans and advances to related parties and third parties in the ageing report by reconciling the total amounts in the ageing report to the balances of loans and advances to related parties and third parties in the general ledger and by checking a sample of individual items with relevant underlying documentation;

• assessing management's estimation on the expected loss of individual material balances and the expected loss rate of each category groups, evaluating the basis and factors used in the estimation; and

• checking the bank statements and other relevant underlying documentation for the cash receipts from debtors subsequent to the end of the reporting period.</td></tr>
</table>

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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

- 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.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Bennett S.H. Wai.

Ernst & Young
Certified Public Accountants
Hong Kong

19 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
Revenue	5	**26,387,923**	24,591,616
Other net income	6	**917,476**	712,328
Operating expenses			
Depreciation and amortisation		**(7,286,259)**	(6,798,303)
Coal consumption		**(2,464,806)**	(2,475,402)
Coal sales costs		**(3,150,753)**	(3,762,103)
Service concession construction costs		**(14,112)**	(74,227)
Personnel costs		**(2,074,951)**	(1,676,599)
Material costs		**(192,440)**	(233,075)
Repairs and maintenance		**(818,624)**	(621,689)
Administration expenses		**(588,461)**	(541,791)
Other operating expenses		**(1,472,961)**	(783,828)
		(18,063,367)	(16,967,017)
Operating profit		**9,242,032**	8,336,927
Finance income		**211,687**	208,011
Finance expenses		**(3,724,382)**	(3,423,410)
Net finance expenses	7	**(3,512,695)**	(3,215,399)
Share of profits less losses of associates and joint ventures		**167,499**	343,862
Profit before taxation	8	**5,896,836**	5,465,390
Income tax	9	**(975,616)**	(915,692)
Profit for the year		**4,921,220**	4,549,698

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

	Notes	**2018** **RMB'000**	2017 RMB'000
Other comprehensive (loss)/income:			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax		**(112,543)**	–
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Share of other comprehensive income of associates		**–**	3,025
Available-for-sale financial assets:			
Changes in fair value, net of tax		**–**	(6,798)
Exchange difference on translation of foreign operation		**(116,386)**	111,200
Exchange difference on net investment in overseas subsidiaries		**(69,730)**	126,855
Other comprehensive (loss)/income for the year, net of tax	12	**(298,659)**	234,282
Total comprehensive income for the year		**4,622,561**	4,783,980
Profit attributable to:			
Equity holders of the Company			
—Shareholders		**3,923,809**	3,688,053
—Perpetual medium-term notes holders	44	**242,000**	157,937
Non-controlling interests		**755,411**	703,708
Profit for the year		**4,921,220**	4,549,698
Total comprehensive income attributable to:			
Equity holders of the Company			
—Shareholders		**3,644,575**	3,911,377
—Perpetual medium-term notes holders	44	**242,000**	157,937
Non-controlling interests		**735,986**	714,666
Total comprehensive income for the year		**4,622,561**	4,783,980
Basic and diluted earnings per share *(RMB cents)*	13	**48.83**	45.89

The notes on pages 204 to 377 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	15	**110,000,510**	109,473,406
Investment properties		**9,591**	10,319
Lease prepayments	16	**2,152,429**	2,164,613
Intangible assets	17	**8,109,681**	8,692,170
Goodwill	18	**61,490**	61,490
Investments in associates and joint ventures	20	**4,549,432**	4,471,899
Other assets	21	**3,688,776**	3,468,257
Deferred tax assets	32(b)	**146,376**	170,709
Total non-current assets		**128,718,285**	128,512,863
Current assets			
Inventories	22	**851,973**	953,366
Trade and bills receivables	23	**10,541,524**	7,154,516
Prepayments and other current assets	24	**2,818,545**	3,629,367
Tax recoverable	32(a)	**210,578**	102,065
Other financial assets	25	**249,080**	177,813
Restricted deposits	26	**253,090**	33,471
Cash at banks and on hand	27	**2,861,261**	5,071,579
Total current assets		**17,786,051**	17,122,177
Current liabilities			
Borrowings	28(b)	**28,335,804**	35,774,163
Trade and bills payables	29	**2,058,877**	1,890,907
Other current liabilities	30	**9,121,974**	9,219,817
Obligations under finance leases	31	**53,945**	46,000
Tax payable	32(a)	**209,668**	228,531
Total current liabilities		**39,780,268**	47,159,418
Net current liabilities		**(21,994,217)**	(30,037,241)
Total assets less current liabilities		**106,724,068**	98,475,622

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

	Notes	2018 RMB'000	2017 RMB'000
Non-current liabilities			
Borrowings	28(a)	**46,644,884**	41,620,177
Obligations under finance leases	31	**361,478**	414,945
Deferred income	34	**1,449,938**	1,553,605
Deferred tax liabilities	32(b)	**164,260**	161,694
Other non-current liabilities	35	**1,537,715**	1,425,919
Total non-current liabilities		**50,158,275**	45,176,340
NET ASSETS		**56,565,793**	53,299,282
CAPITAL AND RESERVES			
Share capital	36(c)	**8,036,389**	8,036,389
Perpetual medium-term notes	44	**4,991,000**	4,991,000
Reserves	36(d)	**36,209,041**	33,098,462
Total equity attributable to equity holders of the Company		**49,236,430**	46,125,851
Non-controlling interests		**7,329,363**	7,173,431
TOTAL EQUITY		**56,565,793**	53,299,282

Approved and authorised for issue by the Board of directors on 19 March 2019.

Qiao Baoping
Chairman

Jia Yanbing
Executive Director

The notes on pages 204 to 377 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

		Attributable to the equity holders of the Company									
	Notes	Share capital *RMB'000*	Perpetual medium-term notes *RMB'000* *(Note 44)*	Capital reserve *RMB'000* *(Note 36 (d)(i))*	Statutory surplus reserve *RMB'000* *(Note 36 (d)(ii))*	Exchange reserve *RMB'000* *(Note 36 (d)(iii))*	Fair value reserve *RMB'000* *(Note 36 (d)(iv))*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 31 December 2017		8,036,389	4,991,000	14,697,943	1,267,175	(280,056)	9,006	17,404,394	46,125,851	7,173,431	53,299,282
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	3	–	–	–	–	–	192,914	–	192,914	–	192,914
At 1 January 2018 (restated)		8,036,389	4,991,000	14,697,943	1,267,175	(280,056)	201,920	17,404,394	46,318,765	7,173,431	53,492,196
Changes in equity:											
Profit for the year		–	242,000	–	–	–	–	3,923,809	4,165,809	755,411	4,921,220
Other comprehensive loss		–	–	–	–	(168,520)	(110,714)	–	(279,234)	(19,425)	(298,659)
Total comprehensive income		–	242,000	–	–	(168,520)	(110,714)	3,923,809	3,886,575	735,986	4,622,561
Capital contributions by non-controlling interests		–	–	–	–	–	–	–	–	60,721	60,721
Acquisition of non-controlling interests		–	–	–	–	–	–	–	–	(66,793)	(66,793)
Appropriation		–	–	–	219,649	–	–	(219,649)	–	–	–
Dividends by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	–	–	(573,982)	(573,982)
Dividends to shareholders of the Company	36(b)	–	–	–	–	–	–	(737,741)	(737,741)	–	(737,741)
Acquisition of a subsidiary		–	–	10,831	–	–	–	–	10,831	–	10,831
Distribution for perpetual medium-term notes	44	–	(242,000)-	–	–	–	–	–	(242,000)	–	(242,000)
At 31 December 2018		8,036,389	4,991,000	14,708,774*	1,486,824*	(448,576)*	91,206*	20,370,813*	49,236,430	7,329,363	56,565,793

* These reserve accounts comprise the consolidated reserves of RMB36,209,041,000 (2017:RMB33,098,462,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

		Attributable to the equity holders of the Company									
	Notes	Share capital *RMB'000*	Perpetual medium-term notes *RMB'000* *(Note 44)*	Capital reserve *RMB'000* *(Note 36 (d)(i))*	Statutory surplus reserve *RMB'000* *(Note 36 (d)(ii))*	Exchange reserve *RMB'000* *(Note 36 (d)(iii))*	Fair value reserve *RMB'000* *(Note 36 (d)(iv))*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017		8,036,389	2,991,000	14,690,153	984,794	(507,156)	12,782	14,681,815	40,889,777	6,896,474	47,786,251
Changes in equity:											
Profit for the year		–	157,937	–	–	–	–	3,688,053	3,845,990	703,708	4,549,698
Other comprehensive income		–	–	–	–	227,100	(3,776)	–	223,324	10,958	234,282
Total comprehensive income		–	157,937	–	–	227,100	(3,776)	3,688,053	4,069,314	714,666	4,783,980
Capital contributions by non-controlling interests		–	–	7,921	–	–	–	–	7,921	264,715	272,636
Acquisition of non-controlling interests		–	–	(131)	–	–	–	–	(131)	(4,269)	(4,400)
Appropriation		–	–	–	282,381	–	–	(282,381)	–	–	–
Dividends by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	–	–	(698,155)	(698,155)
Dividends to shareholders of the Company	36(b)	–	–	–	–	–	–	(683,093)	(683,093)	–	(683,093)
Issuance of perpetual medium-term notes	44	–	2,000,000	–	–	–	–	–	2,000,000	–	2,000,000
Distribution for perpetual medium-term notes	44	–	(157,937)	–	–	–	–	–	(157,937)	–	(157,937)
At 31 December 2017		8,036,389	4,991,000	14,697,943*	1,267,175*	(280,056)*	9,006*	17,404,394*	46,125,851	7,173,431	53,299,282

The notes on pages 204 to 377 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Profit before taxation		**5,896,836**	5,465,390
Adjustments for			
Depreciation		**6,741,415**	6,327,127
Amortisation		**544,844**	471,176
Provision of impairment losses on property, plant and equipment and intangible assets	8	**266,162**	98,818
Profit on disposal of property, plant and equipment and lease prepayments	6	**(39,551)**	(6,595)
Interest expenses on financial liabilities		**3,357,963**	3,013,147
Interest expenses on finance leases	7	**19,852**	19,362
Net foreign exchange losses/(gains)		**17,114**	(30,441)
Net unrealised (gains)/losses on derivative financial instruments	7	**(27,781)**	217,141
Interest income on financial assets	7	**(111,065)**	(49,496)
Dividend income		**(58,594)**	(49,860)
Share of profits less losses of associates and joint ventures		**(167,499)**	(343,862)
Deferred income		**(113,517)**	(156,055)
Changes in fair value of listed equity securities designated at fair value through profit or loss	7	**(845)**	(14,243)
Changes in working capital:			
Decrease in inventories		**101,393**	86,517
Increase in trade and bills receivables		**(3,022,739)**	(1,251,044)
Decrease/(increase) in prepayments, restricted deposits and other current assets		**173,200**	(234,099)
Increase/(decrease) in trade and bills payables and other current liabilities		**1,784,065**	(652,022)
Cash generated from operations		**15,361,253**	12,910,961
Income tax paid	32	**(1,105,767)**	(780,131)
Net cash generated from operating activities		**14,255,486**	12,130,830

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

	2018	2017
	RMB'000	*RMB'000*
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets	**(8,720,447)**	(9,104,468)
Payments for loans and advances	**(1,086,755)**	(1,925,274)
Proceeds from repayment of loans and advances	**763,218**	1,969,589
Payments for acquisition of investments in associates and joint ventures, and equity investments	**(5,000)**	–
Payments/prepayments for acquisition of subsidiaries, net of cash acquired	**162**	(87,380)
Government grants received	**–**	25,153
Proceeds from disposal of property, plant, equipment, and lease prepayments	**111,627**	7,622
Proceeds from cancellation/disposal of subsidiaries, net of cash disposed of	**–**	2,191
Dividends received	**295,930**	434,171
Interest received	**74,951**	20,632
(Purchase)/redemption of short-term investments, net	**(66,640)**	40,000
Time deposits over three months	**–**	3,936
Net cash used in investing activities	**(8,632,954)**	(8,613,828)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

	Notes	2018 RMB'000	2017 RMB'000
Cash flows from financing activities			
Capital contributions		**60,721**	272,636
Proceeds from borrowings		**71,579,154**	69,435,849
Repayment of borrowings		**(74,185,425)**	(67,872,218)
Dividends paid by subsidiaries to non-controlling equity owners		**(550,934)**	(613,434)
Proceeds from issuance of perpetual medium-term notes		**–**	2,000,000
Dividends paid to shareholders of the Company		**(737,741)**	(683,093)
Interest paid for borrowings		**(3,591,759)**	(2,937,770)
Acquisition of non-controlling interests		**(66,792)**	(4,400)
Proceeds from matured cross-currency contracts		**–**	245,266
Interest paid for perpetual medium-term notes		**(242,000)**	(133,200)
Finance lease payments		**(67,213)**	(62,045)
Net cash used in financing activities		**(7,801,989)**	(352,409)
Net (decrease)/increase in cash and cash equivalents		**(2,179,457)**	3,164,593
Cash and cash equivalents at the beginning of year		**5,071,579**	1,901,286
Effect of foreign exchange rate changes		**(30,861)**	5,700
Cash and cash equivalents at the end of year	27	**2,861,261**	5,071,579

The notes on pages 204 to 377 form part of these financial statements.

1 PRINCIPAL ACTIVITIES

China Longyuan Power Group Corporation Limited (the "Company") and its subsidiaries (the "Group") are principally engaged in wind and coal power generation and sale, coal trading and other related business in the People's Republic of China (the "PRC").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements set out in this report have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which is a collective term that includes all applicable International Financial Reporting Standards, International Accounting Standards ("IAS") and interpretations promulgated by the International Accounting Standards Board (the "IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2018.

Going concern

The consolidated financial statements have been prepared assuming that the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2018 amounting to RMB21,994,217,000. The directors are of the opinion that, based on a review of the forecasted cash flows and the availability of unutilised banking facility, the Group will have sufficient liquid funds to finance its operation and capital expenditure (see note 37(c)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain trade and bills receivables, equity investments and derivative financial instruments are stated at their fair value.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

(c) Functional and presentation currency

The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the Group's presentation currency and the functional currency of the Company and its PRC subsidiaries.

(d) Subsidiaries

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).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries (Continued)

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries (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.

(e) Associates and joint ventures

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

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to net assets of the arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures (Continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(n)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates and joint ventures (Continued)

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

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(o)).

In the Company-level statement of financial position, the Company's investments in associates and joint ventures are stated at cost less impairment losses (see note 2(n)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Goodwill (Continued)

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or group of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(n)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Business combination for entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholders that control the Group are accounted for as if the acquisition had occurred at the beginning of the year or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's shareholders' consolidated financial statements.

Upon transfer of interest in an entity to another entity that is under the control of the shareholders that control the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognised directly in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest (see note 2(l)) to earn rental income and/or for capital appreciation.

Investment properties are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(n)). Depreciation is calculated to write off the cost less residual value if applicable, using the straight-line method over the estimated useful lives ranging from 30 to 50 years. Rental income from investment properties is accounted for as described in note 2(y).

(i) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 2(n)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(aa)).

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Property, plant and equipment (Continued)

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

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

—	Land, buildings and structures	10–40 years
—	Wind turbines	15–25 years
—	Other machinery and equipment	4–30 years
—	Motor vehicles	5–15 years
—	Furniture, fixtures and others	4–18 years

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Intangible assets (other than goodwill)

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses (see note 2(n)).

Other intangible assets that are acquired by the Group are stated in the statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(n)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Concession assets	20–25 years
–	Software and others	5 years

Both the period and method of amortisation are reviewed annually.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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.

(l) Leases

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leases (Continued)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as an investment property, is accounted for as if held under a finance lease (see note 2(h)); and

— land held for own use under an operating lease, where the fair value cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leases (Continued)

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments of such assets are recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely that the Group will obtain ownership of the asset, as set out in note 2(i). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(n). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Sales and leaseback arrangement resulting in finance lease

A sales and leaseback arrangement which results in a finance lease is a means whereby the lessor provides finance to the lessee with the asset as security. To reflect the substance of the transaction, any excess of sales proceeds over the carrying amount of the asset is deferred and amortised as an adjustment to the depreciation of the asset. If the sales proceeds are less than the carrying amount of the asset which indicates that the asset may be impaired, an impairment loss is recognised if the carrying amount of the asset exceeds its recoverable amount (see note 2(n)). Any deficit of sales proceeds lower than the carrying amount, in the absence of impairment, is also deferred and amortised as an adjustment to the depreciation of the asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Leases (Continued)

(iv) Operating lease charges

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

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(m) Fair value measurement

The Group measures its certain trade and bills receivables, unquoted equity investment in non-listed companies, equity investment in listed companies 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Fair value measurement (Continued)

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Impairment of non-financial assets

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

- property, plant and equipment;
- investment properties;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible assets;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Impairment of non-financial assets (Continued)

– **Calculation of the recoverable amount**

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

– **Recognition of impairment losses**

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

– **Reversals of impairment losses**

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investments and other financial assets

(i) Policies under IFRS 9 applicable from 1 January 2018

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for section 2(y) "Revenue recognition (applicable from 1 January 2018)" below.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investments and other financial assets (Continued)

(i) Policies under IFRS 9 applicable from 1 January 2018 (Continued)

Initial recognition and measurement (Continued)

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investments and other financial assets (Continued)

(i) Policies under IFRS 9 applicable from 1 January 2018 (Continued)

Subsequent measurement (Continued)

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investments and other financial assets (Continued)

(i) Policies under IFRS 9 applicable from 1 January 2018 (Continued)

Subsequent measurement (Continued)

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investments and other financial assets (Continued)

(i) Policies under IFRS 9 applicable from 1 January 2018 (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

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

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as financial 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investments and other financial assets (Continued)

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(q)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at cost, which is generally their transaction price. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

– Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date, the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 2(y)ii(v) and 2(y)ii(vi).

– Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the statement of financial position at amortised cost less impairment losses (see note 2(q)).

– Investments in equity securities that do not have a quoted market price in an active market for an identical instrument and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(q)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Investments and other financial assets (Continued)

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

Other investments in debt and equity securities (Continued)

– Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date, the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(y)ii(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(y)ii(vi). When these investments are derecognised or impaired (see note 2(q)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of financial assets

(i) Policies under IFRS 9 applicable from 1 January 2018

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

General approach

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of financial assets (Continued)

(i) Policies under IFRS 9 applicable from 1 January 2018 (Continued)

General approach (Continued)

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.

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:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of financial assets (Continued)

(i) Policies under IFRS 9 applicable from 1 January 2018 (Continued)

General approach (Continued)

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of financial assets (Continued)

(i) Policies under IFRS 9 applicable from 1 January 2018 (Continued)

Simplified approach

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

For trade receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of financial assets (Continued)

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

Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

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

— it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

— a significant or prolonged decline in the fair value of an investment in an equity investment below its cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of financial assets (Continued)

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

Impairment of investments in debt and equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statement of financial position (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(n). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(n).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of financial assets (Continued)

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

Impairment of investments in debt and equity securities and other receivables (Continued)

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

— Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

— Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Impairment of financial assets (Continued)

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

Impairment of investments in debt and equity securities and other receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bills receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

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

Initial recognition and measurement

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

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

The Group's financial liabilities include borrowings, obligations under finance leases, trade and bills payables and financial liabilities included in other payables and accruals.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing loans and 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 the statement of 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 the statement of profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Subsequent measurement (Continued)

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

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

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

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Subsequent measurement (Continued)

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

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(x)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Subsequent measurement (Continued)

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

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 the statement of profit or loss.

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.

(s) Inventories

Inventories excluding spare parts are carried at the lower of cost and net realisable value. Spare parts are stated in the statement of financial position at cost less provision for obsolescence.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Inventories (Continued)

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

(t) Perpetual securities

Perpetual securities are classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any interests and distributions are discretionary. Interests and distributions on perpetual securities classified as equity are recognised as distributions within equity.

Perpetual securities are classified as a liability if it is redeemable on a specific date or at the option of the holder of the note, or if any interest payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 2(r) and, accordingly, interests thereon are recognised on an accrual basis in profit or loss as part of finance expenses.

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within a maturity of within three months at acquisition. Cash and cash equivalents are not restricted as to use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for the statutory defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax (Continued)

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Income tax (Continued)

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income tax levied by the same taxation authority on either:

    - the same taxable entity; or

    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Provisions and contingent liabilities

(i) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(x)(ii). Contingent liabilities acquired assumed in a business combination that cannot be reliably fair-valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(x)(ii).

(ii) Other provisions and contingent liabilities

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue recognition

i. Applicable from 1 January 2018

Revenue from contracts with customers

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue recognition (Continued)

i. Applicable from 1 January 2018 (Continued)

Revenue from contracts with customers (Continued)

(i) Sale of electricity, steam and goods (including coal trading)

Revenue from the sale of electricity and goods is recognised at the point in time when control of the asset is transferred to the customer, generally when electricity is supplied to the provincial grid companies or on delivery of the goods.

(ii) Service concession construction revenue

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

Revenue from the operation under a service concession construction contract is recognised at the point in time as described in (i) Sale of electricity, steam and goods.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue recognition (Continued)

i. Applicable from 1 January 2018 (Continued)

Other income

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

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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue recognition (Continued)

ii. Applicable before 1 January 2018

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of electricity and goods

Revenue from the sale of electricity is recognised when electricity is supplied to the provincial grid companies. Revenue from the sale of goods is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value-added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Service concession construction revenue

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed. Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue recognition (Continued)

ii. Applicable before 1 January 2018 (Continued)

(iii) Rendering of services

Revenue from the rendering of services is recognised in profit or loss by reference to the stage of completion of the transaction based on the progress of work performed.

(iv) Rental income from operating leases

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

(v) Dividends

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

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue recognition (Continued)

ii. Applicable before 1 January 2018 (Continued)

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method.

(vii) Government grants

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

(viii) Certified Emission Reductions ("CERs") income

The Group sells carbon credits known as CERs, generated from the wind farms and other renewable energy facilities which have been registered as Clean Development Mechanism ("CDM") projects with CDM Executive Board ("CDM EB") of the United Nations under the Kyoto Protocol. Revenue in relation to the CERs is recognised when following conditions are met:

– the counterparties have committed to purchase the CERs;

– the sales prices have been agreed; and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Revenue recognition (Continued)

ii. Applicable before 1 January 2018 (Continued)

(viii) Certified Emission Reductions ("CERs") income (Continued)

– the relevant electricity has been generated.

The revenue related to CERs is recognised and recorded in trade receivables for the volume verified by the independent supervisors assigned by CDM EB and in other receivables for the remaining volume.

(z) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Translation of foreign currencies (Continued)

The results of those entities, the functional currency of which is other than RMB, are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position are translated into RMB at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. When the exchange differences related to a foreign operation that is consolidated but not wholly owned, accumulated exchange differences arising from translation and attributable to non-controlling interests are allocated to, and recognised as part of, non-controlling interests in the consolidated statement of financial position.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(aa) Borrowing costs

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ab) Contract liability (applicable from 1 January 2018)

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

(ac) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ac) Related parties (Continued)

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

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

(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 note (a).

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ad) Segment reporting

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

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

(ae) 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.

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) Changes in accounting policies and disclosures

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

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

Except for amendments to IFRS 2, the amendments to IFRS 4, amendments to IAS 40 and Annual Improvements 2014–2016 Cycle, which are not relevant to the preparation of the Group’s financial statements, the nature and the impact of the new and revised IFRSs are described below:

a. IFRS 9 Financial Instruments

IFRS 9 replaces of IAS 39 *Financial Instruments: Recognition and Measurement* from 1 January 2018.

The comparative information is not restated and the Group recognised any transition adjustments in relation to the adoption of IFRS 9 against the opening balance of equity at 1 January 2018 as further disclosed below.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Changes in accounting policies and disclosures (Continued)

a. IFRS 9 Financial Instruments (Continued)

(i) Classification and measurement

On initial application of IFRS 9, the available-for-sale equity investments have been reclassified and measured at fair value through other comprehensive income ("FVOCI"). These equity investments are subsequently measured at fair value. Dividends from the investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed and classified its financial assets into the appropriate IFRS 9 categories. The main effects resulting from the reclassification were as follows:

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Changes in accounting policies and disclosures (Continued)

a. IFRS 9 Financial Instruments (Continued)

(i) Classification and measurement (Continued)

Financial assets – 1 January 2018	**Measured at fair value through profit or loss ("FVPL")**	**Reclassified and measured at FVOCI (Available-for-sale in 2017)**	**Measured at amortised cost (Receivables in 2017)**
	RMB'000	*RMB'000*	*RMB'000*
Closing balance as at 31 December 2017 under IAS 39	77,813	862,517	14,052,027
Fair value adjustment of unquoted equity investments previously stated at cost which are now categorised as equity investments at FVOCI	–	192,914	–
Opening balance as at 1 January 2018 under IFRS 9	77,813	1,055,431	14,052,027

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Changes in accounting policies and disclosures (Continued)

a. IFRS 9 Financial Instruments (Continued)

(i) Classification and measurement (Continued)

The impact on the Group's equity as at 1 January 2018 was as follows:

	Fair value reserve *RMB'000*
Closing balance as at 31 December 2017 under IAS 39	9,006
Reclassification of investments from available-for-sale to FVOCI	192,914
Opening balance as at 1 January 2018 under IFRS 9	201,920

(ii) Impairment

IFRS 9 requires an entity to recognise a loss allowance on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected losses that were estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and bills receivables. Furthermore, the Group has applied the general approach and recorded twelve-month expected credit losses that were estimated based on the possible default events on its other receivables within the next twelve months. The effect of adoption on the Group's financial statements was minimal.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Changes in accounting policies and disclosures (Continued)

b. IFRS 15 Revenue from Contracts with Customers and its amendments

IFRS 15 supersedes IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the modified retrospective method to all contracts that are not completed at the date of initial application. The Group concluded that the transitional adjustment made on 1 January 2018 to retained earnings upon initial adoption of IFRS 15 was nil and the comparative information was not restated. It is because the Group recognised revenue upon the transfer of significant risks and rewards before the adoption, which coincides with the fulfilment of performance obligations. From 1 January 2018, revenue is recognised when a customer obtains control of a good or service and the customer has the ability to direct the use and obtain the benefits from the good or service. Additionally, the Group's contracts with customers generally have only one performance obligation.

The Group's revenues are substantially generated from the wind and coal power sale, steam sale, coal trading and other related business.

(i) Power and steam sale

The Group's contracts with customers for the power and steam generation and sale generally include one performance obligation. The Group has concluded that the performance obligation is satisfied at a point in time and revenue continues to be recognised upon transmission to the customers. The adoption of IFRS 15 did not have an impact on the amount of revenue recognised.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(a) Changes in accounting policies and disclosures (Continued)

b. IFRS 15 Revenue from Contracts with Customers and its amendments (Continued)

(ii) Coal trading

Determining whether coal trading revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. Since the Group has sole discretion in determining the pricing, takes full responsibility of the good provided to the customers, and also is responsible for the risk associated with the goods before change of control over the goods, and the customers' complaints and requests, the Group considers that it controls the specified goods before their delivery to its customers. Accordingly, the Group recognises revenue on the gross basis.

(iii) Presentation and disclosure requirements

Note 5 has included the disclosures on disaggregated revenue and other disclosures required under IFRS15.

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Issued but not yet effective international financial reporting standards

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

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

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

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Issued but not yet effective international financial reporting standards (Continued)

Of those standards, IFRS 16 will be applicable for the Group's financial year ending 31 December 2019 and are expected to have some impacts upon adoption. Whilst management has performed a detailed assessment of the estimated impacts of these standards, that assessment is based on the information currently available to the Group, including expectations of the application of transitional provision options and policy choices. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Issued but not yet effective international financial reporting standards (Continued)

right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Issued but not yet effective international financial reporting standards (Continued)

During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets of RMB92,857,000 and lease liabilities of RMB92,857,000 will be recognised at 1 January 2019. The rental expense of Longyuan South Africa Renewables Proprietary Limited,the Croup's subsidiary in South Africa,was 1.75%–2.00% of the electricity revenue of the year.

4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an ongoing basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 2. The Group believes that the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Provision for expected credit losses on receivables

The Group makes provision for impairment of receivables based on assumptions about risk of default and expected loss rates (Note 2(q)). The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward–looking estimates at the balance sheet date.

4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

(b) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, investment properties, lease prepayments, intangible assets, goodwill and investments in associates and joint ventures, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate the selling price because quoted market prices for these assets may not be readily available. In determining the value in use for each smallest identifiable group of assets that generate independent cash flows ("CGU"), expected cash flows generated by each CGU are discounted to their present value, which requires significant judgement relating to items such as future sales volumes, future on-grid tariffs, future capital expenditure, future operating costs and the discount rates applied. The Group uses all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as future sales volumes, future on-grid tariffs, future capital expenditure, future operating costs and the discount rates applied.

(c) Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 37(g) to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 2. Further details are included in note 37(g) to the financial statements.

4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES (Continued)

(d) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

(e) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(f) Income tax

The Group is subject to income taxes in numerous tax authorities. 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 provisions in the periods in which the differences arise.

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5 REVENUE

The amount of each significant category of revenue recognised during the year is as follows:

	2018	2017
	RMB'000	*RMB'000*
Sales of electricity	**21,895,372**	19,661,630
Sales of steam	**664,017**	619,844
Service concession construction revenue *(note 47)*	**14,112**	74,227
Sales of coal	**3,261,970**	3,872,999
Others	**552,452**	362,916
	26,387,923	24,591,616

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5 REVENUE (Continued)

(i) Disaggregated revenue information:

For the year ended 31 December 2018

	Wind power RMB'000	Coal power RMB'000	Other business RMB'000	Total RMB'000
Types of goods and services				
Sales of electricity	18,398,949	3,104,419	392,004	21,895,372
Sales of steam	–	664,017	–	664,017
Service concession construction revenue	14,112	–	–	14,112
Sales of coal	–	3,261,970	–	3,261,970
Others	10,938	283,709	257,805	552,452
	18,423,999	7,314,115	649,809	26,387,923
Geographic market				
Mainland China	17,824,280	7,314,115	649,809	25,788,204
Canada	209,237	–	–	209,237
South Africa	390,482	–	–	390,482
	18,423,999	7,314,115	649,809	26,387,923
Revenue recognition point				
Goods transferred at a point of time	18,398,949	7,181,583	394,324	25,974,856
Services transferred over time	25,050	132,532	255,485	413,067
	18,423,999	7,314,115	649,809	26,387,923

5 REVENUE (Continued)

(i) Disaggregated revenue information (Continued):

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

	2018 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Types of goods and service-others	**95,794***

* Contract liabilities as at 1 January 2018 with total amount of RMB95,794,000 was recognised as revenue in 2018.

(ii) Performance obligations

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

Sales of electricity, steam and coal

The Group's contracts with customers for the sales of electricity, steam and coal generally include one performance obligation. The Group has concluded that the performance obligation is satisfied at the point in time and revenue continues to be recognised upon transmission to the customers.

Service concession construction revenue

Revenue from the provision of construction services under a service concession construction contract is recognised over time, using an input method to measure progress towards complete satisfaction of the service. 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.

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

5 REVENUE (Continued)

(ii) Performance obligations (Continued)

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 are as follows:

	RMB'000
Within one year	**88,692**
More than one year	**263,662**
	352,354

The remaining performance obligations expected to be recognised in more than one year related to service concession constructions that are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year.

6 OTHER NET INCOME

	2018 ***RMB'000***	2017 *RMB'000*
Government grants	**761,446**	657,046
Rental income from investment properties	**35,945**	5,757
Gains on disposal of plant, property and equipment and lease prepayments	**39,551**	6,595
Others	**80,534**	42,930
	917,476	712,328

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

7 FINANCE INCOME AND EXPENSES

	2018	2017
	RMB'000	*RMB'000*
Interest income on financial assets	**111,065**	49,496
Dividend income	**58,594**	49,860
Net unrealised profits on trading securities and derivative financial instruments	**28,626**	19,068
Foreign exchange gains	**13,402**	89,587
Finance income	**211,687**	208,011
Less:		
Interest on bank and other borrowings wholly repayable within five years	**2,498,690**	3,047,711
Interest on bank and other borrowings repayable more than five years	**1,176,130**	264,766
Finance charges on obligations under finance leases	**19,852**	19,362
Less: Interest expenses capitalised into property, plant and equipment and intangible assets	**(316,857)**	(299,330)
	3,377,815	3,032,509
Foreign exchange losses	**30,516**	59,146
Net unrealised losses on derivative financial instruments *(Note 30(iii))*	**–**	217,141
Bank charges and others	**316,051**	114,614
Finance expenses	**3,724,382**	3,423,410
Net finance expenses	**(3,512,695)**	(3,215,399)

The borrowing costs have been capitalised at rates of 3.96% to 5.15% per annum for the year ended 31 December 2018 (2017: 3.92% to 4.89%).

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8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	2018 **RMB'000**	2017 RMB'000
Salaries, wages and other benefits	**1,801,178**	1,475,867
Contributions to defined contribution retirement plans	**273,773**	200,732
	2,074,951	1,676,599

(b) Other items

	2018 **RMB'000**	2017 RMB'000
Amortisation		
– lease prepayments	**84,104**	86,295
– intangible assets	**460,740**	384,881
Depreciation		
– investment properties	**731**	731
– property, plant and equipment	**6,740,684**	6,326,396
Provision of impairment losses		
– property, plant and equipment	**265,907**	98,818
– trade and other receivables	**248,202**	5,803
– intangible assets	**255**	–
Auditors' remuneration		
– annual audit service	**14,980**	16,680
– interim review service	**6,300**	6,300
– other services	**1,170**	–
Operating lease charges		
– plant and equipment	**15,449**	13,829
– properties	**41,264**	39,250
Cost of inventories	**5,807,999**	6,470,580

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9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2018 *RMB'000*	2017 *RMB'000*
Current tax		
Provision for the year	964,101	831,062
Underprovision in respect of prior years	14,290	78,870
	978,391	909,932
Deferred tax		
Origination and reversal of temporary differences *(note 32(b))*	(2,775)	5,760
	975,616	915,692

9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents (Continued):

Notes:

(i) The provision for income tax of the PRC subsidiaries of the Group is calculated based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the years ended 31 December 2017 and 2018, except for certain subsidiaries of the Group, which are taxed at preferential rates of 0% to 15% according to the relevant tax authorities' approvals.

Pursuant to CaiShui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment, certain subsidiaries of the Group, which are set up after 1 January 2008 and are engaged in public infrastructure projects, are each entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective first operating income generating year.

Pursuant to CaiShui [2011] No.58, the Company's subsidiaries established in the Western Region of the PRC are entitled to the preferential income tax rate of 15% from 2011 to 2020.

(ii) Hero Asia Investment Limited, a subsidiary of the Group incorporated in Hong Kong, is subject to Hong Kong profits tax at 16.5%. Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), Hero Asia (BVI) Company Limited, a subsidiary of the Group, is not subject to any income tax in the BVI.

Hero Asia Investment Limited and Hero Asia (BVI) Company Limited, being overseas enterprises controlled by a PRC enterprise, are considered as the PRC tax residents in accordance with GuoShuiFa [2009] No. 82. Accordingly, they are subject to the PRC income tax at 25%, and dividends receivable by these two companies are exempted from the PRC dividend withholding tax.

The Company's subsidiary in Canada is subject to income tax at a rate of 26.5%. The Company's subsidiary in South Africa is subject to income tax at a rate of 28%.

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9 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

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

	2018 *RMB'000*	2017 *RMB'000*
Profit before taxation	**5,896,836**	5,465,390
Notional tax on profit before taxation	**1,474,209**	1,366,348
Tax effect of non-deductible expenses	**15,968**	25,032
Tax effect of share of profits less losses of associates and joint ventures	**(41,875)**	(85,966)
Tax effect of non-taxable income	**(266)**	(9,069)
Effect of differential tax rate of certain subsidiaries of the Group	**(545,889)**	(596,524)
Use of unrecognised tax losses in prior years	**(9,109)**	(12,404)
Tax effect of unused tax losses and deductible temporary differences not recognised	**61,600**	146,029
Underprovision in respect of prior years	**14,290**	78,870
Others	**6,688**	3,376
Income tax	**975,616**	915,692

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10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments 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 are as follows:

For the year ended 31 December 2018:

	Directors' and supervisors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	2018 Total *RMB'000*
Directors					
Mr. Qiao Baoping *(Chairman)*	–	–	–	–	–
Mr. Huang Qun	–	336	783	127	1,246
Mr. Luan Baoxing	–	–	–	–	–
Mr. Yang Xiangbin	–	–	–	–	–
Mr. Wang Baole (Resigned in May 2018)	–	–	–	–	–
Mr. Li Enyi (Resigned in December 2018)	–	317	742	128	1,187
Mr. Liu Jinhuan (Appointed in May 2018)	–	–	–	–	–
Independent non-executive directors					
Mr. Zhang Songyi	143	–	–	–	143
Mr. Meng Yan	143	–	–	–	143
Mr. Han Dechang	143	–	–	–	143

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10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

	Directors' and supervisors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	2018 Total *RMB'000*
Supervisors					
Mr. Yu Yongping	–	–	–	–	–
Mr. Xie Changjun (Resigned in May 2018)	–	–	–	–	–
Mr. He Shen (Resigned in July 2018)		145	437	54	636
Mr. Chen Bin	–	–	–	–	–
(Appointed in May 2018)	–	–	–	–	–
Mr. Ding Yinglong (Appointed in August 2018)	–	254	405	95	754
	429	1,052	2,367	404	4,252

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10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2017:

	Directors' and supervisors' fees *RMB'000*	Salaries allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	2017 Total *RMB'000*
Directors					
Mr. Qiao Baoping *(Chairman)*	–	–	–	–	–
Mr. Li Enyi	–	314	734	109	1,157
Mr. Wang Baole	–	–	–	–	–
Mr. Huang Qun	–	314	713	87	1,114
Mr. Luan Baoxing	–	–	–	–	–
Mr. Yang Xiangbin	–	–	–	–	–
Independent non-executive directors					
Mr. Zhang Songyi	143	–	–	–	143
Mr. Meng Yan	143	–	–	–	143
Mr. Han Dechang	143	–	–	–	143
Supervisors					
Mr. Xie Changjun	–	–	–	–	–
Mr. Yu Yongping	–	–	–	–	–
Mr. He Shen	–	256	573	81	910
	429	884	2,020	277	3,610

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11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended 31 December is set forth below:

	2018	2017
Directors	**2**	2
Non-directors	**3**	3
	5	5

The emoluments of the directors are disclosed in note 10. The aggregate of the emoluments in respect of the remaining highest paid individuals is as follows:

	2018 *RMB'000*	2017 *RMB'000*
Salaries and other emoluments	**847**	797
Discretionary bonuses	**1,988**	1,778
Retirement scheme contributions	**346**	241
	3,181	2,816

The emoluments of the individuals (non-directors) with the highest emoluments are within the following bands:

	2018	2017
HKD500,001 to HKD1,000,000	**–**	–
HKD1,000,001 to HKD1,500,000	**3**	3

12 OTHER COMPREHENSIVE INCOME

	2018 *RMB'000*	2017 *RMB'000*
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investments at FVOCI:		
– Changes in fair value recognised during the year	**(84,675)**	–
– Tax expense	**(27,868)**	–
– Net of tax amount	**(112,543)**	–

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12 OTHER COMPREHENSIVE INCOME (Continued)

	2018	2017
	RMB'000	*RMB'000*
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Available-for-sale financial assets:		
– Changes in fair value recognised during the year	**–**	(9,063)
– Tax expense	**–**	2,265
– Net of tax amount	**–**	(6,798)
Exchange difference on translation of foreign operations		
– Before and net of tax amount	**(116,386)**	111,200
Share of other comprehensive income of associates		
– Before and net of tax amount	**–**	3,025
Exchange difference on net investment in overseas subsidiaries		
– Before and net of tax amount	**(69,730)**	126,855
Other comprehensive (loss)/income	**(298,659)**	234,282

13 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company for the year ended 31 December 2018 of RMB3,923,809,000 (2017: RMB3,688,053,000) and the number of shares in issue during the year ended 31 December 2018 of 8,036,389,000 (2017: 8,036,389,000).

There was no difference between the basic and diluted earnings per share as there were no dilutive potential shares outstanding for the years presented.

14 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by types of business. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments:

– Wind power: this segment constructs, manages and operates wind power plants and generates electric power for sale to external power grid companies.

– Coal power: this segment constructs, manages and operates coal power plants and generates electric power for sale to external power grid companies and coal trading business.

The Group combined other business activities that are not reportable in "All others". Revenue included in this category is mainly from the manufacturing and sale of power equipment, the provision of consulting services, maintenance and training services to wind power plants, and other renewable power generation.

14 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investments in associates and joint ventures, equity investments at fair value through other comprehensive income, other financial assets, deferred tax assets, tax recoverable and other corporate assets. Segment liabilities include trade and bills payables, obligations under finance leases, deferred income, other payables and borrowings managed directly by the segments. Segment liabilities do not include deferred tax liabilities, tax payable and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses do not include share of profits less losses of associates and joint ventures, net finance expenses, service concession construction revenue and cost and unallocated corporate expenses.

The measure used for reporting segment profit is the operating profit. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below:

FOR THE YEAR ENDED 31 DECEMBER 2018 (Expressed in thousands of Renminbi unless otherwise stated)

14 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

For the year ended 31 December 2018:

	Wind power *RMB'000*	Coal power *RMB'000*	All others *RMB'000*	Total *RMB'000*
Revenue from external customers				
– Sales of electricity	18,398,949	3,104,419	392,004	21,895,372
– Others	10,938	4,209,696	257,805	4,478,439
Subtotal	18,409,887	7,314,115	649,809	26,373,811
Inter-segment revenue	–	–	280,278	280,278
Reportable segment revenue	18,409,887	7,314,115	930,087	26,654,089
Reportable segment profit (operating profit)	9,292,865	382,900	(261,937)	9,413,828

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14 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

For the year ended 31 December 2018: (Continued)

	Wind power *RMB'000*	Coal power *RMB'000*	All others *RMB'000*	Total *RMB'000*
Depreciation and amortisation before inter-segment elimination	(6,691,864)	(398,039)	(226,859)	(7,316,762)
Provision of impairment losses of trade and other receivables	–	–	(248,202)	(248,202)
Provision of impairment losses of property, plant and equipment and intangible assets	(256,566)	(9,596)	–	(266,162)
Interest income	37,652	23,811	49,602	111,065
Interest expense	(3,143,750)	(88,759)	(145,306)	(3,377,815)
Reportable segment assets	140,815,744	5,603,046	6,259,622	152,678,412
Expenditures for reportable segment non-current assets during the year	7,381,822	122,889	245,879	7,750,590
Reportable segment liabilities	96,167,843	3,306,745	8,420,714	107,895,302

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14 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

For the year ended 31 December 2017:

	Wind power	Coal power	All others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers				
– Sales of electricity	15,981,487	3,202,356	477,787	19,661,630
– Others	16,617	4,787,413	51,729	4,855,759
Subtotal	15,998,104	7,989,769	529,516	24,517,389
Inter-segment revenue	–	–	375,017	375,017
Reportable segment revenue	15,998,104	7,989,769	904,533	24,892,406
Reportable segment profit (operating profit)	7,914,920	450,118	107,189	8,472,227

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14 SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities (Continued)

For the year ended 31 December 2017: (Continued)

	Wind power *RMB'000*	Coal power *RMB'000*	All others *RMB'000*	Total *RMB'000*
Depreciation and amortisation before inter-segment elimination	(6,253,075)	(378,250)	(204,134)	(6,835,459)
(Provision)/reversal of impairment losses of trade and other receivables	(7,317)	–	1,514	(5,803)
Provision of impairment losses of property, plant and equipment and lease prepayments	(40,762)	(58,056)	–	(98,818)
Interest income	15,577	18,661	15,258	49,496
Interest expense	(2,700,679)	(63,628)	(268,202)	(3,032,509)
Reportable segment assets	135,610,065	6,545,392	8,005,210	150,160,667
Expenditures for reportable segment non-current assets during the year	10,309,326	233,513	111,355	10,654,194
Reportable segment liabilities	93,277,588	3,873,681	10,233,880	107,385,149

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14 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2018 *RMB'000*	2017 *RMB'000*
Revenue		
Reportable segment revenue	26,654,089	24,892,406
Service concession construction revenue	14,112	74,227
Elimination of inter-segment revenue	(280,278)	(375,017)
Consolidated revenue	26,387,923	24,591,616
Profit		
Reportable segment profit	9,413,828	8,472,227
Elimination of inter-segment profits	4,643	31,792
	9,418,471	8,504,019
Share of profits less losses of associates and joint ventures	167,499	343,862
Net finance expenses	(3,512,695)	(3,215,399)
Unallocated head office and corporate expenses	(176,439)	(167,092)
Consolidated profit before taxation	5,896,836	5,465,390

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14 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)

	2018 *RMB'000*	2017 *RMB'000*
Assets		
Reportable segment assets	**152,678,412**	150,160,667
Inter-segment elimination	**(10,483,146)**	(7,718,060)
	142,195,266	142,442,607
Investments in associates and joint ventures	**4,549,432**	4,471,899
Equity investments at fair value through other comprehensive income	**870,756**	–
Available-for-sale investments	**–**	38,319
Unquoted equity investments	**–**	724,198
Other financial assets	**249,080**	177,813
Tax recoverable	**210,578**	102,065
Deferred tax assets	**146,376**	170,709
Unallocated head office and corporate assets	**67,307,317**	64,997,717
Elimination	**(69,024,469)**	(67,490,287)
Consolidated total assets	**146,504,336**	145,635,040

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14 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (Continued)

	2018 *RMB'000*	2017 *RMB'000*
Liabilities		
Reportable segment liabilities	**107,895,302**	107,385,149
Inter-segment elimination	**(15,371,456)**	(14,813,821)
	92,523,846	92,571,328
Tax payable	**209,668**	228,531
Deferred tax liabilities	**164,260**	161,694
Unallocated head office and corporate liabilities	**61,775,032**	60,077,277
Elimination	**(64,734,263)**	(60,703,072)
Consolidated total liabilities	**89,938,543**	92,335,758

(c) Geographical information

As the Group does not have material operations outside the PRC, no geographic segment reporting is presented.

(d) Major customers

Revenue from the PRC government-controlled power grid companies amounted to RMB21,295,653,000 for the year ended 31 December 2018 (2017: RMB19,388,696,000). All the service concession construction revenue is from the PRC government.

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15 PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and structures RMB'000	Generators and related equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2017	10,273,664	115,889,818	512,581	695,486	10,290,308	137,661,857
Additions	80,876	127,050	6,840	49,410	10,195,492	10,459,668
Transfer from construction in progress	949,667	5,885,041	–	67,000	(6,901,708)	–
Transfer to investment properties	(10,900)	–	–	–	–	(10,900)
Effect on disposal of subsidiaries	–	–	–	(159)	(2,378)	(2,537)
Disposals	–	(40,938)	(15,053)	(13,720)	(615)	(70,326)
Reclassification	(20,139)	(19,795)	–	39,934	–	–
Exchange adjustments	–	(5,348)	–	(5)	–	(5,353)
At 31 December 2017	11,273,168	121,835,828	504,368	837,946	13,581,099	148,032,409
At 1 January 2018	**11,273,168**	**121,835,828**	**504,368**	**837,946**	**13,581,099**	**148,032,409**
Acquisition of a subsidiary	**200,298**	**9,949**	**–**	**51**	**–**	**210,298**
Additions	**18,371**	**211,987**	**10,864**	**63,446**	**6,921,419**	**7,226,087**
Transfer from construction in progress	**661,364**	**8,873,670**	**792**	**8,732**	**(9,544,558)**	**–**
Transfer to construction in progress	**–**	**(20,898)**	**–**	**–**	**13,023**	**(7,875)**
Reclassification between assets	**(6,659)**	**260,797**	**(181)**	**–**	**153,827**	**407,784**
Disposals	**(6,345)**	**(324,518)**	**(12,116)**	**(21,542)**	**(6,985)**	**(371,506)**
Reclassification	**(252,202)**	**259,664**	**–**	**(7,462)**	**–**	**–**
Exchange adjustments	**(28,278)**	**(259,377)**	**(14)**	**(135)**	**–**	**(287,804)**
At 31 December 2018	**11,859,717**	**130,847,102**	**503,713**	**881,036**	**11,117,825**	**155,209,393**

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15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land, buildings and structures *RMB'000*	Generators and related equipment *RMB'000*	Motor vehicles *RMB'000*	Furniture, fixtures and others *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation and impairment losses:						
At 1 January 2017	2,949,036	28,274,036	304,221	432,639	103,664	32,063,596
Depreciation charge for the year	641,968	5,567,590	34,897	202,418	–	6,446,873
Provision of impairment losses	20,061	18,350	19,646	–	40,761	98,818
Transfer to investment properties	(4,095)	–	–	–	–	(4,095)
Written back on disposal	–	(20,416)	(11,980)	(13,235)	–	(45,631)
Effect on disposal of subsidiaries	–	–	–	(17)	–	(17)
Exchange adjustments	(283)	(229)	–	(29)	–	(541)
At 31 December 2017	3,606,687	33,839,331	346,784	621,776	144,425	38,559,003
At 1 January 2018	**3,606,687**	**33,839,331**	**346,784**	**621,776**	**144,425**	**38,559,003**
Depreciation charge for the year	**532,693**	**6,111,749**	**22,016**	**83,831**	**–**	**6,750,289**
Provision of impairment losses	**6**	**4,461**	**9,590**	**39**	**251,811**	**265,907**
Transfer to construction in progress	**–**	**(7,875)**	**–**	**–**	**–**	**(7,875)**
Reclassification between assets	**5,888**	**(104,014)**	**–**	**–**	**–**	**(98,126)**
Written back on disposal	**(4,522)**	**(169,661)**	**(12,050)**	**(20,747)**	**(46,296)**	**(253,276)**
Reclassification	**(2,249)**	**4,717**	**–**	**(2,468)**	**–**	**–**
Exchange adjustments	**(451)**	**(6,494)**	**(2)**	**(92)**	**–**	**(7,039)**
At 31 December 2018	**4,138,052**	**39,672,214**	**366,338**	**682,339**	**349,940**	**45,208,883**
Net book value:						
At 31 December 2017	7,666,481	87,996,497	157,584	216,170	13,436,674	109,473,406
At 31 December 2018	**7,721,665**	**91,174,888**	**137,375**	**198,697**	**10,767,885**	**110,000,510**

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(i) As at 31 December 2018, borrowings amounted to RMB1,750,636,000 (2017:nil) are secured by equipment with net carrying amount of RMB1,194,790,000 (2017:nil).

(ii) The Group leases machinery and equipment under finance leases expiring in 8 to 10 years. At the end of the lease term, the Group has the option to purchase the leased equipment at a fixed price. None of the leases includes contingent rentals.

As at 31 December 2018, the net book value of machinery and equipment held under finance leases of the Group was RMB448,876,000 (2017: RMB476,531,000).

(iii) Provision for impairment losses for the year ended 31 December 2018 comprises:

– For the year ended 31 December 2018, the recoverable amount of certain coastal collier of the coal power segment was lower than its carrying amount due to the decrease of freight charge. The Group assessed the recoverable amount and, as a result, the carrying amount of the coastal collier was written down to its recoverable amount of RMB124,831,000. An impairment loss of RMB9,596,000 was recognised in "Other operating expenses". The estimates of the recoverable amount of the coastal collier were based on value in use. The pre-tax discount rate is 10.67%. Cash flows beyond the five-year period are expected to maintain constant, which is comparable with the industry. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount. The key assumptions used for the value-in-use calculations are the time charter income and operating costs.

– For the year ended 31 December 2018, certain construction in progress in the wind power segment were obsolete due to the long-term delay of construction progress. The Group fully impaired those construction in progress of RMB251,811,000 and recognised the amount in "Other operating expenses". Certain machines and fixtures in Wind Power Segment were obsolete pursuant to the plan of disposal in 2018.The Group fully impaired those assets and recognised an impairment loss of RMB4,500,000 in "Other operating expenses".

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16 LEASE PREPAYMENTS

	2018 RMB'000	2017 RMB'000
Cost:		
At 1 January	2,762,899	2,648,789
Additions	5,315	115,137
Acquisition of a subsidiary	66,047	–
Disposals	–	(1,027)
Reclassification between assets	558	–
At 31 December	2,834,819	2,762,899
Accumulated amortisation:		
At 1 January	598,286	511,991
Amortisation charge for the year	84,104	86,295
At 31 December	682,390	598,286
Net book value:	2,152,429	2,164,613

Note:

(i) Lease prepayments mainly represent prepayments for acquiring rights to use land, which is all located in the PRC, for properties with lease periods ranging from 20 to 50 years.

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17 INTANGIBLE ASSETS

	Concession assets *RMB'000*	Software and others *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2017	11,650,939	227,356	11,878,295
Additions	259,081	45,308	304,389
Exchange adjustments	–	6,408	6,408
Effect on disposal of subsidiaries	–	(733)	(733)
At 31 December 2017	11,910,020	278,339	12,188,359
At 1 January 2018	**11,910,020**	**278,339**	**12,188,359**
Additions	**14,112**	**228,645**	**242,757**
Acquisition of a subsidiary	**–**	**86**	**86**
Exchange adjustments	**–**	**(8,284)**	**(8,284)**
Reclassification between assets	**(252,556)**	**–**	**(252,556)**
At 31 December 2018	**11,671,576**	**498,786**	**12,170,362**
Accumulated amortisation:			
At 1 January 2017	3,034,239	45,562	3,079,801
Charge for the year	410,035	8,622	418,657
Exchange adjustments	–	–	–
Effect on disposal of subsidiaries	–	(2,269)	(2,269)
At 31 December 2017	3,444,274	51,915	3,496,189
At 1 January 2018	**3,444,274**	**51,915**	**3,496,189**
Charge for the year	**436,923**	**29,938**	**466,861**
Provision of impairment losses	**–**	**255**	**255**
Exchange adjustments	**–**	**(750)**	**(750)**
Reclassification between assets	**98,126**	**–**	**98,126**
At 31 December 2018	**3,979,323**	**81,358**	**4,060,681**
Net book value:			
At 31 December 2017	8,465,746	226,424	8,692,170
At 31 December 2018	**7,692,253**	**417,428**	**8,109,681**

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18 GOODWILL

	2018	2017
	RMB'000	*RMB'000*
Cost and carrying amount as at 31 December	**61,490**	61,490

Impairment tests for CGUs containing goodwill:

Goodwill is allocated to the Group's CGUs identified according to operating segment as follows:

	2018	2017
	RMB'000	*RMB'000*
Wind power	**11,541**	11,541
Coal power	**49,949**	49,949
Cost and carrying amount as at 31 December	**61,490**	61,490

Goodwill of the wind power segment in the Group arises from the acquisition of Buerjin Tianrun Wind Power Co., Ltd. in 2010. The recoverable amount of goodwill is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 5.33% (2017: 5.33%).

Goodwill of the coal power segment in the Group arises from the acquisition of Jiangyin Binjiang Heat and Power Generating Co., Ltd. ("Jiangyin Binjiang"), Jiangyin Chengdong Heat and Power Generating Co., Ltd. ("Jiangyin Chengdong") and Nantong Xinxing Heat and Power Generating Co., Ltd. ("Nantong Xinxing") in 2016. The recoverable amount of goodwill is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 9.33% (2017: 9.33%).

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18 GOODWILL (Continued)

Cash flows beyond the five-year period are expected to maintain constant, which is comparable with the industry. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The key assumption used for the value in use calculations is the revenue from electricity and heat sales. Management determined the revenue from electricity and heat sales based on its expectation of electricity and heat volume and the tariffs approved by related government authorities.

19 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries at 31 December 2018 which principally affected the results, assets or liabilities of the Group. All of these subsidiaries are limited liability companies.

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest		Principal activities
			Direct	Indirect	
1 瀋陽龍源風力發電有限公司 Shenyang Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 432,270,000	73.62%	25.00%	Wind power generation
2 甘肅潔源風電有限責任公司 Gansu Jieyuan Wind Power Generation Co., Ltd.	the PRC	RMB 505,020,000	77.11%	–	Wind power generation
3 新疆天風發電股份有限公司 Xinjiang Tianfeng Power Generation Joint Stock Company *(note (iii))*	the PRC	RMB 511,016,909	59.53%	–	Wind power generation
4 吉林龍源風力發電有限公司 Jilin Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 438,200,000	56.58%	9.65%	Wind power generation

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19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
5 江蘇龍源風力發電有限公司 Jiangsu Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 333,320,000	50.00%	25.00%	Wind power generation
6 龍源平潭風力發電有限公司 Longyuan Pingtan Wind Power Generation Co., Ltd.	the PRC	RMB 170,000,000	85.00%	5.00%	Wind power generation
7 龍源加拿大可再生能源有限公司 Longyuan Canada Renewables Ltd.	the CAN	CAD 90,000,101	–	100.00%	Wind power generation
8 國電重慶風電開發有限公司 Guodian Chongqing Wind Power Generation Co., Ltd.	the PRC	RMB 365,198,000	51.00%	–	Wind power generation
9 樺南龍源風力發電有限公司 Huanan Longyuan Wind Power Generation Co., Ltd. *(note (ii) (iii))*	the PRC	RMB 414,036,016	15.00%	25.00%	Wind power generation
10 龍源(巴彥淖爾)風力發電有限責任公司 Longyuan (Bayannur) Wind Power Generation Co., Ltd.	the PRC	RMB 672,550,000	75.00%	25.00%	Wind power generation
11 龍源寧夏風力發電有限公司 Longyuan Ningxia Wind Power Generation Co., Ltd.	the PRC	RMB 575,530,000	100.00%	–	Wind power generation
12 龍源啟東風力發電有限公司 Longyuan Qidong Wind Power Generation Co., Ltd.	the PRC	RMB 245,760,000	30.00%	70.00%	Wind power generation
13 河北圍場龍源建投風力發電有限公司 Hebei Weichang Longyuan Jiantou Wind Power Generation Co., Ltd. *(note (ii))*.	the PRC	RMB 209,300,000	50.00%	–	Wind power generation

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19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
14 龍源(包頭)風力發電有限責任公司 Longyuan (Baotou) Wind Power Generation Co., Ltd.	the PRC	RMB 394,940,000	75.00%	25.00%	Wind power generation
15 龍源(張家口)風力發電有限公司 Longyuan (Zhangjiakou) Wind Power Generation Co., Ltd.	the PRC	RMB 1,017,085,900	100.00%	–	Wind power generation
16 瀋陽龍源雄亞風力發電有限公司 Shenyang Longyuan Hero Asia Wind Power Generation Co., Ltd.	the PRC	RMB 449,519,999	75.00%	25.00%	Wind power generation
17 伊春龍源雄亞風力發電有限公司 Yichun Longyuan Hero Asia Wind Power Generation Co., Ltd.	the PRC	RMB 320,139,995	75.00%	25.00%	Wind power generation
18 赤峰龍源風力發電有限公司 Chifeng Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 468,570,000	72.01%	25.00%	Wind power generation
19 龍源吳忠風力發電有限公司 Longyuan Wuzhong Wind Power Generation Co., Ltd.	the PRC	RMB 192,000,000	100.00%	–	Wind power generation
20 龍源貴州風力發電有限公司 Longyuan Guizhou Wind Power Generation Co., Ltd.	the PRC	RMB 935,713,600	100.00%	–	Wind power generation
21 龍源大豐風力發電有限公司 Longyuan Dafeng Wind Power Generation Co., Ltd.	the PRC	RMB 520,614,000	100.00%	–	Wind power generation
22 龍源石林風力發電有限公司 Longyuan Shilin Wind Power Generation Co., Ltd.	the PRC	RMB 148,430,000	100.00%	–	Wind power generation
23 廣東國電龍源風力發電有限公司 Guangdong Guodian Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 170,493,839	51.00%	–	Wind power generation

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19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
24 雲南龍源風力發電有限公司 Yunnan Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 727,426,000	100.00%	–	Wind power generation
25 甘肅龍源風力發電有限公司 Gansu Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 624,530,000	75.00%	25.00%	Wind power generation
26 國電龍源吳起新能源有限公司 Guodian Longyuan Wuqi New Energy Co., Ltd.	the PRC	RMB 133,770,000	51.00%	–	Wind power generation
27 天津龍源風力發電有限公司 Tianjin Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 245,656,020	100.00%	–	Wind power generation
28 龍源(莆田)風力發電有限公司 Longyuan (Putian) Wind Power Generation Co., Ltd.	the PRC	RMB 421,954,000	100.00%	–	Wind power generation
29 福建龍源風力發電有限公司 Fujian Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 274,665,200	100.00%	–	Wind power generation
30 龍源阿拉山口風力發電有限公司 Longyuan Alashankou Wind Power Generation Co., Ltd.	the PRC	RMB 308,610,000	100.00%	–	Wind power generation
31 龍源(如東)風力發電有限公司 Longyuan (Rudong) Wind Power Generation Co., Ltd.	the PRC	RMB 666,350,000	50.00%	50.00%	Wind power generation
32 甘肅新安風力發電有限公司 Gansu Xinan Wind Power Generation Co., Ltd.	the PRC	RMB 169,810,000	54.54%	–	Wind power generation
33 龍源西藏那曲新能源有限公司 Longyuan Xizang Naqu New Energy Co., Ltd.	the PRC	RMB 25,000,000	100.00%	–	Wind power generation

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19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
34 龍源(酒泉)風力發電有限公司 Longyuan (Jiuquan) Wind Power Generation Co., Ltd.	the PRC	RMB 910,334,000	100.00%	–	Wind power generation
35 山西龍源風力發電有限公司 Shanxi Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 454,336,540	100.00%	–	Wind power generation
36 河北龍源風力發電有限公司 Hebei Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 973,415,000	100.00%	–	Wind power generation
37 江蘇海上龍源風力發電有限公司 Jiangsu Offshore Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 768,000,000	70.00%	30.00%	Wind power generation
38 安徽龍源風力發電有限公司 Anhui Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 320,140,000	100.00%	–	Wind power generation
39 新疆龍源風力發電有限公司 Xinjiang Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 324,878,300	100.00%	–	Wind power generation
40 龍源大理風力發電有限公司 Longyuan Dali Wind Power Generation Co., Ltd.	the PRC	RMB 331,985,000	80.00%	–	Wind power generation
41 龍源黃海如東海上風力發電有限公司 Longyuan Huanghai Rudong Offshore Wind Power Generation Co., Ltd.	the PRC	RMB 500,000,000	70.00%	10.00%	Wind power generation
42 江陰蘇龍熱電有限公司 Jiangyin Sulong Heat and Power Generating Co., Ltd. *(note (ii) (iii))*	the PRC	RMB 1,185,750,729	2.00%	25.00%	Coal power generation
43 南通天生港發電有限公司 Nantong Tianshenggang Power Generation *(note (ii) (iii))*	the PRC	RMB 448,248,084	0.65%	31.29%	Coal power generation

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19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
44 中能電力科技開發有限公司 Zhongneng Power-Tech Development Co., Ltd.	the PRC	RMB 70,000,000	100.00%	–	Manufacturing and sale of power equipment
45 龍源(北京)風電工程技術有限公司 Longyuan (Beijing) Wind Power Engineering Technology Co., Ltd.	the PRC	RMB 30,000,000	100.00%	–	Manufacturing and sale of power equipment
46 龍源格爾木新能源開發有限公司 Longyuan Golmud New Energy Development Co., Ltd.	the PRC	RMB 265,372,639	100.00%	–	Solar power generation
47 內蒙古龍源新能源發展有限公司 Inner Mongolia Longyuan New Energy Development Co., Ltd.	the PRC	RMB 321,977,500	100.00%	–	Wind power generation
48 龍源巴里坤風力發電有限公司 Longyuan Balikun Wind Power Generation Co., Ltd.	the PRC	RMB 530,748,000	100.00%	–	Wind power generation
49 山東龍源風力發電有限公司 Shandong Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 234,430,000	100.00%	–	Wind power generation
50 龍源靜樂風力發電有限公司 Longyuan Jingle Wind Power Generation Co., Ltd.	the PRC	RMB 210,312,000	100.00%	–	Wind power generation
51 龍源盱眙風力發電有限公司 Longyuan Xuyi Wind Power Generation Co., Ltd.	the PRC	RMB 410,693,000	100.00%	–	Wind power generation
52 龍源陝西風力發電有限公司 Longyuan Shaanxi Wind Power Generation Co., Ltd.	the PRC	RMB 243,656,079	100.00%	–	Wind power generation
53 龍源雄亞(福清)風力發電有限公司 Longyuan Hero Asia (Fuqing) Wind Power Generation Co., Ltd.	the PRC	RMB 198,129,668	50.00%	50.00%	Wind power generation

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19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Indirect	Principal activities
54 龍源電力集團(上海)投資有限公司 Longyuan Power Group (Shanghai) Investment Co., Ltd.	the PRC	RMB 614,570,000	25.00%	75.00%	Investment
55 龍源吐魯番新能源有限公司 Longyuan Tulufan New Energy Co., Ltd.	the PRC	RMB 45,740,000	90.00%	–	Solar power generation
56 龍源達茂風力發電有限公司 Longyuan Damao Wind Power Generation Co., Ltd.	the PRC	RMB 376,380,800	100.00%	–	Wind power generation
57 國電新疆阿拉山口風電開發有限公司 Guodian Xinjiang Alashankou Wind Power Generation Co., Ltd.	the PRC	RMB 176,000,000	70.00%	–	Wind power generation
58 龍源(農安)風力發電有限公司 Longyuan (Nongan) Wind Power Generation Co., Ltd.	the PRC	RMB 153,638,900	100.00%	–	Wind power generation
59 龍源臨沂風力發電有限公司 Longyuan Linyi Wind Power Generation Co., Ltd.	the PRC	RMB 100,455,000	100.00%	–	Wind power generation
60 龍源靖邊風力發電有限公司 Longyuan Jingbian Wind Power Generation Co., Ltd.	the PRC	RMB 165,202,637	100.00%	–	Wind power generation
61 龍源哈密新能源有限公司 Longyuan Hami New Energy Co., Ltd.	the PRC	RMB 259,630,000	100.00%	–	Solar power generation
62 龍源全椒風力發電有限公司 Longyuan Quanjiao Wind Power Generation Co., Ltd.	the PRC	RMB 133,161,900	100.00%	–	Wind power generation
63 龍源定遠風力發電有限公司 Longyuan Dingyuan Wind Power Generation Co., Ltd.	the PRC	RMB 161,398,855	100.00%	–	Wind power generation
64 赤峰新勝風力發電有限公司*(附註(ii))* Chifeng Xinsheng Wind Power Generation Co., Ltd. *(note (ii))*	the PRC	RMB 273,426,200	34.00%	–	Wind power generation

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19 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of the company	Place of Incorporation/ establishment	Issued and fully paid-up/ registered capital	Percentage of attributable equity interest Direct	Percentage of attributable equity interest Indirect	Principal activities
65 龍源興和風力發電有限公司 Longyuan Xinghe Wind Power Generation Co., Ltd.	the PRC	RMB 130,171,200	100.00%	–	Wind power generation
66 龍源東海風力發電有限公司 Longyuan Donghai Wind Power Generation Co., Ltd.	the PRC	RMB 180,757,143	70.00%	–	Wind power generation
67 廣西龍源風力發電有限公司 Guangxi Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 164,308,760	100.00%	–	Wind power generation
68 海南龍源風力發電有限公司 Hainan Longyuan Wind Power Generation Co., Ltd.	the PRC	RMB 299,088,800	75.00%	25.00%	Wind power generation
69 海安龍源海上風力發電有限公司 Haian Longyuan Offshore Wind Power Generation Co., Ltd.	the PRC	RMB 720,000,000	70.00%	30.00%	Wind power generation
70 福建龍源海上風力發電有限公司 Fujian Longyuan Offshore Wind Power Generation Co., Ltd.	the PRC	RMB 900,000,000	70.00%	30.00%	Wind power generation
71 龍源鹽城大豐海上風力發電有限公司 Longyuan Yancheng Dafeng Offshore Wind Power Generation Co., Ltd.	the PRC	RMB 831,000,000	100.00%	–	Wind power generation
72 龍源(天津濱海新區)風力發電有限公司 Longyuan (Tianjin Binhai) Wind Power Generation Co., Ltd.	the PRC	RMB 96,890,000	100.00%	–	Wind power generation
73 黑龍江龍源新能源發展有限公司 Heilongjiang Longyuan New Energy Development Co., Ltd.	the PRC	RMB 976,884,000	100.00%	–	Wind power generation
74 龍源南非可再生能源有限公司 Longyuan South Africa Renewables Proprietary Limited	South Africa	ZAR 100	–	100.00%	Wind power generation

19 INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(ii) The Company directly or indirectly owns no more than half of equity interests in these companies. The Company is the largest equity owner of these companies and no other equity owners individually or in aggregate had the power to control these companies according to the articles of association. The Company or the Company's subsidiaries have signed the concert party agreements with certain equity owners of these companies, whereby such equity owners have agreed to vote the same as the Company. Such equity owners have also confirmed that the voting in unison with the Company has existed since the establishment of these entities. The PRC lawyer of the Company confirmed that the concert party agreements are valid under the relevant PRC laws. In addition to the concert party agreements, the Company controlled the operation of these entities by appointing senior management, approving annual budgets, determining the remuneration of employees, etc. Considering the above mentioned factors, the directors are of the opinion that the Company controlled these entities during the years presented. Therefore, the financial statements of these companies are consolidated by the Company during the years presented.

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19 INVESTMENTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

(iii) The following table lists out the information relating to subsidiaries of the Group which have material non-controlling interests (NCI). The summarised financial information presented below presents the amounts before any inter-company eliminations.

	Jiangyin Sulong Heat and Power Generating Co., Ltd. *(note 19(ii))*		Nantong Tianshenggang Power Generation Co., Ltd. *(note 19(ii))*		Huanan Longyuan Wind Power Generation Co., Ltd. *(note 19(ii))*		Xinjiang Tianfeng Power Generation Joint Stock Company *(note 19(ii))*	
	2018 **RMB'000**	2017 RMB'000	**2018** **RMB'000**	2017 RMB'000	**2018** **RMB'000**	2017 RMB'000	**2018** **RMB'000**	2017 RMB'000
NCI percentage	**73.00%**	73.00%	**68.06%**	68.06%	**60.00%**	60.00%	**40.48%**	40.48%
Profit allocated to NCI	**285,239**	323,491	**29,636**	4,173	**13,231**	1,915	**27,008**	16,685
Dividend paid to NCI	**265,896**	410,126	**34,030**	91,522	**8,562**	–	**33,738**	34,206
Carrying amount of NCI	**1,747,162**	1,727,819	**1,783,287**	1,789,510	**272,807**	268,138	**274,106**	280,836
Revenue	**5,567,229**	5,501,659	**1,746,886**	2,488,110	**119,788**	115,526	**202,441**	171,190
Total expenses	**(5,176,490)**	(5,058,520)	**(1,703,342)**	(2,477,539)	**(97,736)**	(112,334)	**(135,722)**	(129,973)
Profit for the year	**390,739**	443,139	**43,544**	10,571	**22,052**	3,192	**66,719**	41,217
Total comprehensive income	**390,739**	443,139	**40,857**	6,132	**22,052**	3,192	**66,719**	41,217
Current assets	**1,084,461**	1,650,121	**415,232**	863,795	**113,308**	60,908	**249,830**	178,136
Non-current assets	**3,135,473**	2,977,113	**3,736,757**	3,429,019	**670,722**	734,517	**733,606**	805,945
Current liabilities	**(1,763,425)**	(2,193,158)	**(886,943)**	(1,010,987)	**(59,409)**	(29,772)	**(306,297)**	(290,316)
Non-current liabilities	**(63,136)**	(67,201)	**(644,877)**	(652,515)	**(269,943)**	(318,757)	**–**	–
Net assets	**2,393,373**	2,366,875	**2,620,169**	2,629,312	**454,678**	446,896	**677,139**	693,765
Cash flows from/(used in) operating activities	**6,629,201**	308,891	**271,903**	(138,762)	**44,537**	112,974	**77,714**	101,391
Cash flows (used in)/from investing activities	**(267,320)**	102,949	**163,533**	105,751	**(316)**	(77)	**(1,874)**	(2,178)
Cash flows used in financing activities	**(738,493)**	(330,972)	**(368,104)**	(141,770)	**(44,234)**	(112,927)	**(75,861)**	(99,235)
Net increase/(decrease) in cash and cash equivalents	**5,623,388**	80,868	**67,332**	(174,781)	**(13)**	(30)	**(21)**	(22)

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20 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2018 *RMB'000*	2017 *RMB'000*
Share of net assets	**4,549,432**	4,471,899

The following list contains only the particulars of material associates and material joint ventures at 31 December 2018, all of which are limited liability companies established in the PRC, which principally affected the results or assets of the Group:

	Place of establishment	Particulars of registered capital *RMB'000*	Percentage of attributable equity interest Direct	 Indirect	Principal activities
Associates					
國電聯合動力技術有限公司 Guodian United Power Technology Co., Ltd.	the PRC	2,137,527	30.00%	–	Manufacturing and sale of power equipment
國電融資租賃有限公司 China Guodian Financial Leasing Co., Ltd	the PRC	3,000,000	–	49.00%	Financial leasing
Joint venture					
江蘇南通發電有限公司 Jiangsu Nantong Power Generation Co., Ltd.	the PRC	1,596,000	–	50.00%	Coal power generation

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20 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Summarised financial information of the material associates and material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, is disclosed below:

	Guodian United Power Technology Co., Ltd.		China Guodian Financial Leasing Co., Ltd.		Jiangsu Nantong Power Generation Co., Ltd.	
	2018	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Cash and cash equivalents	**573,325**	539,975	**129,672**	164,704	**297,476**	346,907
Other current assets	**8,180,597**	8,634,302	**67,227**	106,384	**471,966**	505,684
Current assets	**8,753,922**	9,174,277	**196,899**	271,088	**769,442**	852,591
Non-current assets	**3,504,614**	3,485,686	**12,267,358**	13,746,391	**5,181,954**	5,521,589
Financial liabilities	**(6,614,668)**	(6,895,080)	**(3,359,850)**	(5,912,276)	**(2,182,718)**	(2,606,164)
Other current liabilities	**(1,663,730)**	(1,441,568)	**(62,458)**	(135,500)	**(643,934)**	(522,729)
Current liabilities	**(8,278,398)**	(8,336,648)	**(3,422,308)**	(6,047,776)	**(2,826,652)**	(3,128,893)
Non-current financial liabilities	**–**	–	**(5,771,683)**	–	**(1,102,000)**	(1,352,000)
Other non-current liabilities	**(938,099)**	(1,199,170)	**–**	(4,689,704)	**(2,512)**	(22,656)
Net assets	**3,042,039**	3,124,145	**3,270,266**	3,279,999	**2,020,232**	1,870,631
Reconciled to the Group's interests in the associates and joint ventures:						
Group's effective interest	**30.00%**	30.00%	**49.00%**	49.00%	**50.00%**	50.00%
Group's interest in net assets of investee at end of year	**912,612**	937,244	**1,602,430**	1,607,200	**1,010,116**	935,315
Elimination of unrealised profit on (upstream)/downstream sales	**(88,785)**	(90,531)	**–**	–	**16,450**	16,450
Carrying amount of interests in associates and joint ventures at end of year	**823,827**	846,713	**1,602,430**	1,607,200	**1,026,566**	951,765
Revenue	**3,436,960**	5,345,411	**606,295**	501,163	**3,287,872**	3,451,983
Depreciation and amortisation	**(70,518)**	(128,448)	**(154)**	(444)	**(341,744)**	(398,709)
Finance income	**3,634**	1,896	**2,728**	1,794	**1,485**	1,786
Finance expenses	**(158,901)**	(142,759)	**(8,288)**	(591)	**(171,520)**	(131,460)
Income tax	**(72,424)**	(72,536)	**(29,896)**	(79,238)	**(60,379)**	(92,294)
Profit/(loss) for the year	**(57,106)**	58,909	**83,161**	239,126	**198,377**	277,271
Total comprehensive income/(loss)	**(57,106)**	59,312	**83,161**	239,126	**198,377**	277,271
Dividends declared during the year	**25,000**	–	**92,895**	146,221	**48,775**	547,793

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20 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

Aggregate information of associates and joint ventures that are not individually material:

	2018	2017
	RMB'000	*RMB'000*
Aggregate carrying amount of individually immaterial associates and joint ventures in the consolidated financial statements	**1,096,609**	1,066,221
Aggregate amounts of the Group's share of those associates' and joint ventures' profit for the year	**42,947**	51,109
Aggregate amounts of the Group's share of those associates' and joint ventures' total comprehensive income	**42,947**	54,013

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21 OTHER ASSETS

	2018 *RMB'000*	2017 *RMB'000*
Listed equity investments designated at FVOCI	30,881	–
Unlisted equity investments designated at FVOCI *(note (i))*	839,875	–
Available-for-sale investments, measured at fair value	–	38,319
Unquoted equity investments in non-listed companies, at cost *(note (i))*	–	724,198
Loans and advances to:		
– associates *(note (ii))*	174,000	8,000
– non-controlling equity owner *(note (ii))*	49,084	55,183
Prepayments for acquisition of business	–	87,380
Dividend receivable *(note (iii))*	400,000	–
Others	9,966	–
Subtotal	1,503,806	913,080
Deductible VAT *(note (iv))*	2,184,970	2,555,177
	3,688,776	3,468,257

Notes:

(i) The unlisted equity investments designated at FVOCI are equity investments in limited liability companies established in the PRC. On 1 January 2018 (the initial application date of IFRS 9), the Group's management has assessed and classified these equity investments into equity investments through other comprehensive income and measured at fair value (without recycling).

(ii) The loans to associates and non-controlling equity owners are designated loans and are unsecured, not past due as at the end of the reporting period, and bear interest at the rates of 4.40% to 5.23% per annum for the year ended 31 December 2018 (2017: 4.75% to 5.08%). The current portion is recorded in other current assets.

(iii) The dividend receivable is the dividend declared but not paid yet by Jiangsu Nantong Power Generation Co., Ltd, the joint venture of the Group.

(iv) Deductible VAT mainly represents the input VAT relating to the acquisition of property, plant and equipment and intangible assets.

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22 INVENTORIES

	2018	2017
	RMB'000	*RMB'000*
Coal	**168,251**	282,264
Fuel oil	**3,711**	2,147
Spare parts and others	**680,011**	668,955
	851,973	953,366

23 TRADE AND BILLS RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Amounts due from third parties	**10,511,548**	7,149,127
Amounts due from fellow subsidiaries	**18,021**	14,967
Amounts due from associates	**25,113**	2,252
	10,554,682	7,166,346
Less: allowance for doubtful debts	**(13,158)**	(11,830)
	10,541,524	7,154,516
Analysed into:		
Trade receivables	**9,793,691**	6,378,040
Bills receivables	**747,833**	776,476
	10,541,524	7,154,516

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23 TRADE AND BILLS RECEIVABLES (Continued)

(a) Ageing analysis

The ageing analysis of trade and bills receivables of the Group, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**10,399,535**	7,146,070
Between 1 and 2 years	**140,886**	2,290
Between 2 and 3 years	**1,103**	157
Over 3 years	**–**	5,999
	10,541,524	7,154,516

The Group's trade and bills receivables are mainly wind power and other renewable energy electricity sales receivables from local grid companies. Generally, the receivables are due within 15 to 30 days from the date of billing, except for the tariff premium. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which consequently takes a relatively long time for settlement.

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23 TRADE AND BILLS RECEIVABLES (Continued)

(b) Impairment of trade and bills receivables

The movements in the loss allowance for doubtful debts are as follows:

	2018 *RMB'000*	2017 *RMB'000*
At 1 January	**11,830**	10,431
Impairment losses recognised	**1,328**	5,399
Reversal of impairment losses	**–**	(4,000)
At 31 December	**13,158**	11,830

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The 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. Generally, trade receivables are written off if the Group is satisfied that the recovery of the amount is remote.

Pursuant to CaiJian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, a set of new standardised procedures for the settlement of the aforementioned renewable energy tariff premium has come into force since 2012 and approvals on a project-by-project basis are required before the allocation of funds to local grid companies. As at 31 December 2018, most of the Group's related projects have been approved for the tariff premium of renewable energy and certain projects are in the process of applying for the approval. The directors are of the opinion that the approvals will be obtained in due course. The tariff premium receivables are settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance. There is no due date for settlement. The trade receivables from tariff premium are fully recoverable considering there were no bad debt experiences with the grid companies in the past and such tariff premium is funded by the PRC government.

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23 TRADE AND BILLS RECEIVABLES (Continued)

(b) Impairment of trade and bills receivables (Continued)

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

The Group applies the simplified approach to the provision for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. To measure the expected credit loss of trade receivables excluding tariff premium receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing.

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

As at 31 December 2018

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
Expected credit loss rate	0.00%	3.73%	50.00%	100.00%	0.13%
Gross carrying amount *(RMB'000)*	9,651,702	146,346	2,206	6,595	9,806,849
Expected credit losses *(RMB'000)*	–	5,460	1,103	6,595	13,158

Bills receivables as at 31 December 2018 were all bank's acceptance bills with a maturity of one to six months, management considers the probability of default as minimal.

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23 TRADE AND BILLS RECEIVABLES (Continued)

(b) Impairment of trade and bills receivables (Continued)

Impairment under IAS 39 for the year ended 31 December 2017

As at 31 December 2017, the Group's trade and bills receivables of RMB11,830,000 were individually determined to be impaired. The individually impaired receivables relate to balances that management assessed to be not recovered based on available information. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017 *RMB'000*
Neither past due nor impaired	7,131,979
Past due with 1 year	10,343
Past due between 1 and 2 years	2,000
Past due between 2 and 3 years	5,558
Past due over 3 years	4,636
	7,154,516

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

All trade and bills receivables are expected to be recovered within one year.

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24 PREPAYMENTS AND OTHER CURRENT ASSETS

	2018 **RMB'000**	2017 RMB'000
Loans and advances to *(note (i))*:		
– associates and joint ventures	**634,337**	211,553
– China Energy Investment Corporation Limited ("CHN Energy")*	**5,591**	5,273
– fellow subsidiaries	**351,335**	309,162
– third parties	**115,084**	403,218
Government grant receivables	**148,147**	133,173
Dividends receivable from		
–associates	**76,979**	666,899
– fellow subsidiaries	**47,550**	–
Deductible VAT *(note 21(iv))*	**1,377,057**	1,582,383
Prepayments and others	**346,111**	355,658
	3,102,191	3,667,319
Less: Allowance for doubtful debts	**(283,646)**	(37,952)
	2,818,545	3,629,367

* "CHN Energy"represents China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), previously known as Shenhua Group Corporation Limited. CHN Energy and Guodian Group signed the Agreement on the Merger of China Energy Investment Corporation Limited and China Guodian Corporation on 5 February 2018. After the completion of the implementation of the merger, the controlling shareholder of the Company will be changed from Guodian Group to CHN Energy.

Note:

(i) Interest-bearing loans and advances of the Group amounted to RMB781,000,000 with interest rates of 4.35% to 4.75% per annum as at 31 December 2018 (2017: RMB378,000,000, 4.35% to 4.50%).

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24 PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)

The movements in the allowance for doubtful debts are as follows:

	2018 *RMB'000*	2017 *RMB'000*
At 1 January	**37,952**	33,548
Impairment losses recognised	**250,874**	4,908
Reversal of impairment losses	**(4,000)**	(504)
Uncollectible amounts written off	**(1,180)**	–
At 31 December	**283,646**	37,952

Impairment under IFRS 9 for the year ended 31 December 2018

Where applicable upon the financial assets above, an impairment analysis is performed at each reporting date by considering the probability of default by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

For the loans and advances due from a fellow subsidiary that was in financial difficulties and management assessed that the receivable was not expected to be fully recovered. Consequently, specific allowance amounted to RMB250,789,000 for doubtful debt was recognised for the year ended as at 31 December 2018. For the other loans and advances due from related parties, dividend receivables, government grant receivables and deductible VAT, they had a specific due date or settlement schedule. Management considered the probability of default as nil. The remaining allowance amounted to RMB32,857,000 provided for the rest item of prepayments and other current assets with expected credit loss rates from 0.00% to 100.00%

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24 PREPAYMENTS AND OTHER CURRENT ASSETS (Continued)

Impairment under IAS 39 for the year ended 31 December 2017

The analysis of ageing of prepayments and other current assets not considered impaired neither on the individual nor comprehensive level are as follows:

	2017 *RMB'000*
Neither past due nor impaired	2,885,650
Within 1 year	298,482
Over 1 year	445,235
At 31 December	3,629,367

The Group's prepayments and other current assets of RMB37,952,000 as at 31 December 2017 were individually determined to be impairment. The individually impaired receivables related to the counterparties that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

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25 OTHER FINANCIAL ASSETS

	2018	2017
	RMB'000	*RMB'000*
Financial assets designated at fair value through profit or loss		
–Listed equity securities at Hong Kong Stock Exchange	**82,440**	77,813
Financial assets designated at amortised cost *(note (i))*	**166,640**	100,000
	249,080	177,813

Note:

(i) The financial assets designated at amortised cost represent wealth management products issued by financial institutions with guaranteed principal amounts and variable returns. The annualised expected return rate is 2.20% (2017: 4.50%).

26 RESTRICTED DEPOSITS

Restricted deposits mainly represent monetary funds deposited in the custodial account opened by the Company which can only be transferred to a trust account or be used for repaying bank loans.

27 CASH AT BANKS AND ON HAND

	2018	2017
	RMB'000	*RMB'000*
Cash on hand	**10,289**	53
Cash at banks and other financial institutions	**2,850,972**	5,071,526
	2,861,261	5,071,579
Representing:		
– Cash and cash equivalents	**2,861,261**	5,071,579
	2,861,261	5,071,579

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28 BORROWINGS

(a) The long-term interest-bearing borrowings comprise:

	2018 *RMB'000*	2017 *RMB'000*
Bank loans		
–Secured	11,145,380	8,741,511
–Unsecured	16,448,098	16,190,251
Loans from fellow subsidiaries		
–Unsecured	50,000	12,000
Other borrowings *(note 28(e)(i))*		
–Secured	873,019	944,183
–Unsecured	23,401,498	18,142,174
	51,917,995	44,030,119
Less: Current portion of long-term borrowings *(note 28(b))*		
–Bank loans	(2,291,716)	(2,365,162)
–Other borrowings	(2,981,395)	(44,780)
	46,644,884	41,620,177

As at 31 December 2018, the Group's loans and borrowings guaranteed by CHN Energy amounted to RMB3,939,422,000 (2017: RMB4,017,125,000).

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28 BORROWINGS (Continued)

(b) The short-term interest-bearing borrowings comprise:

	2018	2017
	RMB'000	*RMB'000*
Bank loans		
–Secured	**181,219**	1,505,000
–Unsecured	**16,908,973**	26,378,728
Loans from other financial institutions and others		
–Unsecured *(note (i))*	**41,000**	41,000
Loans from fellow subsidiaries		
–Unsecured	**431,501**	439,493
Other borrowings		
–Unsecured	**5,500,000**	5,000,000
Current portion of long-term borrowings *(note 28(a))*		
–Bank loans	**2,291,716**	2,365,162
–Other borrowings	**2,981,395**	44,780
	28,335,804	35,774,163

Note:

(i) The Group had unpaid loans of RMB41,000,000 as at 31 December 2018 (2017: RMB41,000,000). These unpaid loans represent loans borrowed by a subsidiary, China Fulin Wind Power Engineering Co., Ltd., from third parties.

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28 BORROWINGS (Continued)

(c) The effective interest rates per annum on borrowings are as follows:

	2018	2017
Long-term		
Bank loans	**0.75%–10.80%**	0.75%–12.10%
Other borrowings	**3.39%–5.15%**	3.28%–5.15%
Loans from fellow subsidiaries	**4.75%–6.00%**	6.00%
Short-term		
Bank loans	**1.94%–4.90%**	1.00%–6.30%
Loans from other financial institutions	**5.70%**	5.70%
Other borrowings	**2.64%–4.58%**	3.75%–5.15%
Loans from fellow subsidiaries	**4.35%–4.57%**	3.92%–4.13%

(d) The long-term borrowings are repayable as follows:

	2018 *RMB'000*	2017 *RMB'000*
Within 1 year or on demand	**5,273,111**	2,409,942
After 1 year but within 2 years	**7,269,555**	4,893,746
After 2 years but within 5 years	**25,903,910**	22,135,500
After 5 years	**13,471,419**	14,590,931
	51,917,995	44,030,119

28 BORROWINGS (Continued)

(e) Significant terms of other borrowings:

(i) On 10 December 2010, the Company issued a ten-year corporate bond of RMB2,000 million at par with a coupon rate of 5.05% per annum, which is guaranteed by CHN Energy. The effective interest rate of the bond is 5.15%.

On 21 January 2011, the Company issued a ten-year corporate bond of RMB1,500 million at par with a coupon rate of 5.04% per annum, which is guaranteed by CHN Energy. The effective interest rate is 5.14%.

On 29 September 2015, the Company issued a five-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 3.75% per annum. The effective interest rate is 3.86%. On 27 September 2018, the Company repaid the corporate bond amounting to RMB748,338,000.

On 22 October 2015, a subsidiary of the Company, LongYuan Canada Renewables Limited, issued an eighteen-year unsecured corporate bond of CAD200 million at par with a coupon rate of 4.32% per annum. The effective interest rate is 4.32%. As at 31 December 2018, CAD24,034,000 of the corporate bond was repaid.

On 22 January 2016, the Company issued a five-year unsecured corporate bond of RMB3,700 million at par with a coupon rate of 3.28% per annum. The effective interest rate is 3.39%.

On 17 March 2016, the Company issued a three-year unsecured corporate bond of RMB1,000 million at par with a coupon rate of 3.25% per annum. The effective interest rate is 3.75%.

28 BORROWINGS (Continued)

(e) Significant terms of other borrowings: (Continued)

(i) (Continued)

On 25 August 2016, the Company issued a three-year unsecured corporate bond of RMB2,000 million at par with a coupon rate of 3.25% per annum. The effective interest rate is 3.75%.

On 16 May 2017, the Company issued a five-year unsecured corporate bond of RMB2,000 million at par with a coupon rate of 4.90% per annum. The effective interest rate is 4.98%.

On 1 August 2017, the Company issued a seven-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 4.78% per annum. The effective interest rate is 4.84%.

On 23 April 2018, the Company issued a seven-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 4.83% per annum. The effective interest rate is 4.89%.

On 4 December 2018, the Company issued a three-year unsecured corporate bond of RMB3,000 million at par with a coupon rate of 3.96% per annum. The effective interest rate is 4.08%.

(ii) Short-term financing bonds represented a series of unsecured corporate bonds with the coupon rates from 2.63% to 4.27% issued in 2017 and 2018. The effective interest rates of these bonds are from 2.64% to 4.58%.

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28 BORROWINGS (Continued)

(f) Secured Loans

As at 31 December 2018, borrowings amounted to RMB 12,199,618,000 (2017: RMB 11,190,694,000) are secured by tariff collection rights and equipment.

29 TRADE AND BILLS PAYABLES

	2018 *RMB'000*	2017 *RMB'000*
Bills payables	1,310,066	1,366,778
Trade payables	685,541	261,420
Amounts due to associates	43,694	132,910
Amounts due to fellow subsidiaries	19,576	129,799
	2,058,877	1,890,907

The ageing analysis of trade payables by invoice date is as follows:

	2018 *RMB'000*	2017 *RMB'000*
Within 1 year	1,699,853	1,792,843
Between 1 and 2 years	268,829	53,070
Between 2 and 3 years	48,695	40,800
Over 3 years	41,500	4,194
	2,058,877	1,890,907

As at 31 December 2018 and 2017, all trade and bills payables are payable and expected to be settled within one year.

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30 OTHER CURRENT LIABILITIES

	2018	2017
	RMB'000	*RMB'000*
Payables for acquisition of property, plant and equipment	**5,576,222**	6,524,142
Payables for staff-related costs	**219,389**	252,067
Payables for other taxes	**201,229**	253,773
Dividends payable	**160,387**	137,339
Receipts in advance	**4,507**	133,725
Amounts due to associates and joint ventures *(note (i))*	**1,275,030**	686,871
Amounts due to fellow subsidiaries *(note (i))*	**163,588**	237,198
Amounts due to CHN Energy *(note (i))*	**42,215**	52,670
Other accruals and payables	**1,233,558**	831,657
Derivative financial instruments		
–Interest rate swap contracts *(note (iii))*	**72,718**	110,375
Contract liabilities	**173,131**	–
	9,121,974	9,219,817

Notes:

(i) Amounts due to CHN Energy, fellow subsidiaries, associates and joint ventures are unsecured, interest-free and have no fixed terms of repayment.

(ii) All other payables are expected to be settled or recognised as income within one year or are repayable on demand.

(iii) In 2015, Longyuan Mulilo De Aar 2 North (RF) Proprietary Limited and Longyuan Mulilo De Aar Wind Power (RF) Proprietary Limited, two subsidiaries of the Group, entered into interest rate swap contracts to mitigate the interest rate risks. The interest rate swap contracts are recognised in accordance with the accounting policies set out in note 2(r).

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31 OBLIGATIONS UNDER FINANCE LEASES

As at 31 December, the Group had obligations under finance leases repayable as follows:

	2018		2017	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	53,945	72,894	46,000	67,213
After 1 year but within 2 years	65,978	82,287	53,945	72,894
After 2 years but within 5 years	197,500	226,643	210,000	249,189
After 5 years	98,000	102,774	151,000	162,037
	361,478	411,704	414,945	484,120
	415,423	484,598	460,945	551,333
Less: Total future interest expenses		(69,175)		(90,388)
Present value of finance lease obligations		415,423		460,945
Where into:				
Current portion		53,945		46,000
Non-current portion		361,478		414,945

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32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Tax payable/(recoverable) in the consolidated statement of financial position represents:

	2018 *RMB'000*	2017 *RMB'000*
Net tax payable/(recoverable) at 1 January	**126,466**	(3,335)
Provision for the year *(note 9(a))*	**964,101**	831,062
Underprovision in respect of prior years *(note 9(a))*	**14,290**	78,870
Income tax paid	**(1,105,767)**	(780,131)
Net tax (recoverable)/payable at 31 December	**(910)**	126,466
Representing:		
Tax payable	**209,668**	228,531
Tax recoverable	**(210,578)**	(102,065)
	(910)	126,466

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32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax assets arising from:	Provision for impairment of assets	Unrealised profits	Depreciation and amortisation	Gains and losses on changes in fair value of derivative financial instruments	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	13,425	44,381	37,655	–	55,131	150,592
Credited/(Charged) to profit or loss	7,555	(7,120)	(3,543)	18,959	4,266	20,117
At 31 December 2017	20,980	37,261	34,112	18,959	59,397	170,709
At 1 January 2018	**20,980**	**37,261**	**34,112**	**18,959**	**59,397**	**170,709**
Credited/(Charged) to profit or loss	**8,407**	**(5,858)**	**13,817**	**(9,406)**	**283,763**	**290,723**
At 31 December 2018	**29,387**	**31,403**	**47,929**	**9,553**	**343,160**	**461,432**

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32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised: (Continued)

Deferred tax liabilities arising from:	Equity investment	Revaluation of other properties	Depreciation and amortisation	Gain on deemed disposal of an associate	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	(11,012)	(27,205)	(45,889)	(46,863)	(7,116)	(138,085)
(Charged)/credited to profit or loss	–	(2,383)	(24,298)	–	804	(25,877)
Credited to other comprehensive income	2,268	–	–	–	–	2,268
At 31 December 2017	(8,744)	(29,588)	(70,187)	(46,863)	(6,312)	(161,694)
At 1 January 2018	**(8,744)**	**(29,588)**	**(70,187)**	**(46,863)**	**(6,312)**	**(161,694)**
Credited/(charged) to profit or loss	**–**	**3,844**	**(341,130)**	**46,863**	**2,475**	**(287,948)**
Charged to other comprehensive income	**(27,868)**	**–**	**–**	**–**	**–**	**(27,868)**
Exchange differences	**–**	**–**	**–**	**–**	**(1,806)**	**(1,806)**
At 31 December 2018	**(36,612)**	**(25,744)**	**(411,317)**	**–**	**(5,643)**	**(479,316)**

Reconciliation to the consolidated statement of financial position:

	2018	2017
	RMB'000	*RMB'000*
Net deferred tax asset recognised in the consolidated statement of financial position	**146,376**	170,709
Net deferred tax liability recognised in the consolidated statement of financial position	**(164,260)**	(161,694)

32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(w), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB2,608,240,000 (2017: RMB2,730,893,000) and deductible temporary differences of RMB450,222,000 (2017: RMB24,419,000) as at 31 December 2018, as it is not probable that future taxable profits against which the losses and the provisions can be utilised will be available in the relevant entity. According to the tax law, the tax that will expire in the years ending 31 December 2019, 2020, 2021, 2022 and 2023 are RMB169,269,000, RMB769,635,000, RMB1,088,201,000, RMB161,385,000, and RMB386,787,000, respectively. An amount of RMB32,962,000 tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

33 EMPLOYEE BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participated in defined contribution retirement schemes (the "Schemes") organised by the relevant local government authorities for its employees. The Group is required to make contributions to the Schemes at 14% to 20% of the salaries of the employees. The local government authorities are responsible for the entire pension obligations payable to retired employees. In addition, the Group and its staff participate in a retirement plan managed by CHN Energy to supplement the above-mentioned Schemes. The Group has no other material obligation to make payments in respect of pension benefits associated with these Schemes and the supplementary retirement plan other than the annual contributions described above.

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34 DEFERRED INCOME

	2018	2017
	RMB'000	*RMB'000*
At 1 January	**1,553,605**	1,684,507
Additions	**19,563**	25,153
Acquisition of a subsidiary	**9,850**	–
Credited to profit or loss	**(133,080)**	(156,055)
At 31 December	**1,449,938**	1,553,605

Deferred income mainly represents VAT refund granted by the government relating to the purchase of domestic equipment, other subsidies relating to the construction of property, plant and equipment, which would be recognised as income on a straight-line basis over the expected useful life of the relevant assets, and service income received in advance by a subsidiary of the Group, which would be recognised as income on a straight-line basis over the contractual life of the service agreements.

35 OTHER NON-CURRENT LIABILITIES

Other non-current liabilities mainly represent long-term retention payables for the purchase of wind turbines, among which RMB489,742,000 (2017: RMB282,303,000) is due to associates of the Group.

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36 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital *RMB'000* *(note 36(c))*	Perpetual medium-term notes *RMB'000* *(note 44)*	Capital reserve *RMB'000* *(note 36 (d)(i))*	Statutory surplus reserve *RMB'000* *(note 36 (d)(ii))*	Fair value reserve *RMB'000* *(note 36 (d)(iv))*	Retained earnings *RMB'000*	Total equity *RMB'000*
At 1 January 2017	8,036,389	2,991,000	13,956,328	984,794	2,734	7,105,815	33,077,060
Change in equity for 2017:							
Profit for the year	–	157,937	–	–	–	2,322,856	2,480,793
Other comprehensive income	–	–	–	–	(2,359)	–	(2,359)
Total comprehensive income for the year	–	157,937	–	–	(2,359)	2,322,856	2,478,434
Appropriation	–	–	–	282,381	–	(282,381)	–
Dividends to holders of the Company	–	–	–	–	–	(683,093)	(683,093)
Issuance of perpetual medium-term notes *(note 44)*	–	2,000,000	–	–	–	–	2,000,000
Distribution for perpetual medium-term notes *(note 44)*	–	(157,937)	–	–	–	–	(157,937)
At 31 December 2017	8,036,389	4,991,000	13,956,328	1,267,175	375	8,463,197	36,714,464

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36 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(a) Movements in components of equity (Continued)

	Share capital *RMB'000* *(note 36(c))*	Perpetual medium-term notes *RMB'000* *(note 44)*	Capital reserve *RMB'000* *(note 36 (d)(i))*	Statutory surplus reserve *RMB'000* *(note 36 (d)(ii))*	Fair value reserve *RMB'000* *(note 36 (d)(iv))*	Retained earnings *RMB'000*	Total equity *RMB'000*
At 31 December 2017	8,036,389	4,991,000	13,956,328	1,267,175	375	8,463,197	36,714,464
Net changes in fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	192,914	–	192,914
At 1 January 2018	8,036,389	4,991,000	13,956,328	1,267,175	193,289	8,463,197	36,907,378
Change in equity for 2018:							
Profit for the year	–	242,000	–	–	–	2,792,180	3,034,180
Other comprehensive income	–	–	–	–	(88,492)	–	(88,492)
Total comprehensive income for the year	–	242,000	–	–	(88,492)	2,792,180	2,945,688
Appropriation	–	–	–	219,649	–	(219,649)	–
Dividends to holders of the Company	–	–	–	–	–	(737,741)	(737,741)
Distribution for perpetual medium-term notes *(note 44)*	–	(242,000)	–	–	–	–	(242,000)
Acquisition of a subsidiary	–	–	10,831	–	–	–	10,831
At 31 December 2018	8,036,389	4,991,000	13,967,159	1,486,824	104,797	10,297,987	38,884,156

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36 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

	2018	2017
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of RMB0.0977 per share (2017: RMB0.0918)	**785,155**	737,741

The directors of the Company resolved on 19 March 2019 that a dividend of RMB0.0977 per share is to be distributed to the shareholders for 2018, subject to approval of the shareholders at the forthcoming Annual General Meeting. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(c) Share capital

	2018	2017
	RMB'000	*RMB'000*
Issued and fully paid:		
4,696,360,000 domestic state-owned ordinary shares of RMB1.00 each	**4,696,360**	4,696,360
3,340,029,000 H shares of RMB1.00 each	**3,340,029**	3,340,029
	8,036,389	8,036,389

All shareholders are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings of the Company. All shares rank equally with regard to the Company's residual assets.

36 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Capital reserve

The capital reserve includes share premium and other capital reserve.

Share premium represents the difference between the total amount of the par value of the shares issued and the amount of the net proceeds received from the Initial Public Offerings ("IPO") in December 2009 and the placing of new H shares in December 2012.

The other capital reserve mainly represents the difference between the total amount of the nominal value of the shares issued and the amount of the net assets injected by CHN Energy and the cash injection in excess of the nominal value of shares issued to Guodian Northeast Electric Power Co., Ltd. upon the establishment of the Company, and the capital reserve as a result of the acquisition of business and business combinations under common control.

(ii) Statutory surplus reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity holders. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

36 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currencies other than the RMB and the foreign exchange differences on the net investment in foreign operations of the Group which are dealt with in accordance with the accounting policies as set out in note 2(z).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income (2017: available-for-sale securities) (income tax exclusive) held at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 2(o) and 2(w).

(e) Distributability of reserves

According to the Company's Articles of Association, the distributable profits are the lower of the net profit of the year as determined under PRC accounting rules and regulations and the amount determined under IFRSs. At 31 December 2018, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB10,297,987,000 (2017: RMB8,463,197,000). After the end of the reporting period, the directors proposed a final dividend of RMB0.0977 per share (2017: RMB0.0918), amounting to RMB785,155,000 (2017: RMB737,741,000) (note 36(b)). The dividend has not been recognised as a liability at the end of the reporting period.

36 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(f) Capital management

The Group's primary objectives for managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

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

The Group monitors its capital structure on the basis of the net gearing ratio, which is calculated by dividing net debt (total borrowings and obligations under finance leases less cash and cash equivalents) by the sum of net debt and total equity. The net gearing ratio of the Group as at 31 December 2018 was 56.2% (2017: 57.7%).

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(a) Financial Instruments By Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

At 31 December 2018

	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*
Current				
Trade and bills receivables	–	10,399,498	142,026	10,541,524
Financial assets included in other current assets	–	–	1,095,377	1,095,377
Other financial assets	82,440	–	166,640	249,080
Restricted deposits	–	–	253,090	253,090
Cash and cash equivalents	–	–	2,861,261	2,861,261
	82,440	10,399,498	4,518,394	15,000,332
Non-current				
Financial assets included in other assets	–	870,756	633,050	1,503,806
	–	870,756	633,050	1,503,806
	82,440	11,270,254	5,151,444	16,504,138

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial Instruments By Category (Continued)

Financial liabilities

At 31 December 2018

	Financial liabilities at fair value through profit or loss *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Current			
Interest-bearing loans and other borrowings	–	28,335,804	28,335,804
Trade and bills payables	–	2,058,877	2,058,877
Financial liabilities in other current liabilities	72,718	7,217,442	7,290,160
Obligations under finance leases	–	53,945	53,945
	72,718	37,666,068	37,738,786
Non-current			
Interest-bearing loans and other borrowings	–	46,644,884	46,644,884
Financial liabilities in other non-current liabilities	–	1,420,972	1,420,972
Obligations under finance leases	–	361,478	361,478
	–	48,427,334	48,427,334
	72,718	86,093,402	86,166,120

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial Instruments By Category (Continued)

Financial assets

At 31 December 2017

	Financial assets at fair value through profit or loss *RMB'000*	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Current				
Trade and bills receivables	–	7,154,516	–	7,154,516
Financial assets included in other current assets	–	1,729,278	–	1,729,278
Other financial assets	77,813	–	100,000	177,813
Restricted cash and pledged deposits	–	33,471	–	33,471
Cash and cash equivalents	–	5,071,579	–	5,071,579
	77,813	13,988,844	100,000	14,166,657
Non-current				
Financial assets included in other assets	–	63,183	38,319	101,502
	–	63,183	38,319	101,502
	77,813	14,052,027	138,319	14,268,159

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial Instruments By Category (Continued)

Financial liabilities

At 31 December 2017

	Financial liabilities at fair value through profit or loss *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Current			
Interest-bearing loans and other borrowings	–	35,774,163	35,774,163
Trade and bills payables	–	1,890,907	1,890,907
Financial liabilities in other current liabilities	110,375	7,638,220	7,748,595
	110,375	45,303,290	45,413,665
Non-current			
Interest-bearing loans and other borrowings	–	41,620,177	41,620,177
Financial liabilities in other non-current liabilities	–	1,376,130	1,376,130
	–	42,996,307	42,996,307
	110,375	88,299,597	88,409,972

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial Instruments By Category (Continued)

The exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities, and movements in its own equity share price.

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

(b) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, restricted deposits, trade and bills receivables, financial assets included in prepayments and other current assets and financial assets included in other non-current assets.

The receivables from the sale of electricity mainly represent receivables from the provincial power grid companies. The Group has no significant credit risk with any of these power grid companies as the Group and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies were accounted for as 90% of the Group's total trade and bills receivables as at 31 December 2018 (2017: 91%).

For other trade receivables and other receivables, the Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements.

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk (Continued)

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	747,833	–	–	9,793,691	10,541,524
Financial assets included in prepayments and other current assets					
– Normal**	1,095,377	–	–	–	1,095,377
– Doubtful**	–	–	283,646	–	283,646
Restricted deposits	253,090	–	–	–	253,090
Cash and cash equivalents	2,861,261	–	–	–	2,861,261
Financial assets included in other non-current assets	633,050	–	–	–	633,050
	5,590,611	–	283,646	9,793,691	15,667,948

* For trade receivables included in trade and bills receivables, to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 23 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments and other current 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".

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk (Continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

The Group provided financial guarantees to related parties. Except for the financial guarantees extended by the Group as set out in note 39, the Group did not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 39.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and bills receivables, and prepayments and other current assets are set out in notes 23 and 24 respectively.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements 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 2018, the Group has unutilised banking facilities of RMB14,525,677,000. The Group also signed several strategic cooperative framework agreements with PRC banks with unutilised credit lines of RMB215,028,320,000 as at 19 March 2019. The Group manages the proportion of its current liabilities with respect to the total liabilities to mitigate the liquidity risk.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date that the Group can be required to pay.

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk (Continued)

	Carrying amount RMB'000	Contractual cash flows RMB'000	On demand RMB'000	1 year or less RMB'000	1–2 years RMB'000	2–5 years RMB'000	More than 5 years RMB'000
31 December 2018							
Long-term borrowings	46,644,884	61,330,817	–	2,487,547	9,604,743	30,442,002	18,796,525
Short-term borrowings	28,335,804	28,335,804	–	28,335,804	–	–	–
Trade and bills payables	2,058,877	2,058,877	–	2,058,877	–	–	–
Other payables	9,117,467	9,117,467	–	9,117,467	–	–	–
Guarantees	–	151,257	151,257	–	–	–	–
Other long-term liabilities	1,420,972	1,420,972	–	–	543,625	468,650	408,697
	87,578,004	102,415,194	151,257	41,999,695	10,148,368	30,910,652	19,205,222
31 December 2017							
Long-term borrowings	41,620,177	51,746,242	–	1,924,151	6,563,544	25,770,883	17,487,664
Short-term borrowings	35,774,163	36,572,934	–	36,572,934	–	–	–
Trade and bills payables	1,890,907	1,890,907	–	1,890,907	–	–	–
Other payables	9,086,092	9,086,092	–	9,086,092	–	–	–
Guarantees	–	67,833	67,833	–	–	–	–
Other long-term liabilities	1,376,130	1,376,130	–	–	331,258	397,422	647,450
	89,747,469	100,740,138	67,833	49,474,084	6,894,802	26,168,305	18,135,114

(d) Interest rate risk

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risk. During the years ended 31 December 2018 and 2017, however, except for the interest rate swap contracts entered into as stated in note 30(iii), management of the Group did not consider it necessary to use interest rate swaps to hedge the exposure to interest rate risk.

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk (Continued)

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the end of the reporting period. The detailed interest rates and maturity information of the Group's borrowings are disclosed in note 28.

	2018 *RMB'000*	2017 *RMB'000*
Net fixed rate borrowings/(lendings):		
Obligations under financial leases	**415,423**	460,945
Borrowings	**32,542,373**	31,896,739
Less: loans and advances *(note 24(i))*	**(781,000)**	(378,000)
other assets *(note 21)*	**(223,084)**	(63,183)
	31,953,712	31,916,501
Net floating rate borrowings/(lendings):		
Borrowings	**42,438,315**	45,497,601
Less: bank deposits (including restricted deposits)	**(3,114,351)**	(5,105,050)
	39,323,964	40,392,551
Total net borrowings	**71,277,676**	72,309,052

At 31 December 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates of net floating borrowings, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB188,709,000 (2017: RMB287,772,000).

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk (Continued)

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the end of the reporting period.

The estimated 100 basis points' 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. The sensitivity analysis is performed on the same basis for the years presented.

(e) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, borrowings and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong Dollar, Euro and United States Dollar. The Group manages this risk as follows:

(i) Recognised assets and liabilities

Except for foreign operations of three subsidiaries which were denominated in foreign currencies, all revenue-generating operations of the Group are transacted in RMB. In addition, the Group has certain borrowings that are denominated in South African Rand, Canadian Dollar, Euro and United States Dollar.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk (Continued)

(i) Recognised assets and liabilities (Continued)

On the other hand, RMB is not a freely convertible currency and the PRC government may, at its discretion, restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its equity holders.

(ii) Exposure to currency risk

The Group's cash at banks and on hand, prepayments and other current assets, borrowings, trade and bills payables and other current liabilities contain items denominated in foreign currencies. The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong Dollar and the United States Dollar would be materially unaffected by any changes in the movement in value of the United States Dollar against other currencies.

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk (Continued)

(ii) Exposure to currency risk (Continued)

	2018		2017	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings *RMB'000*	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings *RMB'000*
HKD	5%	2	5%	2
	(5)%	(2)	(5)%	(2)
USD	5%	(9,363)	5%	(10,280)
	(5)%	9,363	(5)%	10,280
EUR	5%	(162)	5%	(129)
	(5)%	162	(5)%	129
RMB	5%	838	5%	27,820
	(5)%	(838)	(5)%	(27,820)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender and the borrower.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(f) Equity price risk

The Group is exposed to equity price changes arising from equity investments at fair value through profit or loss (note25) and equity investments at fair value through other comprehensive income (note 21). The Group's listed investments are listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange. Listed investments have been chosen based on their longer term growth potential and is monitored regularly for performance against expectations.

Unlisted investments are held for long-term purposes. Their performance is assessed at least annually based on the information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

The directors considered that the Group's exposure to equity price risk is insignificant.

(g) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

	Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into: Quoted prices in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
Recurring fair value measurement				
Assets:				
Unlisted equity investments designated at FVOCI	839,875	–	839,875	–
Listed equity investments designated at FVOCI	30,881	30,881	–	–
Trading securities-equity investments in listed equity securities on Hong Kong Stock Exchange	82,440	82,440	–	–
Trade and bills receivables designated at FVOCI	10,399,498	–	–	10,399,498
Liabilities:				
Derivative financial instruments – Interest rate swap contracts	72,718	–	72,718	–

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Quoted prices in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Assets:				
Available-for-sale equity securities				
– listed	38,319	38,319	–	–
Short-term investment	100,000	–	100,000	–
Trading securities	77,813	77,813	–	–
Liabilities:				
Derivative financial instruments				
– Interest rate swap contracts	110,375	–	110,375	–

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

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

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of interest rate swap contracts in Level 2 is determined by discounting the contractual fixed interest rate and deducting the forward Johannesburg Interbank Agreed Rate ("JIBAR"). The discount rate used is derived from the JIBAR swap yield curve as at the end of the reporting period.

The fair values of trade and bills receivables are assessed by reference to recent comparable asset-backed transactions or factoring arrangement.

37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income, which were previously classified as available-for-sale equity investments, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on the industry, size, leverage and strategy, and calculates an appropriate price multiple, such as the enterprise value to earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiple, enterprise value to earnings before interest and taxes ("EV/EBIT"), price to earnings ("P/E") multiple and price to book ("P/B") 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.

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement (Continued)

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

Fair value hierarchy (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/B	0.9–1.4	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB72,779,000
		Discount for lack of marketability	30%	10% increase/decrease in multiple would result in decrease/increase in fair value by RMB31,391,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

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37 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2018 and 2017 except the following:

	Carrying amounts at 31 December 2018	Fair value at 31 December 2018	Fair value measurements as at 31 December 2018 categorised into		
			Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other borrowings *(note 28(a))*	21,293,122	20,955,697	20,955,697	–	–
Fixed rate long-term loans	251,955	220,818	–	220,818	–
	21,545,077	21,176,515	20,955,697	220,818	–

	Carrying amounts at 31 December 2017	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
			Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other borrowings *(note 28(a))*	19,041,577	18,634,537	18,634,537	–	–
Fixed rate long-term loans	3,637,866	3,569,920	–	3,569,920	–
	22,679,443	22,204,457	18,634,537	3,569,920	–

The fair values of the fixed rate long-term loans are estimated as being the present values of future cash flows, discounted at interest rates based on the market interest rates of comparable bank loans as at 31 December 2018.

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38 COMMITMENTS

(a) Capital commitments outstanding at the year end not provided for in the financial statements were as follows:

	2018	2017
	RMB'000	*RMB'000*
Contracted for	**11,516,040**	24,256,704

(b) At the year end, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**16,227**	29,732
After 1 year but within 5 years	**40,569**	9,825
After 5 years	**67,538**	–
	124,334	39,557

The Group leases certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

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39 CONTINGENT LIABILITIES

At 31 December, the Group issued the following guarantees:

(i) Guarantees of financial liabilities to banks in respect of the bank loans granted to certain related parties are set forth below:

	2018 *RMB'000*	2017 *RMB'000*
Associates	**142,130**	58,380

As at 31 December 2018,the bank loans guaranteed by the Group to the associates were utilised to the extent of approximately RMB142,130,000 (2017: RMB58,380,000).

(ii) The Company issued a counter-guarantee to Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司), the controlling equity owner of Hubei Jiugongshan Wind Power Co., Ltd. (湖北省九宮山風力發電有限責任公司), which is an associate of the Company, in respect of a guarantee issued by Hubei Energy Group Co., Ltd. (湖北能源集團股份有限公司) for a bank loan granted to the associate. As at 31 December 2018, the balance counter-guaranteed by the Company amounted to RMB9,127,000 (2017: RMB9,453,000).

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40 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group is part of a large group of companies under CHN Energy and has significant transactions and relationships with the subsidiaries of CHN Energy.

The principal transactions are as follows:

	Notes	2018 RMB'000	2017 RMB'000
Sales of goods and provision of services to	(i)		
CHN Energy		**1,082**	86
Fellow subsidiaries		**60,738**	46,270
Associates and joint ventures		**110,015**	87,995
Purchase of goods and receipt of services from	(ii)		
CHN Energy		**–**	1,300
Fellow subsidiaries		**1,348,425**	315,168
Associates and joint ventures		**1,800,210**	1,807,554
Working capital (provided to)/ received from	(iii)		
CHN Energy		**(318)**	28,553
Fellow subsidiaries		**(31,796)**	170,852
Associates and joint ventures		**(3,929)**	(38,063)
Loan guarantees revoked by	(iv)		
CHN Energy		**(77,703)**	(104,107)

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40 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

	Notes	2018 RMB'000	2017 RMB'000
Loan guarantees provided to	(v)		
Associates and joint ventures		**83,750**	33,924
Loans (repaid from)/provided to	(vi)		
Fellow subsidiaries		**–**	(112,793)
Associates		**519,000**	(81,790)
Loans provided by	(vii)		
Fellow subsidiaries		**30,008**	21,517
Interest expenses	(viii)		
Fellow subsidiaries		**22,671**	36,151
Interest income	(ix)		
Fellow subsidiaries		**21,808**	24,852
Associates and joint ventures		**53,588**	8,122
Deposits(placed with)/withdrawn from	(x)		
Fellow subsidiaries		**717,722**	(988,662)
Payment/prepayment for acquisition of subsidiaries	(xi)		
Associates and joint ventures		**–**	87,380

40 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

Notes:

(i) The sales to the related parties were made according to the published prices and conditions offered to the major customers of the Group.

(ii) The purchases from the related parties were made according to the published prices and conditions offered by the associates to their major customers.

(iii) The working capital provided to and received from the related parties are unsecured and interest-free.

(iv) CHN Energy has guaranteed certain bank loans made to the Group as at the end of the reporting period, as further detailed in note 28(a) to the financial statements.

(v) As at 31 December 2018, the Group provided a guarantee of RMB142,130,000 (2017: 58,380,000) for bank loans of associates and joint ventures in note 39(i).

(vi) The Group provided loans to the related parties, as further detailed in notes 21 and 24 to the financial statements.

(vii) The Group received loans from the related parties, as further detailed in note 28 to the financial statements.

(viii) The amount represented the interest expenses incurred for the loans received from the follow subsidiaries.

(ix) The amount represented the interest income received for the loans provided to the follow subsidiaries, associates and joint ventures.

(x) The amount represented the withdrawal of deposit from a fellow subsidiary, as further detailed in note 40(b) to the financial statements.

(xi) Pursuant to the sales and purchase agreement with Guodian United Power Technology Co., Ltd. signed on 11 November 2016 to purchase all the issued share capital of Guodian United Power Technology Co., Ltd., the Company prepaid a cash consideration of RMB87,380,000 in 2017.

40 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary amounted to RMB1,958,044,000 as at 31 December 2018 (2017: RMB2,675,766,000). Details of the other outstanding balances with related parties are set out in notes 21, 23, 24, 28, 29 and 30.

(c) Transactions with other state-controlled entities in the PRC

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

Apart from the transactions mentioned above, the Group conducts a majority of its business activities with state-controlled entities in the ordinary course of business. These transactions are carried out on terms similar to those that would be entered into with non-state-controlled entities. Transactions with other state-controlled entities include, but are not limited to, the following:

– Sales of electricity;

– Depositing and borrowing money;

– Purchase of materials and receipt of construction work services; and

– Service concession arrangements.

The tariff of electricity is regulated by the relevant government. The Group prices its other services and products based on the commercial negotiations. The Group has also established its approval process for sales of electricity, purchase of products and services and its financing policy for borrowings. Such approval process and financing policy do not depend on whether the counterparties are state-controlled entities or not.

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40 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with other state-controlled entities in the PRC (Continued)

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval process and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions require disclosure as transactions with other state-controlled entities:

	2018	2017
	RMB'000	*RMB'000*
Sales of electricity	**21,295,653**	19,388,696
Sales of other products	**652,139**	244,428
Interest income	**18,152**	13.345
Interest expenses	**3,036,204**	3,005,025
Loans repaid	**7,522,865**	535,152
Deposits placed with	**394,332**	158,126
Purchase of materials and receipt of construction services	**2,992,120**	2,937,593
Service concession construction revenue	**14,112**	74,227

The balances of transactions with other state-controlled entities are as follows:

	2018	2017
	RMB'000	*RMB'000*
Receivables from sales of electricity	**10,052,189**	6,199,120
Receivables from sales of other products	**230,323**	143,181
Bank deposits (including restricted deposits)	**769,462**	375,130
Borrowings	**44,683,670**	52,206,535
Payable for purchase of materials and receiving construction work services	**998,271**	1,966,923

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40 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 10, and certain of the highest paid employees as disclosed in note 11, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Salaries and other emoluments	**2,459**	2,210
Discretionary bonuses	**5,589**	4,925
Retirement scheme contributions	**975**	684
	9,023	7,819

(e) Commitment with related parties

	2018	2017
	RMB'000	*RMB'000*
Capital commitment with		
Associates and joint ventures	**3,279,491**	3,316,932

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

The related party transactions in respect of the sales and purchase of goods, the provision of and receipt of services to and from CHN Energy and its subsidiaries, loans from and deposits placed with CHN Energy and its subsidiaries as detailed in note 40(a) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in the section headed "Connected transactions" to the Director's Report of the Group for the year ended 31 December 2018.

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41 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2018 RMB'000	2017 RMB'000
Non-current assets		
Property, plant and equipment	295,275	269,154
Investment properties	90,057	96,014
Lease prepayments	1,062	4,435
Intangible assets	1,869	2,275
Investments in subsidiaries	31,607,587	30,140,957
Investments in associates and joint ventures	1,046,124	1,046,124
Other assets	4,907,300	6,365,896
Total non-current assets	37,949,274	37,924,855
Current assets		
Inventories	2,012	2,017
Trade and bills receivables	12,466	24,310
Prepayments and other current assets	60,333,093	54,471,039
Restricted deposits	106,927	15,239
Cash at banks and on hand	2,294,385	4,345,238
Total current assets	62,748,883	58,857,843

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41 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

	2018 *RMB'000*	2017 *RMB'000*
Current liabilities		
Borrowings	17,910,000	21,032,810
Trade and bills payables	5,998	10,927
Other payables	15,177,886	13,842,509
Total current liabilities	33,093,884	34,886,246
Net current assets/(liabilities)	29,654,999	23,971,597
Total assets less current liabilities	67,604,273	61,896,452
Non-current liabilities		
Borrowings	28,663,178	25,155,868
Deferred income	17,970	21,958
Deferred tax liabilities	38,969	4,162
Total non-current liabilities	28,720,117	25,181,988
NET ASSETS	38,884,156	36,714,464
CAPITAL AND RESERVES		
Share capital	8,036,389	8,036,389
Perpetual medium-term notes	4,991,000	4,991,000
Reserves	25,856,767	23,687,075
TOTAL EQUITY	38,884,156	36,714,464

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42 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Borrowings *RMB'000*	Obligations under finance leases *RMB'000*	Other current liabilities *RMB'000*
At 1 January 2018	**77,394,340**	**460,945**	**760,576**
Changes from financing cash flows	**(2,606,271)**	**(67,213)**	**(5,189,226)**
Foreign exchange movement	**181,209**	**–**	**–**
Distribution for dividends	**–**	**–**	**1,311,723**
Interest expense	**11,410**	**19,852**	**3,346,553**
Distribution for perpetual medium-term notes	**–**	**–**	**242,000**
Acquisition of non-controlling interests	**–**	**–**	**66,792**
Interest paid classified as operating cash flows	**–**	**1,839**	**–**
Interest paid classified as investing cash flows	**–**	**–**	**316,857**
At 31 December 2018	**74,980,688**	**415,423**	**855,275**
At 1 January 2017	75,799,147	500,000	575,741
Changes from financing cash flows	1,563,631	(62,045)	(4,367,497)
Foreign exchange movement	31,562	–	–
Distribution for dividends	–	–	1,381,248
Interest expense	–	19,362	3,013,147
Distribution for perpetual medium-term notes	–	–	157,937
Interest paid classified as operating cash flows	–	3,628	–
At 31 December 2017	77,394,340	460,945	760,576

43 ASSET ACQUISITION

On 1 January 2018, the Group completed the acquisition of the entire equity interests of Guodian United Power Technology (Changchun) Co., Ltd. ("Guodian Changchun") from an associate company of Guodian United Power Technology Co., Ltd. ("Guodian United Power") for a consideration of RMB253,644,000. Guodian Changchun was a limited company registered in China, whose business was in suspension, with no revenue generation at the acquisition date. Upon the completion of the acquisition, Guodian Changchun was planned to be transformed into a wind power research and development centre. Therefore, the Group did not consider the above acquisition as a business combination for accounting purposes.

44 PERPETUAL MEDIUM-TERM NOTES

On 24 November 2015, the Company issued a perpetual medium-term note amounting to RMB3,000,000,000 ("2015 Perpetual Medium-term Note"). The 2015 Perpetual Medium-term Note was issued at par value with an initial interest rate of 4.44% and recorded as equity, after netting off the related issuance costs of approximately RMB9,000,000. On 17 November 2017, the Company issued a perpetual medium-term note amounting to RMB2,000,000,000 ("2017 Perpetual Medium-term Note"). The 2017 Perpetual Medium-term Note was issued at par value with an initial interest rate of 5.44% and recorded as equity.

Interest of the 2015 Perpetual Medium-term Note and 2017 Perpetual Medium-term Note are recorded as distributions, which are paid annually in arrears on 25 November and 21 November in each year, respectively (the "Distribution Payment Date") and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company or repaying any securities of lower rank) have occurred.

44 PERPETUAL MEDIUM-TERM NOTES (Continued)

The 2015 Perpetual Medium-term Note and 2017 Perpetual Medium-term Note have no fixed maturity date and are callable at the Company's option on 25 November 2020 and 21 November 2020, respectively (the "First Call Date") or any Distribution Payment Date falling after the First Call Date at their principal amounts together with any accrued, unpaid or deferred distributions. The applicable interest rate of the 2015 Perpetual Medium-term Note and 2017 Perpetual Medium-term Note will be reset, on the First Call Date and every five and three years after the respective First Call Date, to the sum of the applicable benchmark interest rate, the initial spread and a premium. The premium for First Call Date is 300 basis points per annum and will increase by 300 basis points every five years after the First Call Date.

In 2018, the profit attributable to holders of perpetual medium-term notes, based on the applicable interest rate, was RMB242,000,000 (2017: RMB157,937,000). RMB242,000,000 has been paid in 2018 (2017: RMB133,200,000).

45 PARENT AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be CHN Energy, which is a state-owned enterprise established in the PRC. CHN Energy does not produce financial statements available for public use.

46 TRANSFERS OF FINANCIAL ASSETS

Transferred financial assets that are derecognised in their entirety

At 31 December 2018, the Group endorsed certain bills receivables accepted by banks in Mainland China, to certain of its suppliers in order to settle the trade payables due to these suppliers with a carrying amount in aggregate of RMB191,734,000 (2017: RMB22,387,000) and factored certain bills receivable accepted by banks in Mainland China with a carrying amount in aggregate of RMB95,500,000 (2017: nil) (the "Derecognised Bills"). The Derecognised Bills have a maturity from one to six 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 banks in Mainland China 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. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase the 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.

46 TRANSFERS OF FINANCIAL ASSETS (Continued)

Transferred financial assets that are derecognised in their entirety (Continued)

During the year, 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 Group endorsed certain bills receivables accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). The Endorsement has been made evenly throughout the year.

In 2018, the Group entered into several trade receivables factoring arrangements (the "Factoring Arrangements") and transferred certain trade receivables to a bank. Under the Factoring Arrangements, the Group is not exposed to default risks of the trade receivables after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the trade receivables, including the sale, transfer or pledge of the trade receivables to any other third parties. The original carrying value of the trade receivables transferred under the arrangement that have not been settled as at 31 December 2018 was RMB5,289,968,000 (2017: RMB4,392,486,000).

Transferred financial assets that are not derecognised in their entirety

On 17 September 2018, the Group completed the Asset-backed note (ABN) registration with a registered amount of RMB3,000,000,000. The registration amount is valid for 2 years. ABN can be issued in instalments during the validity period of the registration.

On 14 November 2018, the first phase of the 2018 ABN was successfully issued with an aggregated amount of RMB1,010,000,000, whereby it transferred the trade receivables to special purpose entities. These special purpose entities are structured entities established with the narrow and well-defined objectives to provide investors opportunities to invest in those trade receivables and they generally finance the purchase of the trade receivables by issuing ABN to investors. The Group assessed and determined that those structured entities need not be consolidated as the Group has no control over them.

The original carrying value of the trade receivables transferred under the arrangement that had not been settled as at 31 December 2018 was RMB579,529,000. Since the Group neither transferred nor retained substantially all the risks and rewards of ownership of the trade receivables and retained control of the underlying assets, the Group only recognised the transferred assets to the extent of its continuing involvement amounting to RMB9,618,000 as other assets, and also recognised associated liabilities amounting to RMB9,618,000 as other non-current liabilities, which approximate the maximum exposure to losses from its involvement in such arrangements and the unconsolidated structured entities.

47 SERVICE CONCESSION ARRANGEMENTS

In recent years, the Group has entered into several service concession agreements with local governments (the "Grantor") to construct and operate wind power plants during the concession period, which is normally for 22–25 years of operation. The Group is responsible for the construction and maintenance of the wind power plants during the concession period. At the end of the concession period, the Group either needs to dispose of the wind power plants or transfer the wind power plants to the Grantor at nil consideration. Service concession construction revenue (note 5) recorded during the years represents the revenue recognised during the construction stage of the service concession period. The same amount of cost is recorded since substantially all construction activities are sub-contracted.

The Group has recognised intangible assets (note 17) related to the service concession arrangements representing the right that the Group receives to charge a fee for the sale of electricity. The Group has not recognised service concession receivables as the Grantor will not provide any guaranteed minimum payment to the group for the operating period of the wind power plants.

The Group recognises the intangible assets at the fair value of the concession construction service and amortises the intangible assets over the operating period of the service concession projects.

48 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On 19 March 2019, the Board of the Company proposed a final dividend. Further details are disclosed in note 36(b).

49 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 19 March 2019.

GLOSSARY OF TERMS

"18th CPC National Congress"	the 18th National Congress of the Communist Party of China
"19th CPC National Congress"	the 19th National Congress of the Communist Party of China
"Articles of Association"	the articles of association of the Company
"attributable installed capacity"	the aggregate installed capacity or capacity under construction (as the case may be) of our project companies or individual projects under one project company in which we have an interest in proportion to the level of our ownership in each of those companies. It is calculated by multiplying our percentage ownership in each project company in which we have an interest, whether or not such interest is a controlling interest, by its total installed capacity or total capacity under construction (as the case may be). Both attributable installed capacity and attributable installed capacity under construction include the capacity of both our subsidiaries and associated companies but only to the extent of our equity ownership
"average utilisation hours"	the consolidated power generation in a specified period (in MWh or GWh) divided by the average consolidated installed capacity in the same period (in MW or GW)
"biomass"	plant material, vegetation, or agricultural waste used as a fuel or energy source
"Board"	the board of directors of the Company

"China Energy Investment Corporation Limited", "China Energy Investment Corporation" or "CHN Energy"	formerly known as Shenhua Group Corporation Limited (神華集團有限責任公司), and changed to the current name after merger with Guodian Group. All conditions for completion of the merger as set out in the Consolidation Agreement between China Energy Investment Corporation Limited and China Guodian Corporation Ltd. entered into between CHN Energy and Guodian Group on 5 February 2018 have been satisfied. Upon completion of the merger, the controlling Shareholder of the Company will be changed into CHN Energy. As at the latest practicable date of this report, the registration procedures for the transfer the Company's shares held by Guodian Group to CHN Energy are still in process
"clean development mechanism"	an arrangement under the Kyoto Protocol, allowing industrialised countries to invest in projects that reduce greenhouse gas emissions in developing countries in order to earn emission credits
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"consolidated installed capacity"	the aggregate installed capacity or capacity under construction (as the case may be) of our project companies that we fully consolidated in our consolidated financial statements only. It is calculated by including 100% of the installed capacity or capacity under construction of our project companies that we fully consolidate in our consolidated financial statements and are deemed as our subsidiaries. Both consolidated installed capacity and consolidated capacity under construction do not include the capacity of our associated companies

GLOSSARY OF TERMS

"consolidated power generation"	the aggregate power generation or net electricity sales (as the case may be) of our project companies that we fully consolidate in our financial statements for a specified period
"Director(s)"	the directors of the Company
"electricity sales"	the actual amount of electricity sold by a power plant in a particular period of time, which is equivalent to gross power generation less comprehensive auxiliary electricity
"Group"	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) and its subsidiaries
"Guodian Capital"	China Guodian Capital Holdings Ltd. (國電資本控股有限公司)
"Guodian Finance"	Guodian Finance Co., Ltd. (國電財務有限公司)
"Guodian Financial Leasing"	China Guodian Financial Leasing Company Ltd. (國電融資租賃有限公司)
"Guodian Group"	China Guodian Corporation (中國國電集團公司)
"GW"	unit of energy, gigawatt. 1 GW = 1,000 MW
"GWh"	unit of energy, gigawatt-hour. The standard unit of energy used in the electric power industry. One gigawatt-hour is the amount of energy that would be produced by a generator producing one gigawatt for one hour
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"kW"	unit of energy, kilowatt. 1 kW = 1,000 watts

"kWh"	unit of energy, kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"load factor"	the ratio (expressed as a percentage) of the gross amount of electricity generated by a power plant in a given period to the product of the number of hours in the given period multiplied by the plant's installed capacity
"MW"	unit of energy, megawatt. 1 MW = 1,000 kW. The installed capacity of power plants is generally expressed in MW
"MWh"	unit of energy, megawatt-hour. The standard unit of energy used in the electric power industry. One megawatt-hour is the amount of energy that would be produced by a generator producing one megawatt for one hour
"NDRC"	the National Development and Reform Commission of the People's Republic of China (中華人民共和國國家發展和改革委員會)
"New Financial Services Agreement"	the financial services agreement entered into between Guodian Finance and the Company on 26 October 2015
"New Guodian Master Agreement"	the master agreement on mutual supply of materials, products and services entered into between the Company and Guodian Group on 9 November 2017
"our Company", "the Company", "we", "us", "our" or "Longyuan Power"	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司)

GLOSSARY OF TERMS

"PRC" or "China"	the People's Republic of China, which, for the purpose of this report, excludes the Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
"regions not subject to grid curtailment"	provinces and regions other than Gansu Province, Xinjiang Uygur Autonomous Region, Jilin Province, Inner Mongolia Autonomous Region, Heilongjiang Province, and part of Shanxi, Shaanxi and Hebei Provinces
"renewable energy sources" or "renewable energy"	sustainable sources that are regenerative or, for all practical purposes, cannot be depleted, such as wind, water or sunlight
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	The State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"Shareholder(s)"	holder(s) of shares of the Company
"Southbound Trading"	Investors of the Shanghai Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Supervisory Board"	the supervisory board of the Company
"Hero Asia"	Hero Asia (BVI) Company Limited (雄亞(維爾京)有限公司)

CORPORATE INFORMATION

THE COMPANY'S OFFICIAL NAME

龍源電力集團股份有限公司

THE COMPANY'S NAME IN ENGLISH

China Longyuan Power Group
Corporation Limited*

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Non-executive Directors

Mr. Qiao Baoping *(Chairman of the Board)*
Mr. Liu Jinhuan
Mr. Luan Baoxing
Mr. Yang Xiangbin

Executive Directors

Mr. Jia Yanbing *(President)*
Mr. Huang Qun

Independent Non-executive Directors

Mr. Zhang Songyi
Mr. Meng Yan
Mr. Han Dechang

THE COMPANY'S LEGAL REPRESENTATIVE

Mr. Qiao Baoping

AUTHORIZED REPRESENTATIVES

Mr. Jia Yanbing
Mr. Jia Nansong
Mr. Zhang Songyi
(as Mr. Jia Yanbing's alternate)
Ms. Chan Sau Ling
(as Mr. Jia Nansong's alternate)

* *For identification purpose only*

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Ms. Chan Sau Ling

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China Longyuan Power Group Corporation Limited*

* For identification purpose only