



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

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

Stock Code: 00579



2019
ANNUAL REPORT

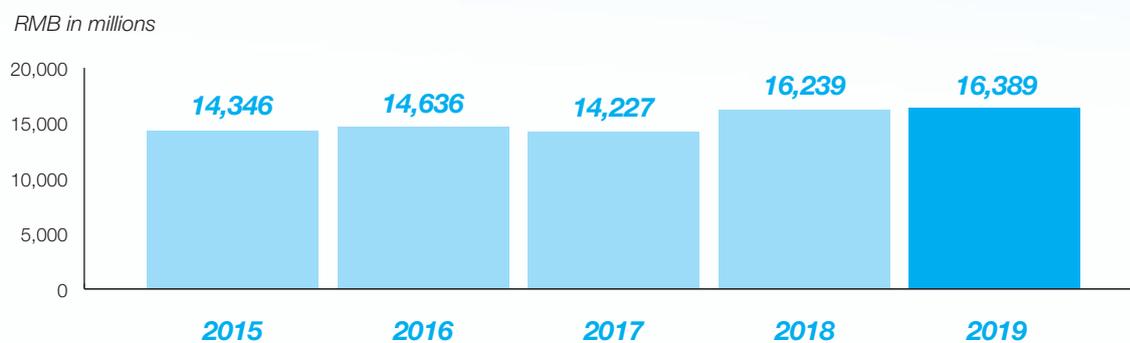
Contents

Financial Highlights	2
Financial Summary	3
Corporate Profile	5
Chairman's Statement	6
General Manager's Statement	7
Management Discussion and Analysis	8
Human Resources	23
Profiles of Directors, Supervisors and Senior Management	26
Report of the Directors	36
Report of the Supervisory Committee	58
Corporate Governance Report	62
Independent Auditors' Report	77
Consolidated Statement of Profit or Loss and Other Comprehensive Income	83
Consolidated Statement of Financial Position	85
Consolidated Statement of Changes in Equity	87
Consolidated Statement of Cash Flows	88
Notes to the Consolidated Financial Statements	91
Definitions	220
Corporate Information	222

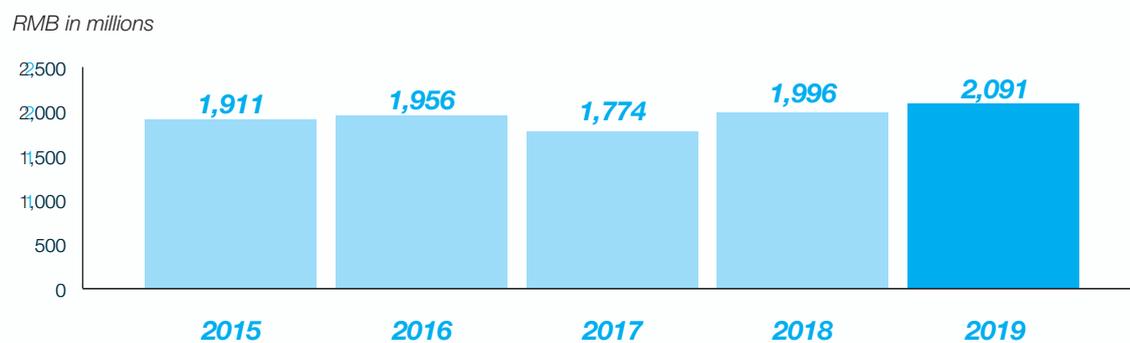


Financial Highlights

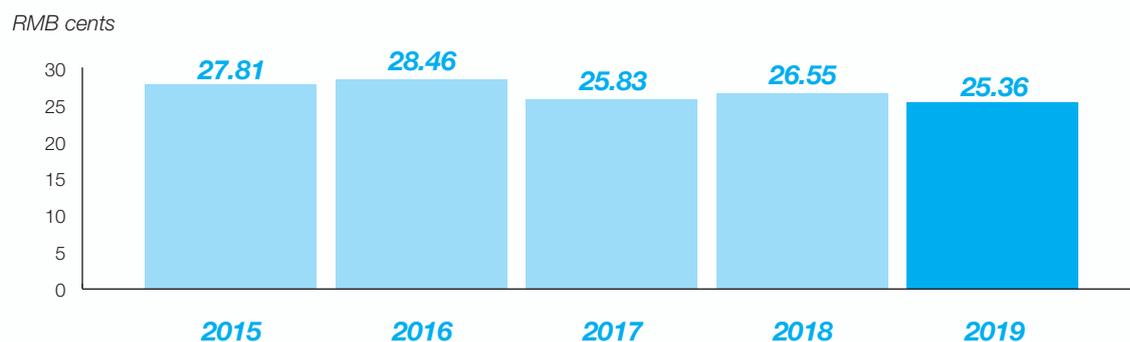
REVENUE



PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY OWNERS OF THE COMPANY



EARNINGS PER SHARE



Financial Summary

	Year ended December 31				
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Revenue	16,388,643	16,238,805	14,227,365	14,635,836	14,346,034
Other income	1,051,030	1,029,099	1,353,370	1,445,079	3,248,431
Profit from operations	3,721,816	3,761,654	3,446,769	3,354,176	3,372,923
Profit before taxation	2,675,292	2,742,575	2,452,301	2,570,330	2,561,228
Income tax expense	(507,961)	(626,458)	(516,716)	(443,296)	(528,478)
Profit for the year	2,167,331	2,116,117	1,935,585	2,127,034	2,032,750
Total comprehensive income	2,184,760	1,904,582	2,160,586	1,976,498	2,002,859
Profit for the year attributable to:					
– Ordinary shareholders of the Company	2,090,770	1,995,943	1,774,473	1,955,569	1,910,643
– Holders of perpetual notes	–	35,768	77,250	77,250	41,482
– Non-controlling interests	76,561	84,406	83,862	94,215	80,625
	2,167,331	2,116,117	1,935,585	2,127,034	2,032,750
Total comprehensive income for the year attributable to:					
– Ordinary shareholders of the Company	2,108,199	1,784,408	1,937,527	1,837,015	1,886,311
– Holders of perpetual notes	–	35,768	77,250	77,250	41,482
– Non-controlling interests	76,561	84,406	145,809	62,233	75,066
	2,184,760	1,904,582	2,160,586	1,976,498	2,002,859
Earnings per share (<i>RMB cents</i>)					
Basic and diluted	25.36	26.55	25.83	28.46	27.81

Financial Summary

	As at December 31				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	59,723,159	54,941,460	50,955,684	47,732,887	46,401,607
Non-current assets	49,542,293	42,809,938	42,160,577	40,926,643	39,349,821
Current assets	10,180,866	12,131,522	8,795,107	6,806,244	7,051,786
Total liabilities	36,647,850	33,429,860	32,050,583	30,337,575	30,294,363
Current liabilities	19,437,526	19,391,917	19,823,168	20,279,259	14,189,234
Non-current liabilities	17,210,324	14,037,943	12,227,415	10,058,316	16,105,129
Net assets	23,075,309	21,511,600	18,905,101	17,395,312	16,107,244
Capital and reserves					
Share capital	8,244,508	8,244,508	6,870,423	6,870,423	6,870,423
Reserves	14,428,160	12,869,870	9,938,168	8,509,052	7,226,480
Equity attributable to ordinary shareholders of the Company	22,672,668	21,114,378	16,808,591	15,379,475	14,096,903
Perpetual notes	–	–	1,527,982	1,527,982	1,527,982
Non-controlling interests	402,641	397,222	568,528	487,855	482,359
Total equity	23,075,309	21,511,600	18,905,101	17,395,312	16,107,244

Corporate Profile

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

As of 31 December 2019, the total consolidated installed capacity of the Group reached 9,622 MW. Currently, the Company operates seven gas-fired cogeneration plants with a consolidated installed capacity of 4,702 MW in Beijing, accounting for over 50% of gas-fired power generation of Beijing and accounts for over 60% of centralized heating of Beijing. As a result, it is the leading gas-fired heat and power supplier in Beijing. The consolidated installed capacity of wind power generation reached 2,398 MW with the majority located in Inner Mongolia region, Shaan-Gan-Ning region and Beijing-Tianjin-Hebei region in China where wind resources are abundant. The Group's photovoltaic power generation installed capacity is 2,072 MW, which is distributed in northwest China, north China and south China regions with relatively abundant solar resource. The Company also operates other clean energy business like small-to-medium-sized hydropower which has a consolidated installed capacity of 450 MW mainly distributed in southwest China with abundant water resources. Furthermore, the Company continually explores overseas projects and actively develops wind power and photovoltaic projects in Australia.

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

Chairman's Statement

Dear Shareholders,

2019 marks the 70th anniversary of the founding of the People's Republic of China. It is also the year for the Group to capitalize on and receive benefits from the integration and reform, promote high-quality development in full force. The Group made a concerted effort to firmly adhere to the keynote of "deepening reform, innovation-driven, upgrading management, and high-quality development". We focused on the corporate vision of building "an excellent clean energy operator", and continued the implementation of "five refined" management and "three fundamentals and nine capabilities" team building. All employees joined hands together and worked relentlessly to write a new chapter. As of the end of 2019, the Company had a total consolidated installed capacity of 9,621 MW. The annual aggregate installed capacity increased by 954 MW, representing a year-on-year growth of 11%, of which the photovoltaic power generation segment accounted for 2,071 MW, up by 903 MW.

In order to implement the reform of state-owned enterprises, promote the execution of the "Double Hundred Actions", and facilitate the innovation of state-owned enterprise systems and mechanisms, the Group has taken the initiative to deepen integration reform, strengthen capability building, pursue strategic implementation, carry out regional management, strengthen industrial synergy, and insist on upgrading quality and efficiency, to ensure intrinsic safety, align with our commitment of green development and undertake the mission of service guarantee. We enforce our strategy steadfastly to promote high-quality development of the Group with new development concepts, and make constant progress towards the corporate vision of "being an excellent clean energy operator".

2020 is the last year for the 13th Five Year Plan and a transitional year for the strategic development of the 14th Five-Year Plan. The Group will make full use of the advantages of state-owned enterprise, pay close attention to policy changes, make cautious judgment on market situation, and continue to adhere to the development model of "two-wheel drive". It will produce profits from stock, achieve growth from increment, and construct a "14th Five-Year Plan" building that is in line with the Group's development plan for the next five year based the 13th Five-Year Plan, with the objectives of maximising shareholders' interest and creating economic and social value on an on-going basis. We will safeguard our green homeland and make greater contributions to the national clean energy development strategy.

During the reporting period, in the face of the coronavirus outbreak, we have always adhered to and fought in the front line of securing power generation, bolstering the strategic objective of fighting the outbreak with power. While combating the outbreak and guaranteeing production safety and stable operation, we strive to accomplish various goals of annual planned production by the end of 2020.

General Manager's Statement

In 2019, against a complex backdrop of profound external changes and mounting domestic downward economic pressure, the Company strengthened its ability, facilitated the implementation of business strategies, implemented regional management and continuously improved the operation quality and efficiency, thereby securing stable growth in operating results and achieving year-on-year increase of 11% in installed capacity. Through structural and human resource adjustment as part of the integration and reform, we further improved corporate management and maintained stable development with favourable momentum.

As at the end of 2019, the Company had total assets of RMB59.723 billion. It had an installed capacity of 9,622 MW under operation, with annual power generation and annual heat generation reaching 28.806 billion kWh and 24.28 million GJ respectively. The operating revenue for the year was RMB16.389 billion and the total profit was RMB2.675 billion. In last year, the Company officially undertook the task of supplying “green power” for the Winter Olympic Games in Beijing and supplied “green power” of 12.03 million kWh throughout the year. It has an installed capacity of 2,430 MW under construction. The projects approved, filed and acquired during the year have a total capacity of over 2,000 MW, and parity projects that meet the application requirements have a total capacity of over 1,900 MW. The Company also successfully provided services for celebration events of the 70th anniversary of the Founding of the PRC and other major events and holidays, which laid a solid foundation for the Company's future development.

In 2020, we will continue to carry out reform and innovation, solve development problems and strengthen growth momentum. We will also tackle crucial tasks, enhance our efficiency and fully stabilize the business operation to consolidate the foundation for development. While maintaining stable operation, we will proactively and continuously enhance our core competitiveness and development quality by facilitating the implementation of strategic projects and construction of major projects, in order to actively promote industrial transformation and upgrade, thereby concluding the “13th Five-Year Plan” period with great results and making plans and preparation for the “14th Five-Year Plan” period.

As the old saying goes, perseverance prevails. In such a special beginning of 2020, we are confident that, with the concerted efforts of all staff, we can overcome the adverse effects from the outbreak of COVID-19 by making every effort to fully implement epidemic prevention and control measures. We will continue to operate in a practical manner, keep our mission of promoting green development and providing reliable services in mind, and facilitate high quality development of the Company with new development ideas and our determination, thereby making firm progress towards our vision of becoming an excellent clean energy operator and bringing better investment returns to all Shareholders of the Company.

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

Management Discussion and Analysis

I. REVIEW OF THE ELECTRIC POWER INDUSTRY

In 2019, the national production and operation of electric power remained stable, and the demand and supply of electric power was generally balanced. The annual power consumption of the entire society was 7.23 trillion kWh, representing a year-on-year increase of 4.5%. The power consumption of the tertiary industry and urban and rural residents contributes to 51% of the growth of the power consumption of the entire society. In 2019, electric power sustained the trend of green and low-carbon development. The ratio of installed capacity of non-fossil fuel electricity generation continued to rise and the power generation continued to grow rapidly.

According to the statistics from China Electricity Council, as of the end of December 2019, the installed capacity of national power generation equipment was 2,010.66 million kW, representing a year-on-year increase of 5.8%, which was the lowest growth rate for the last six years. Among which, the capacity of thermal power generation was 1,190.55 million kW, accounting for 59.2% of the total installed capacity, representing a year-on-year increase of 3.6%, which was the lowest growth rate in recent years; the capacity of on-grid wind power generation was 210.05 million kW, accounting for 10.4% of the total installed capacity, representing a year-on-year increase of 14%; the capacity of on-grid photovoltaic power generation was 204.68 million kW, accounting for 10.2% of the total installed capacity, representing a year-on-year increase of 15%; and the capacity of hydropower generation was 356.40 million kW, accounting for 17.7% of the total installed capacity, representing a year-on-year increase of 1.2%.

In 2019, the power generation of power plants above the national scale was 7,142.2 billion kWh, representing a year-on-year increase of 3.5%. Among which, the capacity of thermal power generation was 5,165.4 billion kWh, representing a year-on-year increase of 1.9%; the capacity of wind power generation was 357.7 billion kWh, representing a year-on-year increase of 7.0%; the capacity of photovoltaic power generation was 117.2 billion kWh, representing a year-on-year increase of 13.3%; and the capacity of hydropower generation was 1,153.4 billion kWh, representing a year-on-year increase of 4.8%. In 2019, the utilization hour of thermal power generation was 4,293 hours, representing a year-on-year decrease of 85 hours. Among which, the utilization hour of coal-fired power generation was 4,416 hours, representing a year-on-year decrease of 79 hours; the utilization hour of gas-fired power generation was 2,646 hours, representing a year-on-year decrease of 121 hours; the utilization hour of hydropower generation equipment was 3,726 hours, representing a year-on-year increase of 119 hours; the utilization hour of on-grid wind power generation was 2,082 hours, representing a year-on-year decrease of 21 hours; the utilization hour of on-grid photovoltaic power generation was 1,285 hours, representing a year-on-year increase of 55 hours.

II. BUSINESS REVIEW FOR THE YEAR OF 2019

1. Rapid growth of installed capacity, steady rise in power generation

In 2019, the Group followed the development principal of “intensification, regionalization, scale, specialization and high efficiency” and committed to promote the project development works. The development route of “rooted in Beijing, tapping into Beijing, Tianjin and Hebei area, covering the whole country and expanding to overseas market” has been increasingly clear. The benefits of the “two-wheel drive” mode was significant. All the reform of regional branches was completed. Benefiting from this, as at 31 December 2019, the consolidated installed capacity of the Group was 9,622 MW, representing a year-on-year increase of 11%, the installed capacity growth rate of the year of which is the highest for the past 5 years; the consolidated power generation was 28.806 billion kWh, representing a year-on-year increase of 3.5%. The installed capacity of the gas-fired power and heat energy generation segment was 4,702 MW, accounting for 49% of the total installed capacity; the installed capacity of the wind power generation segment was 2,398 MW, accounting for 25% of the total installed capacity, with an increase in installed capacity of 50 MW; the installed capacity of the photovoltaic power generation segment was 2,071 MW, accounting for 21.5% of the total installed capacity, with an increase in installed capacity of 903 MW; the installed capacity of the hydropower segment was 450 MW, accounting for 4.5% of the total installed capacity. The annual total capacity in-progress of the Group was 1,618MW in 2019. Among which, the installed capacity in-progress of the wind power generation segment was 958 MW; the installed capacity in-progress of the photovoltaic power generation segment was 660 MW.

2. Commence the preliminary work of projects with commitment

In 2019, the self-developed projects of the Group continued to grow at a steady pace, with further increase in acquisition capacity. The Zhangjiakou-Beijing heating demonstration project completed successfully. The Company has actively promoted Datong Green-Power-to-Beijing and other projects with bases of over 10 million kW; applied the admission of Jiangsu Yancheng 600 MW offshore wind power project into the “14th Five-Year” plan of offshore wind power in Jiangsu Province; speeded up the research and layout of projects such as comprehensive energy service, hydrogen energy, energy storage and deep geothermal heat; has actively promoted Zhongguan Village Ecological Town Project; established a hydrogen energy project team; finished compiling the hydrogen energy development theme report; continued to explore the development of hydrogen energy projects. In 2019, the new energy projects with preliminary work commenced and intended acquisition amounted to approximately 5 million kW.

Management Discussion and Analysis

3. Continue implementing stable financial policies

The Company has further broadened the financing channels, optimized the debt structure and reduced the capital costs. The Company has issued the first tranche of corporate bonds of RMB1.0 billion and super-short-term debentures of RMB8.0 billion, with the lowest interest rate of 2.8%. While effectively securing the needs of capital of projects and safety of corporate capital chain, the Company has saved financial expenses, fully utilized various innovative financing instruments, and ensured that the overall gearing ratio of the Group was constantly controlled at a reasonable level. Corporate credit rating remained at AAA level, with rating forecast of stability.

4. Successful completion of reform in regional management

2019 was the first full operational year since the reform and integration of the Group. Reform in regional management with the focus on promotion of wind power, photovoltaic power and hydropower projects has been fully finalized in 2019. The set-up work for all 7 regional branches, including the Australia branch, has been completed. In November, each of the national regional branches completed safety production handover and management handover, achieving safe and smooth transition during the period of new energy segment reform, and establishing solid foundation for the exercise of the regional management function.

5. Orderly promotion of overseas projects

The set-up of Australia branch has been completed during the year. On such basis, the overseas project management institutions were further formulated, and the management system was optimized. The various tasks of the Australia project put into operation remained steady and orderly. The construction works of the Baijala project advanced at a steady pace, with full production expected to be ready in November 2020. The development application of the Vola project has been formally submitted. Meanwhile, the preliminary works of the 100,000 kW photovoltaic project in Bangladesh and the 120,000 kW wind power project in Binzhi, Vietnam have been followed up.

III. OPERATING RESULTS AND ANALYSIS

1. Overview

In 2019, the Company achieved net profit of RMB2,167.3 million, representing an increase of 2.42% as compared to RMB2,116.1 million for 2018. Profit attributable to shareholders of ordinary shares of the Company amounted to RMB2,090.8 million, representing an increase of 4.75% as compared to RMB1,995.9 million for 2018.

2. Operating Income

Total revenue increased by 0.92% from RMB16,238.8 million for 2018 to RMB16,388.6 million for 2019. Adjusted total operating income increased by 1.04% from RMB16,914.6 million in 2018 to RMB17,090.6 million in 2019, due to the increase in revenue from sales of electricity as a result of increased installed capacity in the photovoltaic power segment in 2019.

Gas-fired Power and Heat Energy Generation Segment

The revenue from the gas-fired power and heat energy generation segment decreased by 1.27% from RMB12,579.8 million for 2018 to RMB12,420.0 million for 2019. Revenue from sales of electricity decreased by 1.29% from RMB10,755.8 million for 2018 to RMB10,617.4 million for 2019, due to the decrease in power price resulting from the decrease in value-added tax rate in this segment. Revenue from sales of heat energy decreased by 1.17% from RMB1,824.0 million for 2018 to RMB1,802.6 million for 2019, due to the decrease in sales volume of heat in this segment, and the decrease in heat price resulting from the decrease in value-added tax rate.

Wind Power Segment

The revenue from wind power segment decreased by 5.63% from RMB2,115.0 million for 2018 to RMB1,996.0 million for 2019, due to the decrease in sales volume of electricity as a result of the decrease in the utilization hours of electricity generation in this segment.

Photovoltaic Power Segment

The revenue from photovoltaic power segment increased by 36.99% from RMB1,171.3 million for 2018 to RMB1,604.6 million for 2019, due to the increase in sales volume of electricity as a result of the increase in the installed capacity in production in this segment.

Management Discussion and Analysis

Hydropower Segment

The revenue from hydropower segment increased by 1.05% from RMB362.6 million for 2018 to RMB366.4 million for 2019.

Others

Other revenue decreased by 84.16% from RMB10.1 million for 2018 to RMB1.6 million for 2019, due to the decrease in revenue from providing maintenance services to external parties.

3. Other Income

Other income increased by 2.13% from RMB1,029.1 million for 2018 to RMB1,051.0 million for 2019, due to the increase in subsidies resulting from the increase in power generation of gas-fired power and heat energy generation segment.

4. Operating Expenses

Operating expenses increased by 1.57% from RMB13,506.3 million for 2018 to RMB13,717.9 million for 2019, due to the increase in operating expenses as a result of the increase in the installed capacity in production in the photovoltaic power segment.

(1) Gas Consumption

Gas consumption increased by 1.16% from RMB9,038.4 million for 2018 to RMB9,142.8 million for 2019, due to an increase in gas consumption as a result of the increased sales volume of electricity in the gas-fired power and heat energy generation segment.

(2) Depreciation and Amortization

Depreciation and amortization increased by 9.99% from RMB2,230.3 million for 2018 to RMB2,453.2 million for 2019, due to the increase in the installed capacity in production in the photovoltaic power segment.

(3) Personnel Cost

Personnel cost increased by 12.65% from RMB756.5 million for 2018 to RMB852.2 million for 2019, due to the increase in the number of employees as a result of the business development of the Group and additional personnel costs expensed following the commencement of production of new projects.

Management Discussion and Analysis

(4) Repairs and Maintenance

Repairs and maintenance expenses decreased by 5.16% from RMB658.3 million for 2018 to RMB624.3 million for 2019, due to the decrease in maintenance expenses in the gas-fired power and heat energy generation segment.

(5) Other Expenses

Other expenses increased by 0.99% from RMB726.3 million for 2018 to RMB733.5 million for 2019.

(6) Other Gains and Losses

Other gains and losses increased from a loss of RMB80.7 million for 2018 to a gain of RMB98.9 million for 2019, due to the decrease in the loss from changes in the fair value of H shares of CGN Power Co., Ltd. held by the Company during the holding period and the gains generated from project mergers and acquisitions.

5. Operating Profit

As a result of the above, the Company's operating profit decreased by 1.06% from RMB3,761.7 million for 2018 to RMB3,721.8 million for 2019.

6. Adjusted Segment Operating Profit

The total adjusted segment operating profit decreased by 1.04% from RMB3,408.3 million for 2018 to RMB3,372.8 million for 2019.

Gas-fired Power and Heat Energy Generation Segment

The adjusted segment operating profit of our gas-fired power and heat energy generation segment decreased by 14.25% from RMB2,105.1 million for 2018 to RMB1,805.1 million for 2019, due to the decrease in power price resulting from the decrease in value-added tax rate in this segment and the increase in gas costs (without tax).

Wind Power Segment

The adjusted segment operating profit of our wind power segment decreased by 4.73% from RMB729.1 million for 2018 to RMB694.6 million for 2019, due to the decrease in sales volume of electricity as a result of the reduction in utilization hours in this segment.

Management Discussion and Analysis

Photovoltaic Power Segment

The adjusted segment operating profit of our photovoltaic power segment increased by 35.77% from RMB661.8 million for 2018 to RMB898.5 million for 2019, due to the increase in sales volume of electricity as a result of the newly installed capacity in production in this segment.

Hydropower Segment

The adjusted segment operating profit of our hydropower segment increased by 5.4% from RMB103.7 million for 2018 to RMB109.3 million for 2019.

Others

Other adjusted operating profit decreased from a loss of RMB191.3 million for 2018 to a loss of RMB134.7 million for 2019, due to the decrease in the loss from changes in the fair value of H shares of CGN Power Co., Ltd. held by the Company during the holding period and the gains generated from project mergers and acquisitions.

7. Finance Costs

Our finance costs increased by 6.78% from RMB1,142.2 million for 2018 to RMB1,219.6 million for 2019 due to the interest payments expensed following the commencement of production of new projects.

8. Share of Results of Associates

The share of results of associates increased by 49.31% from RMB79.9 million for 2018 to RMB119.3 million for 2019, due to the increase in profit of Beijing Jingneng International Power Co., Ltd., an associate of the Company.

9. Profit before Taxation

As a result of the above, profit before taxation decreased by 2.45% from RMB2,742.6 million for 2018 to RMB2,675.3 million for 2019.

10. Income Tax Expense

Income tax expense decreased by 18.91% from RMB626.5 million for 2018 to RMB508.0 million for 2019. The effective tax rate decreased from 22.84% for 2018 to 18.99% for 2019.

Management Discussion and Analysis

11. Profit for the Year

As a result of the above, profit for the year increased by 2.42% from RMB2,116.1 million for 2018 to RMB2,167.3 million for 2019.

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

Profit for the year attributable to shareholders of ordinary shares of the Company increased by 4.75% from RMB1,995.9 million in 2018 to RMB2,090.8 million in 2019.

IV. FINANCIAL POSITION

1. Overview

As of 31 December 2019, total assets of the Group amounted to RMB59,723.2 million, total liabilities were RMB36,647.9 million and shareholders' equity reached RMB23,075.3 million, among which equity attributable to the shareholders of ordinary shares amounted to RMB22,672.7 million.

2. Particulars of Assets and Liabilities

Total assets increased by 8.70% from RMB54,941.5 million as at 31 December 2018 to RMB59,723.2 million as at 31 December 2019, due to the increase in investment for the construction of new projects and merger and acquisition projects. Total liabilities increased by 9.63% from RMB33,429.9 million as at 31 December 2018 to RMB36,647.9 million as at 31 December 2019, due to the increase in construction loans for new projects. Total equity of shareholders increased by 7.27% from RMB21,511.6 million as at 31 December 2018 to RMB23,075.3 million as at 31 December 2019. Equity attributable to shareholders of ordinary shares of the Company increased by 7.38% from RMB21,114.4 million as at 31 December 2018 to RMB22,672.7 million as at 31 December 2019, due to the increase in the operating accretion from businesses.

Management Discussion and Analysis

3. Liquidity

As of 31 December 2019, current assets amounted to RMB10,180.9 million, including monetary capital of RMB4,056.1 million; bills and trade receivables of RMB4,897.9 million (mainly comprising receivables from sales of electricity and heat energy); and prepayments and other current assets of RMB1,226.9 million (mainly comprising deductible value-added tax and other account receivables). Current liabilities amounted to RMB19,437.5 million, including short-term borrowings of RMB7,863.8 million, short-term debentures of RMB6,076.9 million, medium-term notes of RMB70.3 million and bills and trade payables of RMB4,737.4 million (mainly comprising payables for gas, payables for engineering projects and purchase of equipment); other current liabilities amounted to RMB689.1 million, mainly including income tax payable and amounts due to related parties.

Net current liabilities increased by 27.49% from RMB7,260.4 million as at 31 December 2018 to RMB9,256.7 million as at 31 December 2019. Current ratio decreased by 10.18% from 62.56% as at 31 December 2018 to 52.38% as at 31 December 2019, due to the use of monetary capital.

4. Net Gearing Ratio

Net gearing ratio, calculated by dividing net debts (total borrowings minus cash and cash equivalents) by the sum of net debts and total equity, increased by 1.25% from 51.59% as at 31 December 2018 to 52.84% as at 31 December 2019 due to the increase in debts.

The Group's long-term and short-term borrowings increased by 5.54% from RMB28,346.1 million as at 31 December 2018 to RMB29,915.2 million as at 31 December 2019, comprising short-term borrowings of RMB7,863.8 million, long-term borrowings of RMB11,409.5 million, medium-term notes of RMB3,560.4 million, short-term financing debentures of RMB6,076.9 million and corporate bonds of RMB1,004.5 million.

Bank deposits and cash held by the Group decreased by 25.18% from RMB5,420.9 million as at 31 December 2018 to RMB4,056.1 million as at 31 December 2019, due to the use of monetary capital.

V. OTHER SIGNIFICANT EVENTS

1. Financing

On 22 March 2019, the Group issued the first tranche of the super-short-term debentures of 180 days to raise proceeds of RMB2,000.0 million, bearing an interest rate of 3.15%. On 22 April 2019, the Group issued the second tranche of the super-short-term debentures of 270 days to raise proceeds of RMB1,500.0 million, bearing an interest rate of 3.39%. On 26 July 2019, the Group issued the third tranche of the super-short-term debentures of 270 days to raise proceeds of RMB2,500.0 million, bearing an interest rate of 3.15%. On 14 November 2019, the Group issued the fourth tranche of the super-short-term debentures of 270 days to raise proceeds of RMB2,000.0 million, bearing an interest rate of 2.80%.

On 13 November 2019, the Group issued the 3-year corporate bonds to raise proceeds of RMB1,000.0 million, bearing an interest rate of 3.64%.

2. Capital Expenditure

In 2019, the Group's capital expenditure amounted to RMB7,708.7 million, including RMB694.7 million incurred for construction projects in the gas-fired power and heat energy generation segment, RMB1,213.1 million incurred for construction projects in the wind power segment, RMB5,750.6 million incurred for construction projects in the photovoltaic power segment, RMB46.0 million incurred for construction projects in the hydropower segment, and RMB4.3 million incurred for construction projects in other segments.

3. Establishment and Acquisition of Subsidiaries

According to the development plan of the Group, the Group established wholly-owned subsidiaries, "Tianjin Jingneng New Energy Co., Ltd. (天津京能新能源有限公司)" and "Tianjin Jinghe New Energy Co., Ltd. (天津京河新能源有限公司)", in 2019 to engage in the construction of wind power projects. As of 31 December 2019, the construction of these wholly-owned subsidiaries has not started, and it is expected that the profitability of the Group will be enhanced in the future.

The Group acquired 16 wholly-owned subsidiaries, namely "Tianjin Tuanbo Yuhong Photovoltaic Technology Co., Ltd. (天津團泊昱宏光伏科技有限公司)", "Tianjin Tuanbo Yulong Photovoltaic Technology Co., Ltd. (天津團泊昱隆光伏科技有限公司)", "Lufeng Mingda New Energy Technology Co., Ltd. (陸豐市明大新能源科技有限公司)", "Huizhou Yongjing Renewable Energy Technology Co., Ltd. (惠州市永景新能源科技有限公司)", etc., to engage in the construction and operation of photovoltaic power generation projects. The acquired projects increased the photovoltaic installed capacity of the Group, and had good performance during the reporting period, and are expected to further enhance the operating result and profitability of the Group in the future.

Management Discussion and Analysis

4. Contingent Liabilities

As of 31 December 2019, the Group had no contingent liabilities.

5. Mortgage of Assets

As of 31 December 2019, the Group's bank borrowings were secured by trade receivables of RMB440.2 million; fixed assets of RMB1,062.6 million; and the entire equity in New Gullen Range Wind Farm (Holding) Pty Ltd., which was pledged to National Australia Bank.

6. Events after the Reporting Period

After the outbreak of the 2019 coronavirus in early 2020 (the “**COVID-19 Outbreak**”), the state has implemented and will continue to implement a series of preventive and control measures. The major measures adopted by the Company are as follows: purchase and distribution of epidemic prevention and disinfection materials for employees; requirement of wearing masks in the office areas; adoption of a flexible working system to reduce the density of personnel in the office areas; checking temperature of all personnel entering the office areas and recording their personal information; disinfection of office areas for multiple times per day; adoption of separate dining system to avoid gathering of employees; convening meetings by way of telephone or video conference. No confirmed or suspected cases have been reported so far. The Company will be watching closely on the development of the COVID-19 Outbreak. As of the date of this report, the Company has not identified any cases of COVID-19 within the Company. There has not been any effect of our production during the period of COVID-19 Outbreak. The Group has been paying attention to safe production and adhered to guarantees of power supply at all times. In addition, to react to the COVID-19 Outbreak Beijing has extended its heating season to 31 March 2020. The gas-fired power plants of the Group not only secured power supply, but also stringently executed the heating task of Beijing municipality, which ensured the successful completion of supplying heat in Beijing and contributed to the performance of the Company. Save as disclosed above in relation to our gas-fired power and heat energy generation segment, the COVID-19 Outbreak did not have impact on the result of other business segments.

Save as disclosed above, the Company has no other significant subsequent events after the end of the Reporting Period.

VI. RISK FACTORS AND RISK MANAGEMENT

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

Management Discussion and Analysis

Interest Rate Risk

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

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

Exchange Rate Risk

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

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

Equipment Operation Risk

The Group is mainly engaged in clean energy generation projects. In operation, safe production is the premise to ensure stable power generation and profit generation. The equipment operation risk refers to the aging of the equipment or the inherent design defects of the equipment; the unreasonable and irregular production operation procedures; the failure of the operators to strictly abide by the operation procedures; improper implementation of the handover policy, periodic inspection policy and equipment regular rotation policy; failure to discover hidden threats of equipment and rapidly handle equipment abnormalities due to insufficient experience and skills of operators; failure to maintain and repair equipment timely, and inadequate measures to prevent, identify and eliminate equipment failure; non-standard implementation of equipment overhaul and acceptance procedures, etc., which may result in equipment failure during operation, abnormal operation of equipment, or even serious damages or major safety incidents, incurring losses for the production and operation of the Company, and uncertainties for the performance of social responsibilities.

Management Discussion and Analysis

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

Policy and Regulatory Risks

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

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

VII. BUSINESS OUTLOOK FOR 2020

As the promotion of market-oriented reform of electric power deepened, the drop in power price of new energy quickened, various policy subsidies continued to decrease or were cancelled, the volume of electric power traded kept increasing, the market competition became more intense, and the operation and development of new energy industry faced serious challenges. On the other hand, the renewable energy quota policy undergone multiple changes will be implemented in 2020. In order to further mitigate the power consumption problem of renewable energy to bring out the benefits of the policy, further raising the ratio of renewable energy during the period of "14th Five-Year" is also currently a common industry consensus. The country is greatly committed to continually develop clean energy industry in the future. The diverse clean energy application and project development of the Group is still promising.

1. Converting challenges into driving forces, and promoting the upgrade of industry

In 2020, the Group will capture the industry development trend of promotion of structural reform in the power supply side, full deployment of corresponding resources in the demand side, and promotion of Green transformation upgrade of electricity in China during the "14th Five-Year" period. The Group will capture the opportunities for projects derived from the process of reform adjustment and information technology upgrade.

Management Discussion and Analysis

With the objectives of “showcasing Jingneng’s first-class international position with Olympic characteristics”, we will focus on the planning and design, so that the Zhangjiakou wind power project will become a benchmark project of new energy projects. Besides, an integrated energy system will be built for the Winter Olympic Village in Winter Olympics Yanqing Division and the Mountain Media Center, to precisely fulfill our responsibility of service assurance as a green power supplier of the Olympic Games.

The Group will capture the significant strategic opportunities of Beijing “Three Cities and One District” construction, synergetic development in the Beijing-Tianjin-Hebei Region, Yangtze River Delta integrated development, Guangdong-Hong Kong-Macau Greater Bay Area development and rural revitalization. The Group will seek new breakthrough of development, merger and acquisition of projects and the implementation of major projects, and seek new opportunities of innovation regarding commercial mode and development mode. The Group will closely monitor the progress of market-oriented reform in natural gas, and seek the possibilities of extension towards upstream industry chains such as LNG. The Group will continue to develop offshore wind power project, with a view to bringing it to implementation stage as soon as practical. The Group will put more effort into the preliminary work of overseas market in countries and regions alongside the “Belt and Road Initiative”, striving for new breakthrough in other overseas markets while ensuring the integration of the Baiala project into the grid for power generation during the year.

2. Implementing the regional reform and maintaining rapid growth

The Group fully completed the regional reform in 2019, and will further improve the regional management model, establish regional branches, and build an authorized operation system in an efficient and risk controllable manner in 2020, to accelerate the development of regional specialization, scalization and centralization, improve management efficiency, facilitate the development and construction of regional projects, and maximize the bonus impacts of the reform. At the end of 2019, the total installed capacity of projects in progress of the Group was approximately 1,240 MW, of which 800 MW was wind power and 440 MW was photovoltaic power. It is expected that the total installed capacity of the Group will exceed 10,000 MW by the end of 2020, and target to exceed 11,000 MW, extending the high-speed growth in 2019.

Management Discussion and Analysis

3. Achieving production safety and scientific production

In 2020, the Group will continue to adhere to the safety production policy of “safety first, give priority to prevention, comprehensive governance”, firmly establish the development philosophy of “life first, safe Jingneng”, comprehensively improve the level of safety production management. The Group will strictly implement corporate responsibility, and form a safety working pattern of “responsible by all levels, responsible by everyone, each taking responsibility”. The Group will further consolidate the achievements of safety culture construction, build a scientific and effective safety production management system, strengthen environmental protection, put an end to environmental pollution incidents, and strived to build a safe and stable development environment.

4. Taking scientific and technological innovation as the most importance factor to productivity, and maximizing our potential for development

In 2020, the Group will continue to enhance scientific and technological innovation capability building, commence deep cooperation with universities and colleges, research institutes and equipment manufacturers, procure transformation of scientific and technological achievements, and further increase the input of technology research and development expenses. Through the commencement of technology transformation and technological innovation projects, the Group will further raise the economical and reliability indicators, optimize environmental protection indicators and procure enterprise technological progress. The Group will further raise the management efficiency through information system upgrade that procures management upgrade. The Group will further optimize regional management system, and continue to promote the fusion between informatization and industrialization with the goal of “unattended, few people on duty, centralized monitoring, smart operation and maintenance”.

Human Resources

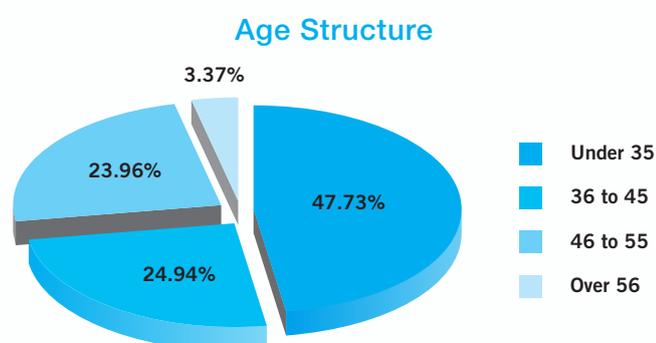
The Company upholds the management philosophy of “people-oriented and pursuit of excellence”, strives to create a harmonious working environment, and strengthens efforts in building of talents team. While focusing on the development of the Company, it attaches importance to staff training and employees’ benefits. The overall human resources condition of the Company in 2019 is summarized as follows:

I. SUMMARY OF HUMAN RESOURCES

The Company had a total of 2,763 employees as at 31 December 2019. The age of staff tended to be young, with the proportion of employees under the age of 35 accounting for over 45%; employees are generally highly educated, with the proportion of holders of Bachelor degree and above degrees accounting for nearly 60% of the total staff. Please refer to the following tables for details of the age and degree structure of employees:

1. Age Structure

Age distribution	Number of employees	Percentage	Cumulative percentage
Under 35	1,319	47.73%	47.73%
36 to 45	689	24.94%	72.67%
46 to 55	662	23.96%	96.63%
Over 56	93	3.37%	100.00%
Total	2,763	100.00%	—



2. Degree Structure

Educational background	Number of employees	Percentage	Cumulative percentage
Doctorate degree	1	0.04%	0.04%
Master degree	214	7.75%	7.79%
Bachelor degree	1,395	50.49%	58.28%
College or below	1,153	41.72%	100.00%
Total	2,763	100.00%	—

Human Resources

II. EMPLOYEES INCENTIVES

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

III. EMPLOYEES' REMUNERATION

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

IV. EMPLOYEES' TRAINING

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

Based on corporate characteristics and actual situations, the Company rolled out the management training program in 2019, which was designed to enhance professional efficiency and cultural literacy. The training program comprises post-specific professional training, new employee training and frontline technical skill training that focused on actual needs of the production business and professional skills characteristics. The content-rich and diversified courses were attended by 100% of the staff.

V. EMPLOYEES' BENEFITS

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

Profiles of Directors, Supervisors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. LIU Haixia (劉海峽), aged 58, is the Chairman of the Board and a non-executive Director of our Company. Mr. Liu was appointed as technician and assistant engineer of the thermal power plant of Beijing Electric Power Company from July 1983 to August 1985, and engineer and deputy chief engineer of the Equipment Installation Company of Beijing Electric Power Company from August 1985 to May 1991. He served as deputy director of the technical equipment department of Beijing Electric Power Company from May 1991 to March 1994. He served as manager assistant and deputy manager of Beijing Electric Power Company from March 1994 to August 1998. He served as assistant to the general manager of Beijing International Power Development and Investment Company from August 1998 to February 2000. He served as the assistant to general manager of Beijing International Power Development and Investment Company and chairman of the board of Beijing Jingneng Thermal Power Co., Ltd. from February 2000 to April 2000. He served as assistant to general manager of Beijing International Power Development and Investment Company, chairman of the board of Beijing Jingneng Thermal Power Co., Ltd. and chairman of the board of Beijing Jingxi Power Generation Co., Ltd. from April 2000 to March 2004. He served as assistant to general manager of Beijing International Power Development and Investment Company, secretary of the party committee and chairman of the board of Beijing Jingneng Thermal Power Co., Ltd., and chairman of the board of Beijing Jingxi Power Generation Co., Ltd. from March 2004 to December 2004. He served as assistant to general manager of Beijing Energy Investment, secretary of the party committee, chairman of the board of Beijing Jingneng Thermal Power Co., Ltd. and chairman of the board of Beijing Jingxi Power Generation Co., Ltd., from December 2004 to May 2009. He served as deputy general manager of Beijing Energy Investment and secretary of the party committee and chairman of the board of Beijing Jingneng Thermal Power Co., Ltd., from May 2009 to December 2014. He has been serving as deputy general manager of BEH since December 2014. Mr. Liu also served as a non-executive director of Datang International Power Generation Co., Ltd. (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 991; and the Shanghai Stock Exchange, stock code: 601991) from April 2000 to March 2018. Mr. Liu graduated from Department of Engineering in North China Electric Power University majoring in power plant thermal energy in July 1983, and graduated from the School of Business Administration in Renmin University of China in July 1998 and obtained a Master degree in Business Administration.

Profiles of Directors, Supervisors and Senior Management

Mr. REN Qigui (任啟貴), aged 57, is a non-executive Director of the Company. Mr. Ren served as an engineer of the Department of Energy and Power of Chinese Academy of Agricultural Mechanization Sciences (中國農業機械化科學研究所能源動力所) from August 1986 to June 1995; a cadre, manager of information division, manager of investment division and information division, assistant to general manager and deputy general manager of Beijing Energy Investment Company (北京市能源投資公司) from June 1995 to July 2006; deputy general manager and general manager of Beijing Jingneng Energy Technology Investment Co., Ltd. (北京京能能源科技投資有限公司) from July 2006 to June 2010; general manager of Beijing Jingneng Energy Technology Investment Co., Ltd., secretary of the party committee and deputy general manager of the Company from June 2010 to June 2011; secretary of the party committee and deputy general manager of the Company from June 2011 to August 2012; secretary of the party committee of the Company and general manager of Beijing Huayuan Heating Pipeline Co., Ltd. (北京華源熱力管網有限公司) from August 2012 to September 2012; secretary of the party committee of the Company and secretary of the party committee and general manager of Beijing Huayuan Heating Pipeline Co., Ltd. from September 2012 to November 2013; secretary of the party committee of the Company and general manager of Beijing Huayuan Heating Pipeline Co., Ltd. from November 2013 to March 2017; provisional deputy secretary of the party committee and general manager of Beijing Huayuan Heating Pipeline Co., Ltd. from March 2017 to July 2017; deputy secretary of the party committee and general manager of Beijing Huayuan Heating Pipeline Co., Ltd. from July 2017 to November 2017; secretary of the party committee and executive director of Beijing Huayuan Heating Pipeline Co., Ltd. from November 2017 to March 2019; a full-time investment director of Beijing Energy Holding Co., Ltd (北京能源集團有限責任公司) and a director of Beijing District Heating (Group) Co., Ltd (北京市熱力集團有限責任公司) since March 2019; a director of Beijing Jingmei Group Co., Ltd (北京京煤集團有限責任公司) since April 2019; the director of Beijing Jingneng Power Co., Ltd. (a company listed on the Main Board of Shanghai Stock Exchange, stock code: 600578) since June 2019. Mr. Ren graduated from Department of Agricultural Mechanical Engineering of Beijing Agricultural Engineering University (北京農業工程大學) in July 1986 majoring in internal combustion engine and obtained a bachelor's degree in engineering, and graduated from School of Management of Xiamen University in June 2008 majoring in business administration and obtained a master's degree in business administration.

Ms. LI Juan (李娟), aged 35, is a non-executive Director of our Company. Ms. Li served as business assistant of the financing management department of BSCOMC from January 2010 to January 2015, business supervisor of the financing management department of BSCOMC and senior vice president of Beijing Equity Investment Development Management Co., Ltd. from January 2015 to November 2016, senior manager of the financing management department of BSCOMC from November 2016 to August 2017, senior manager of the third department of investment management of BSCOMC from August 2017 to March 2018, senior manager of the second department of investment management of BSCOMC since March 2018 and director of AVIC Aviation High-Technology Co., Ltd. (a company listed on the Main Board of Shanghai Stock Exchange, stock code: 600862) since February 2019. Ms. Li graduated from the University of Aberdeen in the United Kingdom majoring in finance in September 2007, and graduated from the Robert Gordon University in the United Kingdom majoring in financial management in June 2009 and obtained a Master degree in financial management.

Profiles of Directors, Supervisors and Senior Management

Mr. WANG Bangyi (王邦宜), aged 46, is a non-executive Director of our Company. Mr. Wang was the project management engineer of the Central Research Department of Huawei Technologies Co., Ltd. from August 2000 to August 2001. From July 2005 to September 2008, he was the investment manager of the Fixed Income Department of China Re Asset Management Company Ltd. From September 2008 to September 2010, he served as a senior commissioner of Investment Management Center of Happy Life Insurance Co., Ltd. and served as the executive general manager of Investment Department of China Galaxy Financial Holdings Company Limited from September 2010 to June 2011. From July 2011 to March 2012, he served as the deputy general manager of the Portfolio Management Department of China Re Asset Management Company Ltd. From April 2012 to December 2013, he served as the general manager of the Portfolio and Market Risk Management Department of China Re Asset Management Company Ltd. He served as the chief strategy officer of China Re Asset Management Company Ltd. from December 2013 to October 2017. From February 2014 to July 2015, he was the head of Fixed Income Department of China Re Asset Management Company Ltd. He served as the head of Portfolio and Market Risk Management of China Re Asset Management Company Ltd. from July 2015 to October 2017. He served as the assistant to general manager of China Re Asset Management Company Ltd. from April 2017 to August 2019. He has been serving as the general manager of China Re Asset Management (Hong Kong) Co., Ltd. since April 2017 and a non-executive director of China Development Bank Financial Leasing Co., Ltd. (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 1606) since November 2019. Mr. Wang graduated from China Three Gorges University in July 1995 and obtained a bachelor's degree in welding technology and equipment. He graduated from the Department of Statistics of Xiamen University in June 2000 and obtained a master's degree in national economics. In June 2005, he graduated from the School of Economics and Management of Tsinghua University and obtained a Ph.D. in quantitative economics. He graduated from The Research Institution for Fiscal Science and obtained a postdoctoral degree in applied economics in November 2008.

Executive Directors

Mr. ZHANG Fengyang (張鳳陽), aged 50, is an executive Director and the general manager of our Company. Mr. Zhang served as an engineer and the deputy head of the design office of Beijing Survey and Design Research Institute (北京勘测設計研究院) from July 1994 to September 2000. He served as the deputy head of the operation and development department, deputy chief design engineer and the party branch secretary of Beijing National Water Conservancy & Electric Power Engineering Co., Ltd. from September 2000 to October 2003; the project manager of the electricity investment and construction department of Beijing International Power Development and Investment Corporation (北京國際電力開發投資公司) from October 2003 to July 2004; the deputy general manager and party branch secretary of Beijing International Power New Energy Co., Ltd. (北京國際電力新能源有限公司) from July 2004 to April 2007; the general manager, party branch secretary and executive director of Beijing International Power New Energy Co., Ltd. from April 2007 to July 2009; the secretary of CPC Committee, general manager and executive director of Beijing Jingneng New Energy Co., Ltd. from July 2009 to November 2013; general manager of Beijing Jingneng New Energy Co., Ltd. from November 2013 to June 2018, the secretary of CPC Committee, executive Director and general manager of the Company since February 2018 and director of Beijing Jingneng International Power Co., Ltd. (北京京能國際能源股份有限公司) since November 2018. Mr. Zhang graduated from the department of water conservancy engineering of Chengdu University of Science and Technology majoring in water conservancy and hydropower engineering construction and obtained a bachelor's degree in hydraulic and hydropower engineering. Mr. Zhang is a qualified senior engineer.

Profiles of Directors, Supervisors and Senior Management

Mr. ZHU Jun (朱軍), aged 52, is an executive Director of our Company. Mr. Zhu served as a technician of pulverizing team of the boiler workshop, specialist engineer of engineering division of construction expansion department and boiler workshop, deputy director and director of the boiler workshop of Shanxi Taiyuan No.2 Thermal Power Plant (山西太原第二熱電廠) from July 1990 to December 1998; director of the Steam Turbine Engineering Department, deputy manager, manager and the secretary of party branch of Shanxi Taiyuan No.2 Thermal Power Plant Maintenance Company from December 1998 to April 2003; a manager of equipment maintenance department, an assistant to general manager and manager of equipment maintenance department and the secretary of party branch of Shanxi Zhangshan Electric Power Co., Ltd. (山西漳山發電有限責任公司) from April 2003 to December 2004; a chief engineer and deputy general manager of Shanxi Zhangshan Electric Power Co., Ltd. from December 2004 to March 2009; deputy general manager of Guodian Power Dalian Zhuanghe Power Generation Co., Ltd. (國電電力大連莊河發電有限責任公司) from March 2009 to March 2010; general manager of Beijing Jingfeng Gas Fired Power Co., Ltd. (北京京豐燃氣發電有限責任公司) and Beijing Jingfeng Thermal Power Co., Ltd. (北京京豐熱電有限責任公司) from March 2010 to November 2017; the secretary of party committee, executive director and general manager of Beijing Jingfeng Gas Fired Power Co., Ltd. and executive director and general manager of Beijing Jingfeng Thermal Power Co., Ltd. from November 2017 to January 2018; the secretary of party committee and executive director of Beijing Jingfeng Gas Fired Power Co., Ltd. and executive director of Beijing Jingfeng Thermal Power Co., Ltd. from January 2018 to May 2018; deputy general manager of the Company, the secretary of party committee and executive director of Beijing Jingfeng Gas Fired Power Co., Ltd. and executive director of Beijing Jingfeng Thermal Power Co., Ltd. from May 2018 to June 2018; deputy general manager of the Company from June 2018 to February 2020, and president of Panda Green Energy Group Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 00686) since February 2020. Mr. Zhu graduated from Electric Power Division of Shanxi Taiyuan University of Industry (山西太原工業大學) in June 1990 majoring in Power Plant Thermal Power, and graduated from School of Power and Mechanical Engineering of Wuhan University in December 2010 majoring in industrial engineering and obtained a master's degree in engineering.

Mr. CAO Mansheng (曹滿勝), aged 49, is an executive Director and the deputy general manager of our Company. Mr. Cao served as operation watchman of electrical workshop, maintenance worker and head of thermal automation team, deputy director of Thermal Inspection Branch (熱工檢修分公司) of Beijing No. 3 Thermal Power Plant (北京第三熱電廠) from July 1993 to December 2001; director of Thermal Maintenance Branch and person in charge of thermal control of the construction expansion department of Beijing Jingfeng Thermal Power Co., Ltd. from December 2001 to February 2005; person in charge of infrastructure construction of the construction expansion department, head of the department of maintenance, deputy chief engineer and head of the department of safety production technology, chief engineer and deputy general manager of Beijing Jingfeng Thermal Power Co., Ltd./Beijing Jingfeng Gas Fired Power Co., Ltd from February 2005 to August 2012; general manager of Beijing Taiyanggong Gas-fired Thermal Power Co., Ltd. (北京太陽宮燃氣熱電有限公司) from August 2012 to November 2017; the secretary of party committee, chairman and general manager of Beijing Taiyanggong Gas-fired Thermal Power Co., Ltd. from November 2017 to January 2018; the secretary of party committee and chairman of Beijing Taiyanggong Gas-fired Thermal Power Co., Ltd. from January 2018 to May 2018; and the deputy general manager of the Company since May 2018. Mr. Cao graduated from Department of Thermal Power Engineering of Wuhan University of Hydraulic and Electrical Engineering (武漢水利電力大學) in July 1993 majoring in production process automation and obtained a bachelor's degree in engineering, and graduated from School of Business Administration of North China Electric Power University in June 2003 majoring in management engineering and obtained a second bachelor's degree in management.

Profiles of Directors, Supervisors and Senior Management

Independent Non-executive Directors

Mr. HUANG Xiang (黃湘), aged 63, is an independent non-executive Director of our Company. Mr. Huang served as a lead engineer in heat engine and site worker representative of Institute for Electric Power Survey and Design in Hebei province from July 1982 to January 1991; served as the project design president and deputy general engineer of Institute for Electric Power Survey and Design in Hebei province from January 1991 to August 1993; served successively as the general engineer, manager representative for the Institute, deputy president and president of Institute for Electric Power Survey and Design in Hebei province from August 1993 to November 2001; served as the deputy general engineer and general engineer of China Huadian Engineering (Group) Co., Ltd, a judge for the National Prize for Progress in Electric Power, editor-in-chief of Huadian Technology magazine, head of electric power coal-fired mechanism standardization technical committee in electric power industry, deputy head of National Key Laboratory for Huadian Decentralized Energy from November 2001 to March 2014. Mr. Huang served as an inspector of China Huadian Engineering (Group) Co., Ltd from March 2004 to June 2016. Mr. Huang retired in June 2016. Mr. Huang graduated from Thermal Energy and Power Engineering major of Southeast University with a bachelor degree in July 1982. He is a qualified senior engineer.

Mr. ZHANG Fusheng (張福生), aged 64, is an independent non-executive Director of our Company. Mr. Zhang worked as a technician and chief of the comprehensive mechanical mining team at Shenhua Wuda Mining Administration and the vice president of Inner Mongolia University of Mining for Professional Workers (now known as Wuhai College of Inner Mongolia University of Technology) from June 1990 to June 1994, deputy director of Shenhua Wuda Mining Administration from 1994, director of Huangbaici Mine of Shenhua Wuda Mining Administration from July 1994 to April 1997, deputy general manager of electrical and mechanical and chief engineer of Shenhua Shendong Power Company Limited from April 1997 to January 2001, a member of the Communist Party Committee and the chairman of the labour union of Inner Mongolia Power Co., Ltd. from January 2001 to September 2004, member of the Communist Party Committee and deputy general manager of Inner Mongolia Power Co., Ltd. From September 2004 to September 2006, he served as deputy general manager and deputy secretary of the Communist Party Committee of Inner Mongolia Power Co., Ltd. from September 2006 to September 2008, and general manager and deputy secretary of the Communist Party Committee of Inner Mongolia Power Co., Ltd. from September 2008 to May 2013. Mr. Zhang graduated from Inner Mongolia University of Mining for Professional Workers (now known as Wuhai College of Inner Mongolia University of Technology) in August 1983, majoring in Electric Mechanics, and graduated from Tianjin University in June 2006 with an MBA degree.

Profiles of Directors, Supervisors and Senior Management

Mr. CHAN Yin Tsung (陳彥聰), aged 40, is an independent non-executive Director of our Company. Mr. Chan has over 16 years of working experience in initial public offering, corporate merger and acquisition, restructuring, due diligence, auditing, financial modelling analysis and business valuation. From November 2003 to July 2010, Mr. Chan held relevant positions in Ernst & Young, KPMG Transaction Advisory Services and PricewaterhouseCoopers Corporate Finance. Mr. Chan served the investment banking division of Essence International Financial Holdings Limited from October 2010 to April 2011; served the private equity department of the same company as a senior manager from June 2011 to July 2012; served as an executive director of Green International Holdings Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 02700) from July 2012 to August 2013; served as the CEO of Hao Wen Holdings Limited (a company listed on the Growth Enterprise Market of Hong Kong Stock Exchange, stock code: 8019) from February 2014 to May 2016; serves as an independent non-executive director, the chairman of audit committee and nomination committee and a member of remuneration committee of Zhidao International (Holdings) Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 1220) from September 2014 to September 2019, and serves as an independent non-executive director, the chairman of audit committee and remuneration committee and a member of the nomination committee of China Ludao Technology Company Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 2023) since November 2016. Mr. Chan graduated from the University of British Columbia in November 2001 with a bachelor degree in business and Hong Kong University of Science and Technology in November 2011 with a master degree in financial analysis. Mr. Chan is a certified public accountant under the American Institute of Certified Public Accountants.

Mr. HAN Xiaoping (韓曉平), aged 62, is an independent non-executive Director of our Company. Mr. Han worked as an editor and reporter at CAAC Journal and CAAC Inflight Magazine for the General Administration of Civil Aviation of China (CAAC) from 1986 to 1988. He has been a committee member of the new technology committee under the Cogeneration Professional Committee of the Chinese Society for Electrical Engineering since 1988. He established China Energy Net in 2000 and has served as its managing director and chief information officer since then. Mr. Han currently serves as the chief writer of Energy Review, chief researcher of China Energy Net Research Center, a senior expert of China City Gas Association Distributed Energy Professional Committee, a Sinopec social supervisor, an expert at the Policies & Regulations Department of National Energy Administration, a deputy director of China Energy Research Society Distributed Energy Professional Committee, an executive committee member of the Chinese Enterprises Investment Association and deputy director of Financial Enterprises Investment Committee, and the deputy governor of China's Natural Gas Industry Association. Mr. Han is an independent non-executive director, a member of the audit committee and nomination committee of Longitech Smart Energy Holding Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 1281) since June 2016; an independent non-executive director of Tianjin Tianbao Energy Co., Ltd. (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1671) since March 2017; and an independent director, the chairman of the nomination committee and the chairman of the remuneration and appraisal committee of GCL Energy Technology Co., Ltd. (協鑫能源科技股份有限公司) (a company listed on the Main Board of the Shenzhen Stock Exchange, stock code: 002015) since June 2019.

Profiles of Directors, Supervisors and Senior Management

SUPERVISORS

Mr. WANG Xiangneng (王祥能), aged 55, is the chairman of the Board of Supervisors of our Company. He served as the accountant of the Infrastructure Office of the Administration of Institutional Affairs of the Chinese Academy of Social Sciences (中國社會科學院機關事務管理局基建處) from July 1986 to July 1988 (during which period, he volunteered to teach in Tangyin County, Henan as a member of the Central State-level Lecturer Team (中央國家機關講師團) from June 1987 to June 1988), accountant of the finance department of National Agriculture Investment Co. Ltd. (國家農業投資公司) from July 1988 to September 1994, business director of finance and accounting department of State Development and Investment Co., Ltd. (國家開發投資公司) from September 1994 to May 1997, vice president and chief accountant of the State Bureau of Surveying and Mapping China Testing and Audit Firm (國家測繪局中測審計事務所) from May 1997 to December 1998, president and chief accountant of the State Bureau of Surveying and Mapping China Testing and Audit Firm (國家測繪局中測審計事務所) from December 1998 to September 1999, certified public accountant of Zhongchengxin Accounting Firm (中誠信會計師事務所) from September 1999 to March 2000, certified public accountant of Otdi Accounting Firm (奧特迪會計師事務所) from March 2000 to October 2001, certified public accountant of Beijing Zhongguanghua Accounting Firm (北京中光華會計師事務所) from October 2001 to May 2002, manager of the finance department and manager of the planning and finance department of Beijing International Power Development and Investment Company (北京國際電力開發投資公司) from May 2002 to November 2004, manager of the finance department and manager of the planning and finance department of Beijing Energy Investment Holding Co., Ltd. (北京能源投資(集團)有限公司) from December 2004 to December 2009, vice president and party committee member of Beijing Jingneng International Power Co., Ltd. (北京京能國際能源股份有限公司) from December 2009 to June 2013, deputy general manager of Beijing Jingneng Thermal Power Co., Ltd. (北京京能熱電股份有限公司) from June 2013 to September 2013, deputy general manager of Beijing Jingneng Power Co., Ltd. from September 2013 to May 2018, deputy general manager of Beijing Jintai Group Co. Ltd (北京金泰集團有限公司) from May 2018 to September 2018, full-time investment director of Beijing Energy Holding Co., Ltd since September 2018, chairman of the board of supervisors of Beijing Jingneng International Power Co., Ltd. (北京京能國際能源股份有限公司) since July 2006 and vice chairman of the board of directors of Guohua Energy Co., Ltd. (國華能源有限公司) since November 2017. He has served as supervisor of Beijing Jingneng Energy Technology Research Co., Ltd. (北京京能能源技術研究有限責任公司) since December 2018, supervisor of Beijing Jingneng Tongxin Investment Management Co., Ltd. (北京京能同鑫投資管理有限公司) since May 2019, supervisor of Beijing Jingneng Clean Energy Co., Limited (北京京能清潔能源電力股份有限公司), Beijing Jingneng Power Co., Ltd. (北京京能電力股份有限公司) and Beijing Jingmei Group Co., Ltd. (北京京煤集團有限責任公司) since June 2019, and supervisor of Jingneng Service Management Co., Ltd. (京能服務管理有限責任公司) since November 2019. Mr. Wang graduated from Department of Capital Construction Economics of Zhongnan University of Economics and Law, majoring in capital construction finance and credit with a bachelor's degree in economics in July 1986. He graduated from the Advanced Course for Postgraduates majoring in Accounting in Capital University of Economics and Business in July 2004 and graduated from School of Software and Microelectronics of Peking University majoring in software engineering with a master's degree in engineering in January 2008.

Profiles of Directors, Supervisors and Senior Management

Mr. HUANG Hui (黃慧), aged 46, is a Supervisor of our Company. Mr. Huang served as the accountant of Inner Mongolia Electric Cultural Troupe (內蒙古電業文工團) from July 1995 to January 1998, staff of the resource transfer center of the finance department, staff and deputy head of the management division and the director of the price administration unit of Inner Mongolia Power (Group) Co., Ltd. (內蒙古電力(集團)有限責任公司) from January 1998 to July 2007; staff and deputy manager of the finance department of Beijing Jingneng International Power Co., Ltd. from July 2007 to March 2010, chief accountant of Beijing Jingneng Thermal Power Co., Ltd. from March 2010 to June 2010, chief accountant and secretary to the board of directors of Beijing Jingneng Thermal Power Co., Ltd. from June 2010 to April 2013, chief accountant of the Company and chief accountant of Beijing Branch of the Company from April 2013 to June 2018, supervisor of Yingjiang Huafu Hydropower Development Co., Ltd. (盈江華富水電開發有限公司) and Tengchong County Hou Qiao Yong Xing River HydroPower Development Co., Ltd. (騰沖縣猴橋永興河水電開發有限公司) since October 2014, director of Jingneng Clean Energy (Hong Kong) Limited from May 2015 to July 2018, supervisor of Beijing Jingneng Weilai Gas-fired Power Co., Ltd. (北京京能未來燃氣熱電有限公司) since June 2015, supervisor of Beijing Jingxi Gas-fired Power Co., Ltd. (北京京西燃氣發電有限公司) since December 2017, deputy director of the finance management department of Beijing Energy Holding Co., Ltd. from June 2018 to January 2019, and deputy director of the finance management department of Beijing Energy Holding Co., Ltd. and deputy general manager of Beijing Energy Investment Holding (Hong Kong) Co., Ltd. since January 2019. He has served as supervisor of Beijing Jingneng Clean Energy Co., Limited (北京京能清潔能源電力股份有限公司) since June 2019, and executive director and chief financial officer of Panda Green Energy Group Limited (a company listed on the Main Board of Hong Kong Stock Exchange, stock code: 00686) since February 2020. Mr. Huang graduated from Department of Finance of Inner Mongolia University of Finance and Economics in July 1995, majoring in monetary banking with a bachelor's degree in economics and graduated from the School of Economics and Management of North China Electric Power University in July 2007, majoring in business administration with a master's degree in business administration.

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

SENIOR MANAGEMENT

Mr. Zhang Fengyang (張鳳陽), aged 50, is an executive Director and the general manager of our Company. Please refer to his biography under the paragraph headed “– Executive Director” above.

Mr. ZHU Jun (朱軍), aged 52, is an executive Director of our Company. Please refer to his biography under the paragraph headed “– Executive Director” above.

Mr. CAO Mansheng (曹滿勝), aged 49, is an executive Director of our Company. Please refer to his biography under the paragraph headed “– Executive Director” above.

Profiles of Directors, Supervisors and Senior Management

Mr. WANG Gang (王剛), aged 50, holder of a master's degree, a senior engineer, is the deputy general manager of the Company and has more than 20 years of experience in project management of power industry. Mr. Wang successively served as a laboratory technician of building engineering agency, site technician of main workshop, deputy chief engineer, deputy chief engineer of Sanhe Project Management Department, deputy manager and chief engineer, deputy manager of Pandian project department and deputy manager of Tangdian technical transformation project department of Jixian Power Plant of Beijing Thermal Power Construction Company (北京火電建設公司薊縣電廠) from July 1992 to August 2003; project manager of power investment construction department of Beijing International Power Development Investment Corporation (北京國際電力開發投資公司) from November 2003 to November 2004; project manager of power energy construction department of Beijing Energy Investment from December 2004 to September 2007 and deputy general manager of Beijing International Power New Energy Co., Ltd. (北京國際電力新能源有限公司) from September 2007 to July 2009; deputy general manager of Shanxi Jingyu Power Generation Co., Ltd. (山西京玉發電有限責任公司) from July 2009 to March 2012 (during which period, he majored in business administration at the School of Economics and Management of North China Electric Power University from May 2009 to March 2012 and obtained a master's degree); deputy general manager of Beijing Jingneng Gaoantun Gas-fired Power Co., Ltd. (北京京能高安屯燃氣熱電有限責任公司) from March 2012 to October 2014; the secretary of the provisional party committee and deputy general manager of Shanxi Jingneng Zuoyun Thermal Power Co., Ltd. (山西京能左雲熱電有限責任公司) from October 2014 to August 2016; the secretary of the provisional party committee of Jingneng (Xilinguole) Power Generation Co., Ltd. (京能(錫林郭勒)發電有限公司) and deputy general manager of Shanxi Jingtong Thermal Power Co., Ltd. (山西京同熱電有限公司) from August 2016 to March 2017; and the secretary of the provisional party committee and secretary of party committee of Jingneng (Xilinguole) Power Generation Co., Ltd. from March 2017 to January 2018.

Ms. FANG Xiujun (方秀君), aged 49, is the chief accountant of the Company, holder of a bachelor's degree, a senior accountant and certified public accountant with over 20 years of financial management experience in the power industry. Ms. Fang successively served as an accountant of financial department of Beijing Composite Investments Company (北京市綜合投資公司), deputy director of finance of Beijing Toronto International Hospital (北京多倫多國際醫院) via dispatch, project manager and deputy manager of financial department of Beijing Composite Investments Company from March 1996 to December 2004; and successively served as the deputy manager of financial department, deputy manager of planning finance department, deputy director of finance and property management department of Beijing Energy Investment and deputy director of financial management department of BEH from December 2004 to May 2018; deputy general manager of Beijing Jingneng International Power Co., Ltd. (北京京能國際能源股份有限公司) and deputy general manager of Beijing Jingneng Coal-fired Power Asset Management Co., Ltd. (北京京能煤電資產管理有限公司) since June 2013; and deputy general manager of Beijing Energy Investment Holding (Hong Kong) Co., Limited since November 2015.

Profiles of Directors, Supervisors and Senior Management

Mr. KANG Jian (康健), aged 56, is the deputy general manager and secretary of the Board of the Company, graduated from Rensselaer Polytechnic Institute in the United States, holder of an MBA degree, a senior project manager and has more than 22 years of experience in strategic management, marketing management and investor relations management for large state-owned and multinational companies. Mr. Kang served as an assistant manager of Marketing Division of U.S. Albany International Company from July 1999 to February 2000; a regional manager of the Greater China area of Canadian Tucows Inc. from April 2000 to March 2003; a senior manager of the department of automation system of Automation & Drives Group and the director of strategic development and customer relations of the Strategic Marketing Department at Siemens Ltd., China from January 2004 to July 2009; deputy director of the office of strategic investment of BEH from August 2009 to December 2009 and the deputy general manager and the secretary of the Board of the Company since December 2009.

COMPANY SECRETARY

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

Report of the Directors

The Board of Directors of the Company now presents the annual report of the year 2019 (the “**Annual Report**”) and the audited consolidated financial statements of the Group (the “**Financial Statements**”) for the year ended 31 December 2019 to Shareholders.

REGISTERED SHARE CAPITAL

As of 31 December 2019, the total registered share capital of the Company was RMB8,244,508,144, divided into 8,244,508,144 shares of RMB1.00 each, including 5,414,831,344 domestic legal person shares and 2,829,676,800 H Shares. Details of movements in the registered share capital of the Company during the year are set out in note 41 to the Financial Statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31 December 2019.

DEBENTURES IN ISSUE

The Company issued debentures in light of the demand of business operation and capital expenditures, as well as the market condition. Details of debentures in issue of the Company for the year ended 31 December 2019 are set out in notes 36 to the Financial Statements.

FUTURE INVESTMENT PLANS AND EXPECTED FUNDING

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

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2019, the Company did not enter into any equity-linked agreement, nor did any equity-linked agreement exist at the end of the year 2019.

PERMITTED INDEMNITY PROVISION

The Company has maintained appropriate liability insurance for its Directors, Supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance. Save as disclosed the above, no permitted indemnity provision was made by the Company for the year ended 31 December 2019 and no permitted indemnity provision was in force as at the Latest Practicable Date.

PLEDGING OF SHARES BY THE CONTROLLING SHAREHOLDER

The controlling shareholder of the Company did not pledge any of its shares in the Company to secure the Company's debts or to secure guarantees of the Company or were held as support for the other liabilities for the year ended 31 December 2019.

CHARGES ON GROUP ASSETS

As at 31 December 2019, the certain of Group's bank borrowings were secured by the pledge of the Group's property, plant and equipment of RMB1,062.6 million, trade receivables of RMB440.2 million and restricted bank deposits of 54.1 million. Details of these are set out in note 45 to the Financial Statements.

LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE COMPANY

The Company did not provide any financial assistance nor guarantee to its affiliated companies for the year ended 31 December 2019, which gives rise to a disclosure under Rule 13.16 of the Listing Rules. The Company did not enter into any loan agreement with covenants relating to specific performance of its controlling shareholder nor breach the terms of any loan agreements for the year ended 31 December 2019.

SHARE OPTION SCHEME

The Company did not adopt any share option scheme for the year ended 31 December 2019.

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.

PRINCIPAL BUSINESS

The Company is the largest gas-fired power provider in Beijing and a leading wind power operator in the PRC, with a diversified clean energy portfolio including gas-fired power and heat energy, wind power, photovoltaic power, small to medium hydropower and other clean energy projects. All electricity generated is sold to local grid companies. Details of the major subsidiaries and associates of the Company are set out in notes 52 and 22 to the Financial Statements, respectively.

RESULTS

The audited results of operations of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Profit or Loss and other Comprehensive Income on pages 83 to 84. The financial condition of the Group for the year ended 31 December 2019 is set out in the Consolidated Statement of Financial Position on pages 85 to 86. The consolidated cash flow of the Group for the year ended 31 December 2019 is set out in the Consolidated Statement of Cash Flows on pages 88 to 90.

Report of the Directors

Discussion and analysis about the operating performance and significant elements affecting the results of operations and financial condition of the Company during the year are set out in Management Discussion and Analysis of the Annual Report on page 8 to page 22.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are provided on pages 9 to 10 and pages 20 to 22 of this Annual Report. Description of possible risks and uncertainties that the Group may be facing can be found on pages 18 to 20 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided on pages 11 to 16 of this Annual Report. To the knowledge of the Directors, there has not been any important event affecting the Group since the end of the financial year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

DIVIDEND POLICY

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

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

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

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

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

FINAL DIVIDEND

The Board resolved to propose to the Shareholders at the annual general meeting of the Company for the year end 31 December 2019 to be held on 28 May 2020 (the “**AGM**”), for their consideration and approval of the payment of a final dividend of RMB0.0722 per share (tax inclusive) for the year ended 31 December 2019 (the “**2019 Final Dividends**”) payable to the shareholders of the Company, whose names are listed in the register of members of the Company on 9 June 2020, in an aggregate amount of approximately RMB595.3 million. The 2019 Final Dividends will be denominated and declared in RMB. Dividends on domestic shares will be paid in RMB and dividends on H Shares will be paid in Hong Kong dollars. Subject to the passing of the relevant resolution at the AGM, the 2019 Final Dividends are expected to be paid on or around 28 July 2020.

Pursuant to the Enterprise Income Tax Law of the PRC and its implementation rules, which came into force since 1 January 2008 and other relevant rules, where the Company distributes the proposed 2019 Final Dividends to non-resident enterprise shareholders whose names appear on the register of members for H Shares of the Company, it is required to withhold enterprise income tax at a rate of 10%. Any H Shares registered in the name of non-individual registered shareholders, including HKSCC Nominees Limited, other nominees or trustees, or other 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.

Report of the Directors

Pursuant to the PRC Individual Income Tax Law, the Implementation Regulations of the Individual Income Tax Law, the Tentative Measures on Withholding and Payment of Individual Income Tax and other relevant laws and regulations, the foreign individuals who are the holders of H shares shall pay individual income tax at a tax rate of 20% upon their receipt of distribution of dividend from domestic enterprises which issued such H shares, which shall be withheld and paid by such domestic enterprises on behalf of the such individual H shareholders. However, the Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax effective from 13 May 1994 (the “**1994 Notice**”) grants exemption to foreign individuals from PRC individual income tax on dividend from foreign-invested enterprises. Since the Company has become a “foreign-invested enterprise” since August 2010 as approved by the relevant PRC authorities, the individual shareholders who hold the Company’s H Shares and whose names appear on the register of members of H Shares of the Company (the “**Individual H Shareholders**”) are not required to pay PRC individual income tax when the Company distributes the 2019 Final Dividends based on the 1994 Notice. Therefore, the Company will not withhold any amount of the 2019 Final Dividends to be distributed to the Individual H Shareholders to pay the PRC individual income tax.

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

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

Other than the above, the Board of Directors does not recommend any distribution of dividend for the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain Shareholders’ entitlement to attend and vote at the AGM and to the proposed 2019 Final Dividends, the H Share register of members of the Company will be closed from 28 April 2020 to 28 May 2020 (both days inclusive) and from 4 June 2020 to 9 June 2020 (both days inclusive) respectively, during such periods no transfer of shares will be registered.

In order to qualify for attending and voting at the forthcoming AGM, holders of H Shares of the Company shall lodge transfer documents with the Company’s H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on 27 April 2020.

In order to qualify for receiving the proposed 2019 Final Dividends (subject to the approval by Shareholders at the forthcoming AGM), holders of H Shares of the Company shall lodge transfer documents with the Company’s H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at the above mentioned address for registration before 4:30 p.m. on 3 June 2020.

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in Consolidated Statement of Changes in Equity. The Company's reserves available for distribution to shareholders as at 31 December 2019 represents the retained profits of approximately RMB5,702 million (2018: RMB4,718 million).

DONATIONS

During the reporting period, the Group made external donations of approximately RMB5.0 million (excluding personal donations of employees).

BANK BORROWINGS AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Group as at 31 December 2019 are set out in note 34 to the Financial Statements.

Report of the Directors

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Part of the information of the Directors, Supervisors and Senior Management of the Company for the year ended 31 December 2019 and as the date of this report is illustrated below.

Name	Title in the Company	Date of Appointment/ Re-election
LIU Haixia	Non-executive Director and Chairman	28 June 2018
Ren Qigui ⁽¹⁾	Non-executive Director	20 June 2019
LI Juan	Non-executive Director	28 June 2018
WANG Bangyi ⁽²⁾	Non-executive Director	30 January 2019
JIN Shengxiang ⁽³⁾	Non-executive Director	13 February 2018
TANG Xinbing ⁽³⁾	Non-executive Director	13 February 2018
ZHAO Wei ⁽⁴⁾	Non-executive Director	29 December 2016
ZHANG Fengyang	Executive Director and general manager	13 February 2018
ZHU Jun ⁽⁵⁾	Executive Director	20 June 2019
CAO Mansheng ⁽⁵⁾	Executive Director	20 June 2019
HUANG Xiang	Independent non-executive Director	29 December 2016
ZHANG Fusheng	Independent non-executive Director	29 December 2016
CHAN Yin Tsung	Independent non-executive Director	29 December 2016
HAN Xiaoping	Independent non-executive Director	29 December 2016
WANG Xiangneng ⁽⁶⁾	Chairman of the Board of Supervisors	20 June 2019
LI Xun ⁽⁷⁾	Chairman of the Board of Supervisors	28 June 2017
HUANG Hui ⁽⁶⁾	Supervisor	20 June 2019
LIU Jiakai ⁽⁷⁾	Supervisor	28 June 2017
HUANG Linwei	Supervisor	1 March 2017
ZHU Jun	Deputy general manager	25 May 2018
CAO Mansheng	Deputy general manager	25 May 2018
WANG Gang	Deputy general manager	25 May 2018
FANG Xiujun	Chief accountant	25 May 2018
KANG Jian	Deputy general manager and secretary of the Board	11 March 2010/ 14 December 2009

Notes:

- (1) The appointment of Mr. Ren Qigui as non-executive Director took effect on 20 June 2019.
- (2) The appointment of Mr. Wang Bangyi as non-executive Director took effect on 30 January 2019.
- (3) The resignation of Mr. Jin shengxiang and Mr. Tang Xinbing as non-executive Directors took effect on 20 June 2019.
- (4) The resignation of Mr. Zhao Wei as non-executive Director took effect on 30 January 2019.
- (5) The appointment of Mr. Zhu Jun and Mr. Cao Mansheng as executive Directors took effect on 20 June 2019.
- (6) The appointment of Mr. Wang Xiangneng and Mr. Huang Hui as the chairman of the Board of Supervisors and supervisor, respectively, took effect on 20 June 2019.
- (7) The resignation of Mr. Li Xun and Mr. Liu Jiakai as the chairman of the Board of Supervisors and supervisor, respectively, took effect on 20 June 2019.

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

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of Directors, Supervisors and senior management of the Company are set out on page 26 to page 35 of the Annual Report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

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

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

EMOLUMENTS OF DIRECTORS AND SUPERVISORS

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

Report of the Directors

REMUNERATION OF THE DIRECTORS AND SUPERVISORS

Details of the emoluments of each senior management of the Company (excluding Directors who also hold executive positions) in 2019 are set out below:

	Number of employees 2019
RMB500,000 to RMB800,000	1
RMB800,000 to RMB1,000,000	2
	<u>3</u>

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

At the end of the year of 2019 or at any time during the year, there were no transaction, arrangement or contracts of significance subsisting in relation to the Group's business to which the Company or any of its subsidiaries was a party, directly or indirectly, and in which any Director or Supervisor or any entity connected with the Director or Supervisor had a material interest.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year 2019, save as disclosed below, none of the Directors or their associates had any competing interests in any business that constitutes or may constitute direct or indirect competition with the Company's businesses:

Name	Positions in the Company	Other interests
LIU Haixia	Chairman and non-executive Director	Deputy general manager of BEH
REN Qigui	Non-executive Director	Employee of BEH (Full-time expatriate director)

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

As at 31 December 2019, no Director, Supervisor or chief executive of the Company had any interest or short position in the shares underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including those taken or deemed as their interests and short position in accordance with such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2019, to the knowledge of the Directors of the Company, the persons (other than a Director, Supervisor or chief executive of the Company) who have an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

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

Name of shareholders	Types of Shares	Capacity	Number of shares/ underlying shares held (share)	Percentage of relevant class of share capital (%)	Percentage of total share capital (%)
BEH <i>(Note 1 and Note 2)</i>	Domestic share	Beneficial interest and interest of a controlled corporation	5,190,483,053 (L)	95.86	62.96
	H share	Interest of a controlled corporation	471,612,800 (L)	16.67	5.72
BSCOMC <i>(Note 1 and Note 2)</i>	Domestic share	Beneficial interest and interest of a controlled corporation	5,414,831,344 (L)	100.00	65.68
	H share	Interest of a controlled corporation	471,612,800 (L)	16.67	5.72
Beijing Energy Investment <i>(Note 2)</i>	H share	Beneficial interest	471,612,800 (L)	16.67	5.72
SAIF IV GP Capital Ltd. <i>(Note 3)</i>	H share	Interest of a controlled corporation	173,532,000 (L)	6.13	2.10
SAIF IV GP LP <i>(Note 3)</i>	H share	Interest of a controlled corporation	173,532,000 (L)	6.13	2.10
SAIF Partners IV L.P. <i>(Note 3)</i>	H share	Beneficial interest	173,532,000 (L)	6.13	2.10

Report of the Directors

Name of shareholders	Types of Shares	Capacity	Number of shares/ underlying shares held (share)	Percentage of relevant class of share capital (%)	Percentage of total share capital (%)
Yan Andrew Y. ^(Note 3)	H share	Interest of a controlled corporation	173,532,000 (L)	6.13	2.10
Beijing Enterprises Holdings Limited ^(Note 4)	H share	Interest of a controlled corporation	196,964,000 (L)	6.96	2.39
Beijing Enterprises Energy Technology Investment Co., Limited ^(Note 4)	H share	Beneficial interest	196,964,000 (L)	6.96	2.39
Beijing Enterprises Energy Technology (Hong Kong) Co., Limited ^(Note 4)	H share	Interest of a controlled corporation	196,964,000 (L)	6.96	2.39
Norges Banks	H share	Beneficial interest	169,930,000 (L)	6.01	2.06
Central Huijin Investment Ltd. ^(Note 5)	H share	Interest of a controlled corporation	653,136,000 (L)	23.08	7.92
China Reinsurance (Group) Corporation ^(Note 5)	H share	Beneficial interest and interest of a controlled corporation	653,136,000 (L)	23.08	7.92
China Property & Casualty Reinsurance Company Ltd. ^(Note 5)	H share	Beneficial interest	196,704,000 (L)	6.95	2.39
Citigroup Inc. ^(Note 6)	H share	Interest of a controlled corporation and custodian — corporation/ approved lending agent	157,635,592 (L) 294,000 (S) 157,339,595 (P)	5.57 0.01 5.56	1.91 0.00 1.91

Notes:

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

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

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

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

2. Beijing Energy Investment directly held 471,612,800 H shares of the Company. As far as the Company is aware, Beijing Energy Investment was wholly-owned by BEH, while BEH was wholly-owned by BSCOMC. In accordance with the SFO, BEH and BSCOMC were deemed to be interested in 471,612,800 H shares held by Beijing Energy Investment.
3. SAIF Partners IV L.P. held direct interests in 173,532,000 H shares of the Company. As far as the Company is aware, SAIF Partners IV L.P. was wholly-owned by SAIF IV GP LP, while SAIF IV GP LP was wholly-owned by SAIF IV GP Capital Ltd. and SAIF IV GP Capital Ltd. was wholly-owned by Yan Andrew Y. In accordance with the SFO, SAIF IV GP LP, SAIF IV GP Capital Ltd. and Yan Andrew Y. were deemed to be interested in 173,532,000 H shares held by SAIF Partners IV L.P.
4. Beijing Enterprises Energy Technology Investment Co., Limited directly held 196,964,000 H shares of the Company. As far as the Company is aware, Beijing Enterprises Energy Technology Investment Co., Limited was wholly-owned by Beijing Enterprises Energy Technology (Hong Kong) Co., Ltd., while Beijing Enterprises Energy Technology (Hong Kong) Co., Ltd. was wholly-owned by Beijing Enterprises Holdings Limited. In accordance with the SFO, Beijing Enterprises Energy Technology (Hong Kong) Co., Ltd. and Beijing Enterprises Holdings Limited were deemed to be interested in 196,964,000 H shares held by Beijing Enterprises Energy Technology Investment Co., Limited.
5. China Property & Casualty Reinsurance Company Ltd. directly held interests in 196,704,000 H shares of the Company. China Reinsurance (Group) Corporation held direct interests in 456,432,000 H shares of the Company. As far as the Company is aware, China Property & Casualty Reinsurance Company Ltd. was wholly-owned by China Reinsurance (Group) Corporation, while 71.56% interests of China Reinsurance (Group) Corporation was owned by Central Huijin Investment Ltd.. In accordance with the SFO, China Reinsurance (Group) Corporation and Central Huijin Investment Ltd. were deemed to have interests in 653,136,000 H shares of the Company.
6. Citigroup Inc. held interests in certain H shares of the Company (as shown in the table above) through various controlled corporation/wholly-owned controlled corporations.

Report of the Directors

MANAGEMENT CONTRACT

No contract concerning the management and administration of all or any substantial part of our business was entered into by the Company or existed in 2019.

CONTRACT OF SIGNIFICANCE

On 5 November 2019, after arm's length negotiation among the parties, BEH, the Company, Jingneng Power and BEH Finance entered into the 2019 New Capital Increase Agreement, pursuant to which, the registered capital of BEH Finance will be increased from RMB3 billion to RMB5 billion, of which, RMB0.06 billion, RMB0.94 billion and RMB1 billion are to be subscribed by BEH, the Company and Jingneng Power, respectively (the "**Proposed Subscription**"). Following the execution of the 2019 New Capital Increase Agreement, the 2018 Original Capital Increase Agreement has been terminated with immediate effect.

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

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

Proposed Subscription has been approved at the second extraordinary general meeting of 2019 of the Company. Please refer to the circular of the Company dated 29 November 2019.

Report of the Directors

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

CONNECTED TRANSACTIONS

Reference is made to the announcements of the Company dated 30 October 2018, 10 December 2018 and 5 November 2019 and circulars of the Company dated 15 January 2019 and 29 November 2019 in relation to the Proposed Subscription. Please refer to “– Contract of Significance” above for details.

CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

Report of the Directors

Pursuant to the announcement of the Company dated 18 December 2019, the Company obtained approval from the extraordinary general meeting of the Company on the transactions and annual caps under item 1, item 2 and items 4 to 9 for the year 2020, 2021 and 2022.

(RMB million)

Connected transactions under	Connected persons	Annual caps for 2019	Actual transaction value in 2019
1. Framework Equipment Maintenance Agreement	BEH	184.97	150.47
2. Framework Service Agreement	BEH	64.15	54.74
– landscaping services		3.40	0
– property management services		57.75	54.74
– conference services		3.00	0
– project management services ^(Note 1)		N/A	0
3. Framework Operating Agreement	BEH	18.70	3.32
4. EPC Framework Agreement	BEH	46.50	4.33
5. Framework Heat Sale and Purchase Agreement	BDHG	2,271.80	1,704.87
6. Equipment Purchase Framework Agreement	BEH	289.50	121.11
7. Finance Lease Framework Agreement	Beijing YuanShen Financial Leasing Co., Ltd.	700	0
8. Financial Services Framework Agreement	BEH Finance		
– deposit services		2,000.00	1,895.01
– loan services ^(Note 2)		–	–
– other financial services		30.00	17.58
9. Property Lease Framework Agreement	BEH	55.67	46.83

Note 1: The Company expected that no project management service is needed for the year 2019, as such, the annual cap of project management service for the year 2019 is nil.

Note 2: Given the loan services provided by BEH Finance to the Group are on normal commercial terms which are similar to or more favourable than those offered by independent third parties for comparable services in the PRC, and that no security over the assets of the Group will be granted in respect of such loan services, the loan services are exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules. As such, no cap has been set for such services.

Continuing Connected Transactions between the Group and BEH and its Associates

BEH, a controlling shareholder of the Company, directly held 61.639% of the total issued share capital of the Company as at 31 December 2019. Accordingly, BEH and its associates, including Beijing YuanShen Financial Leasing Co., Ltd., BDHG and BEH Finance which are all subsidiaries of BEH, are connected persons of the Company pursuant to the Listing Rules.

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

Financial Lease Framework Agreement between Beijing YuanShen Financial Leasing Co., Ltd. and the Company

To expand its financing channels, the Company entered into the Financial Lease Framework Agreement with Beijing YuanShen Financial Leasing Co., Ltd. on 25 October 2016. The term of such agreement is three years commencing from 1 January 2017 and ending on 31 December 2019. To avoid large amount of capital expenditure for the purchase of the large machinery equipment, the Company entered into the new Financial Lease Framework Agreement with BEH (instead of Beijing Yuanshen Financial Leasing Co., Ltd.) on 16 October 2019. The term of such new agreement is three years commencing from 1 January 2020 and ending on 31 December 2022.

Property Lease Framework Agreement between BEH and the Company

The Company leases properties from BEH and/or its associates, in respect of which the Company and BEH entered into the Property Lease Framework Agreement on 19 March 2014. The term of such agreement is twenty years commencing on the listing date of the Company. On 16 October 2019, the Board resolved to set the annual caps for such continuing connected transactions under the Property Lease Framework Agreement for the three years ending 31 December 2022.

Framework Equipment Maintenance Agreement between BEH and the Company

The Company and BEH entered into the Framework Equipment Maintenance Agreement on 25 October 2016. The term of such agreement is three years commencing from 1 January 2017 and ending on 31 December 2019. Due to the expiration of such agreement on 31 December 2019 and the Company's continuous demand for equipment maintenance service, the Company entered into the new Framework Equipment Maintenance Agreement with BEH on 16 October 2019. The term of such new agreement is three years commencing from 1 January 2020 and ending on 31 December 2022.

Report of the Directors

Framework Service Agreement between BEH and the Company

The Company and BEH entered into the Framework Service Agreement on 25 October 2016. The term of such agreement is three years commencing from 1 January 2017 and ending on 31 December 2019. Due to the expiration of such agreement on 31 December 2019 and the Company's continuous demand for (i) property management services, including cleaning, security and catering services, and (ii) administration services, the Company entered into the new Framework Service Agreement with BEH on 16 October 2019. The term of such new agreement is three years commencing from 1 January 2020 and ending on 31 December 2022.

Framework Operating Agreement between BEH and the Company

The Company and BEH entered into the Framework Operating Agreement on 25 October 2016. The term of such agreement is three years commencing from 1 January 2017 and ending on 31 December 2019.

EPC Framework Agreement between BEH and the Company

The Company and BEH entered into the EPC Framework Agreement on 25 October 2016. The term of such agreement is three years commencing from 1 January 2017 and ending on 31 December 2019. Due to the expiration of such agreement on 31 December 2019 and the Company's continuous demand for energy performance contracting services, the Company entered into the new EPC Framework Agreement with BEH on 16 October 2019. The term of such new agreement is three years commencing from 1 January 2020 and ending on 31 December 2022.

Framework Heat Sale and Purchase Agreement between BDHG and the Company

The Company and BDHG entered into the Framework Heat Sale and Purchase Agreement on 25 October 2016. The term of such agreement is three years commencing from 1 January 2017 and ending on 31 December 2019. Due to BEH and its associates' continuous demand for purchasing heat generated by the Group, the Company and BEH (instead of BDHG) entered into the new Framework Heat Sale and Purchase Agreement on 16 October 2019. The term of such new agreement is three years commencing from 1 January 2020 and ending on 31 December 2022.

Equipment Purchase Framework Agreement between BEH and the Company

The Company and BEH entered into the Equipment Purchase Framework Agreement on 25 October 2016. The term of such agreement is three years commencing from 1 January 2017 and ending on 31 December 2019. Due to the expiration of such agreement on 31 December 2019 and the Company's increasing demand for purchasing more equipment, the Company entered into the new Equipment Purchase Framework Agreement with BEH on 16 October 2019. The term of such new agreement is three years commencing from 1 January 2020 and ending on 31 December 2022.

Financial Services Framework Agreement between BEH Finance and the Company

The Company and BEH Finance entered into the Financial Services Framework Agreement on 25 October 2016. The term of such agreement is three years commencing from 1 January 2017 and ending on 31 December 2019. Due to the expiration of such agreement on 31 December 2019 and the Company's increasing demand for financial services (deposit services, loan services and other financial services), the Company entered into the new Financial Services Framework Agreement with BEH Finance on 16 October 2019. The term of such new agreement is three years commencing from 1 January 2020 and ending on 31 December 2022.

Save as disclosed above, none of the transactions disclosed as related party transactions in note 48 to the Financial Statements is a connected transaction or a continuing connected transaction for the Company as defined under the Listing Rules nor are they connected transactions or continuing connected transactions for the Company exempt from the reporting requirements under the Listing Rules. The Company has complied with the disclosure requirements governing connected transactions under the Listing Rules.

Review and Confirmation

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

- (1) carried out in the ordinary course of business of the Group;
- (2) made on normal commercial terms; and
- (3) carried out according to the terms in the relevant transaction agreements, which are fair and reasonable, and in the interests of our Company's shareholders as a whole.

Report of the Directors

Pursuant to Rule 14A.56 of the Listing Rules, the Company must engage its auditors to report on the continuing connected transaction every year. The auditors must provide a letter to the Company's Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:

- (i) have not been approved by the Board of Directors;
- (ii) were not, in all material aspects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
- (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
- (iv) have exceeded the cap.

Confirmation of the Auditor

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "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 their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 49 to 53 of the Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

The Directors confirmed that the Company has complied with the requirements under Chapter 14A of the Listing Rules with regard to the abovementioned connected transactions.

COMPLIANCE WITH THE NON-COMPETITION AGREEMENT

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

Report of the Directors

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the total volume of purchases from the five largest suppliers of the Company accounted for 67.78% of the total purchase volume of the year. The purchase from the largest supplier accounted for 53.95% of the total volume of fuel purchased during the year.

For the year ended 31 December 2019, the total revenue generated from the five largest customers of the Company accounted for 85.14% of the total revenue of the year. The revenue generated from the largest customers accounted for 64.20% of the total revenue of the year.

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

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Please refer to the note 47 to the Financial Statements for detailed information on the retirement and employee benefits scheme.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company always strives to maintain a high level of corporate governance and complied with all code provisions as set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2019.

RELATIONSHIP WITH STAKEHOLDERS

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

Report of the Directors

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

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

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

PUBLIC FLOAT

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

SIGNIFICANT LEGAL PROCEEDINGS

For the year ended 31 December 2019, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's 2019 annual results and the Financial Statements for the year ended 31 December 2019 prepared in accordance with IFRSs.

Report of the Directors

AUDITORS

Deloitte Touche Tohmatsu and Grant Thornton (Special General Partnership) were appointed as the international and domestic auditors of the Company, respectively, for the year ended 31 December 2019. The Company's Financial Statements for the year 2019 prepared in accordance with IFRSs have been audited by Deloitte Touche Tohmatsu. Deloitte Touche Tohmatsu has been the auditor of the Company for the past eight years.

FINANCIAL HIGHLIGHTS

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

MISCELLANEOUS

The Company was not aware of that any Shareholders had waived or agreed to waive any dividend arrangement for the year ended 31 December 2019.

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

Beijing, the PRC
31 March 2020

Report of the Supervisory Committee

I. SUPERVISORY COMMITTEE'S WORK IN 2019

(i) Supervisory Committee's Meetings Held

In 2019, the Supervisory Committee of the Company held three meetings, and the convening of the meetings, the signing of the proposals and the exercise of Supervisors' rights were in compliance with the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure for the Supervisory Committee.

2019 first meeting of the third session of the Supervisory Committee was held on 26 March 2019 by way of on-site voting, at which "The Company's 2018 Work Report of the Supervisory Committee" was considered and approved.

2019 second meeting of the third session of the Supervisory Committee was held on 21 May 2019 by way of communication voting, at which the "Proposal on Nomination of Mr. Wang Xiangneng as a Representative Supervisor of the Shareholders of the Third Session of the Supervisory Committee and Election of Mr. Wang Xiangneng as Chairman of the Third Session of the Supervisory Committee" and "Proposal on Nomination of Mr. Huang Hui as a Representative Supervisor of the Shareholders of the Third Session of the Supervisory Committee" were considered and approved.

2019 third meeting of the third session of the Supervisory Committee was held on 20 August 2019 by way of on-site voting, at which "Proposal on the Company's 2019 Interim Work Report of the Supervisory Committee" was considered and approved.

(ii) Attendance at the Board Meeting

In 2019, the Supervisory Committee attended the second, third, fifth and sixth on-site meetings of the third session of the Board held by the Company in 2019. At each meeting, relevant opinions and suggestions were issued according to the agenda and supervisory responsibilities, and the procedures and voting results of the meeting were supervised according to law, to ensure that the meetings were carried out in an orderly manner according to law.

Report of the Supervisory Committee

II. SUPERVISION OF THE SUPERVISORY COMMITTEE ON RELEVANT MATTERS IN 2019

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

(i) Inspecting whether the Company was in lawful operation

Through their presence at previously-held on-site Board meetings of the Company in 2019, the members of the Supervisory Committee had reviewed the Proposals submitted to the Board for approval, as well as the Report of the General Manager, the Report of the Board, the Audited Financial Report (IFRS), the Financial Budget Report and relevant Proposals in relation to the significant decisions made by the Board and the Company in operations and management. By means of attending meetings held mentioned above, the process of the making significant decisions and the duty-performing behaviors of Board members and senior management were monitored. The Supervisory Committee was of the view that the process of making significant decisions was in compliance with laws and rules. All Board members and senior management of the Company were featured by their hardworking, due diligence and dedication. Nothing was found to be in violation of law, regulations or the Articles of Association, or damaging to the Company's interests.

(ii) Inspection on the Company's financial condition

Members of the Supervisory Committee conducted effective and careful inspection and review on the Company's financial management system and financial status in 2019. The Supervisory Committee considered that, the Company's financial management system was sound and effective, with perfect internal control system, standardized financial operation and good financial status. The Supervisory Committee carefully reviewed the standard unqualified financial report for 2019 to be submitted by the Board to the general meeting which was audited and issued by Deloitte Touche Tohmatsu. The Board believes that the report follows the principle of consistency and truly, accurately and objectively reflects the Company's financial situation and operating results.

Report of the Supervisory Committee

(iii) Inspection on the Company's major investments

In the second half of 2019, the seventh meeting of the Company's third session of the Board in 2019 considered and approved the "Proposal on the Company's Participation in the Capital Increase and Share Increase Plan of BEH Finance Co., Ltd (2019 Updated Plan)". The registered capital of the financial company was increased from RMB3 billion to RMB5 billion. The Company newly added registered capital of RMB940 million and held 20% of the shareholding after the capital increase. As compared with the original capital increase plan, with the same registered capital and the same shareholding ratio, the Company's capital contribution will increase by RMB28,200,000.00. The Supervisory Committee believes that the Company's investment has fulfilled the corresponding investment decision-making procedures without insider trading and is in line with the interests of the Company and all shareholders, and there is no condition that damages the interests of small and medium shareholders or causes the loss of the Company's assets.

(iv) Inspection on the Company's connected transactions

In 2019, the Company re-entered into the 2020-2022 continued connected transactions of "Framework Equipment Maintenance Agreement", "Framework Service Agreement", "EPC Framework Agreement", "Framework Heat Sale and Purchase Agreement", "Equipment Purchase Framework Agreement", "Property Lease Framework Agreement" and "Finance Lease Framework Agreement" with BEH, a connected party; re-entered into the "Financial Services Framework Agreement" with BEH Finance Co., Ltd. The Company submitted a circular and an independent financial adviser report to the Hong Kong Stock Exchange regarding this discloseable and connected transaction. The Supervisory Committee believes that the connected transaction satisfies the relevant regulations of the Hong Kong Stock Exchange. The pricing of the connected transaction is reasonable, open and fair, and there is no matter that damages the interests of Shareholders and the Company.

(v) Inspecting on the Company's information disclosure

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

Report of the Supervisory Committee

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

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

III. WORK ARRANGEMENT OF THE SUPERVISORY COMMITTEE FOR 2020

In 2020, the Supervisory Committee will fully fulfill its supervisory duties, comply strictly with the relevant provisions of the Company Law of the PRC, the Articles of Association, the Rules of Procedure for the Supervisory Committee and the Listing Rules of the Hong Kong Stock Exchange, abide by the principle of good faith, and impose effective supervision on the Company and its Directors and senior management; pay close attention on the production, operation and management of the Company and monitor the significant measures of the Company, so as to promote the growth of the Company's economic benefits and safeguard the interests of all Shareholders and of the Company.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

In the opinion of the Directors, throughout the year ended 31 December 2019, the Company has complied with all the code provisions as set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and Supervisors of the Company. All the Directors and Supervisors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2019.

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

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

BOARD OF DIRECTORS

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

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

The Board currently comprises eleven members, consisting of 4 non-executive Directors, 3 executive Directors and 4 independent non-executive Directors.

The Board of the Company comprises the following Directors:

Non-executive Directors

LIU Haixia (*Chairman*)

REN Qigui

LI Juan

WANG Bangyi

Executive Director

ZHANG Fengyang (*General Manager*)

ZHU Jun

CAO Mansheng

Independent Non-executive Directors

HUANG Xiang

ZHANG Fusheng

CHAN Yin Tsung

HAN Xiaoping

The biographical information of the Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" on pages 26 to 35 of this Annual Report.

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

Chairman and General Manager

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

Corporate Governance Report

Independent non-executive Directors

During the year ended 31 December 2019, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Non-executive Directors and Directors' Re-election

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

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

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

Corporate Governance Report

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

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

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

Continuous Professional Development of Directors

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

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

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

During the year 2019, the Company organized training sessions for all Directors namely Mr. LIU Haixia, Mr. REN Qigui, Ms. LI Juan, Mr. WANG Bangyi, Mr. ZHANG Fengyang, Mr. ZHU Jun, Mr. CAO Mansheng, Mr. HUANG Xiang, Mr. ZHANG Fusheng, Mr. CHAN Yin Tsung, Mr. HAN Xiaoping, Mr. ZHAO Wei (resigned on 30 January 2019), Mr. JIN Shengxiang (resigned on 20 June 2019) and Mr. TANG Xinbing (resigned on 20 June 2019). The training session(s) covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates, etc..

Corporate Governance Report

The training records of the Directors for the year ended 31 December 2019 and up to date of this report are summarized as follows:

Directors	Type of Training ^{Note}
<i>Non-executive Directors</i>	
LIU Haixia (<i>Chairman</i>)	A
REN Qigui	A
LI Juan	A
WANG Bangyi	A
ZHAO Wei (resigned on 30 January 2019)	–
JIN Shengxiang (resigned on 20 June 2019)	–
TANG Xinbing (resigned on 20 June 2019)	–
<i>Executive Directors</i>	
ZHANG Fengyang (<i>General Manager</i>)	A
ZHU Jun	A
CAO Manshen	A
<i>Independent non-executive Directors</i>	
HUANG Xiang	A
ZHANG Fushe	A
CHAN Yin Tsung	A
HAN Xiaoping	A

Note:

Type of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops.

BOARD COMMITTEES

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

Members of each Board committee comprise independent non-executive Directors and the list of the chairman and members of each Board committee is set out under “Corporate Information” on page 222.

Audit Committee

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

Upon the resignation of Mr. JIN Shengxiang on 20 June 2019, being a member of Audit Committee of the Company, the Audit Committee had only two members. The Company was not in compliance with the requirement under Rule 3.21 of the Listing Rules. With effect from 2 July 2019, Ms. LI Juan has been appointed as a member of the Audit Committee. Upon the appointment of Ms. LI Juan, the Audit Committee has three members, namely, Mr. CHAN Yin Tsung, Ms. LI Juan and Mr. HUANG Xiang. Therefore, the Company has fully complied with Rule 3.21 of the Listing Rules since 2 July 2019.

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

During the year ended 31 December 2019, the Audit Committee held two meetings to review the interim and annual financial results and reports and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, effectiveness of the internal audit function, scope of work and appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties.

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

Corporate Governance Report

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises 3 members, namely Mr. HUANG Xiang (Chairman), Mr. ZHANG Fusheng and Mr. HAN Xiaoping, all of which are independent non-executive Directors.

Mr. LIU Haixia and Mr. ZHU Jun resigned as members of the Remuneration and Nomination Committee of the Company on 31 March 2020.

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

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

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

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

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

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

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

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

Strategy Committee

The current members of the Strategy Committee are Mr. LIU Haixia (Chairman), Mr. ZHANG Fengyang, Mr. ZHU Jun and Mr. CAO Mansheng.

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

During the year, the Strategy Committee held two meetings.

Board Diversity Policy

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

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

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

Corporate Governance Report

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

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

Director Nomination Policy

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

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

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

- Character and integrity.
- Qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy.
- Any measurable objectives adopted for achieving diversity on the Board.
- Requirement for the Board to have independent non-executive directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules.
- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity.

Corporate Governance Report

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company.
- Candidate who is nominated as director should meet the relevant qualifications of director's appointment as stated in the Company Law of the People's Republic of China, Articles of Association of the Company and other applicable laws and regulations.
- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Remuneration and Nomination Committee from time to time for nomination of directors and succession planning.

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

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

Corporate Governance Functions

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

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

Corporate Governance Report

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2019 is set out in the table below:

Name of Director	Attendance/Number of Meetings during the term of office					
	Board	Audit Committee	Remuneration and Nomination Committee	Strategic Committee	Annual General Meeting	Extraordinary General Meeting
ZHAO Wei ^(Note 1)	1/1	–	–	–	–	–
WANG Bangyi ^(Note 2)	6/6 ^(Note 5)	–	–	–	0/1	0/1
HUANG Xiang	7/7 ^(Note 5)	2/2	2/2	–	1/1	0/2
ZHANG Fusheng	7/7 ^(Note 5)	–	2/2	–	0/1	2/2
CHAN Yin Tsung	7/7	2/2	–	–	1/1	2/2
HAN Xiaoping	7/7 ^(Note 6)	–	2/2	–	1/1	1/2
ZHANG Fengyang	7/7	–	–	2/2	1/1	1/2
LIU Haixia	7/7 ^(Note 5)	–	2/2	2/2	1/1	1/2
LI Juan	7/7 ^(Note 7)	1/2 ^(Note 5)	–	–	0/1	2/2
JIN Shengxiang ^(Note 3)	3/3 ^(Note 5)	1/1	–	1/1	0/1	1/1
TANG Xinbing ^(Note 3)	3/3 ^(Note 5)	–	2/2	1/1	0/1	1/1
ZHU Jun ^(Note 4)	4/4	–	–	1/1	–	1/1
CAO Mansheng ^(Note 4)	4/4	–	–	1/1	–	1/1
REN Qigui ^(Note 4)	4/4	–	–	–	–	1/1

Note 1: The Director resigned on 30 January 2019.

Note 2: The Director was appointed on 30 January 2019.

Note 3: The Directors resigned on 20 June 2019.

Note 4: The Directors were appointed on 20 June 2019.

Note 5: One of the meetings was attended by the alternate Director of the respective Director.

Note 6: Two of the meetings were attended by the alternate Director of the respective Director.

Note 7: Three of the meetings were attended by the alternate Director of the respective Director.

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2019.

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

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2019, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Corporate Governance Report

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

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

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2019.

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

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 77 to 82.

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

AUDITORS' REMUNERATION

During the year ended 31 December 2019, the remuneration paid and payable to the international auditor and domestic auditor for audit services was RMB7,633,000 in aggregate, and non-audit services fees paid and payable to the auditors (including their respective member firms) was RMB830,000, which was mainly for issuing reports and letters in relation to circulars issued by the Group.

COMPANY SECRETARY

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

For the year ended 31 December 2019, Mr. Kang has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS’ RIGHTS

The Company engages with shareholders through various communication channels.

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

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

Convening an Extraordinary General Meeting by Shareholders

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

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

Putting Forward Proposals at General Meetings

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

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

Corporate Governance Report

Putting Forward Enquiries to the Board

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

Contact Details

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

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

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

Independent Auditors' Report

Deloitte.

德勤

TO THE SHAREHOLDERS OF BEIJING JINGNENG CLEAN ENERGY CO., LIMITED

(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Jingneng Clean Energy Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 83 to 219, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditors' Report

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Recognition of government subsidies on clean energy production	
<p>We identified the recognition of other income of government subsidies on clean energy production (the "Government Subsidies") in compliance with the requirements as prescribed by the relevant government policy as a key audit matter due to the significance to the Group's profit or loss. The other income related to the Government Subsidies represented 26% of the Group's consolidated profit before taxation for the year ended 31 December 2019.</p> <p>Pursuant to the relevant government policy, the Government Subsidies will be released to profit or loss based on the actual volume of electricity sold by the Group's related gas power facilities (the "Electricity Production Data") and at the pre-determined subsidized rate. The pre-determined subsidized rate is calculated on a pricing formula set out by the Beijing Government. The parameters affecting the rate were approved by the relevant government authorities under the Beijing Government. The rate may vary from time to time which is in line with the change in natural gas price promulgated by the Beijing Government, due to that natural gas is the key material for the Group's gas power generation.</p> <p>The directors of the Company assessed whether the pricing formula had been appropriately applied in arriving at the pre-determined subsidized rate to calculate the amount of other income, i.e. calculating the effect of change of natural gas price incurred during the year. The Government Subsidies will be reviewed and confirmed by the Beijing Government in the following year.</p> <p>Details of the Government Subsidies are set out in Notes 8 and 38(a) to the consolidated financial statements.</p>	<p>Our procedures in relation to the Government Subsidies on clean energy production included:</p> <ul style="list-style-type: none"> • Obtaining and analyzing the relevant government policy documents in connection with the Government Subsidies to identify any change occurred during the year; • Testing the Electricity Production Data by agreeing with the evidence of external customer's acceptance, on a sample basis; • Verifying the accuracy of pre-determined subsidized rate by testing relevant parameters in the pricing formula by comparing with recent government authorities' circulars to corroborate any change occurred during the current year; • Recalculating the amount of the Government Subsidies for accuracy based on the pricing formula; and • Performing a retrospective review of the calculation of the 2018 Government Subsidies by obtaining the statements of the amount of 2018 Government Subsidies to be received by the Group which was issued by the Beijing Government in 2019.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessment	
<p>We identified goodwill impairment as a key audit matter due to the management's significant judgment in assessing the recoverable amounts of the relevant cash-generating units ("CGUs").</p> <p>The recoverable amounts of the Group's goodwill are determined based on the value in use calculation of the CGUs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value.</p> <p>Details of goodwill and the related key estimation uncertainty are set out in Notes 20, 5 and 21 to the consolidated financial statements.</p>	<p>Our procedures in relation to the goodwill impairment assessment included:</p> <ul style="list-style-type: none"> • Evaluating and corroborating the key inputs used in management's impairment assessment, including comparisons of profit margins and revenue growth rate with the Group's historical performances, and investigating any material discrepancy; • Challenging the management's future cash flow forecast through a comparison of the underlying cash flows in the forecast with those in the budgets prepared by the management; and • Working with internal valuation specialists to independently assess the valuation methodology and models, developing expectations in respect of the discount rate and comparing against those used by the management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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.

Independent Auditors' Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditors' Report

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yen Sau Yin, Emily.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

31 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Revenue	6	16,388,643	16,238,805
Other income	8	1,051,030	1,029,099
Gas consumption		(9,142,759)	(9,038,448)
Depreciation and amortization expense	12	(2,453,173)	(2,230,295)
Personnel costs	12	(852,220)	(756,476)
Repairs and maintenance		(624,293)	(658,294)
Other expenses		(733,492)	(726,250)
Other gains and losses	9	98,899	(80,703)
Impairment losses, net of reversal		(10,819)	(15,784)
Profit from operations		3,721,816	3,761,654
Interest income	10	53,802	43,136
Finance costs	10	(1,219,609)	(1,142,163)
Share of results of associates		119,283	79,948
Profit before taxation		2,675,292	2,742,575
Income tax expense	11	(507,961)	(626,458)
Profit for the year	12	2,167,331	2,116,117
Profit for the year attributable to:			
– Equity holders of the Company		2,090,770	1,995,943
– Holders of perpetual notes		–	35,768
– Non-controlling interests		76,561	84,406
		2,167,331	2,116,117
Earnings per share			
Basic and diluted (RMB cents)	15	25.36	26.55

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit for the year	<u>2,167,331</u>	<u>2,116,117</u>
Items that will not be reclassified to profit or loss:		
Fair value gain (loss) on equity instruments at fair value through other comprehensive income	6,072	(6,107)
Income tax relating to items that will not be reclassified to profit or loss	<u>(1,518)</u>	<u>1,527</u>
	<u>4,554</u>	<u>(4,580)</u>
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(6,618)	(74,701)
Cash flow hedges:		
Gain (loss) during the year	13,103	(183,025)
Reclassification of reserves in relation with power purchase agreement	11,617	–
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(5,227)</u>	<u>50,771</u>
	<u>12,875</u>	<u>(206,955)</u>
Other comprehensive income (expense) for the year, net of income tax	<u>17,429</u>	<u>(211,535)</u>
Total comprehensive income for the year	<u>2,184,760</u>	<u>1,904,582</u>
Total comprehensive income for the year attributable to:		
– Equity holders of the Company	2,108,199	1,784,408
– Holders of perpetual notes	–	35,768
– Non-controlling interests	<u>76,561</u>	<u>84,406</u>
	<u>2,184,760</u>	<u>1,904,582</u>

Consolidated Statement of Financial Position

AT 31 DECEMBER 2019

		At 31 December	
	Notes	2019 RMB'000	2018 RMB'000
Non-current Assets			
Property, plant and equipment	16	39,783,191	34,899,238
Right-of-use assets	17	1,060,884	–
Intangible assets	19	4,048,675	3,589,275
Goodwill	20	190,049	190,049
Prepaid lease payments	18	–	239,697
Investments in associates	22(a)	2,025,210	1,950,247
Loans to associates	22(b)	134,000	139,000
Investment in a joint venture	23(a)	152,967	152,967
Loans to a joint venture	23(b)	15,000	30,000
Deferred tax assets	24	326,603	284,596
Equity instruments at fair value through other comprehensive income	25	142,313	136,241
Value-added tax recoverable	29	910,507	525,080
Prepayments for acquisition of property, plant and equipment		689,652	622,488
Restricted bank deposits	31	55,645	51,060
Derivative financial asset	37	7,597	–
		49,542,293	42,809,938
Current Assets			
Inventories	26	106,485	115,831
Trade and bills receivables	27	4,897,922	5,364,872
Other receivables, deposits and prepayments	28	344,809	359,081
Current tax assets		10,639	15,098
Loans to a joint venture – current	23(b)	60,000	–
Amounts due from related parties	48(a)	60,371	158,017
Prepaid lease payments	18	–	6,081
Value-added tax recoverable	29	383,058	362,287
Financial asset at fair value through profit or loss	30	259,880	227,313
Restricted bank deposits	31	1,592	102,005
Cash and cash equivalents	32	4,056,110	5,420,937
		10,180,866	12,131,522

Consolidated Statement of Financial Position

AT 31 DECEMBER 2019

	Notes	At 31 December	
		2019 RMB'000	2018 RMB'000
Current Liabilities			
Trade and other payables	33	4,737,422	3,708,661
Amounts due to related parties	48(b)	138,243	129,938
Bank and other borrowings – due within one year	34	7,863,793	8,864,459
Short-term debentures	35	6,076,941	6,086,848
Medium-term notes	36	70,283	80,189
Corporate bond	36	4,873	–
Contract liabilities		62,079	88,564
Lease liabilities	39	44,361	–
Derivative financial liabilities	37	8,707	–
Income tax payable		117,791	128,598
Deferred income	38	313,033	304,660
		19,437,526	19,391,917
Net Current Liabilities		(9,256,660)	(7,260,395)
Total Assets less Current Liabilities		40,285,633	35,549,543
Non-current Liabilities			
Derivative financial liabilities	37	62,382	49,202
Bank and other borrowings – due after one year	34	11,409,514	9,824,454
Medium-term notes	36	3,490,094	3,490,094
Corporate bond	36	999,642	–
Deferred tax liabilities	24	196,110	177,799
Deferred income	38	485,258	464,824
Lease liabilities	39	543,039	–
Other non-current liability	40	24,285	31,570
		17,210,324	14,037,943
Net Assets		23,075,309	21,511,600
Capital and Reserves			
Share capital	41	8,244,508	8,244,508
Reserves		14,428,160	12,869,870
		22,672,668	21,114,378
Equity attributable to equity holders of the Company		402,641	397,222
Non-controlling interests			
Total Equity		23,075,309	21,511,600

The consolidated financial statements on pages 83 to 219 were approved and authorized for issue by the board of directors on 31 March 2020 and are signed on its behalf by:

LIU Haixia
Director

ZHANG Fengyang
Director

Consolidated Statement of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to ordinary shareholders of the Company											
	Share capital	Capital reserve	Statutory surplus reserve	Other reserves	Fair value through other comprehensive income reserve	Cash flow hedging reserve	Currency translation differences	Retained profits	Total	Perpetual notes	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 41)	(Note 42)	(Note (a))	(Note (b))								
At 1 January 2018	6,870,423	2,303,646	1,926,756	(81,279)	10,740	48,083	(104,098)	5,845,060	16,819,331	1,527,982	568,528	18,915,841
Profit for the year	-	-	-	-	-	-	-	1,995,943	1,995,943	35,768	84,406	2,116,117
Other comprehensive expense for the year	-	-	-	-	(4,580)	(132,254)	(74,701)	-	(211,535)	-	-	(211,535)
Total comprehensive (expense) income for the year	-	-	-	-	(4,580)	(132,254)	(74,701)	1,995,943	1,784,408	35,768	84,406	1,904,582
Issue of shares	1,374,085	1,645,986	-	-	-	-	-	-	3,020,071	-	-	3,020,071
Issuance cost	-	(1,659)	-	-	-	-	-	-	(1,659)	-	-	(1,659)
Acquisition of non-controlling interests (Note (c))	-	-	-	14,141	-	-	-	-	14,141	-	(219,981)	(205,840)
Repayment of perpetual notes	-	(13,500)	-	-	-	-	-	-	(13,500)	(1,486,500)	-	(1,500,000)
Appropriation to statutory surplus reserve	-	-	189,865	-	-	-	-	(189,865)	-	-	-	-
Capital contribution in a subsidiary from non-controlling interest	-	-	-	-	-	-	-	-	-	-	27,595	27,595
Dividend declared	-	-	-	-	-	-	-	(508,414)	(508,414)	(77,250)	(63,326)	(648,990)
At 31 December 2018	8,244,508	3,934,473	2,116,621	(67,138)	6,160	(84,171)	(178,799)	7,142,724	21,114,378	-	397,222	21,511,600
At 1 January 2019	8,244,508	3,934,473	2,116,621	(67,138)	6,160	(84,171)	(178,799)	7,142,724	21,114,378	-	397,222	21,511,600
Profit for the year	-	-	-	-	-	-	-	2,090,770	2,090,770	-	76,561	2,167,331
Other comprehensive income (expense) for the year	-	-	-	-	4,554	19,493	(6,618)	-	17,429	-	-	17,429
Total comprehensive income (expense) for the year	-	-	-	-	4,554	19,493	(6,618)	2,090,770	2,108,199	-	76,561	2,184,760
Appropriation to statutory surplus reserve	-	-	169,799	-	-	-	-	(169,799)	-	-	-	-
Dividend declared	-	-	-	-	-	-	-	(549,909)	(549,909)	-	(71,142)	(621,051)
At 31 December 2019	8,244,508	3,934,473	2,286,420	(67,138)	10,714	(64,678)	(185,417)	8,513,786	22,672,668	-	402,641	23,075,309

Notes:

- (a) According to the relevant requirement in the memorandum and articles of association of Beijing Jingneng Clean Energy Co., Limited and its subsidiaries (collectively referred to as the "Group"), a portion of their profits after taxation computed in accordance with the relevant accounting principles and financial regulations in the People's Republic of China will be transferred to statutory surplus reserve. The transfer to this reserve must be made before the distribution of a dividend to ordinary shareholders. Such statutory surplus reserve can be used to offset the previous years' losses, if any, or increase capital. The statutory surplus reserve is non-distributable other than upon liquidation.
- (b) Other reserves represent: (i) the share of other comprehensive income of associates and a joint venture; (ii) the share of equity movement arising from an associate's equity transaction with its non-controlling interest.
- (c) In March 2018, the Group purchased 25% equity interest of New Gullen Wind Farm ("New GRWF") from Xinjiang Goldwind Science Technology Co., Ltd, which was the then minority shareholder. Since then, the Group held 100% equity interest of New GRWF.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Operating activities		
Profit before taxation	2,675,292	2,742,575
Adjustments for:		
Depreciation and amortization expense	2,453,173	2,230,295
Change in fair value of financial asset at fair value through profit or loss	(26,990)	30,655
Impairment losses, net of reversal	10,819	15,784
Dividend from equity instruments at fair value through other comprehensive income	(5,298)	(11,124)
(Gain) loss on disposal of property, plant and equipment	(1,190)	2,200
Loss on cash flow hedging instrument	26,651	29,369
Share of results of associates	(119,283)	(79,948)
Interest income	(53,802)	(43,136)
Finance costs	1,219,609	1,142,163
Bargain purchase gain	(117,088)	–
Prepaid lease payments released to profit or loss	–	6,081
Release of a contractual obligation	(5,379)	(5,315)
Deferred income released to profit or loss	(729,950)	(703,402)
Operating cash flows before movements in working capital	5,326,564	5,356,197
Movements in working capital:		
Decrease in inventories	9,346	14,542
Decrease (increase) in trade and bills receivables	456,132	(1,513,063)
Decrease in amounts due from related parties	96,477	299,072
Decrease in other receivables, deposits and prepayments and value-added tax recoverable	372,309	266,967
(Decrease) increase in trade and other payables	(1,321,663)	408,937
Increase in amounts due to related parties	24,903	50,318
Increase in deferred income	710,338	742,275
(Decrease) increase in contract liabilities	(26,485)	28,533
Cash generated from operations	5,647,921	5,653,778
Income tax paid	(549,248)	(663,345)
Net cash generated from operating activities	5,098,673	4,990,433

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Investing activities			
Interest received		51,522	37,385
Dividends received		50,219	51,943
Repayments of loans by associates		5,000	142,000
Amount advanced to associates		–	(139,000)
Amount advanced to a joint venture		(60,000)	–
Capital injection into a joint venture		–	(72,500)
Repayments of loans by a joint venture		15,000	–
Purchases of:			
– Property, plant and equipment		(4,335,897)	(3,234,672)
– Intangible assets		(59,277)	(38,038)
Cash outflow on acquisition of subsidiaries	43	(283,838)	(4,148)
Addition of prepaid lease payments on land use rights		–	(52,027)
Proceeds on disposal of property, plant and equipment		81,109	6,779
Withdrawal of restricted bank deposits		100,489	656,573
Placement of restricted bank deposits		(4,661)	(93,744)
Cash received from government grants		48,418	4,675
Net cash used in investing activities		(4,391,916)	(2,734,774)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Financing activities		
Acquisition of partial interest of a subsidiary	–	(205,840)
Interest paid	(1,189,788)	(1,014,315)
Cash received from capital contribution of non-controlling interest	–	27,595
New bank and other borrowings raised	7,576,504	8,926,609
Repayments of bank and other borrowings	(8,725,240)	(9,698,347)
Proceeds from issuance of short-term debentures	8,000,000	8,500,000
Issuance cost for short-term debentures	(10,592)	(23,299)
Repayments of short-term debentures	(8,000,000)	(8,500,000)
Proceeds from issuance of medium-term notes	–	1,500,000
Issuance cost for medium-term notes	–	(11,035)
Proceeds from issuance of corporate bond	1,000,000	–
Issuance cost for corporate bond	(358)	–
Proceeds from issue of new shares	–	3,020,071
Expenses on issue of new shares	–	(1,659)
Repayments of perpetual note	–	(1,500,000)
Repayments of lease liabilities	(13,569)	–
Dividends paid to:		
– Ordinary shareholders of the Company	(549,909)	(508,414)
– Non-controlling interests	(136,462)	–
– Holders of perpetual notes	–	(77,250)
Net cash (used in) from financing activities	(2,049,414)	434,116
Net (decrease) increase in cash and cash equivalents	(1,342,657)	2,689,775
Cash and cash equivalents at the beginning of the year	5,420,937	2,675,087
Effect of foreign exchange rate changes	(22,170)	56,075
Cash and cash equivalents at the end of the year	4,056,110	5,420,937
Represented by:		
Cash and cash equivalents at the end of the year	4,056,110	5,420,937

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Beijing Jingneng Clean Energy Co., Limited (the “Company”) is a joint stock company established in the People’s Republic of China (the “PRC”) with limited liability and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

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

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the Directors have given careful consideration that at 31 December 2019, the Group has net current liabilities of RMB9,256,660,000. The Group meets its working capital requirements with cash generated from its operating activities and available financing facilities from banks. At 31 December 2019, the Group has committed unutilized financing facilities granted to the Group amounting to approximately RMB22 billion of which approximately RMB16 billion are subject to renewal during the next 12 months from the date of the consolidated statement of financial position. The Directors are confident that these financing facilities will continue to be available to the Group for the foreseeable period not less than 12 months from the date of the consolidated statement of financial position. Based on the assessment, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

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

Except for the application on IFRS 16 *Leases* (“IFRS 16”), the application of the new and amendments to IFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* (“IAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 *Determining whether an Arrangement Contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

3.1 IFRS 16 Leases (continued)

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognized at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognized additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying IFRS16.C8(b)(ii) transition. Any difference at the date of initial application is recognized in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;
- ii. elected not to recognize right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of leasehold land and buildings in the PRC was determined on a portfolio basis; and
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group’s leases with extension and termination options.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

3.1 IFRS 16 Leases (continued)

As a lessee (continued)

When recognizing the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.90%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	296,633
Lease liabilities discounted at relevant incremental borrowing rate	244,233
Less: Recognition exemption – short-term leases	(34,861)
Lease liabilities relating to operating leases recognized upon application of IFRS 16 as at 1 January 2019	209,372
Analysed as	
Current	30,818
Non-current	178,554
	209,372

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

3.1 IFRS 16 Leases (continued)

As a lessee (continued)

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	<i>Note</i>	Right-of-use assets <i>RMB'000</i>
Right-of-use assets relating to operating leases recognized upon application of IFRS 16		209,372
Reclassified from prepaid lease payments	(a)	245,778
Reclassified from prepaid rent for leasehold land		<u>81,522</u>
		<u>536,672</u>
By class:		
Leasehold lands and buildings		<u>536,672</u>

- (a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB6,081,000 and RMB239,697,000 respectively were reclassified to right-of-use assets.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

New and amendments to IFRSs that are mandatorily effective for the current year (continued)

3.1 IFRS 16 Leases (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognized in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 <i>RMB'000</i>	Adjustments <i>RMB'000</i>	Carrying amounts under IFRS 16 at 1 January 2019 <i>RMB'000</i>
Non-current Assets			
Property, plant and equipment	34,899,238	(16,579)	34,882,659
Prepaid lease payments	239,697	(239,697)	–
Right-of-use assets	–	536,672	536,672
Current Assets			
Prepaid lease payments	6,081	(6,081)	–
Other receivables, deposits and prepayments	359,081	(64,943)	294,138
Current Liabilities			
Lease liabilities	–	30,818	30,818
Non-current Liabilities			
Lease liabilities	–	178,554	178,554

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	<i>Insurance Contracts</i> ¹
Amendments to IFRS 3	<i>Definition of a Business</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ⁵
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i> ⁴
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i> ⁴

Notes:

- (1) Effective for annual periods beginning on or after 1 January 2021.
- (2) Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
- (3) Effective for annual periods beginning on or after a date to be determined.
- (4) Effective for annual periods beginning on or after 1 January 2020.
- (5) Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the *Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

New and amendments to IFRSs in issue but not yet effective *(continued)*

Amendments to IFRS 3 Definition of a Business

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Basis of consolidation (*continued*)

Changes in the Group's interests in existing subsidiaries

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

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

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

Business combinations

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

Goodwill

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill (continued)

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

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

Investments in associates and joint ventures

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

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

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

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

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

Revenue from contracts with customers

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue from contracts with customers *(continued)*

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

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

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

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

Output method

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

Existence of significant financing component

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in Note 3)

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

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of the underlying assets that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases is recognized as expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3) (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date, less any lease incentives received.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3) (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- amounts expected to be payable by the Group under residual value guarantees.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in Note 3) (continued)

Lease modifications (continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as a lessee (prior to 1 January 2019)

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

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

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

Foreign currencies

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Borrowing costs

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

Effective 1 January 2019, any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Government grants

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

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

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

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

Retirement benefit costs

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

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

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

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Taxation (*continued*)

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognized at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Intangible assets

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

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. Amortization begins when the intangible asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

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

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

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

Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(continued)*

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Inventories

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

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

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

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

A financial asset is held for trading if:

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortized cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

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

Derecognition of financial assets

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities at amortized cost

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

Derecognition of financial liabilities

The Group derecognized financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Hedge accounting

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

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

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

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

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

Cash flow hedges

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Hedge accounting (continued)

Cash flow hedges (continued)

Amounts previously recognized in other comprehensive income and accumulated in equity (cash flow hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

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

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

Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the Group's parent.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

Useful lives of property, plant and equipment

The Group's management determines the useful lives and related depreciation expenses for its property, plant and equipment, after taking into account of the estimated residual value. This estimate is based on historical experience on the projected wear and tear incurred during power generation. It might change significantly as a result of technical innovations. The depreciation expense for future periods would be adjusted if there are significant changes from previous estimates. At 31 December 2019, the carrying amounts of property, plant and equipment are set out in Note 16.

Useful lives of concession rights and operation rights

The Group's management determines the useful lives and related amortization expenses for its wind farm concession rights and wind or hydropower operation rights. This estimate is based on corresponding legal or contractual arrangements, projected profitability, and current legal and economic environment. It might be significantly affected by factors that include but not limited to the changes in the legal and regulatory framework, economic environment, technical innovation, etc. The amortization expense for future periods would be adjusted if there are significant changes from previous estimates. At 31 December 2019, the carrying amounts of wind farm concession rights and wind or hydropower operation rights are set out in Note 19.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("CGUs") to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. The carrying amount of goodwill at 31 December 2019 is set out in Note 20.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Impairment of trade receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note 50.

Fair value measurement of financial derivative – power purchase agreement

Determining the fair value of the Power Purchase Agreement (the "PPA") derivative requires an estimation of the future electricity spot price in Australia, the volume of electricity generated by New Gullen Range Wind Farm Pty Ltd. ("New GRWF", a subsidiary of the Company) and a suitable discount rate in order to calculate the present value of future cash flows. Changes in the assumptions in the valuation model and inputs might affect the reported fair value of the financial derivative. Information of the fair value of the financial derivative at 31 December 2019 is set out in Note 50(c).

Fair value measurement of equity instruments

The Group's unquoted equity instruments amounting to RMB144,654,000 as at 31 December 2019 are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors might affect the reported fair values of these equity instruments. Further information is set out in Note 50(c).

Fair value measurements on acquisition of sixteen photovoltaic companies (the "Targets")

As set out in Note 43, the Group was required to determine the fair value of identifiable assets acquired and liabilities assumed in the acquisition of the Targets in accordance with IFRS 3 on respective acquisition dates. The determination of the fair value of intangible assets acquired in the acquisition of the Targets requires judgement by management in establishing the valuation techniques and determining the relevant inputs. Changes in the assumptions relating to these factors might affect the reported bargain purchase gain recognized in profit or loss in the current year.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2019					Total RMB'000
	Gas-fired power and heat energy generation RMB'000	Wind power RMB'000	Photovoltaic power RMB'000	Hydropower RMB'000	Others RMB'000	
Types of goods and services						
Sales of electricity	10,617,359	1,996,032	1,604,606	366,399	-	14,584,396
Sales of heat energy	1,802,599	-	-	-	-	1,802,599
Repairs and maintenance and other services	-	-	-	-	1,648	1,648
Timing of revenue recognition						
A point in time	12,419,958	1,996,032	1,604,606	366,399	-	16,386,995
Over time	-	-	-	-	1,648	1,648
Geographical market						
Mainland China	12,419,958	1,865,428	1,604,606	366,399	1,648	16,258,039
Overseas	-	130,604	-	-	-	130,604
Revenue from contracts with customers	12,419,958	1,996,032	1,604,606	366,399	1,648	16,388,643

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

6. REVENUE (continued)

(i) Disaggregation of revenue from contracts with customers (continued)

	For the year ended 31 December 2018					
	Gas-fired power and heat energy generation <i>RMB'000</i>	Wind power <i>RMB'000</i>	Photovoltaic power <i>RMB'000</i>	Hydropower <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services						
Sales of electricity	10,755,827	2,115,028	1,171,286	362,640	-	14,404,781
Sales of heat energy	1,823,955	-	-	-	-	1,823,955
Repairs and maintenance and other services	-	-	-	-	10,069	10,069
Timing of revenue recognition						
A point in time	12,579,782	2,115,028	1,171,286	362,640	-	16,228,736
Over time	-	-	-	-	10,069	10,069
Geographical market						
Mainland China	12,579,782	1,966,974	1,171,286	362,640	10,069	16,090,751
Overseas	-	148,054	-	-	-	148,054
Revenue from contracts with customers	<u>12,579,782</u>	<u>2,115,028</u>	<u>1,171,286</u>	<u>362,640</u>	<u>10,069</u>	<u>16,238,805</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

6. REVENUE *(continued)*

(ii) Performance obligations for contracts with customers

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

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

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognizing revenue are within one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

7. SEGMENT INFORMATION

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

- Gas-fired power and heat energy generation: managing and operating natural gas-fired power plants and generating electric power and heat energy for sale to external customers.
- Wind power: constructing, managing and operating wind power plants and generating electric power for sale to external customers.
- Photovoltaic power: constructing, managing and operating photovoltaic power plants and sales of electricity generated to external customers.
- Hydropower: managing and operating hydropower plants and sales of electricity generated to external customers.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

7. SEGMENT INFORMATION (continued)

(a) Segment revenue, results, assets and liabilities

An analysis of the Group's reportable segment revenue, results, assets, and liabilities for the years ended 31 December 2019 and 2018 by operating and reportable segment is as follows:

	Gas-fired power and heat energy generation <i>RMB'000</i>	Wind power <i>RMB'000</i>	Photovoltaic power <i>RMB'000</i>	Hydropower <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended 31 December 2019						
Revenue from external customers	12,419,958	1,996,032	1,604,606	366,399	1,648	16,388,643
Reportable segment revenue/ consolidated revenue	12,419,958	1,996,032	1,604,606	366,399	1,648	16,388,643
Reportable segment results (Note (i))	1,909,735	912,540	905,258	110,717	(121,732)	3,716,518
Reportable segment assets	14,874,157	20,741,946	16,733,344	2,994,401	26,010,626	81,354,474
Reportable segment liabilities	(8,160,872)	(13,853,913)	(12,859,926)	(2,010,073)	(23,936,573)	(60,821,357)
Additional segment information:						
Depreciation	867,722	698,126	541,724	106,886	1,882	2,216,340
Amortization	9,712	200,774	936	24,891	520	236,833
Finance costs (Note (ii))	115,127	397,880	290,924	73,941	341,737	1,219,609
Other income	785,222	239,292	6,792	1,445	12,981	1,045,732
Including:						
- Government grants related to clean energy production	680,616	21,349	-	-	-	701,965
- Grants related to construction of assets	17,495	5,006	4,590	894	-	27,985
- Income from carbon credits	761	130,313	-	-	-	131,074
- Others	86,350	82,624	2,202	551	12,981	184,708
Expenditures for reportable segment non-current assets	694,651	1,213,051	5,750,579	46,036	4,384	7,708,701

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

7. SEGMENT INFORMATION (continued)

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

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

Notes:

- (i) The segment results are arrived at after the deduction from revenue of gas consumption, depreciation and amortization expense, personnel costs, repairs and maintenance, other expenses, other gains and losses and impairment losses and including other income (excluding dividend from equity instruments at FVTOCI).
- (ii) Finance costs have been allocated among the segments for the additional information to the CODM, but are not considered to arrive at the segment results. It represents amounts regularly provided to the CODM but not included in the measure of segment profit or loss. However, the relevant borrowings have been allocated into the segment liabilities.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

7. SEGMENT INFORMATION *(continued)*

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Results		
Reportable segment profit	3,716,518	3,750,530
Unallocated		
Dividend income from equity instruments at FVTOCI	5,298	11,124
Profit from operations	3,721,816	3,761,654
Interest income	53,802	43,136
Finance costs	(1,219,609)	(1,142,163)
Share of results of associates	119,283	79,948
Consolidated profit before taxation	2,675,292	2,742,575

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

7. SEGMENT INFORMATION (continued)

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

	At 31 December	
	2019 RMB'000	2018 RMB'000
Assets		
Reportable segment assets	81,354,474	69,987,195
Inter-segment elimination	(25,780,973)	(18,626,153)
Unallocated assets:		
– Investments in associates	2,025,210	1,950,247
– Loans to associates	134,000	139,000
– Investment in a joint venture	152,967	152,967
– Loans to a joint venture	75,000	30,000
– Deferred tax assets	326,603	284,596
– Equity instruments at FVTOCI	142,313	136,241
Different presentation on:		
– Value-added tax recoverable (Note)	1,293,565	887,367
Consolidated total assets	59,723,159	54,941,460
Liabilities		
Reportable segment liabilities	60,821,357	50,862,249
Inter-segment elimination	(25,780,973)	(18,626,153)
Unallocated liabilities:		
– Income tax payable	117,791	128,598
– Deferred tax liabilities	196,110	177,799
Different presentation on:		
– Value-added tax recoverable (Note)	1,293,565	887,367
Consolidated total liabilities	36,647,850	33,429,860

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

7. SEGMENT INFORMATION *(continued)*

(c) Geographical information

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

(d) Information of major customers

Revenue from the PRC government controlled power grid companies for the year ended 31 December 2019 amounted to RMB14,414,562,000 (2018: RMB14,230,408,000), which accounts for approximately 88% (2018: 88%) of the Group's external revenue. Sales of electricity to the major customers for current and prior years by segment were as follows:

	Year ended 31 December	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Gas-fired power and heat energy generation	10,617,359	10,755,827
Wind power	1,865,428	1,981,192
Photovoltaic power	1,604,606	1,171,286
Hydropower	327,169	322,103
Total	14,414,562	14,230,408

No other customer contributed over 10% of the total external revenue of the Group for both years.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

8. OTHER INCOME

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Government grants and subsidies related to:		
– Clean energy production (Note 38(a))	701,965	675,782
– Construction of assets (Note 38(b))	27,985	27,620
Income from carbon credits (Note (a))	131,074	139,193
Value-added tax refunds (Note (b))	105,327	120,572
Dividend from equity instruments at FVTOCI	5,298	11,124
Others	79,381	54,808
	1,051,030	1,029,099

Notes:

- (a) Income from carbon credits was mainly derived from the sales of carbon credits registered under relevant mechanisms in Australia and the PRC.
- (b) The Group is entitled to a 50% refund of value-added tax for its revenue from the sale of electricity generated from the wind farms, and a full refund of value-added tax for its revenue from the sale of heat energy to residential customers. The income of the value-added tax refund is recognized when relevant value-added tax refund application is registered with the relevant PRC tax authorities.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

9. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Other gains and losses comprise:		
Gain (loss) on disposal of property, plant and equipment	1,190	(2,200)
Net exchange loss	(3,059)	(15,665)
Gain (loss) arising on change in fair value of financial asset at FVTPL (Note 30)	26,990	(30,655)
Ineffectiveness arising from cash flow hedging instrument recognized in profit or loss (Note 50(c))	–	(29,369)
Fair value loss of cash flow hedging instrument recognized in profit or loss (Note 50(c))	(26,651)	–
Bargain purchase gain (Note 43)	117,088	–
Others	(16,659)	(2,814)
	98,899	(80,703)

10. INTEREST INCOME/FINANCE COSTS

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Interest income from:		
– Loans to associates	6,245	6,751
– Loans to a joint venture	2,988	1,445
– Deposits with a related non-bank financial institution (Note)	21,097	14,908
– Bank balances and deposits	23,472	20,032
Total interest income	53,802	43,136
Interest on bank and other borrowings, short-term debentures, corporate bonds and medium-term notes	1,298,820	1,236,813
Interest on lease liabilities	12,694	–
Less: Amount capitalized in property, plant and equipment	(91,905)	(94,650)
Total finance costs	1,219,609	1,142,163

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

10. INTEREST INCOME/FINANCE COSTS (continued)

	Year ended 31 December	
	2019	2018
Capitalization rate of borrowing costs to expenditure on qualifying assets	4.41%	5.11%

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

11. INCOME TAX EXPENSE

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Current tax:		
PRC enterprise income tax	532,152	654,645
Other jurisdictions	10,748	–
	<u>542,900</u>	<u>654,645</u>
Deferred tax:		
Current year	<u>(34,939)</u>	<u>(28,187)</u>
Income tax expense	<u>507,961</u>	<u>626,458</u>

PRC enterprise income tax has been generally provided at the applicable enterprise income tax rate of 25% (2018: 25%) on the estimated assessable profits of the group entities established in the PRC for the year ended 31 December 2019.

Under the PRC enterprise income tax law, the preferential tax treatment for encouraged enterprises located in the western PRC and certain industry-oriented tax incentives remain available up to 31 December 2020 when the original preferential tax period expired. A PRC enterprise which enjoys this tax treatment is entitled to a preferential tax rate of 15% with a two-year tax exemption and a three-year 50% deduction on the PRC enterprise income tax for taxable income commencing from the first year, when relevant projects start to generate revenue. Certain of the Group's wind farm projects, photovoltaic projects and hydropower power projects were entitled to this tax concession for the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

11. INCOME TAX EXPENSE (continued)

An operating subsidiary of the Company 北京京能未來燃氣熱電有限公司 (Beijing Jingneng Weilai Gas-fired Power Co., Ltd., English name for identification purpose) (“Weilai Gas”) was qualified as High and New Technology Enterprise and is entitled to a preferential income tax rate of 15%, for the years ended 31 December 2019 and 2018.

Under the two-tiered profits tax rates regime in Hong Kong, the first Hong Kong dollars (“HK\$”) 2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of relevant group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong income tax has been made as the Group has no assessable profit derived in Hong Kong.

Australian income tax is calculated at 30% (2018: 30%) of the estimated assessable profit.

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

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before taxation	2,675,292	2,742,575
PRC enterprise income tax at 25% (2018: 25%)	668,823	685,644
Tax effect on:		
– Expenses not deductible for tax purposes	18,832	16,490
– Share of results of associates	(29,821)	(19,987)
– Tax losses not recognized as deferred tax assets	72,011	44,748
– Utilization of tax losses not recognized previously	(1,965)	(2,019)
– PRC enterprise income tax exemption and concessions	(229,085)	(102,864)
Effect of different tax rates of group entities operating in jurisdictions other than PRC	9,166	4,446
	507,961	626,458

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

12. PROFIT FOR THE YEAR

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit for the year has been arrived at after charging:		
Auditors' remuneration	8,463	6,324
Expense relating to short-term leases	46,987	–
Operating lease payments in respect of land and building	–	65,712
Release of prepaid lease payments	–	6,081
	55,450	78,117
Depreciation and amortization:		
Depreciation of property, plant and equipment	2,194,651	2,030,234
Depreciation of right-of-use assets	29,736	–
Amortization of intangible assets	236,833	212,133
Less: Amount capitalized to construction in progress	(8,047)	(12,072)
	2,453,173	2,230,295
Total depreciation and amortization		
Personnel costs:		
Directors' emoluments (<i>Note 13</i>)	3,315	1,205
Other personnel costs	848,905	755,271
	852,220	756,476
Total personnel costs		

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

	Directors' fees <i>RMB'000</i>	Basic salaries and allowances <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i> <i>(Note)</i>	Retirement benefit contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2019					
Executive Directors:					
Mr. ZHANG Fengyang	-	376	661	50	1,087
Mr. ZHU Jun (appointed on 20 June 2019)	-	316	487	50	853
Mr. CAO Mansheng (appointed on 20 June 2019)	-	316	509	50	875
	-	1,008	1,657	150	2,815

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

	Directors' fees <i>RMB'000</i>	Basic salaries and allowances <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Retirement benefit contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Non-executive Directors:					
Mr. LIU Haixia	-	-	-	-	-
Ms. LI Juan	-	-	-	-	-
Mr. REN Qigui (appointed on 20 June 2019)	-	-	-	-	-
Mr. WANG Bangyi (appointed on 20 June 2019)	-	-	-	-	-
Mr. ZHAO Wei (resigned on 30 January 2019)	-	-	-	-	-
Mr. JIN Shengxiang (resigned on 20 June 2019)	-	-	-	-	-
Mr. TANG Xinbing (resigned on 20 June 2019)	-	-	-	-	-
	-	-	-	-	-
Independent Non-executive Directors:					
Mr. HUANG Xiang	150	-	-	-	150
Mr. CHAN Yin Tsung	150	-	-	-	150
Mr. ZHANG Fusheng	100	-	-	-	100
Mr. HAN Xiaoping	100	-	-	-	100
	500	-	-	-	500

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

The independent non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

	Directors' fees RMB'000	Basic salaries and allowances RMB'000	Discretionary bonus RMB'000 (Note)	Retirement benefit contributions RMB'000	Total RMB'000
Supervisors:					
Mr. WANG Xiangneng (appointed on 20 June 2019)	-	-	-	-	-
Mr. HUANG Hui (appointed on 20 June 2019)	-	-	-	-	-
Mr. LI Xun (resigned on 20 June 2019)	-	-	-	-	-
Mr. LIU Jiakai (resigned on 20 June 2019)	-	-	-	-	-
Ms. HUANG Linwei	-	249	323	50	622
	-	249	323	50	622
	500	1,257	1,980	200	3,937

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

The independent non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

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

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

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

During the year, the Directors' emoluments were RMB3,315,000 (2018: RMB1,205,000). Also, Mr. Liu Haixia, Ms. Li Juan, Mr. Ren Qigui, Mr. Wang Bangyi, Mr. Wang Xiangneng, Mr. Huang Hui, Mr. Li Xun and Mr. Liu Jiakai did not receive any remuneration from the Company and the Group for their services provided to the Company and the Group during the year. They were also management of BEH and their remunerations were paid by BEH over the respective years. Given the amounts of emoluments paid by BEH to them are considered to be not material compared with the revenue and profits of the Group, BEH did not allocate any of their remuneration to the Group.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Five highest paid individuals

For the years ended 31 December 2018 and 2019, the five highest paid individuals did not include any directors or supervisors. The emoluments of the five highest paid individuals for the year are as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Salaries and allowances	1,923	1,712
Discretionary bonus (<i>Note</i>)	2,226	2,228
Retirement benefit contributions	250	277
	4,399	4,217

Each of the five highest paid individuals in the Group for the years ended 31 December 2019 and 2018 was within the band of Nil to HK\$1,000,000.

Note: The discretionary bonus is determined by the remuneration committee of the Company in accordance with the relevant human resources policies.

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

14. DIVIDENDS

- (a) A final dividend of RMB6.67 cents per ordinary share (tax inclusive) in respect of the year ended 31 December 2018 amounting to RMB549,900,000 was approved in the Company's annual general meeting held on 20 June 2019 and subsequently paid on 1 August 2019.
- (b) A final dividend of RMB7.40 cents per ordinary share (tax inclusive) in respect of the year ended 31 December 2017 amounting to RMB508,411,000 was approved in the Company's annual general meeting held on 28 June 2018 and subsequently paid on 10 August 2018.
- (c) Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of RMB7.22 cents per ordinary share (tax inclusive), totaling RMB595,300,000 has been proposed by the Board of Directors and is subject to approval by shareholders of the Company at the forthcoming annual general meeting.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

15. EARNINGS PER SHARE

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

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Earnings		
Profit for the year attributable to ordinary shareholders of the Company for the purpose of earnings per share	2,090,770	1,995,943

	Year ended 31 December	
	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	8,244,508	7,517,937

Diluted earnings per share are presented as the same as the basic earnings per share as there were no potential ordinary shares in issue during both years.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Generators and related equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2018	7,697,953	31,724,405	123,451	99,227	4,087,457	43,732,493
Additions	24,515	5,134	3,307	5,919	3,025,257	3,064,132
Adjustment <i>(Note (b))</i>	25,755	(18,608)	(1,918)	(1,140)	-	4,089
Transfer	623,615	3,355,339	-	1,227	(3,980,181)	-
Capitalization of depreciation for construction in progress	-	-	-	-	3,001	3,001
Disposals	-	(12,813)	(30,154)	(1,846)	-	(44,813)
Effect of foreign currency exchange differences	(190)	(104,016)	(27)	(9)	-	(104,242)
At 31 December 2018	8,371,648	34,949,441	94,659	103,378	3,135,534	46,654,660
Adjustments upon application of IFRS 16	-	-	-	-	(16,579)	(16,579)
At 1 January 2019 (restated)	8,371,648	34,949,441	94,659	103,378	3,118,955	46,638,081
Additions	11,330	477,795	2,937	8,157	3,679,981	4,180,200
Adjustment <i>(Note (b))</i>	6,712	(3,702)	544	1,181	-	4,735
Transfer	45,993	2,206,265	-	2,093	(2,254,351)	-
Acquired on acquisition of subsidiaries <i>(Note 43)</i>	30,470	2,418,498	10	35	523,127	2,972,140
Capitalization of depreciation for construction in progress	-	-	-	-	475	475
Disposals	(45)	(350,141)	(7,082)	(3,380)	-	(360,648)
Effect of foreign currency exchange differences	42	22,504	6	5	-	22,557
At 31 December 2019	8,466,150	39,720,660	91,074	111,469	5,068,187	53,457,540

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Land and buildings RMB'000	Generators and related equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
DEPRECIATION						
At 1 January 2018	1,202,538	8,435,744	86,802	58,592	-	9,783,676
Depreciation provided for the year	244,891	1,769,464	5,787	10,092	-	2,030,234
Eliminated on disposals	-	(9,717)	(26,183)	(1,551)	-	(37,451)
Effect of foreign currency exchange differences	-	(21,020)	(11)	(6)	-	(21,037)
At 31 December 2018	1,447,429	10,174,471	66,395	67,127	-	11,755,422
Depreciation provided for the year	258,751	1,919,144	6,435	10,321	-	2,194,651
Eliminated on disposals	(2)	(270,987)	(6,552)	(3,188)	-	(280,729)
Effect of foreign currency exchange differences	-	4,997	4	4	-	5,005
At 31 December 2019	1,706,178	11,827,625	66,282	74,264	-	13,674,349
CARRYING VALUES						
At 31 December 2019	6,759,972	27,893,035	24,792	37,205	5,068,187	39,783,191
At 31 December 2018	6,924,219	24,774,970	28,264	36,251	3,135,534	34,899,238

Notes:

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Notes: *(continued)*

- (c) The Group was in the process of applying for the title certificates of certain buildings with an aggregate net book value of RMB1,365,500,000 as at 31 December 2019 (2018: RMB1,373,410,000). The Directors are of the view that the Group is entitled to lawfully and validly occupy and use the above-mentioned buildings. The Directors are also of the opinion that the aforesaid matter did not have any significant impact on the Group's consolidated financial position as at 31 December 2019.
- (d) Certain property, plant and equipment with an aggregate carrying amount of RMB1,062,615,000 as at 31 December 2019 (2018: RMB1,512,016,000) are pledged to secure bank borrowings of the Group.

17. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000
As at 1 January 2019	
Carrying amount	<u>536,672</u>
As at 31 December 2019	
Carrying amount	<u>1,060,884</u>
For the year ended 31 December 2019	
Depreciation charge	29,736
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16	46,987
Additions to right-of-use assets <i>(Note)</i>	291,899
Acquisition of subsidiaries <i>(Note 43)</i>	262,049
Total cash outflow for leases	<u>74,095</u>

Note: The additions to right-of-use assets arise from the new contracts signed in the current year.

The Group leases lands for its operations. Lease contracts are entered into for fixed term of 3 to 30 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The short-term leases for lands are regularly entered into by the Group, and the outstanding lease commitments relating to these lands is RMB38,095,000 as at 31 December 2019.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

18. PREPAID LEASE PAYMENTS

	At 31 December 2018 RMB'000
Analysed for reporting purposes as	
Current asset	6,081
Non-current asset	239,697
	<u>245,778</u>

19. INTANGIBLE ASSETS

	Concession rights RMB'000 (Note (b))	Operation rights RMB'000 (Note (c))	Software RMB'000	Total RMB'000
COST				
At 1 January 2018	4,022,154	1,292,846	151,192	5,466,192
Additions (Note (d))	–	12,168	26,346	38,514
Disposals	–	–	(1,617)	(1,617)
At 31 December 2018	4,022,154	1,305,014	175,921	5,503,089
Additions	–	–	59,277	59,277
Acquired on acquisition of subsidiaries (Note 43)	–	636,956	–	636,956
At 31 December 2019	4,022,154	1,941,970	235,198	6,199,322
AMORTIZATION				
At 1 January 2018	1,506,209	156,684	38,788	1,701,681
Provided for the year	164,411	36,096	11,626	212,133
At 31 December 2018	1,670,620	192,780	50,414	1,913,814
Provided for the year	164,411	54,169	18,253	236,833
At 31 December 2019	1,835,031	246,949	68,667	2,150,647
CARRYING VALUES				
At 31 December 2019	2,187,123	1,695,021	166,531	4,048,675
At 31 December 2018	2,351,534	1,112,234	125,507	3,589,275

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

19. INTANGIBLE ASSETS *(continued)*

Notes:

- (a) Intangible assets have finite useful lives and are amortized on a straight-line basis over the following rates per annum:
- | | |
|-------------------|------------|
| Concession rights | 4% to 5% |
| Operation rights | 2% to 10% |
| Software | 10% to 50% |
- (b) The Group provides construction services to build up the wind power facilities and generates electricity under the concession rights. The Group recognizes the concession rights as intangible assets according to the fair value of the construction services on related assets. These concession rights are amortized according to the respective beneficial periods.
- (c) Operation rights with finite useful lives represent governmental permits or contractual arrangements which grant the operators to construct and operate power facilities. Those operation rights are obtained through business acquisition and amortized on straight-line basis according to the estimated beneficial periods of such facilities.
- (d) Amount of RMB12,168,000 represented the operation right which was acquired in 2018 through the acquisition of 深州电阳新能源有限公司 (Shenzhou Dianyang New Energy Power Co., Ltd., English name for identification purpose).

20. GOODWILL

	At 31 December	
	2019 RMB'000	2018 RMB'000
Cost and carrying amount		
Hydropower operation in Sichuan province, the PRC	124,194	124,194
Wind power operation in Australia	65,855	65,855
	190,049	190,049

Goodwill of the Group arises from the acquisition of 四川大川電力有限公司 (Sichuan Dachuan Power Co., Ltd., English name for identification purpose) ("Sichuan Dachuan"), 四川眾能電力有限公司 (Sichuan Zhongneng Power Co., Ltd., English name for identification purpose) ("Sichuan Zhongneng") and New Gullen Range Wind Farm (Holding) Pty Ltd. ("New GRWF Holding").

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

21. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill set out in Note 20 has been allocated to two CGUs: (i) one comprising two subsidiaries in the hydropower segment, namely, Sichuan Dachuan and Sichuan Zhongneng; and (ii) New GRWF Holding in the wind power segment.

During the years ended 31 December 2019 and 2018, the management of the Group determines that there is no impairment of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

The recoverable amounts of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 10.14% for hydropower CGU and 7% for wind power CGU (2018: 9.78% for hydropower CGU and 9% for wind power CGU). The CGUs' cash flows beyond the five-year period are extrapolated using a 3% growth rate for hydropower CGU and a 2.5% growth rate for wind power CGU. These growth rates are based on the relevant industry growth forecasts and do not exceed the average long-term growth rates for the relevant industries. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGUs' past performance and management's expectations for the market development.

The management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of these CGUs to exceed the aggregate recoverable amount of these CGUs.



Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

22. INVESTMENTS IN ASSOCIATES/LOANS TO ASSOCIATES

(a) Investments in associates

	At 31 December	
	2019 RMB'000	2018 RMB'000
Unlisted equity investments, at cost	827,681	827,681
Share of post-acquisition profits, net of dividend declared	1,197,529	1,122,566
	2,025,210	1,950,247

The associates of the Group were established and operate in the PRC. The details of associates of the Group as at 31 December 2019 and 2018 are set out below:

Name of associate	Paid up registered capital	Equity interest attributable to the Group		Proportion of voting rights held by the Group		Principal activities
		At 31 December 2019	2018	At 31 December 2019	2018	
北京京能國際能源股份有限 公司 (Beijing Jingneng International Energy Co., Ltd)* ("Jingneng International")	RMB3,400,000,000	20%	20%	20%	20%	Electric power and energy construction, investment management
全州柳鋪水電有限公司 (Quanzhou Liupu Hydropower Co., Ltd.)* ("Quanzhou Liupu")	RMB25,000,000	40%	40%	40%	40%	Hydropower project development and investment
北京市天銀地熱開發有限 責任公司 (Beijing Tian Yin Di Re Development Co., Ltd.)* ("Tian Yin Di Re")	RMB60,000,000	50%	50%	50%	50%	Geothermal power development and heating

* English name for identification purpose

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

22. INVESTMENTS IN ASSOCIATES/LOANS TO ASSOCIATES *(continued)*

(b) Loans to associates

	At 31 December	
	2019 RMB'000	2018 RMB'000
Loans to associates	134,000	139,000

The loans to associates include Quanzhou Liupu and Tian Yin Di Re, both loans are unsecured and carry interest at the rate which is 101.27% of the prevailing interest rates promulgated by the People's Bank of China (the "PBOC").

(c) Summarized financial information of a material associate

Summarized financial information in respect of the Group's material associate is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs. The associate is accounted for using the equity method in the consolidated financial statements.

Jingneng International	At 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets	67,586,414	57,909,781
Current assets	8,366,664	9,923,589
Non-current liabilities	31,616,611	23,543,182
Current liabilities	15,733,568	17,404,410
Non-controlling interests	18,960,969	17,610,228

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Revenue	18,438,355	12,695,169
Profit and total comprehensive income for the year	1,670,017	810,455
Profit and total comprehensive income for the year attributable to non-controlling interests	1,087,763	428,736
Dividends received from the associate during the year	43,000	3,000

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

22. INVESTMENTS IN ASSOCIATES/LOANS TO ASSOCIATES *(continued)*

(c) Summarized financial information of a material associate *(continued)*

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the consolidated financial statements:

	At 31 December	
	2019 RMB'000	2018 RMB'000
Net assets of Jingneng International	9,641,930	9,275,550
Proportion of the Group's ownership interest in Jingneng International	20%	20%
Group's share of net assets of Jingneng International	1,928,386	1,855,110
Goodwill	35,270	35,270
Carrying amount of the Group's interest in Jingneng International	1,963,656	1,890,380

(d) Aggregate information of associates that are not individually material:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Group's share of profit and total comprehensive income for the year	3,096	3,842
Aggregate carrying amount of the Group's interests in these associates	61,554	59,867

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

23. INVESTMENT IN A JOINT VENTURE/LOANS TO A JOINT VENTURE

(a) Investment in a joint venture

	At 31 December	
	2019 RMB'000	2018 RMB'000
Unlisted equity investment, at cost	152,500	152,500
Share of post-acquisition profits	467	467
	152,967	152,967

The joint venture of the Group was established and operates in the PRC. The details of the joint venture as at 31 December 2019 and 2018 are set out below:

Name of the joint venture	Paid up registered capital	Equity interest attributable to the Group		Proportion of voting rights held by the Group		Principal activity
		At 31 December		At 31 December		
		2019	2018	2019	2018	
北京華源惠眾環保科技有限公司 (Beijing Huayuan Huizhong Environmental Protection Technology Co., Ltd., English name for identification purpose)	RMB160,000,000	50%	50%	50%	50%	Environment protection technology

(b) Loans to a joint venture

	At 31 December	
	2019 RMB'000	2018 RMB'000
Loans to a joint venture	75,000	30,000

The loans to a joint venture are unsecured, carry interest at the prevailing interest rate promulgated by the PBOC, of which RMB60,000,000 will mature on 18 March 2020, and the remaining will be repayable on 17 June 2020, 25 August 2020 and 10 September 2020.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

24. DEFERRED TAXATION

The following are the Group's major deferred tax assets (liabilities) recognized and movements thereon during the years ended 31 December 2019 and 2018:

	Tax loss	Impairment loss of financial assets	Temporary differences on fair value adjustments in acquisition of subsidiaries	Fair value change of equity instruments at FVTOCI	Trial run profit	Deferred income related to clean energy production	Different depreciation rate	Fair value change of financial asset at FVTPL	Derivative financial instruments	Others	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
			(Note (c))		(Note (a))	(Note (b))		(Note (a))				
At 1 January 2018	63,131	3,264	(14,476)	(3,580)	60,615	52,129	(71,812)	(57,632)	12,698	(30,123)	13,898	28,112
(Charge) credit to profit or loss	(8,512)	633	522	-	26,544	12,380	(13,889)	4,683	5,058	7,216	(6,448)	28,187
Credit to other comprehensive income	-	-	-	1,527	-	-	-	-	-	50,771	-	52,298
Exchange adjustments	(2,872)	-	-	-	-	-	5,082	-	796	(4,770)	(36)	(1,800)
At 31 December 2018	51,747	3,897	(13,954)	(2,053)	87,159	64,509	(80,619)	(52,949)	18,552	23,094	7,414	106,797
(Charge) credit to profit or loss	(11,790)	1,731	867	-	26,608	13,749	(14,490)	4,521	(4,453)	7,995	10,201	34,939
Charge to other comprehensive income	-	-	-	(1,518)	-	-	-	-	-	(5,227)	-	(6,745)
Acquisition of subsidiaries (Note 43)	-	-	(11,219)	-	-	-	-	-	-	-	-	(11,219)
Exchange adjustments	1,685	-	-	-	-	-	(1,267)	-	333	2,461	3,509	6,721
At 31 December 2019	41,642	5,628	(24,306)	(3,571)	113,767	78,258	(96,376)	(48,428)	14,432	28,323	21,124	130,493

Notes:

- The revenue and cost generated from trial run of property, plant and equipment were credited and debited respectively to property, plant and equipment but the profit margin is subject to PRC enterprise income tax and results in a temporary difference. The trial run profit/(loss) resulted in the tax bases of the related property, plant and equipment to be higher/(lower) than their carrying value on the consolidated statement of financial position in accounting, which the group entity can receive more/(less) deductible depreciation charging to the tax profit to save/(increase) the future income tax expense during the useful life of the related property, plant and equipment. Accordingly, the deferred tax assets/(liabilities) are recognized from the trial run profit/(loss).
- The government subsidies will be taxable immediately as taxable income upon the receipt, however the income can only be released from deferred income in accounting when the actual volume of electricity generated from and sold by the Group's related gas and wind power facilities. Accordingly, the deferred tax assets are recognized.
- The carrying amount of some property, plant and equipment and intangible assets was different from their tax bases as a result of the fair value exceeding the book value in connection with the business combinations.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

24. DEFERRED TAXATION (continued)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	At 31 December	
	2019 RMB'000	2018 RMB'000
Deferred tax assets	326,603	284,596
Deferred tax liabilities	(196,110)	(177,799)
	130,493	106,797

Details of tax losses not recognized are set out below:

	At 31 December	
	2019 RMB'000	2018 RMB'000
Tax losses	1,092,956	1,093,793

The Group has not recognized deferred tax assets on above tax losses because it is not probable that the future taxable profits will be available in relevant subsidiaries to offset the tax losses.

As at 31 December 2019, included in the above tax losses are tax losses in Hong Kong of RMB61,975,000 (2018: RMB34,415,000), which can be carried forward against future taxable income and have no expiry date.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

24. DEFERRED TAXATION *(continued)*

The unrecognized tax losses will expire as follows:

	At 31 December	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
2019	–	285,152
2020	267,051	280,152
2021	155,499	155,499
2022	174,589	174,589
2023	163,986	163,986
2024	269,856	–
	1,030,981	1,059,378

25. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 31 December	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Unlisted equity investments	142,313	136,241

The above unlisted equity investments represent the Group's equity interests in unlisted equity securities issued by state-owned entities established in the PRC. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

26. INVENTORIES

Inventories as at 31 December 2019 mainly represent consumable spare parts used for maintenance, and the cost of inventories recognized as expense was RMB189,483,000 (2018: RMB184,090,000) during the year ended 31 December 2019.

27. TRADE AND BILLS RECEIVABLES

	At 31 December	
	2019 RMB'000	2018 RMB'000
Trade receivables		
– goods and services	520,080	1,995,306
– clean energy power price premium	4,294,906	3,355,461
Bills receivable	98,933	21,246
	4,913,919	5,372,013
Less: Allowance for credit losses	(15,997)	(7,141)
	4,897,922	5,364,872

The Group allows an average credit period of 60 days to its electricity and heat customers from the end of the month in which the sales are made other than clean energy power premium. The aged analysis of the Group's trade and bills receivables net of allowance for credit losses is as follows:

	At 31 December	
	2019 RMB'000	2018 RMB'000
Within 60 days	1,011,049	2,346,544
61 to 365 days	1,570,957	1,419,203
1 to 2 years	1,474,339	1,027,341
2 to 3 years	496,747	327,204
Over 3 years	344,830	244,580
	4,897,922	5,364,872

The Group's major customers are the PRC state-owned power grid companies with good credit rating.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

27. TRADE AND BILLS RECEIVABLES *(continued)*

The clean energy power price premium is included as a component of the government-approved on-grid tariff of wind power and photovoltaic power. As at 31 December 2019, most of the operating projects have been approved for the tariff premium 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 and the tariff premium receivables are fully recoverable considering that there are no bad debt experiences with the power grid companies in the past and the tariff premium is funded by the PRC government.

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 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.

As at 31 December 2019, included in the Group's trade receivables balance for goods and services are debtors with aggregate carrying amount of RMB132,044,000 (2018: RMB115,121,000) which are past due as at the reporting date.

At 31 December 2019, trade receivables amounting to RMB440,213,000 (2018: RMB227,692,000) are pledged for bank borrowings set out in Note 45.

Bills receivable are mainly bank's acceptance bills endorsed by the PRC state-owned power grid companies.

Details of impairment assessment of trade and bills receivables are set out in Note 50(b).

28. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December	
	2019 RMB'000	2018 RMB'000
Other miscellaneous receivables	80,499	142,376
Security deposits	167,634	114,861
Prepayments	121,416	124,621
	369,549	381,858
Less: Allowance for credit losses	(24,740)	(22,777)
	344,809	359,081

Detail of impairment assessment of other receivables and deposits are set out in Note 50(b).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

29. VALUE-ADDED TAX RECOVERABLE

	At 31 December	
	2019 RMB'000	2018 RMB'000
Value-added tax recoverable, classified as:		
– Current	383,058	362,287
– Non-current	910,507	525,080
	1,293,565	887,367

In accordance with the Provisional Regulations of the People's Republic of China on Value-Added Tax, the value-added tax payable on the Group's revenue can be set off by the value-added tax paid by the Group on acquisition of property, plant and equipment and service concession assets. Accordingly, the value-added tax paid by the Group on acquisition of property, plant and equipment and service concession assets is recognized as value-added tax recoverable and will be set off against the Group's value-added tax payable to be arisen on future revenue. Value-added tax recoverable is classified as current if it would probably be set off by value-added tax payable related to the revenue incurred in the next twelve months.

30. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December	
	2019 RMB'000	2018 RMB'000
Listed equity investment		
– Listed in Hong Kong (<i>Note</i>)	259,880	227,313

Note:

The Group holds 0.28% (2018: 0.32%) of the ordinary share capital of CGN Power Co., Ltd, a company listed on the Stock Exchange and the Shenzhen Stock Exchange and engaged in the nuclear power generation.

The fair value of listed equity investment is based on the quoted bid price.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

31. RESTRICTED BANK DEPOSITS

	At 31 December	
	2019 RMB'000	2018 RMB'000
Restricted bank deposits pledged as collateral presented in the consolidated financial statements as:		
– Current	1,592	102,005
– Non-current	55,645	51,060
	57,237	153,065

At 31 December 2019 and 2018, the current restricted bank deposits mainly represented collaterals for bills payable and letter of credit used for equipment purchase. The non-current restricted bank deposits represented the guaranteed deposits for a long-term bank loan as required in the loan agreement.

Restricted bank deposits above carry variable prevailing interest rates of bank deposits placed in Mainland China, Hong Kong and Australia.

32. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents comprise cash on hand and deposits to banks and a related non-bank financial institution with an original maturity of three months or less. Deposits to banks and a related non-bank financial institution carry prevailing market interest rate.

	At 31 December	
	2019 RMB'000	2018 RMB'000
Bank deposits denominated in:		
– RMB	2,331,598	4,160,119
– HK\$	638,259	382,414
– Australian dollars (“AU\$”)	341,587	296,313
– United States dollars (“US\$”)	6,293	6,185
Deposits in a related non-bank financial institution denominated in RMB	738,366	575,899
Cash on hand	7	7
	4,056,110	5,420,937

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

32. CASH AND CASH EQUIVALENTS (continued)

The Group had certain amount of deposits placed with BEH Finance, a non-bank financial institution approved by China Banking Regulatory Commission as at 31 December 2019 and 2018. Such deposits are short-term and are subject to an insignificant risk of changes in value, accordingly, the balances had been regarded as cash and cash equivalents.

The deposits in banks and a related non-bank financial institution at the end of the reporting period carry interest at the following variable interest rates per annum:

	At 31 December	
	2019	2018
Range of interest rates per annum	0.01% to 1.35%	0.01% to 1.35%

33. TRADE AND OTHER PAYABLES

	At 31 December	
	2019 RMB'000	2018 RMB'000
Trade payables	2,327,602	2,001,766
Payables for acquisition of property, plant and equipment	1,389,957	919,240
Retention payables	173,470	282,402
Bills payable	–	27,656
Salary and staff welfares	105,526	89,892
Non-income tax payables	180,709	153,847
Dividend payables to a non-controlling equity owner of a subsidiary	71,142	136,462
Others	489,016	97,396
	4,737,422	3,708,661

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Group normally settles the trade payable related to gas purchase within 30 days, settles the payable related to equipment purchase and construction cost according to related contractual arrangements which normally require progress payments during the construction period and a final payment after construction cost verified by independent valuer.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

33. TRADE AND OTHER PAYABLES (continued)

The following is an aged analysis of the Group's trade and bills payables by invoice dates as at the reporting date:

	At 31 December	
	2019 RMB'000	2018 RMB'000
Within 30 days	2,094,691	1,385,785
31 to 365 days	148,726	547,356
1 to 2 years	68,733	17,966
2 to 3 years	11,127	4,902
Over 3 years	4,325	73,413
	2,327,602	2,029,422

The Group's trade payables denominated in a currency other than the functional currency of the relevant group entities are set out below:

	At 31 December	
	2019 RMB'000	2018 RMB'000
Eurodollar ("EUR")	10,989	18,443

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

34. BANK AND OTHER BORROWINGS

	At 31 December	
	2019 RMB'000	2018 RMB'000
Bank loans	16,618,049	15,851,092
Other borrowings from:		
– related non-bank financial institutions (<i>Note (a)</i>)	1,060,500	1,751,750
– fellow subsidiaries (<i>Note (b)</i>)	270,000	170,000
– other non-related entities (<i>Note (c)</i>)	1,324,008	915,321
– BEH (<i>Note (d)</i>)	750	750
	19,273,307	18,688,913
Represented by:		
– Unsecured borrowings	17,728,113	15,414,979
– Secured borrowings (<i>Note (e)</i>)	1,545,194	3,273,934
	19,273,307	18,688,913
Bank and other borrowings repayable:		
– Within one year	7,863,793	8,864,459
– More than one year but not exceeding two years	5,077,599	3,094,108
– More than two years but not exceeding five years	4,792,595	4,193,540
– More than five years	1,539,320	2,536,806
	19,273,307	18,688,913
Less: Amount due within one year shown under current liabilities	(7,863,793)	(8,864,459)
Amount due after one year	11,409,514	9,824,454

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

34. BANK AND OTHER BORROWINGS (continued)

Notes:

- (a) Other borrowings from related non-bank financial institutions included loans from BEH Finance amounting to RMB1,060,500,000 (2018: RMB1,751,750,000) which are unsecured, carry interest at rates that are the prevailing interest rates promulgated by the PBOC, with a maximum premium or discount of 10% and variable by reference to the interest rates promulgated by PBOC. Part of the loan amounting to RMB491,250,000 is repayable in 2020, and the remaining balance of RMB569,250,000 is repayable between 2021 and 2022. The interest accrued attributed to the loans from BEH Finance above were RMB37,745,000 for the year ended 31 December 2019 (2018: RMB50,371,000).
- (b) At 31 December 2019, the balance comprises the borrowings from 北京京西發電有限責任公司 (Beijing Jingxi Power Generation Co., Ltd., English name for identification purpose) amounting to RMB200,000,000 (2018: RMB100,000,000) and 北京京豐熱電有限責任公司 (Beijing Jingfeng Thermal Power Co., Ltd., English name for identification purpose) amounting to RMB70,000,000 (2018: RMB70,000,000), both are subsidiaries of BEH. The loans are unsecured, repayable in 2020 and carry fixed interest rate at 3.915% and 4.25% per annum respectively.
- (c) The balance comprises borrowings from 光大金融租賃股份有限公司 (Ever Bright Financial Leasing Co., Ltd., English name for identification purpose) (“Ever Bright Financial Leasing”), and certain independent financial institutions. As at 31 December 2019, the borrowings were:
- (i) The secured loans granted by Ever Bright Financial Leasing amounting to RMB605,000,000 (2018: RMB630,000,000) were pledged by property, plant and equipment, carrying the variable interest rates with discount of 31.157%, 15% and 32%, variable by reference to the interest rates promulgated by the PBOC and repayable in 2020, 2022 and 2024, respectively.
- (ii) The loans of RMB310,000,000 (2018: RMB310,000,000) in nominal amount were from 中國農發重點建設基金有限公司 (China Agricultural Development Fund Co., Ltd., English name for identification purpose) (“CAD Fund”). According to the agreements between 北京上莊燃氣熱電有限公司 (Beijing Shangzhuang Gas-fired Power Co., Ltd., English name for identification purpose) (“Shangzhuang Power”), a subsidiary of the Company, the Company and CAD Fund, the loans were provided by CAD Fund as capital injection to Shangzhuang Power (“Designated Capital Loan”). Upon receipt of the Designated Capital Loan, the Group and CAD Fund held 59.60% and 40.40% (2018: 59.64% and 40.36%) interests in Shangzhuang Power, respectively.

In the opinion of the Directors, the Designated Capital Loan is designated by certain government institutions to finance the construction of the gas-fired plant owned by Shangzhuang Power; and the relevant investment agreement required: (i) the Company is obliged to repurchase all shares of Shangzhuang Power issued to CAD Fund with a cash consideration of RMB110,000,000 on 19 November 2025, RMB100,000,000 on 2 March 2026, and RMB100,000,000 on 5 June 2026; (ii) CAD Fund does not have any influence over Shangzhuang Power or undertake any risk of investment, but is only entitled to a fixed interest rate at 1.2% per annum which should be paid quarterly during the ten years of the investment period. In the opinion of the Directors, the arrangement is in substance a financing arrangement from the government. The Group classified the above Designated Capital Loan as a financial liability, and continues to consolidate all results as if Shangzhuang Power is a wholly-owned subsidiary of the Company.

The Designated Capital Loan is initially measured at its fair value of RMB221,000,000 at an effective interest rate of 4.9% per annum. The benefit derived from such loan of RMB89,000,000 (Note 38) that represents the difference between the proceeds and the fair value of the loan on initial recognition, is recognized as deferred income and will be recognized in profit or loss on the same basis as depreciation for the related plant. As at 31 December 2019, the Designated Capital Loan balance is RMB221,000,000 (2018: RMB221,000,000) which is measured at amortized cost using the effective interest method.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

34. BANK AND OTHER BORROWINGS (continued)

Notes: (continued)

- (d) The loans are unsecured, carry fixed interest rate at 4.562% per annum and repayable in 2021. The interest expenses attributed to the loans were RMB35,000 for the year ended 31 December 2019 (2018: RMB13,737,000).
- (e) Besides certain property, plant and equipment pledged to secure bank borrowings as set out in Note 16, the Group's borrowings are secured by following assets:
- (i) Certain of the Group's secured borrowings were secured with a charge over the right to receive the wind power electricity sale proceeds in two subsidiaries, and guaranteed by 北京京能新能源有限公司 (Beijing Jingneng New Energy Co., Ltd., English name for identification purpose)("New Energy"), a subsidiary of the Company, and the Company as at 31 December 2019. The relevant account receivable balances were RMB440,213,000 as at 31 December 2019 (2018: RMB227,692,000).
- (ii) The New GRWF's syndicated loan, amounting to AU\$195,156,000 (2018: AU\$210,937,000), equivalent to RMB953,200,000 (2018: RMB1,017,770,000) is secured by the beneficial interest of the properties and pledged by the shares of New GRWF. The syndicated loan carries at floating interest rate at Bank Bill Bid Rate prevailing in Australia plus 1.7% and repayable between 2016 and 2020. The Group enters into interest rate swaps to exchange variable rate interest for fixed rate interest in order to hedge against the cash flow interest rate risk (Note 37).

The following is an analysis of the Group's bank and other borrowings by variable and fixed interest rate:

	At 31 December	
	2019 RMB'000	2018 RMB'000
Variable interest rate	14,648,590	13,920,800
Fixed interest rate	4,624,717	4,768,113
	19,273,307	18,688,913

	At 31 December	
	2019	2018
Range of interest rates per annum:		
– Variable-interest borrowings	3.27% to 6.41%	3.27% to 5.22%
– Fixed-interest borrowings	1.20% to 10.00%	1.20% to 10.00%

The fair values of fixed interest rate borrowings are RMB4,455,089,000 and RMB4,453,030,000 at 31 December 2019 and 2018 respectively.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

35. SHORT-TERM DEBENTURES

On 19 April 2019, the Company issued an ultra short-term commercial paper of RMB1,500,000,000 at par value, bearing an interest rate of 3.39% per annum and expiring on 17 January 2020.

On 24 July 2019, the Company issued an ultra short-term commercial paper of RMB2,500,000,000 at par value, bearing an interest rate of 3.15% per annum and expiring on 21 April 2020.

On 13 November 2019, the Company issued an ultra short-term commercial paper of RMB2,000,000,000 at par value, bearing an interest rate of 2.80% per annum and expiring on 10 August 2020.

These commercial papers are traded on the National Association of Financial Market Institutional Investors (銀行間市場交易商協會) (“NAFMII”) in the PRC.

36. MEDIUM-TERM NOTES/CORPORATE BOND

On 1 December 2017, the Company issued 5-year medium-term note with total value of RMB2,000,000,000. The coupon rate is 5.50% per annum. Total proceeds received, net of issuance costs, amounted to RMB1,994,340,000. The medium-term note will be fully repaid on 1 December 2022.

On 3 April 2018, the Company issued 5-year medium-term note with total value of RMB1,500,000,000. The coupon rate is 5.19% per annum. Total proceeds received, net of issuance costs, amounted to RMB1,495,754,000. The medium-term note will be fully repaid on 3 April 2023.

On 13 November 2019, the Company issued 3-year corporate bond with total value of RMB1,000,000,000. The coupon rate is 3.64% per annum. Total proceeds received, net of issuance costs, amounted to RMB999,642,000. The corporate bond will be fully repaid on 13 November 2022.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

37. DERIVATIVE FINANCIAL ASSET/LIABILITIES

	At 31 December	
	2019 RMB'000	2018 RMB'000
Derivative financial asset		
Cash flow hedges – Interest rate swaps (<i>note(a)</i>)	7,597	–
Derivative financial liabilities		
Cash flow hedges – Interest rate swaps (<i>note(a)</i>)	(30,048)	(33,391)
Fixed forward commodity contract (<i>note(b)</i>)	(41,041)	(15,811)
	(71,089)	(49,202)
Analyzed as:		
– Current	(8,707)	–
– Non-current	(62,382)	(49,202)
	(71,089)	(49,202)

Notes:

(a) Cash flow hedges – Interest rate swaps

At the end of the reporting period, the Group had the following interest rate swaps contracts designated as highly effective hedging instruments in order to manage the Group's interest rate risk exposure in relation to the New GRWF Note 34(e(ii)) and Beijing Jingneng Clean Energy Hong Kong Limited ("Jingneng HK")'s syndicated loans.

The terms of the interest rate swaps contracts have been negotiated to match the terms of the respective designated hedged items.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

37. DERIVATIVE FINANCIAL ASSET/LIABILITIES (continued)

Notes: (continued)

(a) Cash flow hedges – Interest rate swaps (continued)

Major terms of these contracts are as follows:

At 31 December 2019

Notional amount	Maturity	Swaps
AU\$195,156,000 (equivalent to RMB953,200,000)	21 September 2020	Bank Bill Bid Rate prevailing in Australia+1.7% for 2.56%
HK\$200,000,000 (equivalent to RMB175,240,000)	21 June 2021	Hong Kong Interbank Offered Rate (“HIBOR”)+1.43% for 3.98%
HK\$1,520,000,000 (equivalent to RMB1,331,824,000)	21 June 2021	HIBOR+1.43% for 4.20%

At 31 December 2018

Notional amount	Maturity	Swaps
AU\$210,937,000 (equivalent to RMB1,017,770,000)	21 September 2020	Bank Bill Bid Rate prevailing in Australia+1.7% for 2.56%
HK\$200,000,000 (equivalent to RMB175,240,000)	21 June 2021	HIBOR+1.43% for 3.98%
HK\$1,520,000,000 (equivalent to RMB1,331,824,000)	21 June 2021	HIBOR+1.43% for 4.20%

(b) Fixed forward commodity contract

New GRWF entered into the PPA contract (the “Australian PPA Contract”) with a counterparty (an electricity retailer in Australia) in 2013. Under the Australian PPA Contract, New GRWF will sell its electricity product on the spot price in Australian national energy market, but both parties agreed that the difference between the actual price realized in the market and a fixed price determined in the Australian PPA Contract will be net settled in cash. The Australian PPA Contract results in New GRWF converting its floating price electricity sales revenue that will be earned during the contract period (ten years effective from the wind farms of New GRWF starting to operate) to a fixed price revenue, with the fixed price being escalated at 2.5% per annum over the contract period.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

37. DERIVATIVE FINANCIAL ASSET/LIABILITIES (continued)

Notes: (continued)

(b) Fixed forward commodity contract (continued)

Major terms of the Australian PPA Contract are as follows:

Notional amount	Maturity	Fixed prices
Up to the maximum capacity of the wind farm	Effective for 10 years from the operation of the wind farm to start (31 December 2014)	Peak/off peak rates as at 1 January 2012 (AU\$58.81 per MWh and AU\$40.29 per MWh, respectively) and escalated 2.5% per annum since then

In previous years, the Group applied hedge accounting for the Australian PPA Contract, the effective portion of the changes in fair value of the Australian PPA Contract that are designated and qualified as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve.

During the year ended 31 December 2018, fair value gain of the Australian PPA Contract amounting to RMB157,272,000 has been recognized in other comprehensive income and accumulated in equity under the heading of cash flow hedging reserve.

During the year ended 31 December 2019, the Group ceases to apply hedge accounting for the Australian PPA Contracts, fair value loss of the Australian PPA Contract amounting to RMB26,651,000 (2018: loss on ineffectiveness of RMB29,369,000) was recognized in profit or loss. The gain or loss recognized in other comprehensive income and accumulated in equity remains in equity and will be recognized when the forecast transactions is ultimately recognized in profit or loss.

38. DEFERRED INCOME

	Government grants and subsidies		Total RMB'000
	Clean energy production RMB'000 (Note (a))	Construction of assets RMB'000 (Notes (b) and (c))	
At 31 January 2018	238,167	487,769	725,936
Additions	742,275	4,675	746,950
Released to profit or loss	(675,782)	(27,620)	(703,402)
At 31 December 2018	304,660	464,824	769,484
Additions	710,338	48,419	758,757
Released to profit or loss	(701,965)	(27,985)	(729,950)
At 31 December 2019	313,033	485,258	798,291

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

38. DEFERRED INCOME (continued)

Notes:

- (a) The Group's gas power facilities located in Beijing, the PRC are entitled to a subsidy policy promulgated by the Beijing Government. The Beijing Government compensates the Group based on a pre-determined rate and quantities approved from time to time for the sale of electricity generated by those facilities. The Group recognizes deferred income when the Group receives the relevant government subsidies. The deferred income will be released to profit or loss based on the actual volume of electricity generated from and sold by the Group's related gas and wind power facilities and at the pre-determined subsidized rate. The amounts released to profit or loss are set out in Note 8.
- (b) Grants related to construction of assets are provided by several local governments in the PRC to encourage the construction of clean energy facilities. The Group records these grants as deferred income upon receipt of the grants and releases to profit or loss to match with the depreciation charge of related assets. The amounts released to profit or loss are set out in Note 8.
- (c) Amount of RMB89,000,000 included in grants related to construction of assets is a benefit derived from a government designated capital loan (Note 34(c)(iii)).

	At 31 December	
	2019 RMB'000	2018 RMB'000
Presented in the consolidated financial statements as:		
– Current	313,033	304,660
– Non-current	485,258	464,824
	798,291	769,484

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

39. LEASE LIABILITIES

	At 31 December 2019 RMB'000
Lease liabilities payable:	
Within one year	44,361
One to two years	28,702
Two to five years	69,762
Over five years	444,575
	<u>587,400</u>
Less: Amount due for settlement with 12 months shown under current liabilities	(44,361)
	<u>543,039</u>

40. OTHER NON-CURRENT LIABILITY

	At 31 December	
	2019 RMB'000	2018 RMB'000
At the beginning of the year	31,570	37,069
Released to profit or loss	(5,379)	(5,315)
Effect of foreign currency exchange difference	(1,906)	(184)
	<u>24,285</u>	<u>31,570</u>

Other non-current liability represented a contractual obligation under the Australian PPA Contract. The obligation is to require New GRWF to deliver certain quantity of carbon credits to the counterparty at a fixed price but escalating 2.5% per annum during the contract period.

At the date of acquisition of New GRWF, the Group recognized the contractual obligation as a liability pursuant to IFRS 3 *Business Combinations*. The liability was initially recognized at fair value which represented the discounted cash flow related to the difference between the contracted fixed prices and the estimated future market prices. At the end of each reporting period, the liability will be measured at the amount initially recognized less cumulative amortization recognized in profit or loss on a straight-line basis during the contract period.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

41. SHARE CAPITAL

	Number of shares			Share capital RMB'000
	Domestic legal person shares '000	H shares '000	Total '000	
At 1 January 2018	4,512,359	2,358,064	6,870,423	6,870,423
New shares issued during the year of 2018	902,472	471,613	1,374,085	1,374,085
At 31 December 2018 and 2019	5,414,831	2,829,677	8,244,508	8,244,508

On 25 June 2018, the Company issued 1,374,085,000 new ordinary shares at a par value of RMB1 each at a placing price of HK\$2.41 per share. The new shares ranked pari passu in all respects with the existing shares of the Company, and the proceeds from the issue shall be used as general working capital of the Group to support business development.

42. CAPITAL RESERVE

	At 31 December	
	2019 RMB'000	2018 RMB'000
Share premium on share issuance	2,876,757	2,876,757
Effects on acquisition of additional interest in a subsidiary	(19,043)	(19,043)
Effects on equity transactions with holding company	1,076,759	1,076,759
	3,934,473	3,934,473

The Company issued new shares on 25 June 2018, with a total amount of RMB3,020,071,000 at a premium of RMB1,645,986,000 (before netting off the issuance cost of RMB1,659,000). The proceeds from the issuance of the new shares after netting off the issuance cost are RMB3,018,412,000, of which RMB1,630,827,000 was recognized in capital reserve.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

43. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2019, the Group acquired 100% of the issued share capital of the Targets for total consideration of RMB591,217,000. These acquisitions have been accounted for using the purchase method. Bargain purchase gain of RMB117,088,000 arising as a result of these acquisitions is recognized in profit or loss under other gains and losses in the consolidated statement of profit or loss and other comprehensive income. The Targets are all engaged in the photovoltaic power generation. The Targets were acquired so as to continue the expansion of the Group's photovoltaic power generation operations.

Name of the Targets	Acquisition consideration RMB'000
潤峰格爾木電力有限公司 (Runfeng Golmud Power Co., Ltd.)*	39,131
天津團泊昱合光伏科技有限公司 (Tianjin Tuanpe Yuhe Photovoltaic Technology Co., Ltd.)*	50,000
天津團泊明瑞新能源有限公司 (Tianjin Tuanbo Mingrui New Energy Co., Ltd.)*	40,000
天津永能光伏發電有限公司 (Tianjin Yongneng Photovoltaic Power Generation Co., Ltd.)*	—**
天津團泊昱隆光伏科技有限公司 (Tianjin Tuanpoyulong Photovoltaic Technology Co., Ltd.)*	120,000
天津團泊昱宏光伏科技有限公司 (Tianjin Tuanpoyuhong Photovoltaic Technology Co., Ltd.)*	130,000
常甯光聚電力開發有限公司 (Changning Guangju Power Development Co., Ltd.)*	3,500
陸豐市明大新能源科技有限公司 (Lufeng Mingda New Energy Technology Co., Ltd.)*	—**
常德潤勇新能源有限公司 (Changde Runyong New Energy Co., Ltd.)*	—**
常德潤鵬新能源有限公司 (Changde Runpeng New Energy Co., Ltd.)*	—**
常德宏潤新能源有限公司 (Changde Hongrun New Energy Co., Ltd.)*	—**
常德瑞露新能源有限公司 (Changde Ruilu New Energy Co., Ltd.)*	—**
漢壽縣潤鑫新能源有限公司 (Hanshou Runxin New Energy Co., Ltd.)*	—**
陽西清芸陽光新能源科技有限公司 (Yangxi Qingyun Sunshine New Energy Technology Co., Ltd.)*	—**
惠州市永景新能源科技有限公司 (Huizhou Yongjing New Energy Technology Co., Ltd.)*	4,350
陽江華晶綠色能源科技有限公司 (Yangjiang Huajing Green Energy Technology Co., Ltd.)*	204,236
	591,217

* English name for identification purpose

** Consideration is RMB1

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

43. ACQUISITION OF SUBSIDIARIES (continued)

Assets acquired and liabilities recognized at the dates of acquisition (determined on a provisional basis) are as follows:

	<i>RMB'000</i>
Assets acquired and liabilities recognized at the dates of acquisition	
Property, plant and equipment	2,972,140
Right-of-use assets	262,049
Intangible assets	636,956
Trade and bills receivables	362,970
Other receivables, deposits and prepayments	233,627
Value-added tax recoverable	417,890
Cash and cash equivalents	85,835
Trade and other payables	(2,333,962)
Bank and other borrowings	(1,699,380)
Lease liabilities	(214,641)
Income tax payable	(3,960)
Deferred tax liabilities	(11,219)
	<hr/>
Fair value of net assets acquired	708,305
	<hr/>
Bargain purchase gain arising on acquisition	
Consideration transferred	591,217
Less: Net assets acquired	(708,305)
	<hr/>
	(117,088)
	<hr/>
Net cash outflow arising on acquisition	
Total consideration	591,217
Less: Sum not yet settled as at 31 December 2019	(222,004)
Less: Cash and cash equivalents acquired	(85,835)
	<hr/>
	283,378
	<hr/>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

43. ACQUISITION OF SUBSIDIARIES (*continued*)

Included in the profit for the year is RMB61,938,000 attributable to the additional business generated by the Targets. Revenue for the year includes RMB246,120,000 generated from the Targets.

Had the acquisitions been completed on 1 January 2019, revenue for the year of the Group would have been RMB16,551,587,000, and profit for the year of the Group would have been RMB2,213,336,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2019, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had the Targets been acquired at the beginning of the current year, the Directors have:

- calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.



Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

44. CAPITAL COMMITMENTS

The Group had the following commitments

	At 31 December	
	2019 RMB'000	2018 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– Acquisition of property, plant and equipment	2,768,342	2,723,328
– Additional investment in BEH finance (<i>Note</i>)	1,222,000	–
	3,990,342	2,723,328

Note: As at 31 December 2019, the Group held 2% equity interest in BEH Finance and has accounted for BEH Finance as equity instrument at FVTOCI.

On 30 October 2018, the Company entered into a capital increase agreement with, among others, BEH and BEH Finance in relation to the proposed capital increase of BEH Finance (the “2018 Original Capital Increase Agreement”). The Group, as an existing shareholder of BEH Finance, will subscribe for Portion 1 of the capital increase in proportion to its shareholding in BEH Finance; the Group will also subscribe for Portion 2 of the capital increase (the “Portion 2 Capital Increase”) which is offered at a premium (together the “Proposed Subscription”). Portion 1 is offered at nominal value. The aggregate consideration payable by the Group for the Proposed Subscription is approximately RMB1,193 million. Upon completion of the capital increase of BEH Finance, the Group will hold 20% equity interest in BEH Finance’s enlarged capital and the Group will account for BEH Finance as an associate. Ordinary resolution to approve the Proposed Subscription was approved at an extraordinary general meeting of the Company held on 30 January 2019. Details of these are set out in the Company’s announcements dated 30 October 2018 and 10 December 2018 and circular dated 15 January 2019.

The subscription price of the Portion 2 Capital Increase, which is at a premium, was determined by BEH Finance based on appraised value of BEH Finance’s net assets with reference to a valuation report prepared by a firm of recognized professional valuers. This valuation report expired on 30 August 2019 and a new valuation report on BEH Finance’s net assets (the “New Valuation Report”) was prepared as required by the relevant government authorities in the PRC. With reference to the appraised net assets value of BEH Finance as stated in the New Valuation Report, the unit subscription price of the Portion 2 Capital Increase increases. On 5 November 2019 while the Proposed Subscription was still subject to certain conditions precedent, all parties to the 2018 Original Capital Increase Agreement entered into a new capital increase agreement (the “2019 New Capital Increase Agreement”) to effect the new subscription price of the Portion 2 Capital Increase and to terminate the 2018 Original Capital Increase Agreement. Ordinary resolution to approve the Proposed Subscription under the 2019 New Capital Increase Agreement was approved at an extraordinary general meeting of the Company held on 18 December 2019. Details of these are set out in the Company’s announcement dated 5 November and circular dated 29 November 2019.

BEH Finance is a non-banking financial institution approved by the relevant PRC authorities to engage in the provision of various financial services, including taking deposit and providing loans, and is primarily providing financial services to BEH and its subsidiaries.

At the date of issuance of these consolidated financial statements, the Proposed Subscription has not yet completed. The aggregate consideration payable by the Group for the Proposed Subscription is approximately RMB1,222 million based on latest information available.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

45. PLEDGE OF ASSETS

- (a) The following assets were pledged to secure certain bank borrowings granted to the Group as at 31 December 2019 and 2018.

	At 31 December	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Property, plant and equipment	1,062,615	1,512,016
Trade receivables	440,213	227,692
Restricted bank deposits	54,079	52,616
	1,556,907	1,792,324

- (b) Shares pledged

As at 31 December 2019, the Group pledged 100% equity interest of New GRWF and Gullen Solar Pty Ltd., subsidiaries of the Company, to National Australia Bank (“NAB”) in Australia in connection with the loan facilities granted by NAB.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

46. OPERATING LEASES

The Group as lessee

	At 31 December 2018 <i>RMB'000</i>
Minimum lease payments paid under operating leases during the year	65,712

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December 2018 <i>RMB'000</i>
Within one year	40,656
In the second to fifth years inclusive	39,118
Over five years	216,859
	<u>296,633</u>

47. RETIREMENT BENEFIT SCHEME CONTRIBUTIONS

During the year ended 31 December 2019, total amount of RMB107,751,000 (2018: RMB98,995,000) including retirement benefit cost of directors of RMB150,000 (2018: RMB60,000) was recognized in profit or loss as retirement benefit scheme contributions.

The Group participates in retirement benefit schemes organized by the local government authorities in the PRC. The local government authorities in the PRC are responsible for managing the pension liabilities to the retired employees. For the pension liabilities to these retired employees, the Group's obligation is only to make monthly contributions at 20% of salary for the years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

48. RELATED PARTY BALANCES AND TRANSACTIONS

- (a) Besides loans to associates and loans to a joint venture as set out in Notes 22 and 23 and the deposits in a related non-bank financial institution as set out in Note 32 the Group has amounts due from the following related parties and the details are set out below:

	At 31 December	
	2019 RMB'000	2018 RMB'000
Amounts due from:		
BEH	1,950	1,943
Associates	118	250
Joint venture	173	–
Fellow subsidiaries	58,130	155,824
	60,371	158,017
Represented by:		
Trade (Note)	53,314	151,052
Non-trade	7,057	6,965
	60,371	158,017

Note: The balances are interest-free, unsecured, repayable on demand and aged within one year.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

48. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

- (b) Besides the balances in borrowings from related non-bank financial institutions, fellow subsidiaries and BEH as set out in Note 34, the Group has amounts due to the following related parties and the details are set out below:

	At 31 December	
	2019 RMB'000	2018 RMB'000
Amounts due to:		
Fellow subsidiaries	136,619	128,315
Associates	1,623	1,623
BEH	1	–
	138,243	129,938
Represented by:		
Trade <i>(Note)</i>	132,363	93,999
Payables for acquisition of property, plant and equipment	1,768	32,055
Non-trade	4,112	3,884
	138,243	129,938

Note: The balances are interest-free, unsecured, repayable on demand and aged within one year.

- (c) The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or organisations (collectively “State-owned Enterprises”). During the year ended 31 December 2019, the Group had transactions with State-owned Enterprises including, but not limited to, sales of goods, purchases of property, plant and equipment and borrowings. The Directors consider that the transactions with these State-owned Enterprises are activities in the ordinary course of the Group’s business and that the dealings of the Group have not been significantly or unduly affected by the fact the Group and these State-owned Enterprises are ultimately controlled or owned by the PRC government. Having due regard to the substance of the relationship, the Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

48. RELATED PARTY BALANCES AND TRANSACTIONS (*continued*)

- (d) During the year ended 31 December 2019, besides interest income received from associates and a joint venture as set out in Note 10, interest expense charged by related parties as set out in Notes 34(a), and 34(d), the Group entered into the following significant transactions with its related parties:

Transactions with related parties:

(i) *Equipment maintenance services from related parties*

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Fellow subsidiaries	197,022	158,271

(ii) *Conference service from related parties*

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Fellow subsidiaries	–	125

(iii) *Leasing properties from related parties*

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Expenses relating to short-term leases paid to fellow subsidiaries	46,987	–
Rental expenses paid to fellow subsidiaries	–	49,766

As set out in Note 3.1, the Group applied the modified retrospective approach under IFRS 16 at the date of initial application, 1 January 2019. For lease contracts that the Group entered into or modified on or after 1 January 2019 as a lessee, the Group recognized lease liabilities except for lease payments subject to recognition exemption, i.e. lease payments on short-term leases and leases of low-value assets, which are recognized as expense. Interest expenses on lease liabilities are recognized accordingly.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

48. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(d) Transactions with related parties: *(continued)*

(iv) *Commission for entrusted loan service from a related non-bank financial institution*

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
A fellow subsidiary	17,581	10,552

(v) *Interest income from a related non-bank financial institution*

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
A fellow subsidiary	16,616	23,146

(vi) *Property management fee charged by a related party*

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
A fellow subsidiary	54,741	49,612

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

48. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(d) Transactions with related parties: *(continued)*

(vii) *Heat energy sold to related parties*

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Fellow subsidiaries	1,704,874	1,727,997

(viii) *Equipment purchase framework agreement*

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Equipment purchase from fellow subsidiaries	128,960	109,859

(ix) *Framework operating agreement*

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Service fees charged by a fellow subsidiary	3,320	17,642

(x) *EPC framework agreement*

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Service fees charged by a fellow subsidiary	4,327	6,991

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

48. RELATED PARTY BALANCES AND TRANSACTIONS *(continued)*

(e) Compensation of key management personnel

	Year ended 31 December	
	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Directors' fees	500	500
Basic salaries and allowances	5,045	4,001
Retirement benefit contributions	300	408
	5,845	4,909

Key management represents the Directors and other senior management personnel disclosed in the annual report. The remuneration of key management is determined by the remuneration committed having regard to the performance of individuals and market trends.

- (f) In addition, the Group also has entered into other various transactions with other government-related entities in its ordinary course of business. In view of the insignificance of these transactions, the Directors are of the opinion that separate disclosure would not be meaningful.

49. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts (which include bank and other borrowings, short-term debentures, medium-term notes, corporate bond, net of cash and cash equivalents, and restricted bank deposits), and equity attributable to ordinary shareholders of the Company, comprising issued share capital, retained profits and other reserves.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with capital, and take appropriate actions to balance its overall capital structure.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December	
	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortized cost	9,504,033	11,500,351
Financial assets at FVTPL	259,880	227,313
Equity instruments at FVTOCI	142,313	136,241
Derivative financial asset	7,597	–
Financial liabilities		
Financial liabilities at amortized cost	34,504,570	31,940,904
Derivative financial liabilities	71,089	49,202

(b) Financial risk management objectives and policies

The Group's major financial instruments include derivative financial asset, trade and bills receivables, other receivables and deposits, equity instruments at FVTOCI, financial assets at FVTPL, loans to associates and a joint venture, cash and cash equivalents, restricted bank deposits, trade and other payables, amounts due from/to related parties, bank and other borrowings, short-term debentures, medium-term notes, corporate bond and derivative financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates, foreign currency exchange rates and other price risk.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk during the year ended 31 December 2019.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk (continued)

(i) *Interest rate risk management*

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on loans to associates and a joint venture, cash and cash equivalents, restricted bank deposits, bank and other borrowings and lease liabilities. The Group's cash flow interest rate concentrated on prevailing market interest based on the interest rates quoted by the PBOC plus a premium or less a discount. The Group enters into interest rate swaps to hedge against its exposure to changes in cash flow of certain borrowings. The interest rate swaps is designated as an effective hedging instrument and hedge accounting is applied (see Note 37 for details).

The Group's fair value interest rate risk mainly included bank borrowings carried at fixed interest rate, short-term debentures, medium-term notes, corporate bond and lease liabilities.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of each reporting period. For those financial instruments bearing floating interest rate, the analyses are prepared assuming the amount of balances outstanding at the end of each reporting period was outstanding for the whole year. A 25 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would decrease/increase by RMB18,835,000 (2018: RMB13,720,000).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Foreign currency risk management

Currency risk

The Group has certain assets and liabilities, including cash and cash equivalents (Note 32), bank loans (Note 34) and trade payables (Note 33) denominated in foreign currencies, hence risk exposure to exchange rate fluctuation arises.

Currency sensitivity

The Group is mainly exposed to exchange rate fluctuation on EUR, HK\$, US\$ and AU\$, because trade payables caused by repairs and maintenance services were mainly denominated in EUR, and foreign currency bank balances denominated in HK\$, US\$ and AU\$. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	31 December 2019 RMB'000	31 December 2018 RMB'000	31 December 2019 RMB'000	31 December 2018 RMB'000
EUR	10,989	18,443	–	–
HK\$	–	–	1,372	5,312
US\$	–	–	6,293	6,185
AU\$	–	–	4,587	160,083

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk (continued)

(ii) Foreign currency risk management (continued)

Currency sensitivity (continued)

The following table details the Group's sensitivity to a 5% strengthening of RMB against EUR, HK\$, US\$ and AU\$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the exchange rate of RMB against EUR, HK\$, US\$ and AU\$. For a 5% weakening of RMB against EUR, HK\$, US\$ and AU\$, there would be an equal and opposite impact on the profit after taxation for the year:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Increase in profit (EUR)	445	712
Decrease in profit (HK\$)	(56)	(205)
Decrease in profit (US\$)	(255)	(218)
Decrease in profit (AU\$)	(186)	(6,176)

(iii) Other price risks

The Group is exposed to equity price risk mainly through its investment in equity securities. The Group's equity price risk over investment in listed equity securities is mainly concentrated on an equity security operating in nuclear power industry sector quoted in the Hong Kong Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk (continued)

(iii) Other price risks (continued)

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 15% higher/lower:

Profit for the year ended 31 December 2019 would increase/decrease by RMB32,550,000 (2018: RMB28,471,000) as a result of the changes in fair value of financial asset at FVTPL.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to its trade and bills receivables, other receivables and deposits, loans to associates and a joint venture, amounts due from related parties, restricted bank deposits, and cash and cash equivalents. As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	12-month or lifetime ECL	At 31 December	
		2019 Gross carrying amount <i>RMB'000</i>	2018 Gross carrying amount <i>RMB'000</i>
Financial assets at amortized cost			
Loans to associates and a joint venture and amounts due from related parties <i>(Note i)</i>	12m ECL	269,371	327,017
Restricted bank deposits, and cash and cash equivalents <i>(Note i)</i>	12m ECL	4,113,347	5,574,002
Other receivables and deposits <i>(Note ii)</i>	12m ECL	223,393	234,460
	Lifetime ECL (credit-impaired)	24,740	22,777
Trade receivables <i>(Note ii)</i>	Lifetime ECL	4,814,986	5,350,767
Bills receivable <i>(Note ii)</i>	12m ECL	98,933	21,246

Notes:

- i The counterparty has a low risk of default and does not have any past-due amounts.
- ii For other receivables and deposits and bills receivable, the Group uses the 12m ECL to measure the loss allowance, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on the debtors individually by past due status.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

Trade and bills receivables arising from contracts with customers

The Group is exposed to significant concentration of credit risk in terms of electricity sales as majority of the Group's sales of electricity were made to regional and provincial power grid companies. The Group normally grants credit terms of 60 days to these power grid companies except for clean energy power price premium. The collection of such clean energy power price premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relatively longer time for settlement. The Group normally does not require collaterals from trade debtors. In addition, the Group performs impairment assessment under ECL model on trade balances individually. Aging analysis of the Group's trade receivables is disclosed in Note 27 and monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The amounts presented in the consolidated statement of financial position are net of allowances for credit losses, estimated by the Group's management based on historical settlement records, adjusted for forward-looking information and their assessment of the current economic environment.

Other receivables and deposits

The counterparties of the Group's other receivables and deposits are mainly large state-owned enterprises with good credit and government agencies. Under ECL model, management makes periodic collective assessment as well as individual assessment on the recoverability of all the receivables, based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Directors are of the opinion that the credit risk on other receivables and deposits is limited. At the end of the reporting period, the Directors have performed impairment assessment for other receivables and deposits and concluded that the credit losses of the other receivables and deposits as at 31 December 2019 was insignificant.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Restricted bank deposits and cash and cash equivalents

Substantially all of the Group's cash and deposits are held in major financial institutions and BEH Finance, which management believes are of high credit quality. Therefore, the Group performs impairment assessment under 12m ECL model on restricted bank deposits and cash and cash equivalents on collective basis. Management does not expect any losses from non-performance by these counterparties. To manage this risk, restricted bank deposits, and cash and cash equivalents are mainly placed with state-owned financial institutions and reputable banks. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The following tables show reconciliation of loss allowances that has been recognized for trade receivables.

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As 1 January 2018	–	3,320	3,320
– Transfer	3,320	(3,320)	–
– Impairment losses recognized	3,939	–	3,939
– Impairment losses reversed	(118)	–	(118)
As at 31 December 2018	7,141	–	7,141
– Impairment losses recognized	9,935	–	9,935
– Impairment losses reversed	(1,079)	–	(1,079)
As at 31 December 2019	15,997	–	15,997

For other receivables, the impairment losses at 31 December 2019 of RMB24,740,000 (2018: RMB22,777,000) was assessed by lifetime ECL as the corresponding receivables were considered credit-impaired. The impairment losses on other receivables provided for the year was RMB1,963,000 (2018: RMB11,963,000).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group has net current liabilities as at 31 December 2019, which exposed the Group to liquidity risk. In order to mitigate the liquidity risk, the management regularly monitors the operational cash flow of the Group as well as the unutilized bank facilities to meet its liquidity requirements in the short and long term.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2019, the Group has available unutilized banking and other borrowing facilities of RMB22,305,000,000 (2018: RMB30,581,115,000).

Liquidity risk

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Weighted average effective interest rate %	Within 1 year RMB'000	1 year to 2 years RMB'000	2 years to 3 years RMB'000	3 years to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
At 31 December 2019								
Trade and other payables	-	3,637,172	492,551	115,491	205,973	-	4,451,187	4,451,187
Bank and other borrowings								
– variable interest rate	4.34	6,782,824	3,059,831	1,536,859	3,382,920	1,311,977	16,074,411	14,648,590
Bank and other borrowings								
– fixed interest rate	4.24	1,647,407	2,419,456	-	336,702	417,336	4,820,901	4,624,717
Short-term debentures	3.48	6,126,937	-	-	-	-	6,126,937	6,076,941
Medium-term notes	5.17	197,755	197,755	3,697,755	-	-	4,093,265	3,560,377
Corporate bond	3.64	36,758	36,758	1,036,758	-	-	1,110,274	1,004,515
Amounts due to related parties	-	138,243	-	-	-	-	138,243	138,243
Lease liabilities	4.90	44,361	28,702	34,504	35,258	444,575	587,400	587,400
Derivative financial liabilities	1.15	8,707	7,539	2,315	8,979	43,549	71,089	71,089
		<u>18,620,164</u>	<u>6,242,592</u>	<u>6,423,682</u>	<u>3,969,832</u>	<u>2,217,437</u>	<u>37,473,707</u>	<u>35,163,059</u>
At 31 December 2018								
Trade and other payables	-	3,046,203	141,967	113,759	162,993	-	3,464,922	3,464,922
Bank and other borrowings								
– variable interest rate	4.38	7,260,160	3,062,071	1,011,726	1,531,234	2,468,927	15,334,118	13,920,800
Bank and other borrowings								
– fixed interest rate	4.79	2,158,588	327,253	1,676,311	419,143	415,010	4,996,305	4,768,113
Short-term debentures	5.90	6,218,181	-	-	-	-	6,218,181	6,086,848
Medium-term notes	5.39	197,755	197,755	197,755	3,769,945	-	4,363,210	3,570,283
Amounts due to related parties	-	129,938	-	-	-	-	129,938	129,938
		<u>19,010,825</u>	<u>3,729,046</u>	<u>2,999,551</u>	<u>5,883,315</u>	<u>2,883,937</u>	<u>34,506,674</u>	<u>31,940,904</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. FINANCIAL INSTRUMENTS (continued)

(c) Fair value

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key input
	31 December 2019	31 December 2018		
1) Listed held for trading shares (see Note 30)	Listed equity securities in Hong Kong: Electric power industry - RMB259,880,000	Listed equity securities in Hong Kong: Electric power industry - RMB227,313,000	Level 1	Quoted bid price in an active market.
2) Interest rate swaps classified as derivatives on the consolidated statement of financial position (see Note 37)	Assets - RMB7,597,000 Liabilities - RMB30,048,000	- Liabilities - RMB33,391,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the counterparty.
3) Private equity investments at FVTOCI (see Note 25)	Private equity investments in the PRC: (i) Electric power industry - RMB61,313,000 (ii) Financial business - RMB81,000,000	Private equity investments in the PRC: (i) Electric power industry - RMB59,241,000 (ii) Financial business - RMB77,000,000	Level 3	Income approach – in this approach, the discounted cash flow method was used to capture the equity fair value of the estimated future cash flows expected to arise from dividends to be received from the investment per the dividend, based on an appropriate discount rate.
4) Fixed forward commodity contract classified as a derivative on the consolidated statement of financial position (see Note 37)	Liabilities - RMB41,041,000	Liabilities - RMB15,811,000	Level 3 (Note)	Discounted cash flow. Future cash flows are estimated based on spot electricity price, contract forward price and generators' utilization hours, discounted at a rate that reflects the credit risk of a counterparty. Discount rates are 1.15% and 4.15% for 31 December 2019 and 2018 respectively.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value *(continued)*

Note: The significant unobservable input is spot electricity price. A slight increase in the spot electricity price used in isolation would result in a significant decrease in the fair value of the derivative on fixed forward commodity contract and vice versa. A 5% increase in the spot electricity price holding all other variables constant would decrease the fair value of the derivative financial liability by RMB36,900,000 (2018: decrease the fair value of the derivative financial asset by RMB27,167,000).

In estimating the fair value of an asset where Level 1 inputs are not available, the management of the Group works closely with external valuers to establish the appropriate valuation techniques and inputs to the model.

There were no transfers among different levels during both years.

Some of the Group's financial assets and financial liabilities are measured at amortized cost at the end of the reporting period. Their fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except for the fixed rate bank and other borrowings (Note 34) and medium-term notes (Note 36), the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated statement of financial position approximate their respective fair values at the end of each reporting period.

Reconciliation of level 3 fair value measurement is as follow:

Fixed forward commodity contracts	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	(15,811)	182,499
Ineffectiveness arising from cash flow hedging instrument recognized in profit or loss	–	(29,369)
Fair value loss of cash flow hedging instrument recognized in profit or loss	(26,651)	–
Fair value of cash flow hedging instrument recognized in other comprehensive income	–	(157,272)
Effect of foreign currency exchange difference	1,421	(11,669)
At 31 December	(41,041)	(15,811)

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

50. FINANCIAL INSTRUMENTS (continued)

(c) Fair value (continued)

Private equity investments at FVTOCI

Included in other comprehensive income is an amount of RMB6,072,000, being gain relating to unlisted equity investments classified as equity instruments at FVTOCI (2018: loss of RMB6,107,000).

51. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings <i>RMB'000</i>	Short-term debentures <i>RMB'000</i>	Medium – term notes <i>RMB'000</i>	Corporate bond <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2018	19,417,332	6,000,000	2,002,713	–	–	27,420,045
Financing cash flows	(771,738)	–	1,500,000	–	–	728,262
Accrued interest	35,321	86,848	67,570	–	–	189,739
Effect of foreign currency exchange difference	7,998	–	–	–	–	7,998
At 31 December 2018	18,688,913	6,086,848	3,570,283	–	–	28,346,044
Adjustments upon application of IFRS 16	–	–	–	–	209,372	209,372
At 1 January 2019 (restated)	18,688,913	6,086,848	3,570,283	–	209,372	28,555,416
Financing cash flows	(1,148,736)	(86,848)	(80,189)	1,000,000	(13,569)	(329,342)
Accrued interest	31,585	76,941	70,283	4,515	12,694	196,018
Effect of foreign currency exchange difference	2,165	–	–	–	–	2,165
Additions of lease liabilities	–	–	–	–	164,262	164,262
Acquisition of subsidiaries (Note 43)	1,699,380	–	–	–	214,641	1,914,021
At 31 December 2019	19,273,307	6,076,941	3,560,377	1,004,515	587,400	30,502,540

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

52. SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2019 and 2018 are set out below:

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company				Proportion of voting rights held by the Group		Principal activities
			Direct		Indirect		2019	2018	
			2019	2018	2019	2018			
北京太陽宮燃氣熱電有限公司 (Beijing Taiyanggong Gas-fired Power Co., Ltd.)* ("Taiyanggong Power")	PRC	RMB700,000,000	74%	74%	-	-	74%	74%	Gas-fired power and heat energy generation
北京京橋熱電有限責任公司 (Beijing Jingqiao Thermal Power Co., Ltd.)*	PRC	RMB876,280,000	100%	100%	-	-	100%	100%	Gas-fired power and heat energy generation
北京京豐燃氣發電有限責任公司 (Beijing Jingfeng Natural Gas-fired Power Co., Ltd.)*	PRC	RMB325,770,000	100%	100%	-	-	100%	100%	Gas-fired power and heat energy generation
北京京能高安屯燃氣熱電有限責任公司 (Beijing Jingneng Gaoantun Gas-fired Power Co., Ltd.)*	PRC	RMB760,512,000	100%	100%	-	-	100%	100%	Gas-fired power and heat energy generation
北京京西燃氣熱電有限公司 (Beijing Jingneng Jingxi Gas-fired Power Co., Ltd.)*	PRC	RMB1,010,000,000	100%	100%	-	-	100%	100%	Gas-fired power and heat energy generation
Shangzhuang Power	PRC	RMB518,000,000	100%	100%	-	-	100%	100%	Gas-fired power and heat energy generation
黑水縣三聯水電開發有限責任公司 (Heishui County Sanlian HydroPower Development Co., Ltd.)*	PRC	RMB231,770,000	100%	100%	-	-	100%	100%	Water power generation
盈江華富水電開發有限公司 (Yingjiang Hua Fu HydroPower Development Co., Ltd.)*	PRC	RMB413,600,000	100%	100%	-	-	100%	100%	Water power generation
騰冲縣猴橋永興河水電開發有限公司 (Tengchong County Hou Qiao Yong Xing River HydroPower Development Co., Ltd.)*	PRC	RMB74,876,000	100%	100%	-	-	100%	100%	Water power generation
Sichuan Dachuan	PRC	RMB130,000,000	100%	100%	-	-	100%	100%	Water power generation

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

52. SUBSIDIARIES (continued)

Details of the Company's subsidiaries at 31 December 2019 and 2018 are set out below:

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company				Proportion of voting rights held by the Group		Principal activities
			Direct		Indirect		2019	2018	
			2019	2018	2019	2018			
Sichuan Zhongneng	PRC	RMB90,000,000	100%	100%	-	-	100%	100%	Water power generation
成都金華能電力實業有限責任公司 (Chengdu Jinhuaneng Power Co., Ltd.)*	PRC	RMB20,000,000	-	-	100%	100%	100%	100%	Repair and maintenance
內蒙古京能商都風力發電有限責任公司 (Inner Mongolia Jingneng Shangdu Wind Power Co., Ltd.)*	PRC	RMB207,520,000	100%	100%	-	-	100%	100%	Wind power generation
New Energy	PRC	RMB2,706,390,000	100%	100%	-	-	100%	100%	Investment management and wind power generation
內蒙古京能察右中風力發電有限責任公司 (Inner Mongolia Jingneng Chayouzhong Energy Co., Ltd.)*	PRC	RMB313,641,000	100%	100%	-	-	100%	100%	Wind power generation
錫林郭勒吉相華亞風力發電有限責任公司 (Xilinguole Jixianghuaya Wind Power Co., Ltd.)*	PRC	RMB324,468,000	100%	100%	-	-	100%	100%	Wind power generation
內蒙古京能烏蘭伊力更風力發電有限責任公司 (Inner Mongolia Jingneng Wulanyiligeng Wind Power Co., Ltd.)*	PRC	RMB792,350,000	100%	100%	-	-	100%	100%	Wind power and photovoltaic power generation
左雲京能風力發電有限責任公司 (Zuoyun Jingneng Wind Power Co., Ltd.)*	PRC	RMB85,790,000	100%	100%	-	-	100%	100%	Wind power generation
內蒙古京能文貢拉風力發電有限公司 (Inner Mongolia Jingneng Wengongwula Wind Power Co., Ltd.)*	PRC	RMB118,890,000	100%	100%	-	-	100%	100%	Wind power and photovoltaic power generation
內蒙古霍林郭勒風力發電有限責任公司 (Inner Mongolia Huolingule Wind Power Co., Ltd.)*	PRC	RMB129,220,000	100%	100%	-	-	100%	100%	Wind power generation

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

52. SUBSIDIARIES (continued)

Details of the Company's subsidiaries at 31 December 2019 and 2018 are set out below:

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company				Proportion of voting rights held by the Group		Principal activities
			Direct		Indirect		2019	2018	
			2019	2018	2019	2018			
內蒙古京能巴林右風力發電有限責任公司 (Inner Mongolia Jingneng Balinyou Wind Power Co., Ltd.)*	PRC	RMB149,290,000	100%	100%	-	-	100%	100%	Wind power generation
內蒙古京能科右中風力發電有限責任公司 (Inner Mongolia Jingneng Keyouzhong Wind Power Co., Ltd.)*	PRC	RMB78,000,000	100%	100%	-	-	100%	100%	Wind power generation
內蒙古京能旗桿風力發電有限公司 (Inner Mongolia Jingneng Qigan Wind Power Co., Ltd.)*	PRC	RMB73,000,000	100%	100%	-	-	100%	100%	Wind power generation
內蒙古京能烏蘭風力發電有限公司 (Inner Mongolia Jingneng Wulan Wind Power Co., Ltd.)*	PRC	RMB285,140,000	100%	100%	-	-	100%	100%	Wind power generation
寧夏京能新能源有限公司 (Ningxia Jingneng New Energy Co., Ltd.)*	PRC	RMB259,248,000	100%	100%	-	-	100%	100%	Wind power and photovoltaic power generation
寧夏京能靈武風電有限公司 (Ningxia Jingneng Lingwu Wind Power Co., Ltd.)*	PRC	RMB338,528,000	100%	100%	-	-	100%	100%	Wind power and photovoltaic power generation
五家渠京能新能源有限責任公司 (Wujiaqu Jingneng New Energy Co., Ltd.)*	PRC	RMB347,204,000	100%	100%	-	-	100%	100%	Wind power and photovoltaic power generation
寧夏京能中衛有限公司 (Ningxia Jingneng Zhongwei Co., Ltd.)*	PRC	RMB56,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
Weilai Gas	PRC	RMB291,898,600	100%	100%	-	-	100%	100%	Gas-fired power and heat energy generation

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

52. SUBSIDIARIES (continued)

Details of the Company's subsidiaries at 31 December 2019 and 2018 are set out below:

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company				Proportion of voting rights held by the Group		Principal activities
			Direct		Indirect		2019	2018	
			2019	2018	2019	2018			
建湖京能新能源有限公司 (Jianhu Jingneng New Energy Co., Ltd.)*	PRC	RMB54,760,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
寧夏賀蘭京能新能源有限公司 (Ningxia Helan Jingneng New Energy Co., Ltd.)*	PRC	RMB56,760,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
寧夏中寧縣京能新能源有限公司 (Ningxia Zhongning County New Energy Co., Ltd.)*	PRC	RMB260,050,000	100%	100%	-	-	100%	100%	Wind power and photovoltaic power generation
格爾木京能新能源有限公司 (Golmud Jingneng New Energy Co., Ltd.)*	PRC	RMB205,360,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
京能(遷西)發電有限公司 (Jingneng Qianxi Power Co., Ltd.)* ("Qianxi Power")	PRC	RMB93,146,600	60%	60%	-	-	60%	60%	Photovoltaic power generation
Jingneng HK	Hong Kong	HK\$77,657,000	100%	100%	-	-	100%	100%	Investment holding
New GRWF Holding	Australia	AU\$138,960,000	-	-	100%	100%	100%	100%	Investment holding
New GRWF	Australia	AU\$132,460,000	-	-	100%	100%	100%	100%	Wind power generation
Gullen Solar Pty Ltd.	Australia	AU\$6,500,000	-	-	100%	100%	100%	100%	Photovoltaic power generation
深圳京能清潔能源融資租賃有限公司 (Shenzhen Jingneng Clean Energy Finance Lease Co., Ltd.)*	PRC	RMB306,000,000	-	-	100%	100%	100%	100%	Finance lease
府谷縣京能新能源有限公司 (Fugu Jingneng New Energy Co., Ltd.)*	PRC	RMB72,770,000	100%	100%	-	-	100%	100%	Wind power generation
共和京能清潔能源有限公司 (Gonghe Jingneng Clean Energy Co., Ltd.)*	PRC	RMB18,900,000	100%	100%	-	-	100%	100%	Photovoltaic power generation

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

52. SUBSIDIARIES (continued)

Details of the Company's subsidiaries at 31 December 2019 and 2018 are set out below:

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company				Proportion of voting rights held by the Group		Principal activities
			Direct		Indirect		2019	2018	
			2019	2018	2019	2018			
寧夏海原京能新能源有限公司 (Ningxia Haiyuan Jingneng New Energy Co. Ltd.)*	PRC	RMB19,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
大同京能新能源有限公司 (Datong Jingneng New Energy Co. Ltd.)*	PRC	RMB170,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
靖遠京能新能源有限公司 (Jingyuan Jingneng New Energy Co., Ltd.)*	PRC	RMB79,450,000	100%	100%	-	-	100%	100%	Wind power generation
徐聞京能新能源有限公司 (Xuwen Jingneng New Energy Co., Ltd.)*	PRC	RMB114,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
北票京能新能源有限公司 (Beipiao Jingneng New Energy Co., Ltd.)*	PRC	RMB58,610,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
朝陽縣京能新能源有限公司 (Chaoyang Jingneng New Energy Co., Ltd.)*	PRC	RMB30,660,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
緬雲縣京能新能源有限公司 (Jinyun Jingneng New Energy Co., Ltd.)*	PRC	RMB21,010,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
葫蘆島南票京泰新能源有限公司 (Huludao Nanpiao Jingtai Jingneng New Energy Co., Ltd.)*	PRC	RMB30,600,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
葫蘆島南票萬和新能源有限公司 (Huludao Nanpiao Wanhe Jingneng New Energy Co., Ltd.)*	PRC	RMB30,552,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
Beijing Jingneng Clean Energy (Australia) Holding Pty Ltd.	Australia	AUS\$138,960,000	-	-	100%	100%	100%	100%	Investment holding
共和源遙光伏發電有限公司 (Gongheyuantong Photovoltaic Power Co., Ltd.)*	PRC	RMB1,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
凌海京鑫新能源有限公司 (Linghai Jingxin New Energy Co., Ltd.)*	PRC	RMB2,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

52. SUBSIDIARIES (continued)

Details of the Company's subsidiaries at 31 December 2019 and 2018 are set out below:

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company				Proportion of voting rights held by the Group		Principal activities
			Direct		Indirect		2019	2018	
			2019	2018	2019	2018			
東源天華陽光新能源電力有限公司 (Dongyuan Tianhua Yangguang New Energy Power Co., Ltd.)*	PRC	RMB1,836,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
益陽大通湖東大光伏發電有限公司 (Yiyang Datonghu Dongda Photovoltaic Power Co., Ltd.)*	PRC	RMB1,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
凌源東大光伏發電有限公司 (Lingyuan Dongda Photovoltaic Power Co., Ltd.)*	PRC	RMB1,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
Newtricity Biala Pty Ltd.	Australia	AU\$30,000	-	-	100%	100%	100%	100%	Wind power generation
湘陰縣晶和新能源有限公司 (Xiangyin Xian Jinghe New Energy Power Co., Ltd.)*	PRC	RMB80,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
深州電陽新能源有限公司 (Shenzhou Dianyang New Energy Power Co., Ltd.)*	PRC	RMB1,000,000	100%	100%	-	-	100%	100%	Photovoltaic power generation
京能懷南河北風電有限責任公司 (Jingneng Huainan Hebei Wind Power Co., Ltd.)*	PRC	RMB3,000,000	100%	100%	-	-	100%	100%	Wind power generation
海興京興新能源有限公司 (Haixing Jingxing New Energy Power Co., Ltd.)*	PRC	RMB10,000,000	49%	49%	-	-	100%	100%	Photovoltaic power generation
壽陽京壽光伏發電有限公司 (Shouyang Jingshou Photovoltaic Power Co., Ltd.)*	PRC	RMB10,000,000	49%	49%	-	-	100%	100%	Photovoltaic power generation
渾源京晶新能源有限公司 (Hun Yuan Jingjing New Energy Power Co., Ltd.)*	PRC	RMB10,000,000	49%	49%	-	-	100%	100%	Wind power and photovoltaic power generation
內蒙古京能蘇尼特風力發電有限公司 (Neimenggu Jingneng Sunite Wind Power Co., Ltd.)*	PRC	RMB10,000,000	100%	100%	-	-	100%	100%	Wind power generation

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

52. SUBSIDIARIES (continued)

Details of the Company's subsidiaries at 31 December 2019 and 2018 are set out below:

Name of subsidiary	Place of registration and operation	Issued and fully paid up registered capital	Equity interest attributable to the Company				Proportion of voting rights held by the Group		Principal activities
			Direct		Indirect		2019	2018	
			2019	2018	2019	2018			
京能新能源(蘇尼特右旗)風力發電有限公司 (Jingneng New Energy (Sunite) Wind Power Co., Ltd.)*	PRC	RMB31,643,000	100%	100%	-	-	100%	100%	Wind power generation

* English name for identification purpose

The table below shows details of non-wholly owned subsidiaries of the Company that have material non-controlling interests:

Name of subsidiary	Incorporation/ establishment/ registration and operation	Proportion ownership interest held by non-controlling interests		Profit allocated to non-controlling interests		Total comprehensive income allocated to non-controlling interests		Accumulated non-controlling interests	
		2019	2018	2019	2018	2019	2018	2019	2018
		%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Taiyanggong Power	PRC	26	26	73,717	79,047	73,717	79,047	337,661	335,086
Qianxi Power	PRC	40	40	2,844	5,359	2,844	5,359	49,680	46,836
				76,561	84,406	76,561	84,406	387,341	381,922

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

52. SUBSIDIARIES (continued)

Summarized financial information in respect of each of the Company's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Taiyanggong Power	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Current assets	549,590	669,374
Non-current assets	1,288,150	1,437,619
Current liabilities	518,325	794,331
Non-current liabilities	20,714	17,862
Revenue	2,081,775	2,197,607
Profit and total comprehensive income for the year	283,527	304,027
Dividends declared to non-controlling interests	65,320	63,326
Net cash inflow from operating activities	519,750	501,942
Net cash outflow used in investing activities	(119,520)	(166,205)
Net cash outflow used in financing activities	(524,856)	(54,356)
Net cash (outflow) inflow	(124,626)	281,381

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

52. SUBSIDIARIES (continued)

Qianxi Power	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Current assets	176,572	105,377
Non-current assets	331,390	348,943
Current liabilities	151,864	145,934
Non-current liabilities	231,900	191,300
Revenue	48,498	46,734
Profit and total comprehensive income for the year	7,109	13,396
Net cash inflow (outflow) from operating activities	11,763	(5,280)
Net cash outflow used in investing activities	(46,877)	(18,764)
Net cash inflow from financing activities	54,087	19,840
Net cash inflow (outflow)	18,973	(4,204)

53. EVENT AFTER THE END OF THE REPORTING PERIOD

After the outbreak of the 2019 coronavirus in early 2020 (the "COVID-19 Outbreak"), the state has implemented and will continue to implement a series of preventive and control measures. The Company will be watching closely on the development of the COVID-19 Outbreak. At the date of issuance of these consolidated financial statements, the impact of the COVID-19 Outbreak on the Group's subsequent operating results is still under assessment.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

54. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 December	
	2019 RMB'000	2018 RMB'000
Non-current assets		
Property, plant and equipment	1,316,060	1,415,773
Right-of-use assets	21,491	–
Intangible assets	14,452	14,771
Investments in subsidiaries	15,740,014	14,442,491
Prepaid lease payments	–	4,219
Investments in associates	917,030	838,444
Loans to associates	134,000	139,000
Investment in a joint venture	153,056	152,967
Loans to a joint venture	15,000	30,000
Loans to subsidiaries	2,609,000	2,161,000
Deferred tax assets	39,162	41,883
Financial assets at FVTOCI	68,213	60,000
Value-add tax recoverable	6,926	10,946
Deposit paid for acquisition of property, plant and equipment	172,425	164,093
	21,206,829	19,475,587
Current assets		
Inventories	2,051	2,837
Trade and bills receivables	212,442	241,413
Other receivables, deposits and prepayments	110,531	115,180
Loans to a joint venture	60,000	–
Loans to subsidiaries	10,311,500	7,509,000
Amounts due from related parties	8,474	8,134
Amounts due from subsidiaries	5,764,247	5,408,085
Prepaid lease payments	–	229
Value-added tax recoverable	5,074	6,000
Cash and cash equivalents	475,043	1,680,478
	16,949,362	14,971,356

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

54. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	At 31 December	
	2019	2018
	RMB'000	RMB'000
Current liabilities		
Trade and other payables	348,369	79,595
Amounts due to related parties	2,579	4,507
Amounts due to a subsidiary	2,275,619	1,125
Bank and other borrowings – due within one year	2,767,000	4,069,705
Short-term debentures	6,076,941	6,086,848
Medium-term notes	70,283	80,189
Corporate bond	4,873	–
Lease liabilities	1,561	–
Income tax payable	7,446	8,140
Deferred income	1,273	2,882
	<u>11,555,944</u>	<u>10,332,991</u>
Net current assets	<u>5,393,418</u>	<u>4,638,365</u>
Total assets less current liabilities	<u>26,600,247</u>	<u>24,113,952</u>
Non-current liabilities		
Bank and other borrowings – due after one year	2,603,250	2,283,750
Medium-term notes	3,490,094	3,490,094
Corporate bond	999,642	–
Deferred tax liabilities	2,053	–
Deferred income	93,254	97,978
Lease liabilities	15,581	–
	<u>7,203,874</u>	<u>5,871,822</u>
Net assets	<u>19,396,373</u>	<u>18,242,130</u>
Capital and reserves		
Share capital	8,244,508	8,244,508
Reserves	<u>11,151,865</u>	<u>9,997,622</u>
Total equity	<u>19,396,373</u>	<u>18,242,130</u>

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

54. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(continued)*

	Capital reserve <i>RMB'000</i>	Statutory surplus reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2018	2,656,574	802,392	3,549,916	7,008,882
Profit and total comprehensive income for the year	–	–	1,866,327	1,866,327
Appropriation to statutory surplus reserve	–	189,865	(189,865)	–
Issue of shares	1,645,986	–	–	1,645,986
Issuance cost	(1,659)	–	–	(1,659)
Repayment of perpetual notes	(13,500)	–	–	(13,500)
Dividend declared	–	–	(508,414)	(508,414)
At 31 December 2018	4,287,401	992,257	4,717,964	9,997,622
Profit and total comprehensive income for the year	–	–	1,704,152	1,704,152
Appropriation to statutory surplus reserve	–	169,799	(169,799)	–
Dividend declared	–	–	(549,909)	(549,909)
At 31 December 2019	4,287,401	1,162,056	5,702,408	11,151,865

The Company issued perpetual notes at par value on 18 June 2015, with a total principal amount of RMB15,000,000,000. The proceeds from the issuance of the perpetual notes after netting off the issuance cost are RMB1,486,500,000.

The perpetual notes had no fixed maturity and were callable at the Company's option, on 18 June 2018 or on any coupon payment date afterwards, at their principal amounts together with any accrued, unpaid or deferred coupon interest payments.

The perpetual notes were fully repaid on 18 June 2018.

Definitions

“Articles of Association”	Articles of association of the Company
“BDHG”	北京市熱力集團有限責任公司 (Beijing District Heating (Group) Co., Ltd)
“BEH”	北京能源集團有限責任公司 (Beijing Energy Holding Co., Ltd)
“BEH Finance”	京能集團財務有限公司 (BEH Finance Co., Ltd)
Beijing Energy Investment	Beijing Energy Investment Holding (Hong Kong) Co., Ltd. (北京能源投資集團(香港)有限公司)
“Board of Directors” or “Board”	board of directors of the Company
“Board of Supervisors”	board of supervisors of the Company
“BSCOMC”	北京國有資本經營管理中心 (Beijing State-owned Capital Operation and Management Center)
“China” or “PRC”	the People’s Republic of China, but for the purposes of this annual report and for geographical reference only (unless otherwise indicated), excluding Taiwan, Macau and Hong Kong
“Company”, “our Company”, “we” or “us”	北京京能清潔能源電力股份有限公司 (Beijing Jingneng Clean Energy Co., Limited)
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$” or “Hong Kong dollars” or “HK dollars” or “HKD”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC

Definitions

“H Shares”	overseas listed foreign invested ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange
“IFRSs”	the International Financial Reporting Standards, which include standards and interpretations promulgated by the International Accounting Standards Board (IASB), and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC)
“Jingneng Power”	北京京能電力股份有限公司 (Beijing Jingneng Power Co., Ltd.)
“Latest Practicable Date”	20 April 2020, being the latest practicable date for the inclusion of certain information in this annual report prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PBOC”	中國人民銀行 (People’s Bank of China)
“Renminbi” or “RMB”	the lawful currency of the PRC
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholder(s)”	holder(s) of our Shares, including holders of H shares and holders of domestic shares of the Company
“Shares”	shares in the share capital of the Company, with a nominal value of RMB1.00 each
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Company

Corporate Information

Registered Name	Beijing Jingneng Clean Energy Co., Limited
Directors	
Non-executive Directors	Mr. LIU Haixia (<i>Chairman</i>) Mr. REN Qigui Ms. LI Juan Mr. WANG Bangyi
Executive Directors	Mr. ZHANG Fengyang (<i>General Manager</i>) Mr. ZHU Jun Mr. CAO Mansheng
Independent Non-executive Directors	Mr. HUANG Xiang Mr. ZHANG Fusheng Mr. CHAN Yin Tsung Mr. HAN Xiaoping
Strategy Committee	Mr. LIU Haixia (<i>Chairman</i>) Mr. ZHANG Fengyang Mr. ZHU Jun Mr. CAO Mansheng
Remuneration and Nomination Committee	Mr. HUANG Xiang (<i>Chairman</i>) Mr. ZHANG Fusheng Mr. HAN Xiaoping
Audit Committee	Mr. CHAN Yin Tsung (<i>Chairman</i>) Ms. LI Juan Mr. HUANG Xiang
Supervisors	Mr. WANG Xiangneng Mr. HUANG Hui Ms. HUANG Linwei
Company Secretary	Mr. KANG Jian

Authorized Representatives

Mr. ZHANG Fengyang
7/8 Floor, No.6 Xibahe Road,
Chaoyang District, Beijing, the PRC

Mr. KANG Jian
7/8 Floor, No.6 Xibahe Road,
Chaoyang District, Beijing, the PRC

Registered Office

Room 118, No. 1 Ziguang East Road,
Badaling Economic Development Zone,
Yanqing District, Beijing, the PRC

Principal Place of Business in the PRC

7/8 Floor, No. 6 Xibahe Road,
Chaoyang District, Beijing, the PRC

Principal Place of Business in Hong Kong

Level 54, Hopewell Centre,
183 Queen's Road East, Hong Kong

Principal Bankers

China Merchants Bank Co., Ltd
(Dongzhimen Sub-Branch)
Floor 2, Tianheng Mansion,
No.46 Dongzhimen Waidajie,
Dongcheng District, Beijing, the PRC

Bank of Communications Co., Ltd.
(Fuwai Sub-Branch)
Building 1, No. 9, Chegongzhuangdajie,
Xicheng District, Beijing, the PRC

Agricultural Bank of China Limited
(Fengtai Sub-Branch)
No. 9, East Avenue Street,
Fengtai District, Beijing, the PRC

Industrial and Commercial Bank of China Limited
(Taoranting Sub-Branch)
No. 55, Taoranting Road,
Xicheng District, Beijing, the PRC

Corporate Information

International Auditors	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F, One Pacific Place, 88 Queensway, Hong Kong
Domestic Auditors	Grant Thornton (Special General Partnership) 5th Floor, Scitech Place, 22 Jianguomen Wai Avenue, Chaoyang District, Beijing, the PRC
Hong Kong Legal Advisors	Freshfields Bruckhaus Deringer 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong
PRC Legal Advisors	Tian Yuan Law Firm 10/F, CPIC Plaza, 28 Fengsheng Lane, Xicheng District, Beijing, the PRC
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Stock Code	579
Company's Website	www.jncec.com
Listing Place	The Stock Exchange of Hong Kong Limited