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中国大唐集团新能源股份有限公司
China Datang Corporation Renewable Power Co., Limited*

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*
**(Stock Code: 01798)**

# FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

## FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2019, revenue amounted to RMB8,324.78 million, representing an increase of 0.06% as compared with last year.
- For the year ended 31 December 2019, the profit before tax amounted to RMB1,439.87 million, representing a decrease of 16.72% as compared with last year.
- For the year ended 31 December 2019, the net profit attributable to owners of the parent amounted to RMB936.44 million, representing a decrease of 22.56% as compared with last year.
- For the year ended 31 December 2019, the basic earnings per share attributable to ordinary equity holders of the parent amounted to RMB0.1128, representing a decrease of 24.95% as compared with last year.

The board of directors (the "**Board**") of China Datang Corporation Renewable Power Co., Limited (the "**Company**") hereby announces the final results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 ("**Reporting Period**"), together with the year-on-year comparable figures of 2018. The financial information of the Group for the year ended 31 December 2019 set out by the Company in the results announcement is based on the consolidated financial statements prepared according to the International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements under Hong Kong Companies Ordinance.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2019*

*(Amounts expressed in thousands of RMB unless otherwise stated)*

| | *Notes* | **2019** | 2018 |
|---|---|---|---|
| Revenue | 3 | **8,324,779** | 8,319,406 |
| Other income and other gains, net | 4 | **365,548** | 269,600 |
| Depreciation and amortisation charges | | **(3,565,636)** | (3,397,233) |
| Employee benefit expenses | | **(703,125)** | (567,216) |
| Material costs | | **(57,857)** | (54,814) |
| Repairs and maintenance expenses | | **(252,823)** | (244,137) |
| Service concession construction costs | | **–** | (8,997) |
| Other operating expenses | | **(584,377)** | (531,451) |
| **Operating profit** | | **3,526,509** | 3,785,158 |
| Finance income | 5 | **41,233** | 34,602 |
| Finance expenses | 5 | **(2,186,914)** | (2,146,961) |
| Finance expenses, net | 5 | **(2,145,681)** | (2,112,359) |
| Share of profits and losses of associates and joint ventures | | **59,046** | 56,099 |
| **Profit before tax** | | **1,439,874** | 1,728,898 |
| Income tax expenses | 6 | **(295,882)** | (302,513) |
| **Profit for the year** | | **1,143,992** | 1,426,385 |
| **Attributable to:** | | | |
| Owners of the parent | | **936,437** | 1,209,279 |
| Non-controlling interests | | **207,555** | 217,106 |
| | | **1,143,992** | 1,426,385 |
| **Basic and diluted earnings per share attributable to ordinary equity holders of the parent** *(expressed in RMB per share)* | 7 | **0.1128** | 0.1503 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31 December 2019*

*(Amounts expressed in thousands of RMB unless otherwise stated)*

| | **2019** | 2018 |
|---|---|---|
| **Profit for the year** | **1,143,992** | 1,426,385 |
| **Other comprehensive income:** | | |
| ***Other comprehensive income that may be reclassified to profit or loss in the subsequent periods:*** | | |
| Exchange differences on translation of foreign operations | **235** | (1,037) |
| Share of other comprehensive income of joint ventures | **208** | 462 |
| **Net other comprehensive income that may be reclassified to profit or loss in the subsequent periods** | **443** | (575) |
| ***Other comprehensive income that will not be reclassified to profit or loss in the subsequent periods:*** | | |
| Equity investments designated at fair value through other comprehensive income: | | |
| Changes in fair value | **100,961** | (63,668) |
| Income tax effect | **–** | – |
| **Net other comprehensive income that will not be reclassified to profit or loss in the subsequent periods** | **100,961** | (63,668) |
| **Other comprehensive income for the year, net of tax** | **101,404** | (64,243) |
| **Total comprehensive income for the year** | **1,245,396** | 1,362,142 |
| **Attributable to:** | | |
| Owners of the parent | **1,038,507** | 1,144,973 |
| Non-controlling interests | **206,889** | 217,169 |
| | **1,245,396** | 1,362,142 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2019*

*(Amounts expressed in thousands of RMB unless otherwise stated)*

| | *Notes* | **2019** | 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **59,055,130** | 56,429,521 |
| Investment properties | | **20,259** | 16,748 |
| Intangible assets | | **361,650** | 564,302 |
| Right-of-use assets | | **1,730,167** | – |
| Land use rights | | **–** | 634,372 |
| Investments in associates and joint ventures | | **833,173** | 801,813 |
| Equity investments designated at fair value through other comprehensive income | | **413,010** | 312,049 |
| Financial assets at fair value through profit or loss | | **14,368** | 15,311 |
| Deferred tax assets | | **12,391** | 15,859 |
| Prepayments, other receivables and other assets | | **2,782,491** | 2,825,860 |
| **Total non-current assets** | | **65,222,639** | 61,615,835 |
| **Current assets** | | | |
| Inventories | | **193,731** | 167,573 |
| Trade and bills receivables | 9 | **9,545,652** | 7,472,540 |
| Prepayments, other receivables and other assets | | **1,500,221** | 1,486,487 |
| Restricted cash | | **44,041** | 41,377 |
| Cash and cash equivalents | | **3,517,159** | 3,632,830 |
| **Total current assets** | | **14,800,804** | 12,800,807 |
| **Total assets** | | **80,023,443** | 74,416,642 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**
*31 December 2019*
*(Amounts expressed in thousands of RMB unless otherwise stated)*

| | *Notes* | **2019** | 2018 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and bills payables | 10 | **366,641** | 364,417 |
| Other payables and accruals | | **5,833,280** | 5,877,847 |
| Interest-bearing bank and other borrowings | 11(b) | **20,131,024** | 14,626,860 |
| Current income tax liabilities | | **126,172** | 100,105 |
| **Total current liabilities** | | **26,457,117** | 20,969,229 |
| **Net current liabilities** | | **(11,656,313)** | (8,168,422) |
| **Non-current liabilities** | | | |
| Interest-bearing bank and other borrowings | 11(a) | **36,649,523** | 35,780,675 |
| Deferred tax liabilities | | **18,427** | 19,907 |
| Other payables and accruals | | **2,397,526** | 2,365,465 |
| **Total non-current liabilities** | | **39,065,476** | 38,166,047 |
| **Total liabilities** | | **65,522,593** | 59,135,276 |
| **Net assets** | | **14,500,850** | 15,281,366 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | | **7,273,701** | 7,273,701 |
| Share premium | | **2,080,969** | 2,080,969 |
| Perpetual notes payable | | **–** | 1,979,325 |
| Retained profits | | **2,951,129** | 2,339,910 |
| Other reserves | | **(1,237,002)** | (1,382,141) |
| | | **11,068,797** | 12,291,764 |
| **Non-controlling interests** | | **3,432,053** | 2,989,602 |
| **Total equity** | | **14,500,850** | 15,281,366 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Year ended 31 December 2019*

*(Amounts expressed in thousands of RMB unless otherwise stated)*

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Perpetual notes payable | Retained profits | Other reserves | Total | Non-controlling interests | Total equity |
| **At 1 January 2019** | 7,273,701 | 2,080,969 | 1,979,325 | 2,339,910 | (1,382,141) | 12,291,764 | 2,989,602 | 15,281,366 |
| Profit for the year | – | – | – | 936,437 | – | 936,437 | 207,555 | 1,143,992 |
| **Other comprehensive income for the year:** | | | | | | | | |
| Share of other comprehensive income of joint ventures | – | – | – | – | 208 | 208 | – | 208 |
| Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax | – | – | – | – | 101,656 | 101,656 | (695) | 100,961 |
| Exchange differences on translation of foreign operations | – | – | – | – | 206 | 206 | 29 | 235 |
| **Total comprehensive income for the year** | – | – | – | 936,437 | 102,070 | 1,038,507 | 206,889 | 1,245,396 |
| Capital contributions | – | – | – | – | – | – | 359,861 | 359,861 |
| Repayment of principal of perpetual notes | – | – | (1,979,325) | – | (20,675) | (2,000,000) | – | (2,000,000) |
| Final 2018 dividend declared *(Note 8)* | – | – | – | (145,474) | – | (145,474) | – | (145,474) |
| Appropriation to perpetual notes payable | – | – | – | (116,000) | – | (116,000) | – | (116,000) |
| Transfer from retained profits | – | – | – | (63,744) | 63,744 | – | – | – |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | (124,299) | (124,299) |
| **At 31 December 2019** | 7,273,701 | 2,080,969 | – | 2,951,129 | (1,237,002) | 11,068,797 | 3,432,053 | 14,500,850 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

*Year ended 31 December 2019*

*(Amounts expressed in thousands of RMB unless otherwise stated)*

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Perpetual notes payable | Retained profits | Other reserves | Total | Non-controlling interests | Total equity |
| **At 1 January 2018** | 7,273,701 | 2,080,969 | 1,979,325 | 1,426,340 | (1,366,186) | 11,394,149 | 2,974,745 | 14,368,894 |
| Profit for the year | – | – | – | 1,209,279 | – | 1,209,279 | 217,106 | 1,426,385 |
| **Other comprehensive income for the year:** | | | | | | | | |
| Share of other comprehensive income of joint ventures | – | – | – | – | 462 | 462 | – | 462 |
| Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax | – | – | – | – | (63,860) | (63,860) | 192 | (63,668) |
| Exchange differences on translation of foreign operations | – | – | – | – | (908) | (908) | (129) | (1,037) |
| **Total comprehensive income for the year** | – | – | – | 1,209,279 | (64,306) | 1,144,973 | 217,169 | 1,362,142 |
| Capital contributions | – | – | – | – | – | – | 13,700 | 13,700 |
| Disposal of a subsidiary | – | – | – | – | – | – | (10,636) | (10,636) |
| Reduction of non-controlling interests resulting from cancellation of subsidiaries | – | – | – | – | – | – | (18,237) | (18,237) |
| Final 2017 dividend declared | – | – | – | (130,927) | – | (130,927) | – | (130,927) |
| Appropriation to perpetual notes payable | – | – | – | (116,000) | – | (116,000) | – | (116,000) |
| Transfer from retained profits | – | – | – | (48,351) | 48,351 | – | – | – |
| Others | – | – | – | (431) | – | (431) | (287) | (718) |
| Dividends paid to non-controlling interests | – | – | – | – | – | – | (186,852) | (186,852) |
| **At 31 December 2018** | 7,273,701 | 2,080,969 | 1,979,325 | 2,339,910 | (1,382,141) | 12,291,764 | 2,989,602 | 15,281,366 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

*Year ended 31 December 2019*

*(Amounts expressed in thousands of RMB unless otherwise stated)*

| | *Notes* | **2019** | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | **1,439,874** | 1,728,898 |
| **Adjustments for:** | | | |
| Depreciation of property, plant and equipment | | **3,475,601** | 3,344,156 |
| Amortisation of deferred income and deferred loss | | **(14,394)** | (13,024) |
| Depreciation of right-of-use assets (2018: amortisation of land use rights) | | **55,772** | 14,662 |
| Amortisation of intangible assets, long-term prepaid expenses and depreciation of investment properties | | **48,657** | 51,439 |
| (Gains)/losses on disposal of property, plant and equipment | 4 | **(380)** | 79,454 |
| Impairment of receivables | | **29,027** | – |
| Impairment of intangible assets | | **–** | 71,684 |
| Impairment of property, plant and equipment | | **98,790** | 35,668 |
| Foreign exchange loss, net | | **3,816** | 7,667 |
| Interest income | | **(2,180)** | (31,557) |
| Interest expenses | 5 | **2,182,989** | 2,139,370 |
| Loss on disposal of a subsidiary | 4 | **–** | 330 |
| Share of profits and losses of associates and joint ventures | | **(59,046)** | (56,099) |
| Gains on acquisition of a subsidiary | 4 | **(19,001)** | – |
| Gains on restructuring of debt | 4 | **(5,435)** | – |
| Fair value losses/(gains) on financial assets at fair value through profit or loss | 4 | **943** | (6,411) |
| Others, net | | **(48,571)** | (8,214) |
| **Changes in working capital:** | | | |
| Increase in inventories | | **(20,723)** | (29,649) |
| Increase in trade and bills receivables | | **(2,036,816)** | (2,432,473) |
| Decrease in prepayments, other receivables and other assets | | **34,792** | 315,521 |
| Increase in restricted cash | | **(2,664)** | (25,966) |
| Increase in trade and bills payables | | **98,431** | 60,321 |
| Increase in other payables and accruals | | **341,272** | 320,403 |
| **Cash generated from operations** | | **5,600,754** | 5,566,180 |
| Interest received | | **39,055** | 24,073 |
| Income tax paid | | **(265,279)** | (284,364) |
| **Net cash flows from operating activities** | | **5,374,530** | 5,305,889 |

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

*Year ended 31 December 2019*

*(Amounts expressed in thousands of RMB unless otherwise stated)*

| | *Notes* | **2019** | 2018 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment, land use rights and intangible assets | | **(6,349,063)** | (5,146,339) |
| Proceeds from disposal of property, plant and equipment | | **1,555** | 20,248 |
| Proceeds from repayments of loans and interest earned from related parties | | **–** | 7,484 |
| Investments in associates and joint ventures | | **–** | (6,267) |
| Acquisition of a subsidiary | 12 | **(79,542)** | – |
| Dividends received from equity investments at fair value through other comprehensive income | 4 | **9,452** | 5,093 |
| Interest received from entrusted loans | | **–** | 76 |
| Receipt of government grants for property, plant and equipment | | **–** | 135 |
| Disposal of a subsidiary | | **–** | (1) |
| Payments to non-controlling interests resulting from cancellation of subsidiaries | | **–** | (18,237) |
| Decrease in time deposits | | **–** | 40,000 |
| Dividends received from associates | | **6,689** | 18,000 |
| **Net cash flows used in investing activities** | | **(6,410,909)** | (5,079,808) |

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**
*Year ended 31 December 2019*
*(Amounts expressed in thousands of RMB unless otherwise stated)*

| | **2019** | 2018 |
|---|---|---|
| **Cash flows from financing activities** | | |
| Proceeds from issuance of corporate bonds and short-term bonds, net of issuance costs | **9,193,160** | 10,498,849 |
| Capital contributions from non-controlling interests | **359,861** | 13,700 |
| Proceeds from borrowings | **9,826,755** | 12,111,145 |
| Repayments of borrowings | **(8,607,244)** | (14,019,186) |
| Repayments of corporate bonds and short-term bonds | **(11,000,000)** | (9,000,000) |
| Loans from related parties | **17,636,078** | 12,509,879 |
| Repayments of loans from related parties | **(11,931,476)** | (7,522,607) |
| Interests paid to perpetual notes holders | **(116,000)** | (116,000) |
| Dividends paid | **(145,474)** | (130,927) |
| Dividends paid to non-controlling interests | **(38,676)** | (71,023) |
| Interest paid | **(2,215,920)** | (2,120,556) |
| Repayments of working capital provided by related parties | **(16,000)** | (16,000) |
| Repayment of perpetual notes | **(2,000,000)** | – |
| Principal portion of lease payments | **(24,460)** | – |
| Cash received relating to other financing activities | **–** | 44,911 |
| **Net cash flows from financing activities** | **920,604** | 2,182,185 |
| **Net (decrease)/increase in cash and cash equivalents** | **(115,775)** | 2,408,266 |
| **Cash and cash equivalents at beginning of year** | **3,632,830** | 1,223,920 |
| **Effect of foreign exchange rate changes, net** | **104** | 644 |
| **Cash and cash equivalents at end of year** | **3,517,159** | 3,632,830 |
| **Analysis of balances of cash and cash equivalents:** | | |
| **Cash and bank balances** | **3,517,159** | 3,632,830 |
| **Cash and cash equivalents as stated in the consolidated statement of cash flows** | **3,517,159** | 3,632,830 |

## NOTES TO FINANCIAL STATEMENTS

*31 December 2019*

*(Amounts expressed in thousands of RMB unless otherwise stated)*

### 1. CORPORATE INFORMATION

China Datang Corporation Renewable Power Co., Limited (中國大唐集團新能源股份有限公司) (the "**Company**") was established as a joint stock company with limited liability in the People's Republic of China (the "**PRC**") on 9 July 2010, as part of the reorganisation of the wind power generation business of China Datang Group Corporation Limited (中國大唐集團有限公司) ("**Datang Corporation**"), a limited liability company established in the PRC and controlled by the PRC government. At 31 December 2019, in the opinion of the directors, the ultimate holding company of the Company was Datang Corporation.

The Company and its subsidiaries (together, the "**Group**") are principally engaged in the generation and sale of wind power and other renewable power.

The address of the Company's registered office is Room 6197, Floor 6, Building 4, Yard 49, Badachu Road of Shijingshan District, Beijing, the PRC.

The Company's H shares were listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") in December 2010.

### 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRSs (which include all International Financial Reporting Standards, International Accounting Standards and Interpretations) issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except that certain bills receivable, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value.

The preparation of the financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

These financial statements are presented in Chinese Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

#### *2.1.1 Going concern*

As at 31 December 2019, the Group's current liabilities exceeded its current assets by approximately RMB11,656.3 million (31 December 2018: RMB8,168.4 million). The Group meets its day to day working capital requirements from cash generated from its operating activities and available financing facilities from banks and other financial institutions. The following are the Group's available sources of funds considered by the directors of the Company:

- The Group's expected net cash inflows from operating activities in 2020;
- As at 31 December 2019, the unutilised banking facilities were approximately RMB14,900.0 million. At the date of these financial statements, the directors of the Company were of the opinion that such covenants of unutilised banking facilities have been complied with and are confident that these banking facilities could be renewed upon expiration based on the Group's good credit standing; and
- Other available sources of financing from banks and other financial institutions given the Group's credit history. As at 31 December 2019, the approved but not issued corporate bonds were RMB6,800.0 million, and the approved but not issued ultra short-term financing bonds were RMB6,000.0 million, of which RMB10,800.0 million are not subject to renewal during the next 12 months from the end of the reporting period.

The directors of the Company believe that the Group has adequate resources to continue operation and to repay its debts when they fall due for the foreseeable future of not less than 12 months from the end of the reporting period. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

#### *2.1.2 Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries for the year ended 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

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

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

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation (Continued)

#### *2.1.2 Basis of consolidation (Continued)*

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any resulting surplus or deficit in profit or loss; and
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures

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

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

Except for the amendments to IFRS 9 and IAS 19 and Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 11, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

***IFRS 16 Leases***

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

***IFRS 16 Leases (Continued)***

*New definition of a lease*

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

*As a lessee – Leases previously classified as operating leases*

Nature of the effect of adoption of IFRS 16

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

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

***IFRS 16 Leases (Continued)***

*As a lessee – Leases previously classified as operating leases (Continued)*

Impacts on transition

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

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under land use rights of RMB634 million.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties, the Group has continued to include them as investment properties at 1 January 2019. Such properties are measured initially at cost, including transaction costs. After initial recognition, the Group chooses the cost model to measure all of its investment properties.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

***IFRS 16 Leases (Continued)***

*As a lessee – Leases previously classified as operating leases (Continued)*

Impacts on transition (Continued)

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

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months at the date of initial application
- Excluding the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- Relying on the entity's assessment of whether leases were onerous by applying IAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review

*As a lessee – Leases previously classified as finance leases*

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

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

***IFRS 16 Leases (Continued)***

*Financial impact at 1 January 2019*

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

| | **Increase/ (decrease)** |
|---|---|
| **Assets** | |
| Increase in right-of-use assets | 866,269 |
| Decrease in land use rights | (634,372) |
| Decrease in prepayments, other receivables and other assets | (26,974) |
| Increase in total assets | 204,923 |
| **Liabilities** | |
| Increase in interest-bearing bank and other borrowings | 221,203 |
| Decrease in other payables and accruals | (15,988) |
| Decrease in trade and bills payables | (292) |
| Increase in total liabilities | 204,923 |
| Decrease in retained earnings | – |

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

***IFRS 16 Leases (Continued)***

*Financial impact at 1 January 2019 (Continued)*

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

| | **Increase/ (decrease)** |
|---|---|
| Operating lease commitments as at 31 December 2018 | 46,572 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 4.58 % |
| Discounted operating lease commitments as at 1 January 2019 | 41,700 |
| Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019 | 1,404 |
| Add: Payments for optional extension periods not recognised as at 31 December 2018 | 180,907 |
| Lease liabilities as at 1 January 2019 | 221,203 |

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

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

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

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in accounting policies and disclosures (Continued)

*Annual Improvements to IFRSs 2015-2017 Cycle*

IFRS 3 *Business Combinations*: Clarifies that, when an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination achieved in stages and remeasure its entire previously held interest in the joint operation at fair value. The amendments did not have any impact on the Group's consolidated financial statements.

IAS 12 *Income Taxes*: Clarifies that an entity recognises all income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on where the entity recognised the originating transaction or event that generated the distributable profits giving rise to the dividends. The amendments did not have any impact on the Group's consolidated financial statements.

IAS 23 *Borrowing Costs*: Clarifies that an entity treats as part of general borrowings any specific borrowing originally made to develop a qualifying asset, and that is still outstanding, when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The amendments did not have any impact on the financial position or performance of the Group.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Issued but not yet effective International Financial Reporting Standards

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

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

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 No mandatory effective date yet determined but available for adoption

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

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

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

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

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Issued but not yet effective International Financial Reporting Standards (Continued)

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

Amendments to IAS 1 clarify the criteria for determining whether to classify a liability as current or non-current. The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists and clarify the situations that are considered settlement of a liability. The Group expects to adopt the amendments retrospectively from 1 January 2022 in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments are not expected to have any significant impact on the Group's financial statements.

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 3. REVENUE AND SEGMENT INFORMATION

### (a) Segment information

Management has determined the operating segments based on the information reviewed by the Executive Management for the purposes of allocating resources and assessing performance.

The Executive Management considers the performance of all businesses on a consolidated basis as all other renewable power businesses except the wind power business were relatively insignificant for the years ended 31 December 2019 and 2018. Therefore, the Group has one single reportable segment, which is the wind power segment.

The Company is domiciled in the PRC. During the year ended 31 December 2019, substantially all (2018: substantially all) of the Group's revenue was derived from external customers in the PRC.

At 31 December 2019, substantially all (2018: substantially all) of the non-current assets were located in the PRC.

For the year ended 31 December 2019, all (2018: all) revenue from the sales of electricity was charged to the provincial power grid companies in which the Group operated. These power grid companies are directly or indirectly owned or controlled by the PRC government.

### (b) Revenue

An analysis of revenue is as follows:

| | **2019** | 2018 |
|---|---|---|
| Revenue from contracts with customers | **8,311,977** | 8,315,328 |
| Revenue from other sources | | |
| Gross rental income from investment properties lease: | | |
| Other lease payment,including fixed payments | **12,802** | 4,078 |
| | **8,324,779** | 8,319,406 |

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Revenue (Continued)

**Revenue from contracts with customers**

#### (i) Disaggregated revenue information

*For the year ended 31 December 2019*

| Segment | Wind power | Total |
|---|---|---|
| **Type of goods or service** | | |
| Sales of electricity | **8,251,394** | **8,251,394** |
| Other services | **60,583** | **60,583** |
| Total revenue from contracts with customers | **8,311,977** | **8,311,977** |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **8,251,394** | **8,251,394** |
| Services transferred over time | **60,583** | **60,583** |
| Total revenue from contracts with customers | **8,311,977** | **8,311,977** |

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Revenue (Continued)

**Revenue from contracts with customers (Continued)**

#### (i) Disaggregated revenue information (Continued)

*For the year ended 31 December 2018*

| **Segment** | Wind power | Total |
|---|---|---|
| **Type of goods or service** | | |
| Sales of electricity | 8,236,589 | 8,236,589 |
| Other services | 78,739 | 78,739 |
| Total revenue from contracts with customers | 8,315,328 | 8,315,328 |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | 8,236,589 | 8,236,589 |
| Services transferred over time | 78,739 | 78,739 |
| Total revenue from contracts with customers | 8,315,328 | 8,315,328 |

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Revenue (Continued)

**Revenue from contracts with customers (Continued)**

#### (i) Disaggregated revenue information (Continued)

Set out below is the reconciliation of the revenue from contracts to customers with the amounts disclosed in the segment information:

*For the year ended 31 December 2019*

| Segment | Wind power | Total |
|---|---|---|
| **Revenue from contracts with customers** | | |
| External customers | **8,311,977** | **8,311,977** |
| Intersegment sales | **–** | **–** |
| | **8,311,977** | **8,311,977** |
| Intersegment adjustments and eliminations | **–** | **–** |
| Total revenue from contracts with customers | **8,311,977** | **8,311,977** |

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Revenue (Continued)

**Revenue from contracts with customers (Continued)**

#### (i) Disaggregated revenue information (Continued)

*For the year ended 31 December 2018*

| **Segment** | Wind power | Total |
|---|---|---|
| **Revenue from contracts with customers** | | |
| External customers | 8,315,328 | 8,315,328 |
| Intersegment sales | – | – |
| | 8,315,328 | 8,315,328 |
| Intersegment adjustments and eliminations | – | – |
| Total revenue from contracts with customers | 8,315,328 | 8,315,328 |

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Revenue (Continued)

**Revenue from contracts with customers (Continued)**

#### (i) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

| | **2019** | 2018 |
|---|---|---|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Other services | **429** | 233 |

#### (ii) Performance obligations

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

*Sale of electricity*

The Group's contracts with customers for the power generation and sale generally include one performance obligation. The Group has concluded that the performance obligation is satisfied at the point in time and revenue continues to be recognised upon transmission to the customers.

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### (b) Revenue (Continued)

**Revenue from contracts with customers (Continued)**

#### (ii) Performance obligations (Continued)

*Rendering of other services*

The Group provides energy performance services, repairs and maintenance services, and other services to external parties, and recognises the related revenue over time, using an output method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 2018 were as follows:

| | **2019** | 2018 |
|---|---|---|
| Within one year | **1,057** | 259 |
| After one year | **2,000** | 3,056 |
| | **3,057** | 3,315 |

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised after one year related to construction and maintaining services,of which the performance obligations are to be satisfied within two to fifteen years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 4. OTHER INCOME AND OTHER GAINS, NET

| | **2019** | 2018 |
|---|---|---|
| Government grants | **334,473** | 355,269 |
| Dividend from equity investments at fair value through other comprehensive income | **9,452** | 5,093 |
| Fair value (losses)/gains on financial assets at fair value through profit or loss | **(943)** | 6,411 |
| Loss on disposal of a subsidiary | **–** | (330) |
| Compensation from wind turbine suppliers *(Note)* | **13,206** | 9,809 |
| Gain/(loss) on disposal of property, plant and equipment | **380** | (79,454) |
| Compensation, liquidated damages and fines | **(6,205)** | (17,628) |
| Gains on acquisition of a subsidiary *(Note 12)* | **19,001** | – |
| Gain on previously held equity interest remeasured at acquisition date's fair value *(Note 12)* | **58** | – |
| Gains on restructuring of debt | **5,435** | – |
| Others | **(9,309)** | (9,570) |
| | **365,548** | 269,600 |

*Note:* Compensation from wind turbine suppliers represents compensation for revenue losses incurred due to the delays of the provision of maintenance services and poor conditions of spare parts, within the relevant manufacturer warranty period.

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 5. FINANCE INCOME/FINANCE EXPENSES

An analysis of finance income/finance expenses is as follows:

| | **2019** | 2018 |
|---|---|---|
| **Finance income** | | |
| Interest income on deposits with banks and other financial institutions | **13,278** | 9,633 |
| Interest income on deposits with a related party | **25,775** | 21,924 |
| Interest income from finance lease receivables | **2,180** | 3,045 |
| | **41,233** | 34,602 |
| **Finance expenses** | | |
| Interest expenses | **(2,402,123)** | (2,388,142) |
| Interest on lease liabilities | **(11,377)** | – |
| Less: interest expenses capitalised in property, plant and equipment and intangible assets | **230,511** | 248,772 |
| | **(2,182,989)** | (2,139,370) |
| **Foreign exchange loss, net** | **(3,925)** | (7,591) |
| | **(2,186,914)** | (2,146,961) |
| **Finance expenses, net** | **(2,145,681)** | (2,112,359) |
| Interest capitalisation rate | **4.37% to 5.39%** | 4.41% to 5.35% |

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 6. INCOME TAX EXPENSES

| | **2019** | 2018 |
|---|---|---|
| **Current tax** | | |
| PRC enterprise income tax | **284,050** | 292,870 |
| Under provision in prior years | **10,755** | 3,491 |
| | **294,805** | 296,361 |
| **Deferred tax** | | |
| Recognition of temporary differences | **1,077** | 6,152 |
| **Income tax expenses** | **295,882** | 302,513 |

For the year ended 31 December 2019, except for certain subsidiaries established in the PRC which were exempted from tax or entitled to preferential rates ranging from 7.5% to 15% (2018: 7.5% to 15%), all other subsidiaries established in the PRC were subject to income tax at a rate of 25% (2018: 25%). Tax on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The preferential tax policies applicable to the Group are described as follows:

(a) Pursuant to CaiShui [2008] No. 116 issued by the Ministry of Finance and the State Administration of Taxation, and Guoshuifa [2009] No.80 issued by the State Administration of Taxation, the public infrastructure projects authorised after 1 January 2008 are each entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective first operating income generating year for the investment operating income.

(b) Pursuant to CaiShui [2012] No.10 issued by the Ministry of Finance and the State Administration of Taxation on 12 January 2012, the public infrastructure projects authorised before 31 December 2007 that were originally not eligible for "the tax holiday of a 3-year full exemption followed by a 3-year 50% exemption" could apply this preferential tax policy from 1 January 2008 to their respective expiration dates.

The policies are applicable to all subsidiaries of the Group engaged in wind power and photovoltaic power generation under the relevant conditions, except for certain subsidiaries that adopt the preferential policies described in Note (a).

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 6. INCOME TAX EXPENSES (CONTINUED)

(c) Pursuant to Cai Shui [2010] No.110 issued by the Ministry of Finance and the State Administration of Taxation, the eligible energy-conservation service companies that implement the contract energy management projects in line with the relevant provisions of the enterprise income tax law are entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective first operating income generating years of a statutory tax rate of 25%.

For the year ended 31 December 2019, the joint ventures and associates were subject to an income tax rate of 25% (2018: 25%), and the share of income tax attributable to joint ventures and associates of nil (2018: Nil) and RMB16.0 million (2018: RMB15.0 million) respectively, was included in "Share of profits and losses of associates and joint ventures".

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profits of the consolidated entities as follows:

| | **2019** | 2018 |
|---|---|---|
| Profit before tax | **1,439,874** | 1,728,898 |
| Taxation calculated at the statutory tax rate | **359,969** | 432,225 |
| Income tax effects of: | | |
| – Preferential income tax treatments | **(225,874)** | (254,539) |
| – Income not subject to tax | **(15,865)** | (14,025) |
| – Expenses not deductible for tax | **2,438** | 6,004 |
| – Tax losses and temporary differences for which no deferred income tax asset was recognised | **178,372** | 138,268 |
| – Utilisation of previously unrecognised tax losses and temporary differences | **(13,913)** | (8,911) |
| – Under provision for prior years | **10,755** | 3,491 |
| | **295,882** | 302,513 |
| Weighted average effective income tax rate | **20.5%** | 17.5% |

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 6. INCOME TAX EXPENSES (CONTINUED)

The changes in the weighted average effective income tax rate were primarily caused by certain subsidiaries of the Group whose applicable preferential tax policy was changed from 100% or 50% to 50% or no tax exemption. In addition, due to the increase in tax losses and temporary differences for which no deferred income tax asset was recognised, it reduced total profits without reducing income tax expenses.

## 7. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

### (a) Basic earnings per share

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on perpetual notes, and the weighted average number of ordinary shares in issue during the year.

| | **2019** | 2018 |
|---|---|---|
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent *(RMB'000)* | **936,437** | 1,209,279 |
| Interest on perpetual notes *(RMB'000)* | **(116,000)** | (116,000) |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation *(RMB'000)* | **820,437** | 1,093,279 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation *(thousands of shares)* | **7,273,701** | 7,273,701 |
| Basic earnings per share *(RMB)* | **0.1128** | 0.1503 |

### (b) Diluted earnings per share

The diluted earnings per share amounts for the years ended 31 December 2019 and 2018 were the same as the basic earnings per share amounts as there were no dilutive potential shares.

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 8. DIVIDENDS

| | **2019** | 2018 |
|---|---|---|
| Proposed final dividend – RMB0.03 (before tax) (2018: RMB0.02 (before tax)) per ordinary share | **218,211** | 145,474 |

The dividend paid by the Company in 2019 was RMB145.5 million (2018: RMB130.9 million).

A final dividend in respect of the year ended 31 December 2019 of RMB0.03 (before tax) per ordinary share, amounting to a total final dividend of RMB218.2 million, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

## 9. TRADE AND BILLS RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| Trade receivables | **9,316,125** | 7,140,480 |
| Bills receivable | **233,179** | 335,276 |
| | **9,549,304** | 7,475,756 |
| Less: impairment losses | **(3,652)** | (3,216) |
| | **9,545,652** | 7,472,540 |

An ageing analysis of trade and bills receivables based on the revenue recognition date, less impairment losses, is as follows:

| | **2019** | 2018 |
|---|---|---|
| Within 1 year | **5,462,437** | 5,133,751 |
| Between 1 and 2 years | **3,314,653** | 2,014,496 |
| Between 2 and 3 years | **566,524** | 156,325 |
| Over 3 years | **202,038** | 167,968 |
| | **9,545,652** | 7,472,540 |

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 9. TRADE AND BILLS RECEIVABLES (CONTINUED)

Trade and bills receivables primarily represent receivables from regional or provincial grid companies for tariff revenue. These receivables are unsecured and non-interest-bearing. The fair values of the trade and bills receivables approximate to their carrying amounts.

For trade and bills receivables arising from tariff revenue, the Group usually grants credit periods of approximately one month to local power grid companies from the date of invoice in accordance with the relevant electricity sales contracts between the Group and the respective local grid companies.

At 31 December 2019 and 2018, the Group has pledged a portion of its tariff collection rights and bills as security for certain bank and other borrowings (Note11(c)).

The maximum exposure to credit risk at the reporting date was the carrying value of each category of receivables. The Group does not hold any collateral as security.

As at 31 December 2019, bills receivable which have not matured but discounted or endorsed with a right of recourse and were not derecognized in the financial statements were nil (31 December 2018: nil).

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

| | **2019** | 2018 |
|---|---|---|
| At 1 January | **3,216** | 3,216 |
| Impairment losses | **436** | – |
| At 31 December | **3,652** | 3,216 |

## 9. TRADE AND BILLS RECEIVABLES (CONTINUED)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if the Group is satisfied that recovery of the amount is remote.

Pursuant to CaiJian [2012] No. 102 Notice on the Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, a set of new standardised procedures for the settlement of the aforementioned renewable energy tariff premium has come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. As at 31 December 2019, most of the Group's related projects have been approved for the tariff premium of renewable energy and certain projects are in the process of applying for the approval. The tariff premium receivables are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. There is no due date for settlement.

The Group applies the simplified approach to the provision for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. To measure the expected credit loss of trade receivables excluding tariff premium receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing. The directors are of the opinion that the approvals will be obtained in due course and these trade receivables from tariff premium are fully recoverable considering there were no bad debt experiences with the grid companies in the past and such tariff premium is funded by the PRC government, except for RMB2.3 million (31 December 2018: RMB2.3 million) representing a past due tariff receivable from a power grid company in dispute which was assessed to be not recoverable. The expected credit loss for the remaining trade receivables was RMB1.3 million as at 31 December 2019 (31 December 2018: RMB0.9 million).

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 9. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

***As at 31 December 2019***

| | Tariff premium of renewable energy | Tariff receivables from grid companies and other trade receivables | | | | |
|---|---|---|---|---|---|---|
| | | **Within 1 year** | **Between 1 and 2 years** | **Between 2 and 3 years** | **Over 3 years** | **Total** |
| Expected credit loss rate | **–** | **–** | **–** | **–** | **1.783%** | **0.014%** |
| Gross carrying amount | **8,154,628** | **951,826** | **90,405** | **44,986** | **74,280** | **9,316,125** |
| Expected credit losses | **–** | **–** | **–** | **–** | **1,324** | **1,324** |

*As at 31 December 2018*

| | Tariff premium of renewable energy | Tariff receivables from grid companies and other trade receivables | | | | |
|---|---|---|---|---|---|---|
| | | Within 1 year | Between 1 and 2 years | Between 2 and 3 years | Over 3 years | Total |
| Expected credit loss rate | – | – | – | – | 1.783% | 0.012% |
| Gross carrying amount | 6,188,361 | 815,555 | 42,687 | 44,073 | 49,804 | 7,140,480 |
| Expected credit losses | – | – | – | – | 888 | 888 |

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 10. TRADE AND BILLS PAYABLES

| | 2019 | 2018 |
|---|---|---|
| Trade payables | **356,619** | 257,568 |
| Bills payable | **10,022** | 106,849 |
| | **366,641** | 364,417 |

The ageing analysis of trade payables, based on the invoice date, is as follows:

| | 2019 | 2018 |
|---|---|---|
| Within 1 year | **258,761** | 182,551 |
| After 1 year but within 3 years | **77,356** | 69,752 |
| After 3 years | **20,502** | 5,265 |
| | **356,619** | 257,568 |

Bills payable are bills with maturity of less than one year. The trade and bills payables are non-interest-bearing and are normally settled within one year.

The fair values of the trade and bills payables approximate to their carrying amounts.

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 11. INTEREST-BEARING BANK AND OTHER BORROWINGS

### (a) Long-term borrowings

| | **31 December 2019** | 1 January 2019 | 31 December 2018 |
|---|---|---|---|
| Bank loans | | | |
| – Unsecured | **20,230,006** | 22,084,328 | 22,084,328 |
| – Guaranteed *(Note 11 (c))* | **1,501,203** | 1,738,927 | 1,738,927 |
| – Secured | **6,301,084** | 5,199,820 | 5,199,820 |
| | **28,032,293** | 29,023,075 | 29,023,075 |
| Other loans | | | |
| – Unsecured | **4,935,491** | 4,672,240 | 4,672,240 |
| – Guaranteed *(Note (i))* | **1,000,000** | 2,000,000 | 2,000,000 |
| – Secured *(Note (ii))* | **5,329,301** | 3,249,656 | 3,249,656 |
| | **11,264,792** | 9,921,896 | 9,921,896 |
| Corporate bonds – unsecured *(Note (iii))* | **2,196,545** | 1,998,151 | 1,998,151 |
| Lease liabilities | **1,097,187** | 221,203 | – |
| Total long-term borrowings | **42,590,817** | 41,164,325 | 40,943,122 |
| Less: current portion of long-term borrowings *(Note 11 (b))* | | | |
| – Bank loans | **(3,965,265)** | (3,441,744) | (3,441,744) |
| – Other loans | **(1,940,111)** | (1,720,703) | (1,720,703) |
| – Lease liabilities | **(35,918)** | (6,033) | – |
| | **(5,941,294)** | (5,168,480) | (5,162,447) |
| Total non-current portion of long-term borrowings | **36,649,523** | 35,995,845 | 35,780,675 |

## 11. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

### (a) Long-term borrowings (Continued)

*Notes:*

(i) At 31 December 2019, the borrowings from Pingan Assets Management Co., Ltd. amounting to RMB1.0 billion (2018: RMB2.0 billion) were guaranteed by Datang Corporation.

(ii) At 31 December 2019, included in secured other loans were borrowings amounting to RMB2,645.6 million (31 December 2018: RMB1,884.9 million) due to Datang Financial Leasing, RMB983.3 million (31 December 2018: 138.1 million) due to Shanghai Datang Financial Leasing Company Limited ("**Shanghai Datang Financial Leasing**") and RMB1,018.8 million (31 December 2018: RMB1,177.2 million) from ICBC Financial Leasing Company Limited. According to the agreements with Datang Financial Leasing, Shanghai Datang Financial Leasing and ICBC Financial Leasing Company Limited, certain subsidiaries of the Company sell and lease back certain property, plant and equipment to and from the lenders for periods ranging from 3 to 15 years. The underlying property, plant and equipment will be transferred to the relevant group companies at a notional consideration of RMB1.00 at the end of the lease term. In accordance with *SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*, proceeds received under the agreements described above should be accounted for as borrowings secured by the relevant property, plant and equipment as the substance of this arrangement is considered as a financing arrangement. At 31 December 2019, cash amounting to RMB48.7 million (2018: RMB48.7 million) was held in a deposit account with ICBC Financial Leasing Company Limited.

(iii) The Company issued green corporate bonds amounting to RMB1,000.0 million, RMB500.0 million, RMB500.0 million and RMB1,200.0 million with a unit par value of RMB100 each on 14 September 2016, 28 September 2016, 21 October 2016 and 26 September 2019, respectively. The annual interest rates for these green corporate bonds are 3.50%, 3.15%, 3.10% and 3.58% respectively. The first issued green corporate bond matured in September 2019.

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 11. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

### (b) Short-term borrowings

| | **31 December 2019** | 1 January 2019 | 31 December 2018 |
|---|---|---|---|
| Bank loans | | | |
| – Unsecured | **5,750,000** | 3,090,000 | 3,090,000 |
| Short-term bonds – unsecured *(Note (i))* | **4,035,833** | 6,075,584 | 6,075,584 |
| Entrusted loans *(Note (ii))* | **3,000,000** | – | – |
| Other loans | | | |
| – Unsecured | **855,000** | 202,000 | 202,000 |
| – Secured | **548,897** | 96,829 | 96,829 |
| | **1,403,897** | 298,829 | 298,829 |
| Current portion of long-term borrowings *(Note 11(a))* | **5,941,294** | 5,168,480 | 5,162,447 |
| | **20,131,024** | 14,632,893 | 14,626,860 |

## 11. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

### (b) Short-term borrowings (Continued)

*Notes:*

(i) On 31 January 2018, 23 April 2018, 11 July 2018, 22 August 2018 and 22 October 2018, the Company issued five tranches of short-term bonds with a par value of RMB100. The first issued short-term bonds amounted to RMB2,500.0 million, and the second, third, fourth and fifth issued short-term bonds amounted to RMB2,000.0 million each. The issuance cost was RMB5.97 million. These bonds have annual effective interest rates ranging from 3.10% to 5.15%. The five issued short-term bonds have already matured in July 2018, October 2018, April 2019, May 2019 and July 2019, respectively.

On 24 May 2019, 18 July 2019, 31 July 2019 and 17 September 2019, the Company issued four tranches of short-term bonds with a par value of RMB100 amounted to RMB2,000.0 million each. The issuance cost was RMB3.65 million. The bond has an annual effective interest rate from 2.35% to 2.60%. The first two issued short-term bonds have already matured in July 2019 and September 2019, and the third and forth issued short-term bonds will mature in April 2020 and June 2020, respectively.

(ii) During the year ended 31 December 2019, included in entrusted loans were borrowings from Datang Group entrusted through China Datang Group Finance Co., Ltd. ("**Datang Finance**") with the amount of RMB3,000.0 million. The loans will be paid before 8 December 2020 and carries the effective interest rate of 3.92%.

The estimated fair values of short-term borrowings approximate to their carrying amounts.

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 11. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

### (c) Other disclosures in relation to the Group's borrowings

At 31 December 2019 and 2018, the effective interest rates per annum on borrowings are as follows:

| | **2019** | 2018 |
|---|---|---|
| **Long-term** | | |
| Bank loans | **2.82%–5.76%** | 2.82%–5.50% |
| Other loans | **3.92%–6.41%** | 4.35%–5.76% |
| Corporate bonds | **3.10%–3.58%** | 3.10%–3.50% |
| **Short-term** | | |
| Bank loans | **3.70%–4.35%** | 4.33%–4.75% |
| Other loans | **3.92%–5.70%** | 4.35%–5.70% |
| Short-term bonds | **2.48%–2.60%** | 3.10%–4.25% |
| Entrusted loans | **3.92%** | – |

At 31 December 2019 and 2018, details of the Group's guaranteed bank loans are as follows:

| | **2019** | 2018 |
|---|---|---|
| Guarantor | | |
| – The Company* | **1,269,420** | 1,472,736 |
| – Non-controlling interests of subsidiaries and their ultimate holding companies | **231,783** | 266,191 |
| | **1,501,203** | 1,738,927 |

* At 31 December 2019, guaranteed loans by the Company amounting to RMB14.0 million (2018: RMB24.0 million) were counter guaranteed by non-controlling interests of a subsidiary.

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 11. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

### (c) Other disclosures in relation to the Group's borrowings (Continued)

At 31 December 2019 and 2018, the Group has pledged certain assets as collateral for certain secured borrowings and a summary of these pledged assets is as follows:

| | Bank loans | | Other loans | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| Property, plant and equipment | **1,626,498** | 2,076,748 | **7,743,519** | 3,915,217 |
| Concession assets | **199,370** | 214,652 | **–** | – |
| Tariff collection rights | **1,412,974** | 889,804 | **436,186** | 49,319 |
| | **3,238,842** | 3,181,204 | **8,179,705** | 3,964,536 |

At 31 December 2019 and 2018, long-term borrowings were repayable as follows:

| | **2019** | 2018 |
|---|---|---|
| Within 1 year | **5,941,294** | 5,162,447 |
| After 1 year but within 2 years | **7,764,504** | 5,594,850 |
| After 2 years but within 5 years | **17,420,300** | 18,544,584 |
| After 5 years | **11,464,719** | 11,641,241 |
| | **42,590,817** | 40,943,122 |

At 31 December 2019 and 2018, the carrying amounts of borrowings were all denominated in the RMB.

## 12. BUSINESS COMBINATION

In May 2015, a subsidiary of the Company, Datang Guilin Renewable Power Co., Ltd. ("**Guilin Renewable**") entered into an agreement with Mingyang Intelligent Energy Group Co., Ltd. (formerly known as Guangdong Mingyang Wind Power Industry Group Co., Ltd.) ("**Mingyang Intelligent**") to hold 2.5% and 97.5% of the shares of Datang Gongcheng Renewable Power Co., Ltd. ("**Gongcheng Renewable**"), respectively. According to the articles of association of Gongcheng Renewable, Guilin Renewable designated a director and a deputy general manager to Gongcheng Renewable, therefore the Group accounted for it as an associate as it had significant influence on it.

As at 25 March 2019, the Group acquired a 97.5% interest in Gongcheng Renewable from Mingyang Intelligent. Gongcheng Renewable is engaged in the generation and sale of the wind power. The acquisition was made as part of the Group's strategy to expand its market share of wind power industry. The purchase consideration for the acquisition was in the form of cash, with RMB79.56 million paid as at 7 March 2019 and 26 March 2019.

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 12. BUSINESS COMBINATION (CONTINUED)

The fair values of the identifiable assets and liabilities of Gongcheng Renewable as at the date of acquisition were as follows:

| | Fair value recognised on acquisition |
|---|---|
| Property, plant and equipment | 332,493 |
| Right-of-use assets | 2,616 |
| Cash and bank balances | 20 |
| Trade receivables | 36,732 |
| Prepayments, other receivables and other assets | 24,693 |
| | |
| Trade payables | (622) |
| Current income tax liabilities | (895) |
| Other payables and accruals | (64,626) |
| Deferred tax liabilities | (911) |
| Interest-bearing bank and other borrowings | (228,410) |
| Total identifiable net assets at fair value | 101,090 |
| Gain on acquisition | 19,001 |
| *Satisfied by:* | |
| Cash | 79,562 |
| Fair value of a previously held 2.5% equity interest | 2,527 |
| | 82,089 |

*(Amounts expressed in thousands of RMB unless otherwise stated)*

## 12. BUSINESS COMBINATION (CONTINUED)

The Group incurred transaction costs of RMB0.2 million for this acquisition. These transaction costs have been expensed and are included in other operating expenses in the consolidated statement of profit or loss.

The gain of RMB19.0 million was recognised in other income and other gains in the consolidated statement of profit or loss, which was mainly generated from the profits of Gongcheng Renewable for the period from 1 November 2018 to the acquisition date attributed to the Group.

From the date of acquisition, Gongcheng Renewable has contributed RMB33.33 million to the revenue of the Group and RMB7.74 million to the profit before tax of the Group.

Details of the 2.5% equity interest held by the Group before the acquisition of Gongcheng Renewable and the profit from the investment are as follows:

| | |
|---|---|
| Initial investment cost | 2,000 |
| Share of profit accumulated under the equity method | 1,206 |
| Cash dividends declared | (737) |
| Book value of the investment in the 2.5% equity interest of Gongcheng Renewable on the acquisition date | 2,469 |
| Fair value of the investment in 2.5% equity interest of Gongcheng Renewable on the acquisition date *(Note)* | 2,527 |
| Gain on a previously held equity interest remeasured at acquisition date's fair value | 58 |

*Note:* The fair value was determined based by the valuation report issued by an independent qualified valuer.

An analysis of the cash flows in respect of the acquisition of Gongcheng Renewable is as follows:

| | |
|---|---|
| Cash consideration | (79,562) |
| Cash and bank balances acquired | 20 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (79,542) |

## 13. EVENTS AFTER THE REPORTING PERIOD

On 30 March 2020, the Board proposed to distribute the final dividend for the year ended 31 December 2019 of RMB0.03 per share (before tax) in cash to the shareholders with an amount of RMB218.2 million. The proposal is subject to the approval by the shareholders of the Company at the 2019 Annual General Meeting. These consolidated financial statements do not reflect this dividend payable.

The Company has completed the public issue of its renewable corporate bonds (first tranche) of 2020 (the "**Corporate Bonds I**") and received the proceeds on 16 January 2020. The issuance of the Corporate Bonds I is RMB2 billion, with a basic term of 3 years. The par value is RMB100 and the interest rate is 3.88%. The interest starts to accrue since 16 January 2020.

The Company has completed the public issue of its renewable corporate bonds (second tranche) of 2020 (the "**Corporate Bonds II**") and received the proceeds on 27 February 2020. The issuance of the Corporate Bonds II is RMB2 billion, with a basic term of 3 years. The par value is RMB100 and the interest rate is 3.58%. The interest starts to accrue since 27 February 2020.

Since January 2020, the novel coronavirus (COVID-19) outbreak continues to spread throughout China and to countries across the world. The COVID-19 has no significant impact to the business operations of the Group. The Group will monitor the development of COVID-19's situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

Apart from above, as of the date of the announcement, the Group had no other significant events after the reporting period that need to be disclosed.

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. INDUSTRY OVERVIEW

In 2019, green development has become a global trend currently, representing people's yearning for a better life and the direction of progress of human civilization. President Xi Jinping expressly stated that China would unswervingly implement the new concept of green development. By taking green development as a guide, China would actively build a modern economic system, accelerate the development of energy-saving and environmental protection industries, vigorously develop clean energy, improve the level of utilization of clean energy and finally promote comprehensive conservation and recycling of resources. Focusing on improving the quality of ecological environment, we resolutely fought against pollution by implementing prevention and control measures, and maintained our strategic focus to enhance the construction of ecological civilization, for the purpose of ensuring the realization of the phased ecological environmental protection objective by 2020.

In 2019, according to the data published by the National Energy Administration ("**NEA**"), the national electricity consumption continued stable and rapid growth and reached 7,230 billion kWh, representing a year-on-year increase of 4.5%. The newly added on-grid wind power installed capacity nationwide was 25,740MW, among which, the newly added onshore wind power installed capacity was 23,760MW and newly added offshore wind power installed capacity was 1,980MW. As at the end of 2019, the accumulated wind power installed capacity nationwide was 210,000MW, among which, the accumulated onshore wind power installed capacity was 204,000MW and the accumulated offshore wind power installed capacity was 5,930MW. The wind power installed capacity accounted for 10.4% of the total installed power generation capacity. The annual wind power generation for 2019 was 405.7 billion kWh, exceeding 400 billion kWh for the first time, accounting for 5.5% of the total power generation.

In 2019, the average utilisation hours of wind power nationwide amounted to 2,082 hours. The wind power curtailment amounted to 16.9 billion kWh, representing a year-on-year decrease of 10.8 billion kWh, and the average wind power curtailment ratio was 4%, representing a year-on-year decrease of 3 percentage points. The wind power curtailment situation has been further alleviated.

**Industry policy:**

In January 2019, the National Development and Reform Commission (the "**NDRC**") and the NEA issued the Notice on Active Promotion of the Work on Grid Parity of Wind Power and Photovoltaic Power Generation without Subsidies (《關於積極推進風電、光伏發電無補貼平價上網有關工作的通知》) which states that the construction of pilot projects for grid parity of wind power and photovoltaic power generation with implementation of benchmarked coal-fired on-grid tariffs but without state subsidies shall be promoted in all regions based on the earnest summary of experience and in combination with conditions of resources, consumption and new technology applications. A number of low-cost on-grid pilot projects with on-grid tariffs lower than the benchmarked coal-fired on-grid tariffs shall be led to construct first in areas with good resource conditions and high degree of guarantee for market consumption.

The NDRC and the NEA issued the Notice on Regulating the Management for Planning Prioritised Power Generation and Purchase (《關於規範優先發電優先購電計劃管理的通知》), which indicates that prioritised power generation serves as an efficient way for the guaranteed purchase of generation of wind power, solar energy and other clean energy, ensuring the safe operation of clean energy sources such as nuclear power and large hydropower plants at full base load, and facilitating the stable operation of regulated power supplies such as peak-shaving and frequency regulation.

In March 2019, the NDRC and the NEA and the Ministry of Finance issued the Guiding Opinions on the Sharing of Benefits of Hydropower Development(《關於做好水電開發利益共享工作的指導意見》), which states that the power grid infrastructure in resettlement areas and reservoir areas should be improved, the full coverage of stable and reliable power supply services should be achieved, and the capabilities and services of power supply should be significantly improved in accordance with the overall plan on the transformation of rural power grid and all villages are accessible to power supply projects (including power generation). The resettlement areas are encouraged to use clean energy such as biogas and solar energy. Hydropower consumption needs to coordinate both the local and delivery markets as to give priority to ensure local electricity demand. The electricity price level used for production and living in the reservoir area is encouraged to be reduced appropriately through marketization. The local resource endowments should be used scientifically to promote the complementary and comprehensive multi-energy utilization of hydropower and local wind power and photovoltaic power, so as to increase local energy output and economic income. Relying on hydropower projects with good regulatory performance, priority should be given to the development of wind power and photovoltaic projects in its surroundings, and coordinate regional wind power, photovoltaic power and hydropower delivery and consumption.

The NDRC issued Notice On the Corresponding Reduction of General Industrial and Commercial Electricity Prices in the Adjustment of the Value-added Tax Rate of Power Grid Enterprises (《關於電網企業增值稅稅率調整相應降低一般工商業電價的通知》), which sets out that after the VAT rate of power grid enterprises is adjusted from 16% to 13%, all the space for the reduction of tax-inclusive electricity transmission and distribution price level of the provincial power grid enterprises will be fully used to reduce the general industrial and commercial electricity price, which will be effective from 1 April 2019.

The NEA issued the Notice on "Improving the Power Trading Mechanism Related To Wind Power Heating to Expand the Application Of Wind Power Heating" (《關於完善風電供暖相關電力交易機制擴大風電供暖應用的通知》), which points out that the marketization of power trading mechanism of wind power heating should be further improved and the application scope and scale of wind power heating should be expanded.

In May 2019, the NDRC issued the Notice on Improving Wind Power On-grid Tariff Policies by NDRC (《國家發展改革委關於完善風電上網電價政策的通知》), which has been effective since 1 July 2019.

In July 2019, the Ministry of Finance issued a Notice on Adjusting Certain Project Information in the Additional Subsidy Catalogue of Renewable Energy Tariff (《關於調整可再生能源電價附加資金補助目錄部分項目信息的通知》), which adjusted 166 renewable energy projects, of which 50 were PV projects with a total of 536.8MW, and most of the projects were the sixth and seventh batches of projects.

In December 2019, the NEA issued a Letter on The Notice on Matters Related to the Administration of Wind Power Construction in 2020 (Exposure Draft) (關於徵求2020年風電建設管理有關事項的通知(徵求意見稿)的函), which indicates that the construction of grid parity projects will be actively promoted in 2020. On the basis of implementing various construction conditions such as consumption, the competent provincial energy departments may organize and give priority to the construction of subsidy-free grid parity of wind power projects. Actively support the construction of distributed wind power projects. Encourage provinces (including the autonomous regions and municipalities directly under the central government) to innovate the ways of development and actively promote distributed wind power to participate in the pilot market trading of distributed power generation. The construction of offshore wind power projects shall be steadily promoted. The provinces with on-grid capacity and construction scale exceeding the planned targets shall suspend the competitive allocation and approval of offshore wind power projects.

## II. BUSINESS REVIEW

2019 is the year of "innovation endeavor" for the Company. The Company actively followed new energy development trends, implemented various work in a solid manner, expanded new driving forces for development, and continued to promote the high quality development of new energy business. The Company maintained a good momentum of upward trend in aspects such as the operation and management, reform and development and production safety.

As at 31 December 2019, the Company's total assets amounted to RMB80,023 million, realized revenue of RMB8,325 million, profit before tax of RMB1,440 million, and net profit attributable to the owners of the parent of RMB936 million, and the return on net assets reached 7.68%. With an additional cumulative approval of 939.5MW in the year, the new on-gird capacity of 794.5MW, the cumulative installed capacity of 9,761.42MW, representing another high record in its history. The unit in stock by the comprehensive average utilization hour was completed 2,053 hours, of which, the wind power was completed 2,064 hours, photovoltaic was completed 1,439 hours and gas was completed 3,358 hours; and the power generation capacity was completed at 18,435,463 MWh, representing a year-on-year increase of 460,300 MWh. The comprehensive curtailment ratio was 5.45%, representing a year-on-year decrease of 2.67 percentage points. The average on-grid tariffs (excluding tax) amounted to RMB461.86/MWh, representing a year-on-year decrease of RMB10.44/MWh.

### (I) Maintained a steady performance in safety production all year round

#### *1. Wind power curtailment showed continuous improvement*

In 2019, the wind power curtailment amount of the Company decreased by 530 GWh year-on-year and the wind power curtailment ratio decreased to 5.40%, representing a year-on-year decrease of 2.74 percentage points. In particular, the wind power curtailment ratio in Inner Mongolia, Heilongjiang and Shaanxi and other provinces where the Company has a higher proportion of wind power installed capacity decreased by 5.12 percentage points, 5.27 percentage points and 4.08 percentage points, respectively.

As at 31 December 2019, the consolidated power generation of the Company by geographical area was as follows:

| | **Consolidated power generation** *(MWh)* | | |
|---|---|---|---|
| **Province** | **As at 31 December 2019** | As at 31 December 2018 | Rate of year-on-year change |
| **Total** | **18,435,463** | 17,975,163 | 2.56% |
| **Wind power** | **18,167,639** | 17,689,797 | 2.70% |
| Inner Mongolia | **7,151,039** | 6,782,388 | 5.44% |
| Heilongjiang | **1,210,338** | 1,084,164 | 11.64% |
| Jilin | **1,457,544** | 1,428,850 | 2.01% |
| Liaoning | **702,188** | 731,331 | -3.98% |
| Gansu | **1,426,755** | 1,444,543 | -1.23% |
| Ningxia | **914,671** | 928,698 | -1.51% |
| Shaanxi | **249,312** | 242,024 | 3.01% |
| Shanxi | **988,128** | 1,111,625 | -11.11% |
| Hebei | **210,886** | 214,100 | -1.50% |
| Henan | **301,560** | 277,997 | 8.48% |
| Anhui | **131,952** | 110,086 | 19.86% |
| Guangxi | **255,379** | 168,033 | 51.98% |
| Guizhou | **67,171** | 78,888 | -14.85% |
| Yunnan | **709,180** | 651,334 | 8.88% |
| Chongqing | **87,500** | 77,520 | 12.87% |
| Guangdong | **74,976** | 80,034 | -6.32% |
| Shandong | **1,402,204** | 1,574,693 | -10.95% |
| Shanghai | **427,518** | 529,621 | -19.28% |
| Fujian | **202,823** | 173,869 | 16.65% |
| Jiangsu | **196,515** | – | – |
| **Photovoltaic** | **251,036** | 256,971 | -2.31% |
| Jiangsu | **17,127** | 17,754 | -3.53% |
| Ningxia | **68,549** | 67,887 | 0.98% |
| Qinghai | **120,666** | 128,599 | -6.17% |
| Shanxi | **33,055** | 31,799 | 3.95% |
| Liaoning | **11,639** | 10,932 | 6.47% |
| **Gas** | **16,788** | 28,396 | -40.88% |
| Shanxi | **16,788** | 28,396 | -40.88% |

## *2. The safety production base was further strengthened*

In 2019, the Company continued to intensify the equipment governance and strengthen the safety production base, strictly carried out safety inspection in spring and autumn in strict accordance with the requirements, rectified the problems found one by one to ensure the responsibility is in place. The Company improved the emergency plan, organized and carried out a number of drills for emergency treatment of accidents, and carried out on-site inspection of power protection measures in each enterprise. The Company took full use of the production information platform and grasped the real time situation of units operation so as to increase the utilization efficiency of the units.

In 2019, there was no material or above accident of the personnels or and equipment of the Company and it successfully completed the political power protection task to celebrate the 70th anniversary of the founding of the PRC.

The average utilisation hours of wind power of the Company during the year stood at 2,064 hours. As at 31 December 2019, the average utilisation hours of the Company by region were as follows:

| | **Average utilisation hours** *(hour)* | | |
|---|---|---|---|
| **Province** | **As at 31 December 2019** | As at 31 December 2018 | Year-on-year change |
| **Total** | **2,053** | 2,086 | -33 |
| **Wind power** | **2,064** | 2,096 | -32 |
| Inner Mongolia | **2,380** | 2,291 | 89 |
| Heilongjiang | **2,407** | 2,265 | 142 |
| Jilin | **2,249** | 2,205 | 44 |
| Liaoning | **1,875** | 1,956 | -81 |
| Gansu | **1,687** | 1,708 | -21 |
| Ningxia | **1,667** | 1,819 | -152 |
| Shaanxi | **1,673** | 1,624 | 49 |
| Shanxi | **1,882** | 2,188 | -306 |
| Hebei | **2,130** | 2,163 | -33 |
| Henan | **2,113** | 2,412 | -299 |
| Anhui | **1,323** | 1,783 | -460 |
| Guangxi | **1,627** | 1,697 | -70 |
| Guizhou | **1,399** | 1,643 | -244 |
| Yunnan | **2,394** | 2,199 | 195 |
| Chongqing | **1,746** | 1,550 | 196 |
| Guangdong | **1,515** | 1,617 | -102 |

| Province | Average utilisation hours *(hour)*<br>**As at 31 December 2019** | As at 31 December 2018 | Year-on-year change |
|---|---|---|---|
| Shandong | **1,630** | 1,830 | -200 |
| Shanghai | **2,094** | 2,594 | -500 |
| Fujian | **2,124** | 2,174 | -50 |
| Jiangsu | **1,864** | – | – |
| | | | |
| **Photovoltaic** | **1,439** | 1,473 | -34 |
| Jiangsu | **927** | 961 | -34 |
| Ningxia | **1,399** | 1,385 | 14 |
| Qinghai | **1,508** | 1,607 | -99 |
| Shanxi | **1,653** | 1,590 | 63 |
| Liaoning | **1,663** | 1,562 | 101 |
| | | | |
| **Gas** | **3,358** | 5,679 | -2,321 |
| Shanxi | **3,358** | 5,679 | -2,321 |

### *3. The technical standard of wind farm has been fully improved*

In 2019, the Company prepared and completed the "Guide Manual for Wind Farm Operation and Maintenance Capacity Appraisal" and applied for copyright, cooperated with China Electric Power Research Institute to complete the research of related tasks and took it as an opportunity to establish a standard library of new energy enterprises, which collected in total of 412 national standards and more than 170 industry standards related to new energy, providing sufficient technical data support for the production and management of the Company.

During the year of 2019, in combination with the completion situation of technological transformation of equipment in its wind farms, the Company made an overall plan for the technological transformation of equipment in 2020; it launched researches on accurate fire-fighting system for wind power generation units, completed the design plan for fire-fighting system, researched and developed a remote fault diagnosis platform for wind power generation units, specified the initial design modules of the platform and determined the development plan as well as the application model.

As at 31 December 2019, 98.95% of the utilisation rate of wind turbines of the Company was completed. The overall efficiency enhancement was obvious for wind turbines equipment and the reliability of wind power units maintained leading in the industry.

## (II) Strengthening development power and increasingly enhancing high-quality development

### *1. Promoting projects approval and construction by using all means*

In 2019, in order to facilitate the working progress of projects approval, commencement and operation, as well as to secure the revenue from tariff subsidies, the Company organised and convened several special working conferences and studied and formulated the promotion plan for the preliminary projects. The Company strengthened mechanisms and systems and implemented responsibility system with assignment by areas (分片包幹責任制) to guide the implementation of specific projects with pertinence. Meanwhile, Relying on the professional advantage of its Experiment Research Institute, the Company enriched assessment group for wind resources (風資源評價小組) and constantly improved undertaking abilities of planning wind farms and assessing wind farm resources, which offered a technological support to preliminary risk control of wind power projects of the Company.

As at 31 December 2019, the capacity of the projects under construction of the Company was 1,879 MW, the cumulative consolidated installed capacity was 9,761.42 MW, representing an increase of 794.50 MW or 8.86% over the same period of 2018.

As at 31 December 2019, the consolidated installed capacity of the Group by region was as follows:

| | | Consolidated installed capacity *(MW)* | | |
|---|---|---|---|---|
| **Region** | **Province** | **As at 31 December 2019** | As at 31 December 2018 | Rate of year-on-year change |
| **Total** | | **9,761.42** | 8,966.92 | 8.86% |
| **Wind power** | | **9,533.25** | 8,787.45 | 8.49% |
| **Inner Mongolia** | | **3,005.55** | 3,005.55 | 0.00% |
| | Eastern Inner Mongolia | **2,151.75** | 2,151.75 | 0.00% |
| | Western Inner Mongolia | **853.80** | 853.80 | 0.00% |
| **Northeast China** | | **1,692.90** | 1,522.90 | 11.16% |
| | Heilongjiang | **551.00** | 501.00 | 9.98% |
| | Jilin | **648.10** | 648.10 | 0.00% |
| | Liaoning | **493.80** | 373.80 | 32.10% |

| Region | Province | Consolidated installed capacity *(MW)* As at 31 December 2019 | As at 31 December 2018 | Rate of year-on-year change |
|---|---|---|---|---|
| **Central and Western China** | | **3,323.30** | 3,049.30 | 8.99% |
| | Gansu | **845.80** | 845.80 | 0.00% |
| | Ningxia | **646.50** | 547.50 | 18.08% |
| | Shaanxi | **149.00** | 149.00 | 0.00% |
| | Shanxi | **625.50** | 625.50 | 0.00% |
| | Hebei | **99.00** | 99.00 | 0.00% |
| | Henan | **142.75** | 142.75 | 0.00% |
| | Anhui | **125.50** | 97.50 | 28.72% |
| | Guangxi | **247.00** | 148.00 | 66.89% |
| | Guizhou | **48.00** | 48.00 | 0.00% |
| | Yunnan | **320.25** | 296.25 | 8.10% |
| | Chongqing | **74.00** | 50.00 | 48.00% |
| **South-East Coastal Areas** | | **1,511.50** | 1,209.70 | 24.95% |
| | Guangdong | **49.50** | 49.50 | 0.00% |
| | Fujian | **95.50** | 95.50 | 0.00% |
| | Shandong | **860.50** | 860.50 | 0.00% |
| | Shanghai | **204.20** | 204.20 | 0.00% |
| | Jiangsu | **301.80** | – | – |
| **Photovoltaic** | | **223.17** | 174.47 | 27.91% |
| | Jiangsu | **18.47** | 18.47 | 0.00% |
| | Ningxia | **49.00** | 49.00 | 0.00% |
| | Qinghai | **80.00** | 80.00 | 0.00% |
| | Shanxi | **20.00** | 20.00 | 0.00% |
| | Liaoning | **7.00** | 7.00 | 0.00% |
| | Guizhou | **48.70** | – | – |
| **Gas** | | **5.00** | 5.00 | 0.00% |
| | Shanxi | **5.00** | 5.00 | 0.00% |

*Note:* Given that the wind power project (I) in Longgan Lake, Hubei of the Company had been eliminated, therefore, the installed size in 2018 was restated and the installed capacity in Hubei was decreased 48MW accordingly.

### *2. Facilitating the storage of resources to reinforce the potential for future development*

In face of the overall grid parity trend and bidding mechanism of wind power and photovoltaic power in 2020, the Company focused on further policy research on renewable energy industry and prepared three-year rotation plan to be well-prepared for seizing market opportunities.

Meanwhile, the Company paid attention to obtain the development right under the competitive allocation of resources in new energy projects when actively dealing with the policy changes in new energy projects. The leading team of competitive allocation of wind power and photovoltaic power projects of the Company was established. Specific strategies were given to different provinces in accordance with their conditions. The Company maintained close contact with the preliminary allocation of competitive resources.

## (III) Active financing for providing guarantee for the operating development of the Company

In 2019, the Company applied various financing ways flexibly to raise funds for providing support for the operating development of the Company. In particular, in September 2019, the Company issued RMB1.2 billion corporate bonds with an interest rate of 3.58%, the minimum interest rate among bonds in the same type for the same period; at the same time, the ultra short-term financing bonds of RMB2 billion of 270 days were issued with a comprehensive interest rate of 2.58%, which was lower than the interest rate issued by other companies for the same period. In May and July 2019, a total of three tranches of the ultra short-term financing bonds were issued with a proceeds of RMB6 billion. By applying the debt financing instruments, the proceeds within the year aggregated to RMB9.2 billion and with the communication and coordination with financial institutions, the Company obtained a downward adjustment in interest rate for all existing loans. Through a series of measures, while improving the financing costs, the Company provided powerful fund guarantee for the following project construction and operating development.

## (IV) Strengthening key management to enhance control efficiency comprehensively

### *1. Remarkable success in "Three Centres" construction*

In combination with the new trend of new energy reform and focusing on key factors, the Company optimized the management chain and improved the "Three Centres" construction comprehensively, which strengthened organizational effectiveness and laid a solid foundation for systematic management.

Production and control centre was optimized. On basis of its original control centre, the Company further upgraded the software and debugged the hardware, had full knowledge of details of wind turbines operation timely, systematically instructed all departments to effectively increase the utilization rate of wind turbines and decrease the number of long-term idle fans, which provided guarantee for additional power generation to its maximum.

Financial and capital supervision centre was established. With the property of enterprise as the link, the Company reinforced the management of overall budget and property, for further reinforcing the process control of budget execution, which ensured rigid execution of the budget and achieved the operating goal of the Company.

Risk prevention centre was established. In accordance with the operation rules of the listed company and requirements of laws and regulations, the Company regulated the corporate governance, coordinated the compliance management of significant matters, such as the information disclosure, material and connected transactions, thoroughly reviewed the potential legal risks and unitedly coordinated and supervised the legal disputes dealt with by the affiliated enterprises for safeguarding the legal rights and interests of the Company.

### *2. Intensifyng scientific and technological project management*

In 2019, the Company further intensified the process control of intellectual property safeguard and promoted the authorization and application of patent orderly. There were 8 patents authorization completed by its subsidiary, Experiment Research Institute. Meanwhile, Chifeng training base was included into "National Wind Power Base for Science Education" for the first time, which laid a solid foundation for high-quality development of new energy enterprises.

### *3. Enhancing staff skills management*

As at the end of 2019, the Company provided 26 business training classes including skills appraisal, market development, etc., with 2,009 participants. Special training proposals were prepared for creating quality programs. The Foundation of Wind Power Generation Technology (《風力發電技術基礎》), the first volume of the series on wind power generation technology was prepared and completed. Professional electronic journals were published quarterly for offering the latest industrial information for each professional and technical personnel of the Company.

## III. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial figures of the Group together with the accompanying notes included in this announcement and other sections therein.

### (I) Overview

The Group's net profit for 2019 amounted to RMB1,143.99 million, representing a decrease of RMB282.40 million compared to RMB1,426.39 million in 2018, of which profit attributable to owners of the parent amounted to RMB936.44 million.

### (II) Revenue

The Group's revenue increased by 0.06% to RMB8,324.78 million in 2019 compared to RMB8,319.41 million in 2018, primarily due to the increase in revenue from sales of electricity.

The Group's electricity sales revenue increased by 0.18% to RMB8,251.39 million in 2019 compared to RMB8,236.59 million in 2018. The increase in revenue from sales of electricity did not reach the expectation, primarily due to the change in wind resources situation in Shandong, Shanxi, Shanghai and other regions.

### (III) Other income and other gains, net

The Group's net other income and other gains increased by 35.59% to RMB365.55 million in 2019 compared to RMB269.60 million in 2018, primarily due to the year-on-year decrease in disposal loss of the property, plant and equipment for the current period.

The Group's government grants decreased by 5.85% to RMB334.47 million in 2019 compared to RMB355.27 million in 2018, primarily due to the change in the income from the value-added tax refund.

**(IV) Operating expenses**

The Group's operating expenses increased by 7.49% to RMB5,163.82 million in 2019 compared to RMB4,803.85 million in 2018, mainly due to the increase in depreciation and amortisation charges provided within the period and employee benefit expenses as a result of higher installed capacity.

The Group's depreciation and amortisation charges increased by 4.96% to RMB3,565.64 million in 2019 compared to RMB3,397.23 million in 2018, primarily due to the increase in installed capacity.

The Group's employee benefit expenses increased by 23.96% to RMB703.13 million in 2019 compared to RMB567.22 million in 2018, primarily due to the increase in expensed labour cost as a result of increase in installed capacity and the remuneration adjustment in part of the grassroots units.

The Group's other operating expenses increased by 9.96% to RMB584.38 million in 2019 compared to RMB531.45 million in 2018, primarily due to the change in the provision for assets impairment losses and the increase in intermediary service charges.

**(V) Operating profit**

The Group's operating profit decreased by 6.83% to RMB3,526.51 million in 2019 compared to RMB3,785.16 million in 2018, mainly due to the power generation did not reach the expectation due to the changes in wind resources situations in certain regions.

**(VI) Finance expenses, net**

The Group's net finance expenses increased by 1.58% to RMB2,145.68 million in 2019 compared to RMB2,112.36 million in 2018, primarily due to the increase in interest bearing bank borrowings and other borrowings.

### (VII) Share of profits and losses of associates and joint ventures

The Group recorded RMB59.05 million in share of profit of associates and joint ventures in 2019 as compared to a profit of RMB56.10 million in 2018.

### (VIII) Income tax expenses

The Group's income tax expenses decreased by 2.19% to RMB295.88 million in 2019 as compared to RMB302.51 million in 2018, mainly due to the fluctuation in profits, together with the differentiated commencement and expiration of income tax preferences for certain subsidiaries of the Group located in regions with preferential income tax rates.

### (IX) Profit for the year

The Group's profit for the year decreased by RMB282.40 million to RMB1,143.99 million in 2019 compared to the profit of RMB1,426.39 million in 2018. For the year ended 31 December 2019, the Group's profit ratio for the year as a percentage of its total revenue decreased to 13.74% as compared with that of 17.15% in 2018.

### (X) Profit attributable to owners of the parent

The profit attributable to owners of the parent decreased by RMB272.84 million or 22.56%, to RMB936.44 million in 2019 compared to the profit of RMB1,209.28 million in 2018.

### (XI) Profit attributable to non-controlling interests

The profit attributable to non-controlling interests of the Group decreased by 4.40% to RMB207.56 million in 2019 compared to RMB217.11 million in 2018.

### (XII) Liquidity and capital sources

As at 31 December 2019, the Group's cash and cash equivalents decreased by 3.18% to RMB3,517.16 million compared to RMB3,632.83 million as at 31 December 2018. The main sources of the Group's operating cash are revenue from the sales of electricity.

As at 31 December 2019, the Group's borrowings increased by 12.64% to RMB56,780.55 million compared to RMB50,407.54 million as at 31 December 2018. In particular, RMB20,131.02 million (including RMB5,941.29 million of long-term borrowings due within one year) was short-term borrowings, and RMB36,649.53 million was long-term borrowings. The above borrowings are all denominated in RMB.

As at 31 December 2019, the Group has unutilised banking facilities amounting to approximately RMB14,900.0 million. As at 31 December 2019, the Group has the approved but not issued corporate bonds amounting to RMB6,800.0 million, and the approved but not issued ultra short-term financing bonds amounting to RMB6,000.0 million, of which RMB10,800.0 million are not subject to renewal in upcoming 12 months from the end of the reporting period.

### (XIII) Capital expenditure

The Group's capital expenditure increased by 190.28% to RMB6,795.25 million in 2019 as compared to RMB2,340.89 million in 2018. Capital expenditure mainly comprises construction costs including acquisition or construction of property, plant and equipment, right-of-use assets (including land use rights) and intangible assets.

### (XIV) Net gearing ratio

The Group's net gearing ratio (net debt (total borrowings and related parties' loans less cash and cash equivalents) divided by the sum of net debt and total equity) was 79.29% in 2019, 3.13 percentage points higher than 76.16% as in 2018.

### (XV) Significant investment

In 2019, the Group made no significant investment.

### (XVI) Material acquisition and disposal

In 2019, the Group had no material acquisition or disposal.

### (XVII) Pledge of assets

Some of our bank borrowings and other borrowings are secured by property, plant and equipment, concession assets and electricity tariff collection rights. As at 31 December 2019, net carrying value of the pledged assets amounted to RMB11,418.55 million.

### (XVIII) Contingent liabilities

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

## IV. RISK FACTORS AND RISK MANAGEMENT

### 1. Policy risk

Since 2005, the PRC government has offered increasing policy support to the renewable energy industry and implemented a series of preferential measures to bolster the development of domestic wind power projects, including compulsory grid connections, on-grid tariff subsidies, and preferential tax policies. Although the PRC government has reiterated that it would continue to intensify its support for the development of wind power industry, there is still possibility that it might alter or repeal the current preferential measures and favorable policies without any prior notice. In addition, the Chinese government has recently been continuously deepening the reform of electric power system, and the competition mechanism among power-generation enterprises, including renewable energy, is taking shape at a fast pace. On 26 December 2019, the National Development and Reform Commission issued the Notice Regarding the Adjustment to Benchmark On-grid Tariffs of PV and Onshore Wind Power Generation (《關於調整光伏發電陸上風電標桿上網電價的通知》), the electricity price of future new energy projects will be gradually reduced and hence has an indefinite influence on the income of the Company.

### 2. Power curtailment risk

As the wind farm construction progress in certain areas did not match with the progress of grid construction, it is difficult to transmit all the potential electricity that could be generated when wind farms run at full load, thus hindering the power transmission upon completion of projects of the Group. In addition, the increasingly intensified contradiction between the slow increase in social power consumption and the rapid increase in generation capacity might result in the failure of full consumption of energy output from the Group's power generating projects operating at full load.

## 3. Competition risk

Currently, there are more investment entities participating in the domestic wind power development projects, all of which are actively capturing the resources, leading to more fierce competition. As a result, the Group will continue to adjust its portfolio scientifically, consolidate existing resource reserves, explore a new area of resources and further expand resource reserves. Meanwhile, the Company will enhance efforts in technology and management innovation and will continuously improve its core competitiveness by making use of its existing strengths.

## 4. Climate risk

The commercial viability and profitability of the Group's wind farms are highly dependent on suitable wind resources and weather conditions. The Group's investment decisions for each wind power project are based on the findings of feasibility studies conducted on site before starting construction. However, the actual climatic conditions, particularly the wind resource conditions at the project site, may deviate from the findings of these feasibility studies. Thus, our wind power project might fail to reach the expected production level, which may adversely affect forecasted profitability of projects.

## 5. Risks related to interest rate

Interest rate risk may result from fluctuations in bank loan interest rate. Such interest rate changes will have impact on the Company's capital expenditure and will eventually affect our operating results. As the Group highly relies on external financing in order to obtain investment capital to expand wind power business, we are particularly sensitive to the capital cost in securing such loans.

### 6. Exchange rate risk

Fluctuations of RMB exchange rates could adversely affect the Group's financial position and operating results. Although the Group conducts substantially all of its business operations in the PRC and its major revenue is denominated in RMB, the Group also converts RMB into foreign currencies to purchase equipment and services from abroad, make overseas investments and foreign acquisitions, or pay dividends to our shareholders. We are therefore subject to risks associated with foreign currency exchange rate fluctuations. Fluctuations in the value of RMB against foreign currencies may reduce our RMB revenue from the sales of Certified Emission Reduction, increase our RMB costs for foreign acquisitions and foreign currency borrowings, or affect the prices of our imported equipment and materials. Accordingly, the Group will pay active attention to the research of market exchange rates variation, and adopt various means to enhance our control over exchange rate risk.

## V. OUTLOOK ON THE FUTURE DEVELOPMENT

### 1. Opportunities and challenges faced by the Group

The global economy will remain in profound adjustment period after the international financial crisis, which is characterised by "three lows and two highs", namely low growth, low inflation, low interest rates, high debt and high risk. China's economy is going through a critical period of changing model of development, optimisation of economic structure and changing growth drivers. With the continuous deepening of the reform in power system, the competition in the area of power generation has gradually expanded from the comparison of cost and price to customer market and marketing services. Affected by factors such as the reduction of subsidy, grid parity, competitive allocation of resources and the maintaining of electricity prices and rush of installation in the wind power, the development of renewable energy will encounter more and greater difficult challenges.

The 2020 National Energy Work Conference pointed out that high-quality and advanced production capacity shall be developed orderly, grid parity of wind and photovoltaic power generation shall be promoted proactively and proportion of installed capacity of clean energy power generation shall be increased constantly; clean energy consumption shall be advanced actively, development scale and pace of renewable energy shall be kept on reasonably, consumption guarantee mechanism as well as monitoring and early warning platform shall be improved and the coordinated development between generation, grid, load and energy storage of power system shall be promoted. The positive development in policy regarding new energy will provide enormous development potentials for new energy.

## 2. Outlook for 2020

2020 is the closing year for building a moderately prosperous society in all respects and the "13th Five-year" Plan, it is the historical intersection of the "Two Centenary" goals and a crucial year for the Company to comprehensively promote high-quality development. In the face of the accelerated transformation of low-carbon energy consumption and the further promotion of power reform and marketization construction, the Company will continue to implement the idea of new development, unswervingly promote high-quality development, seize the favorable opportunity that China is vigorously developing the clean energy, extend the development potentials, intensify the operating management and enhance the core competitiveness.

### *(I) Intensify development layout and accelerate to promote the high-quality development*

Firstly, we will strive to carry forward the works of facilitating projects to be put into operation and maintaining stable tariff and to ensure the projects to be put into operation successfully obtain the profit from tariff premiums; secondly, we will accelerate the layout of large-scale new energy base and development and construction and innovate proactively the developing mode. Based on ultra-high voltage power transmission areas, we will closely follow up on to the development plan from government and prioritize the promotion of large-scale grid base construction in the "Three-North" region, providing projects support to the follow-up development of the Company; thirdly, we will actively participate in acquiring the competitive allocation of resources, work hard to launch new projects and increase the possession of resources by all means; fourthly, we will intensify the acquisition and merger of high-quality projects, energetically seek the cooperation opportunities with energy investment enterprises and focus on promoting the acquisition and merger of high-quality new energy projects.

### *(II) Further reduce costs and increase efficiency, and comprehensively improve the profitability of the Company*

Firstly, we will spare no efforts to fight for increase in power generation and accelerate new generating units. Meanwhile, we will formulate effective measures, strengthen external coordination, intensify electricity marketing and deepen benchmarking management of electricity. Secondly, we will increase the communication and cooperation so as to ensure the full implementation of electricity price, further strengthen the process control and follow up major projects for capturing the tariff on its own initiative so as to ensure the completion of the development and construction goals of the Company and receive the tariff premiums. Thirdly, we will control costs well and endeavor to reduce the cost of capital by carrying out lean management, reducing capital occupation and strictly controlling the cost of capital. We will effectively guard against debt risks by implementing hierarchical management of debt risks. Fourthly, we will strengthen internal debt control. We will strengthen the management of loss-making enterprises and the disposal for asset reduction to further improve the financial situation of the Company. Fifthly, we will enhance the management and control of account receivables and deposits, and study businesses such as receivable factoring and asset securitization. We will continue to enrich deleveraging methods, actively introduce high-quality equity funds, control the size of interest-bearing liabilities, and reduce asset-liability ratio.

### *(III) Standardize safety and environmental protection management, and enhance the supervision of production and operation*

Firstly, we will promote the construction of the safety production monitoring center to perform the supervision and control function of safety production, for the purpose of providing technical support for the Company's production management; secondly, we will improve the safety production management system, to achieve institutionalized and standardized management of safety production, implement safety production responsibilities, and consolidate the foundation for safety production; thirdly, we will focus on long-term idle equipment management. Relying on the platform of the safety production monitoring center, we will find the common problems of long-term idle equipment in time to guarantee that wind turbine problems can be addressed in time.

### *(IV) Fully expand financing channels and further improve capital structure*

Firstly, we will enhance communication and coordination with various financial institutions to create a good financing environment. We will step up innovation in bond financing and issue asset-backed notes (ABN/ABS) in due course. We will explore ways to establish a new energy industry funds, strive to introduce various types of social capital to enrich our capital, continue to expand financing channels and take our efforts to reduce financing costs. Secondly, we will strengthen capital control. We determine to realize closed-loop management of fund by embedding cash flow management and control into the value management chain to realize dynamic and optimized allocation of resources. Thirdly, we will strengthen management of investment returns. We will improve the profit distribution mechanism and make good use of investment returns.

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

For the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## FINAL DIVIDEND

On 30 March 2020, the Board proposed to distribute the final dividend for the year 2019 of RMB0.03 per share (before tax) in cash to the shareholders with an amount of RMB218.2 million. Such dividend is expected to be distributed on or before 28 August 2020 upon the approval by the shareholders of the Company at the 2019 Annual General Meeting.

## EVENT AFTER THE REPORTING PERIOD

The significant events occurred after the reporting period are set out in Note 13 to the financial statements of this results announcement.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE SET OUT IN APPENDIX 14 OF THE LISTING RULES

The Company has always been committed to compliance with the principles and requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). For the year ended 31 December 2019, the Company was not involved in any material litigation for which the responsibility should be taken by any director ("**Director(s)**") of the Company. Each Director has the necessary qualification and experience required for performing his/her duty as a Director of the Company. The Company estimates that in the reasonably foreseeable future, there is little risk that there would be any event for which any Director shall take responsibility. Therefore, the Company confirms that no liability insurance has been arranged for the Directors.

Save as the disclosed herein, for the year ended 31 December 2019, the Company has been in strict compliance with the principles and provisions contained in the Corporate Governance Code set out in Appendix 14 to the Listing Rules, as well as certain recommended best practices.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as the code of conduct for dealing in the securities of the Company by the Directors, Supervisors and relevant employees (as defined in the Corporate Governance Code). Having made specific inquiries of all Directors and Supervisors ("**Supervisor(s)**") of the Company, each Director and Supervisor confirmed that she/he had strictly complied with the standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers during the reporting period.

## AUDITORS

Ernst & Young and Ernst & Young Hua Ming LLP were appointed as international and domestic auditors respectively of the Company for the year ended 31 December 2019. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto as at and for the year ended 31 December 2019 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, as consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the results announcement.

## AUDIT COMMITTEE

The Group's 2019 final results announcement and the financial statements for the year ended 31 December 2019 prepared in accordance with the IFRSs have been reviewed by the audit committee of the Company.

## PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement will be available on the websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.cdt-re.com).

The Company will dispatch in due course to shareholders the annual report for 2019 containing all the information as required by the Listing Rules, and publish it on the websites of the Company and the SEHK.

By order of the Board
**China Datang Corporation Renewable Power Co., Limited***
**Chen Feihu**
*Chairman*

Beijing, the PRC, 30 March 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Liu Guangming and Mr. Meng Lingbin; the non-executive directors are Mr. Chen Feihu, Mr. Hu Shengmu, Mr. Li Yi and Mr. Liu Baojun; and the independent non-executive directors are Mr. Liu Chaoan, Mr. Lo Mun Lam, Raymond and Mr. Yu Shunkun.*

* *For identification purposes only*