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GOLDWIND

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.*

新疆金風科技股份有限公司

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

Stock Code : 02208

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The Board of the Company hereby announces the audited financial results of the Group for the financial year ended 31 December 2019 (the "**Reporting Period**") (collectively, the "**2019 Annual Results**"). The 2019 consolidated financial statements of the Company prepared in accordance with IFRS have been audited by Ernst & Young.

** For identification purpose*

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	4	37,878,205	28,590,307
Cost of sales		(30,914,621)	(21,246,510)
Gross profit		6,963,584	7,343,797
Other income and gains	4	2,373,314	2,073,163
Selling and distribution expenses		(2,804,136)	(1,896,605)
Administrative expenses		(2,636,531)	(2,737,783)
Impairment losses on financial and contract assets, net		24,440	(99,346)
Other expenses		(611,451)	(195,952)
Finance costs	6	(1,109,319)	(1,071,300)
Share of profits and losses of:			
Joint ventures		348,435	203,078
Associates		12,770	63,379
PROFIT BEFORE TAX	5	2,561,106	3,682,431
Income tax expense	7	(331,353)	(399,833)
PROFIT FOR THE YEAR		2,229,753	3,282,598
Profit attributable to:			
Owners of the parent		2,209,854	3,216,604
Non-controlling interests		19,899	65,994
		2,229,753	3,282,598

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XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that will not to be reclassified to profit or loss in subsequent periods (net of tax):			
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		164,523	(252,151)
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		69,550	(167,277)
Changes in fair value of financial assets measured at fair value through other comprehensive loss		(31,845)	-
Cash flow hedges, net of tax		(117,228)	(31,556)
Share of other comprehensive loss of associates		(8,852)	(4,591)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax		(88,375)	(203,424)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		76,148	(455,575)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		2,305,901	2,827,023
Total comprehensive income attributable to:			
Owners of the parent		2,285,771	2,761,029
Non-controlling interests		20,130	65,994
		2,305,901	2,827,023
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (expressed in RMB per share)	9	0.51	0.82

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Notes	As at 31 December 2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		29,010,372	25,508,730
Investment properties		34,028	119,988
Right-of-use assets		1,169,505	-
Prepaid land lease payments		-	292,453
Goodwill		470,160	487,749
Other intangible assets		3,661,961	3,477,115
Investments in joint ventures		3,014,696	3,068,338
Investments in associates		1,476,425	592,054
Equity investments designated at fair value through other comprehensive income		209,786	408,717
Financial assets at fair value through profit or loss		787,357	679,851
Other non-current financial assets		306,539	309,717
Deferred tax assets		1,864,270	1,634,991
Financial receivables		7,461,270	7,287,309
Prepayments, other receivables and other assets		1,176,854	1,407,300
Contract assets	11	3,719,519	3,005,214
Derivative financial instruments		143,803	53,032
Pledged deposits	12	106,371	113,995
Total non-current assets		54,612,916	48,446,553
CURRENT ASSETS			
Inventories		8,123,837	4,996,682
Trade and bills receivables	10	17,993,212	16,895,231
Contract assets	11	1,677,981	907,433
Financial receivables		466,083	386,762
Prepayments, other receivables and other assets		6,214,235	4,518,183
Derivative financial instruments		99,706	25,331
Financial assets at fair value through profit or loss		400,000	-
Other non-current financial assets		7,821	7,650
Pledged deposits	12	426,733	38,300
Cash and cash equivalents	12	6,820,780	5,027,638
		42,230,388	32,803,210
Assets of disposal groups classified as held for sale		6,213,780	114,290
Total current assets		48,444,168	32,917,500
CURRENT LIABILITIES			
Trade and bills payables	13	25,427,975	19,999,759
Other payables and accruals		12,185,680	6,305,085
Derivative financial instruments		15,745	-
Interest-bearing bank and other borrowings		5,705,324	3,536,797
Tax payable		299,919	189,399
Provision		1,608,494	1,569,546
		45,243,137	31,600,586
Liabilities directly associated with the assets classified as held for sale		4,325,763	-
Total current liabilities		49,568,900	31,600,586
NET CURRENT (LIABILITIES) /ASSETS		(1,124,732)	1,316,914
TOTAL ASSETS LESS CURRENT LIABILITIES		53,488,184	49,763,467

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XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
31 December 2019

	Notes	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		53,488,184	49,763,467
NON-CURRENT LIABILITIES			
Trade payables	13	1,477,772	1,090,612
Other payables and accruals		343,558	93,552
Interest-bearing bank and other borrowings		16,036,190	18,864,519
Deferred tax liabilities		947,737	806,843
Provision		2,186,405	1,982,892
Government grants		214,510	298,056
Derivative financial instruments		35,825	126,417
Deferred income		21,938	25,452
Total non-current liabilities		21,263,935	23,288,343
Net assets		32,224,249	26,475,124
EQUITY			
Equity attributable to owners of the parent			
Share capital		4,225,068	3,556,203
Reserves		26,450,053	21,405,015
		30,675,121	24,961,218
Non-controlling interests		1,549,128	1,513,906
Total equity		32,224,249	26,475,124

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Wu Gang
Director

Cao Zhigang
Director

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2019

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

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XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
Year ended 31 December 2018

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

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

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

XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,561,106	3,682,431
Adjustments for:			
Finance costs	6	1,109,319	1,071,300
Foreign exchange difference, net		301,386	(55,333)
Interest income	4	(227,814)	(222,409)
Share of profits of joint ventures		(348,435)	(203,078)
Share of profits of associates		(12,770)	(63,379)
Depreciation of property, plant and equipment and investment properties	5	1,322,453	1,218,020
Amortisation of prepaid land lease payments	5	-	8,246
Depreciation of right-of-use assets	5	113,136	-
Amortisation of other intangible assets	5	181,975	126,527
(Gain)/loss on disposal of items of property, plant and equipment and other intangible assets, net	5	(139,368)	7,837
Gain on disposal of subsidiaries	4	(720,830)	(313,889)
Gain on disposal of investment properties	4	(197,473)	-
Gain on remeasurement of the previously held interest in acquirees on the disposal date in disposal of subsidiaries	4	-	(627,627)
Gain on disposal of investments in associates and joint ventures, net	4	(207,253)	(5,212)
Gain on disposal of financial assets at fair value through profit or loss	4	-	(42,716)
Dividend income from other non-current financial assets	4	(32,853)	(19,382)
Dividend income from an equity investment at fair value through profit and loss	4	(4,807)	(6,042)
Dividend income from derecognition of equity investments at fair value through other comprehensive income	4	(3,818)	(416)
Dividend income from financial assets at fair value through other comprehensive income	4	(3,469)	(8,916)
Interest from other investments		(5,308)	(55,784)
Fair value gain, net on equity investments of fair value through profit or loss	4	(101,097)	(209,359)
Fair value (gain)/loss on derivative financial instruments – transactions not qualifying as hedges	4	(73,681)	5,292
(Reversal of impairment)/impairment of trade and other receivables	5	(21,631)	75,554
(Reversal of impairment)/impairment of financial receivables	5	(6,691)	22,249
Impairment of contract assets	5	3,892	1,532
(Reversal of impairment)/impairment of other non-current financial assets	5	(10)	11
Impairment/(reversal of impairment) of inventories to net realisable value	5	26,214	(17,982)
Impairment of assets reclassified as held for sale	5	11,391	-
Impairment of property, plant and equipment	5	3,873	17,422
Impairment of goodwill	5	8,479	11,998
Impairment of other intangible assets	5	117,241	-
Government grants and deferred revenue		(42,237)	(117,788)
		3,610,920	4,279,107
Increase in inventories		(3,141,454)	(869,008)
Increase in contract assets		(656,933)	(269,784)
Increase in trade and bills receivables		(937,720)	(166,155)
Increase in financial receivables		(487,596)	(1,741,662)
Increase in prepayments, other receivables and other assets		(1,582,616)	(1,129,135)
Increase in trade and bills payables		2,280,933	2,980,447
Increase in other payables and accruals		6,912,612	737,925
Increase/(decrease) in provision		242,461	(317,741)
Decrease in government grants and deferred income		(61,827)	(30,758)
Cash generated from operations		6,178,780	3,473,236
Income tax paid		(331,353)	(399,833)
Interest received		81,356	51,952
Net cash flows from operating activities		5,928,783	3,125,355

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XINJIANG GOLDWIND SCIENCE & TECHNOLOGY CO., LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Net cash flows from operating activities		5,928,783	3,125,355
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(10,968,117)	(5,943,037)
Additions of prepaid land lease payments		-	(16,006)
Additions of right-of-use assets		(95,014)	-
Additions of other intangible assets		(225,600)	(66,840)
Acquisitions of subsidiaries, net of cash acquired		(101,041)	(995,570)
Investments in joint ventures		(32,200)	(213,672)
Investments in associates		(520,508)	(100,600)
Purchases of equity investments at fair value through other comprehensive income		(27,586)	(12,012)
Purchases of financial assets at fair value through profit or loss		(740,000)	(59,730)
Purchases of other non-current financial assets		(37,592)	(136,748)
Proceeds from disposal of items of property, plant and equipment and other intangible assets		132,697	4,345
Disposals of financial assets at fair value through profit or loss		351,631	1,156,169
Disposals of subsidiaries, net of cash disposed of		1,230,321	(83,805)
Disposals of other non-current financial assets		90,927	-
Disposal of equity investment designated at fair value through other comprehensive income		254,039	-
Disposals of shareholding in associates and joint ventures		608,823	437,719
(Increase)/decrease in pledged deposits		(33,375)	572,550
Interest received		-	7,415
Dividend income from financial assets at fair value through profit or loss		6,450	-
Dividend received from other non-current financial assets		20,654	4,622
Dividend received from joint ventures and associates		49,459	95,923
Dividend received from equity investments at fair value through other comprehensive income		9,901	10,101
Increase in non-pledged time deposits with original maturity of three months or more when acquired		-	(5,691)
Loans to joint ventures, associates and third parties		(161,068)	(383,011)
Cash to other investments		(79,413)	(386,034)
Net cash flows used in investing activities		(10,266,612)	(6,113,912)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		11,458,078	12,527,203
Repayment of bank and other borrowings		(7,641,612)	(10,918,454)
Increase in an amount due to the non-controlling shareholders		-	1,022
Increase in loans to jointly-controlled entities and associates		-	10,400
Decrease in loans to jointly-controlled entities and associates		(43,109)	-
Interest paid		(1,073,351)	(1,115,051)
Fees for new bank and other borrowings		(65,456)	(5,884)
Capital contributions from non-controlling shareholders		26,522	1,008,893
Dividend paid		(1,181,356)	(805,209)
Proceeds from issuance of perpetual securities, net of issuance costs		-	498,500
Decrease in pledged time deposit		11,615	-
Proceeds from issue of shares		4,639,734	-
Net cash flows from financing activities		6,131,065	1,201,420
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,793,236	(1,787,137)
Cash and cash equivalents at beginning of year		5,012,017	6,746,183
Effect of foreign exchange rate changes, net		2,164	52,971
CASH AND CASH EQUIVALENTS AT END OF YEAR	12	6,807,417	5,012,017

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

2.1 BASIS OF PREPARATION

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

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

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

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

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

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

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

2.1 BASIS OF PREPARATION (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

New definition of a lease

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases

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

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

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

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:
- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on the entity's assessment of whether leases were onerous by applying IAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review

As a lessee – Leases previously classified as finance leases

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Financial impact at 1 January 2019

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the wind turbine generator manufacturing and sale segment engages in the research and development, manufacture and sale of wind turbine generators and wind power components;

(b) the wind power services segment provides wind power related consultancy, wind farm construction and maintenance services;

(a) the wind farm development segment engages in the development of wind farms, which consists of wind power generation service provided by the Group's wind farms as well as the sale of wind farms, if appropriate; and

(b) the others segment mainly engages in the operation of water treatment plants under the service concession arrangements and finance leasing services which comprise direct finance leasing and sale-lease back.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit before tax.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2019

	Wind turbine generator manufacturing and sale RMB'000	Wind power services RMB'000	Wind farm development RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 4):						
Sales to external customers	28,856,924	3,571,357	4,257,234	1,192,690	-	37,878,205
Intersegment sales	4,331,853	1,015,388	6,968	170,038	(5,524,247)	-
Total revenue	33,188,777	4,586,745	4,264,202	1,362,728	(5,524,247)	37,878,205
Segment results	169,768	30,880	2,628,119	729,550	(115,706)	3,442,611
Interest income	447,269	7,104	(19,137)	154,135	(361,557)	227,814
Finance costs	(359,299)	(4,206)	(909,731)	(149,341)	313,258	(1,109,319)
Profit before tax	257,738	33,778	1,699,251	734,344	(164,005)	2,561,106
Segment assets	69,515,510	3,963,311	56,669,364	22,354,118	(49,445,219)	103,057,084
Segment liabilities	43,043,883	2,437,233	42,507,694	14,851,892	(32,007,867)	70,832,835
Other segment information:						
Share of profits and losses of:						
Joint ventures	297	-	286,106	62,032	-	348,435
Associates	9,098	(3,209)	5,523	1,358	-	12,770
Depreciation and amortisation[(1)]	328,955	38,253	1,315,984	95,389	(128,214)	1,650,367
Impairment of write-down of inventories, net	26,214	-	-	-	-	26,214
Impairment /(reversal of impairment) of trade and other receivables, net	(22,736)	(4,360)	3,008	79,556	(77,099)	(21,631)
Impairment of contract assets, net	694	3,198	-	-	-	3,892
Impairment /(reversal of impairment) of other non-current financial assets, net	(34)	-	24	-	-	(10)
Impairment /(reversal of impairment) of financial receivables, net	-	-	-	(6,691)	-	(6,691)
Impairment of property, plant and equipment	-	-	3,873	-	-	3,873
Impairment of other intangible assets	-	-	117,241	-	-	117,241
Impairment of assets reclassified as held for sale	-	-	11,391	-	-	11,391
Impairment of goodwill	-	-	8,479	-	-	8,479
Product warranty provision	1,530,893	-	-	-	(6,362)	1,524,531
Investments in joint ventures	2,802	-	2,764,288	309,644	(62,038)	3,014,696
Investments in associates	185,188	9,975	730,319	559,502	(8,559)	1,476,425
Capital expenditure [(2)]	716,801	272,506	11,864,858	154,175	29,186	13,037,526

3. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2018

	Wind turbine generator manufacturing and sale RMB'000	Wind power services RMB'000	Wind farm development RMB'000	Others RMB'000	Eliminations RMB'000	Total RMB'000
Segment revenue (note 4):						
Sales to external customers	22,168,536	1,647,494	3,903,991	870,286	-	28,590,307
Intersegment sales	1,753,911	1,065,412	-	43,660	(2,862,983)	-
Total revenue	23,922,447	2,712,906	3,903,991	913,946	(2,862,983)	28,590,307
Segment results	974,231	74,450	2,937,424	511,804	33,413	4,531,322
Interest income	285,417	3,814	116,057	74,758	(257,637)	222,409
Finance costs	(182,012)	-	(969,135)	(65,568)	145,415	(1,071,300)
Profit before tax	1,077,636	78,264	2,084,346	520,994	(78,809)	3,682,431
Segment assets	55,876,476	2,981,644	45,458,844	16,320,362	(39,273,273)	81,364,053
Segment liabilities	34,693,821	1,417,923	32,281,067	9,595,052	(23,098,934)	54,888,929
Other segment information:						
Share of profits and losses of:						
Joint ventures	126	-	236,045	(33,093)	-	203,078
Associates	16,161	(183)	14,075	33,326	-	63,379
Depreciation and amortisation[1]	233,133	26,632	1,148,799	70,137	(97,974)	1,380,727
Reversal of write-down of inventories, net	(17,982)	-	-	-	-	(17,982)
Impairment /(reversal of impairment) of trade and other receivables, net	26,305	48,916	(2,628)	2,961	-	75,554
Impairment of contract assets, net	676	856	-	-	-	1,532
Impairment of other non-current financial assets, net	-	-	11	-	-	11
Impairment of financial receivables, net	-	-	20,320	1,929	-	22,249
Impairment of property, plant and equipment	-	-	17,422	-	-	17,422
Impairment of goodwill	-	-	11,998	-	-	11,998
Product warranty provision	688,207	-	-	-	(21,775)	666,432
Investments in joint ventures	15,891	-	2,664,565	449,920	(62,038)	3,068,338
Investments in associates	172,021	8,383	193,184	227,024	(8,558)	592,054
Capital expenditure [2]	356,159	7,515	5,960,845	951,323	(215,307)	7,060,535

[1] Depreciation and amortisation mainly consists of depreciation and amortisation of property, plant and equipment, other intangible assets, investment properties, leasehold improvement and right-of-use assets.
[2] Capital expenditure mainly consists of additions to property, plant and equipment, other intangible assets, and right-of-use assets, including assets from the acquisition of subsidiaries.

3. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	Year ended 31 December 2019 RMB'000	2018 RMB'000
China	34,458,015	26,541,974
Overseas	3,420,190	2,048,333
	37,878,205	28,590,307

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 31 December 2019 RMB'000	2018 RMB'000
China	32,428,105	31,138,057
United States of America	1,746,311	1,871,819
Australia	3,017,188	2,329,517
Argentina	4,074,013	662,211
Panama	661,061	633,652
Germany	501,071	515,011
Other countries	83,091	29,839
	42,510,840	37,180,106

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

For the year ended 31 December 2019, revenue of approximately RMB3,749,303,000 was derived from sales by wind farm development, wind turbine generator manufacturing and sale and wind power services segment to a single customer, including sales to a group of entities which are known to be under common control with that customer, which individually accounted for over 9.8% of the Group's total revenue.

For the year ended 31 December 2018, revenue of approximately RMB3,597,330,000 was derived from sales by wind farm development, wind turbine generator manufacturing and sale and wind power services segment to a single customer, including sales to a group of entities which are known to be under common control with that customer, which individually accounted for over 10% of the Group's total revenue.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Revenue from contracts with customers	37,532,344	28,331,755
Revenue from other sources		
Finance lease service	345,861	258,552
	37,878,205	28,590,307

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

Segments	Sale of wind turbine generators and wind power components RMB'000	Wind farm development RMB'000	Wind power services RMB'000	Others RMB'000	Total RMB'000
Type of goods or services					
Sale of wind turbine generators and wind power components	28,856,924	-	-	-	28,856,924
Wind power generation	-	4,257,234	-	-	4,257,234
Wind power services	-	-	3,571,357	-	3,571,357
Others	-	-	-	846,829	846,829
Total revenue from contracts with customers	28,856,924	4,257,234	3,571,357	846,829	37,532,344
Geographical markets					
China	27,943,924	4,072,666	1,248,735	846,829	34,112,154
Other countries	913,000	184,568	2,322,622	-	3,420,190
Total revenue from contracts with customers	28,856,924	4,257,234	3,571,357	846,829	37,532,344
Timing of revenue recognition					
Goods transferred at a point in time	28,856,924	4,257,234	-	42,625	33,156,783
Services transferred over time	-	-	3,571,357	804,204	4,375,561
Total revenue from contracts with customers	28,856,924	4,257,234	3,571,357	846,829	37,532,344

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2018

Segments	Sale of wind turbine generators and wind power components RMB'000	Wind farm development RMB'000	Wind power services RMB'000	Others RMB'000	Total RMB'000
Type of goods or services					
Sale of wind turbine generators and wind power components	22,168,536	-	-	-	22,168,536
Wind power generation	-	3,903,991	-	-	3,903,991
Wind power services	-	-	1,647,494	-	1,647,494
Others	-	-	-	611,734	611,734
Total revenue from contracts with customers	22,168,536	3,903,991	1,647,494	611,734	28,331,755
Geographical markets					
China	20,780,302	3,620,632	1,270,754	611,734	26,283,422
Other Countries/regions	1,388,234	283,359	376,740	-	2,048,333
Total revenue from contracts with customers	22,168,536	3,903,991	1,647,494	611,734	28,331,755
Timing of revenue recognition					
Goods transferred at a point in time	22,168,536	3,903,991	-	29,774	26,102,301
Services transferred over time	-	-	1,647,494	581,960	2,229,454
Total revenue from contracts with customers	22,168,536	3,903,991	1,647,494	611,734	28,331,755

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

For the year ended 31 December 2019

Segments	Sale of wind turbine generators and wind power components RMB'000	Wind farm development RMB'000	Wind power services RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers	33,188,777	4,264,202	4,586,745	1,016,867	43,056,591
External customers	28,856,924	4,257,234	3,571,357	846,829	37,532,344
Intersegment sales	4,331,853	6,968	1,015,388	170,038	5,524,247
Intersegment adjustments and eliminations	(4,331,853)	(6,968)	(1,015,388)	(170,038)	(5,524,247)
Total revenue from contracts with customers	28,856,924	4,257,234	3,571,357	846,829	37,532,344

4. REVENUE, OTHER INCOME AND GAINS(continued)

For the year ended 31 December 2018

Segments	Sale of wind turbine generators and wind power components RMB'000	Wind farm development RMB'000	Wind power services RMB'000	Others RMB'000	Total RMB'000
Revenue from contracts with customers	23,922,447	3,903,991	2,712,906	655,394	31,194,738
External customers	22,168,536	3,903,991	1,647,494	611,734	28,331,755
Intersegment sales	1,753,911	-	1,065,412	43,660	2,862,983
Intersegment adjustments and eliminations	(1,753,911)	-	(1,065,412)	(43,660)	(2,862,983)
Total revenue from contracts with customers	22,168,536	3,903,991	1,647,494	611,734	28,331,755

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

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of wind turbine generators and wind power components	2,756,259	2,577,004
Construction services	135,591	139,065
Others	9,286	16,849
	2,901,136	2,732,918
Revenue recognised from performance obligations satisfied in previous periods:		
Construction services	2,138,519	578,443

4. REVENUE, OTHER INCOME AND GAINS(continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

Sale of wind turbine generators and wind power components
The contracts with customers for the sales of wind turbine are standalone performance obligation, which is satisfied upon delivery of the control rights of goods.

Wind power generation
The performance obligations are satisfied upon power transmission, and measured based on the volume of wind power transmitted and the applicable fixed tariff rates.

Wind power services
Wind power services include service-type warranties and construction services. Performance obligation of service-type warranties will be satisfied over the period during which the services are provided. The construction contracts between the Group and its customers usually include performance obligations for wind farm construction. The performance obligations are satisfied over time in accordance with the progress of construction.

Others
The others revenue engages in the operation of water treatment plants under the service concession arrangements,the performance obligations are satisfied over time in accordance with progress of service provided.

The remaining performance obligations expected to be recognised relate to service-type warranties that are to be satisfied within five years. All the other remaining performance obligations are expected to be recognised within one year.

4. REVENUE, OTHER INCOME AND GAINS(continued)

Other income and gains	Year ended 31 December 2019 RMB'000	2018 RMB'000
Interest income	227,814	222,409
Dividend income from equity investments at fair value through other comprehensive income	3,469	8,916
Dividend income from derecognition of equity investments at fair value through other comprehensive income	3,818	416
Dividend income from other non-current financial assets	32,853	19,382
Dividend income from equity investment at fair value through profit and loss	4,807	6,042
Gross rental income from investment properties and equipment	19,543	10,542
Government grants	135,724	177,719
Value-added tax refund	95,089	100,295
Insurance compensation on product warranty expenditures	201,712	230,880
Provision of technical service	38,149	11,751
Cash discounts granted	4,500	2,267
Gain on disposal of subsidiaries	720,830	313,889
Gain on remeasurement of the previously held interest in acquirees on the disposal date in disposal of subsidiaries	-	627,627
Gain on disposal of financial assets at fair value through profit or loss	-	42,716
Gain on disposal of items of property, plant and equipment and other intangible assets	178,182	7,083
Gain on disposal of investment properties	197,473	-
Gain on disposal of associates and joint ventures, net	207,253	5,212
Fair value gains/(losses), net:		
Derivative financial instruments – transactions not qualifying as hedges	73,681	(5,292)
Equity investments at fair value through profit or loss	101,097	209,359
Others	127,320	81,950
	2,373,314	2,073,163

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Cost of inventories sold		25,286,433	18,023,683
Cost of wind power generation		1,610,969	1,403,009
Cost of services provided		3,347,475	1,326,588
Cost of others		669,744	493,230
		30,914,621	21,246,510
Depreciation of property, plant and equipment (note (a)		1,318,529	1,213,688
Depreciation of investment properties (note (a)		3,924	4,332
Depreciation of right-of-use assets (note (b)) (2018: Amortisation of land lease payments)		113,136	8,246
Amortisation of other intangible assets (note (c))		181,975	126,527
		1,617,564	1,352,793
Impairment of trade receivables	10	315,682	534,601
Reversal of impairment of trade receivables	10	(352,911)	(485,320)
		(37,229)	49,281
Impairment of other receivables		33,031	36,403
Reversal of impairment of other receivables		(17,433)	(10,130)
		15,598	26,273
Impairment of contract assets	11	5,440	2,168
Reversal of impairment of contract assets	11	(1,548)	(636)
		3,892	1,532
Impairment of other non-current financial assets		81	114
Reversal of impairment of other non-current financial assets		(91)	(103)
		(10)	11
Impairment of financial receivables		1,496	22,249
Reversal of impairment of financial receivables		(8,187)	-
		(6,691)	22,249
Impairment of write-down of inventories		26,214	18,092
Reversal of impairment of write-down of inventories		-	(36,074)
		26,214	(17,982)
Impairment of assets classified as held for sale		11,391	-
Impairment of property, plant and equipment		3,873	17,422
Impairment of other intangible assets		117,241	-
Impairment of goodwill		8,479	11,998
(Gain)/Loss on disposal of items of property, plant and equipment and other intangible assets, net		(139,368)	7,837
Lease expenses under operating leases of land and buildings (note (d))		-	68,182
Lease payments not included in the measurement of lease liabilities (note (e))		99,973	-

5. PROFIT BEFORE TAX (continued)

The Group's profit before tax is arrived at after charging/(crediting): (continued)

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Auditors' remuneration		10,181	9,442
Employee benefit expenses (note (f)) (including Directors' and supervisors' remuneration):			
Wages and salaries		1,770,478	1,782,573
Pension scheme contributions (note (g))		121,351	128,894
Welfare and other expenses		333,506	393,604
		2,225,335	2,305,071
Research and development costs:			
Staff costs		577,300	596,623
Amortisation and depreciation		87,613	67,216
Materials expenditure and others		281,241	398,186
		946,154	1,062,025
Government grants (note (h))	4	(135,724)	(177,719)
Value-added tax refund	4	(95,089)	(100,295)
Product warranty provision:			
Additional provision		1,937,836	1,459,497
Reversal of unutilised provision		(413,305)	(793,065)
		1,524,531	666,432
Insurance compensation on product warranty expenditures	4	(201,712)	(230,880)
Foreign exchange differences, net		159,170	53,864
Cash discounts granted	4	(4,500)	(2,267)
Fair value (gains)/losses, net:			
Derivative financial instruments – transactions not qualifying as hedges	4	(73,681)	5,292
Equity investments at fair value through profit or loss	4	(101,097)	(209,359)
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		6,340	1,254
Dividend income from equity investment at fair value through other comprehensive income	4	(3,469)	(8,916)
Dividend income from derecognition of equity investment at fair value through other comprehensive income	4	(3,818)	(416)
Dividend income from other non-current financial assets	4	(32,853)	(19,382)
Interest income	4	(227,814)	(222,409)
Gain on disposal of subsidiaries, including wind farm project companies	4	(720,830)	(313,889)
Gain on remeasurement of the previously held interest in acquirees on its disposal date in disposal of subsidiaries	4	-	(627,627)
Gain on disposal of financial assets at fair value through profit or loss	4	-	(42,716)
Gain on disposal of investment properties	4	(197,473)	-
Gain on disposal of items of property, plant and equipment and other intangible assets	4	(178,182)	(7,083)
Gain on disposal of associates and joint ventures, net	4	(207,253)	(5,212)
Dividend income from equity investment at fair value through profit and loss	4	(4,807)	(6,042)
Provision of technical service	4	(38,149)	(11,751)

5. PROFIT BEFORE TAX (continued)

Notes:

(a) Depreciation of property, plant and equipment and investment properties of approximately RMB1,130,839,000 is included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB1,085,886,000).

(b) Depreciation of right-of-use assets of approximately RMB19,086,000 is included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (Amortisation of prepaid land payments for the year ended 31 December 2018: RMB5,052,000).

(c) Amortisation of other intangible assets of approximately RMB104,753,000 is included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB65,347,000).

(d) Lease expenses under operating leases of land and buildings of approximately RMB17,537,000 are included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

(e) Lease payments not included in the measurement of lease liabilities of approximately RMB82,646,000 are included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

(f) Employee benefit expenses of approximately RMB269,021,000 are included in the cost of sales on the face of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 (for the year ended 31 December 2018: RMB185,367,000).

(g) As at 31 December 2019, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (31 December 2018: Nil).

(h) Most government grants have been received for setting up research activities. Government grants received for which related expenditure has not yet been undertaken are included in government grants as deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Interest on bank loans and other borrowings	1,123,565	1,106,912
Interest on lease liabilities	26,483	-
Less: Interest capitalised	(40,729)	(35,612)
	1,109,319	1,071,300

7. INCOME TAX EXPENSE

The Company and six subsidiaries of the Company have been identified as "high and new technology enterprises" and were entitled to preferential income tax at a rate of 15% for the years ended 31 December 2019 and 2018 in accordance with the PRC Corporate Income Tax Law.

Certain subsidiaries of the Company in China, which were established after 1 January 2008 and are engaged in public infrastructure projects including wind farm and urban water treatment projects, are each entitled to a tax holiday of a three-year full exemption followed by a three-year 50% exemption commencing from the respective years when operating income is generated for the first time.

Certain subsidiaries of the Company in China were taxed at a preferential rate of 15% primarily due to their status as entities engaging in development projects supported by the government in the western region of the PRC.

During the period from 1 January 2019 to 31 December 2021, for certain subsidiaries of the Company in China which are small and micro-sized enterprises, the following Tax policy applies: For annual income amount of RMB 1million or below, the taxable income amount should be computed at 25% of the annual income and subject to a tax rate of 20%. For annual income amount of over RMB 1million but does not exceed RMB3 million, the taxable income amount should be computed at 50% of the annual income and subject to a tax rate of 20%.

Except for certain preferential treatment available to certain subsidiaries of the Company and the Company as mentioned above, the entities within the Group in China were subject to corporate income tax at a rate of 25%.

Certain subsidiaries of the Company in overseas countries are subject to corporate income tax at a rate varying from 10% to 34% (2018: 10% to 35%).

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong, China during the year.

Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Year ended 31 December 2019 RMB'000	2018 RMB'000
Current		
- China	399,647	255,972
- Elsewhere	15,685	28,731
	415,332	284,703
Deferred	(83,979)	115,130

Tax charge for the year	331,353	399,833

7. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate applicable to the Company to the tax expense at the Group's effective tax rate is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit before tax	2,561,106	3,682,431
Tax at the statutory tax rate of 25%	640,277	920,608
Effect of different income tax rates for overseas entities	8,858	7,722
Effect of the preferential income tax rates for domestic entities	(390,908)	(364,004)
Tax losses not recognised	86,440	99,893
Tax losses utilised from previous periods	(73,118)	(1,169)
Effect of not recognised deferred tax assets due to asset impairment	6,068	7,344
Income not subject to tax	(2,650)	(160,751)
Expenses not deductible for tax	52,857	34,739
Additional tax deduction for research and development expenditure	(83,142)	(80,717)
Profits attributable to joint ventures	(87,109)	(50,770)
Profits attributable to associates	(3,193)	(15,845)
Dividends subject to PRC corporate income tax from an overseas subsidiary	122,671	-
Others	54,302	2,783
Tax charge for the year at the effective rate of 12.9% (2018: 10.9%)	331,353	399,833

8. DIVIDENDS

For the year ended 31 December 2019, the board of Directors proposed to distribute cash dividends of RMB1.60 (tax included) per each 10 shares with total amount of RMB676,011,000 to the shareholders. The proposed final dividends for the year are subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

At the annual general meeting held on 21 June 2019, the Company's shareholders approved the payment of the final dividend for the year end 31 December 2018 of RMB2.5 (tax included) per 10 ordinary share which amounted to RMB1,056,267,000.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

For those financial instruments classified as equity, if the distributions are cumulative, the undeclared amounts of the cumulative distributions were deducted in arriving at earnings for the purposes of the basic earnings per share calculation. On the other hand, if the distributions are non-cumulative, only the amount of dividends declared in respect of the year should be deducted in arriving at the profit attributable to ordinary equity holders.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

The calculation of basic earnings per share is based on:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Profit attributable to ordinary equity holders of the parent	2,209,854	3,216,604
Less: Distribution relating to the medium-term notes (i)	(101,000)	(71,411)
Profit used to determine basic earnings per share	2,108,854	3,145,193
Weighted average number of ordinary shares in issue ('000) (ii)	4,118,701	3,819,996
Basic earnings per share (expressed in RMB per share)	0.51	0.82

(i) The long-term option-embedded medium-term notes (the "Perpetual Medium-term Notes") issued by the Company in May 2016, September 2016 and December 2018 were classified as other equity instruments with deferrable cumulative interest distribution and payment. The interest from the Perpetual Medium-term Notes which has been generated but not yet declared, during the year of 2019 and 2018, was deducted from earnings when calculating the earnings per share for the years ended 31 December 2019 and 31 December 2018.

(ii) The Company completed the A Share and H Share Rights Issues through the Shenzhen Stock Exchange and the Hong Kong Stock Exchange on 27 March, 2019 and 23 April, 2019 respectively. The A Share Rights Issue is conducted on the basis of 1.9 A Rights Shares for every 10 existing A Shares. The H Share Rights Issue is conducted on the basis of 1.9 H Rights Shares for every 10 existing H Shares. After the completion of the rights issues, the total number of issued shares of the Company increased from 3,556,203,000 to 4,225,068,000. According to IFRS 33 - Earnings per share, the company calculated the weighted average number of shares issued by the company in 2019, and retroactively adjusted the weighted number of shares in 2018. Therefore, the earnings per share of each reporting period shall be calculated on the basis of the adjusted number of shares, and the earnings per share of the previous year shall be presented after recalculation.

10. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade receivables	16,754,636	16,048,239
Bills receivable	2,430,647	2,072,226
	19,185,283	18,120,465
Provision for impairment	(1,192,071)	(1,225,234)
Current portion	17,993,212	16,895,231

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

10. TRADE AND BILLS RECEIVABLES (continued)

As part of its normal business, the Group endorsed or discounted bills receivable accepted by banks. Bills receivable is held within a business model whose objective is achieved by both collecting contractual cash flows and selling bills receivable. Therefore, the Group has classified bills receivable presented in trade and bills receivable as at 31 December 2019 amounting to RMB2,430,647,000 (31 December 2018: RMB2,072,226,000) as financial assets measured at fair value through other comprehensive income, but still listed as trade and bills receivables.

An ageing analysis of trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 3 months	7,306,039	6,912,184
3 to 6 months	2,609,695	2,114,803
6 months to 1 year	3,248,846	2,787,902
1 to 2 years	3,301,186	3,036,094
2 to 3 years	709,170	928,533
Over 3 years	818,276	1,115,715
	17,993,212	16,895,231

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

	Note	Year ended 31 December	
		2019	2018
		RMB'000	RMB'000
At beginning of year		1,225,234	1,188,275
Impairment losses recognised	5	315,682	534,601
Impairment losses reversed	5	(352,911)	(485,320)
Amounts written off as uncollectible		(160)	(25,263)
Acquisition of a subsidiary		-	12,387
Exchange realignment		4,226	554
At end of year		1,192,071	1,225,234

10. 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 ageing of the balances for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

Collectively impaired	As at 31 December 2019		
	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Individually impaired	88.17%	239,502	211,159
Collectively impaired			
Within 6 months	0.13%	7,697,922	9,699
6 months to 1 year	1.04%	3,051,293	31,606
1 to 2 years	3.28%	3,449,421	113,112
2 to 3 years	7.42%	745,515	55,340
Over 3 years	49.09%	1,570,983	771,155
	5.94%	16,515,134	980,912
Total	7.11%	16,754,636	1,192,071

Collectively impaired	As at 31 December 2018		
	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Individually impaired	86.32%	217,568	187,805
Collectively impaired			
Within 6 months	0.13%	7,094,902	9,032
6 months to 1 year	0.75%	2,659,422	19,871
1 to 2 years	4.84%	3,200,532	155,041
2 to 3 years	9.06%	1,022,280	92,622
Over 3 years	41.05%	1,853,535	760,863
	6.55%	15,830,671	1,037,429
Total	7.63%	16,048,239	1,225,234

10. TRADE AND BILLS RECEIVABLES (continued)

The amount due from beneficial shareholders, Xinjiang Wind Power Company Limited ("Xinjiang Wind Power") (新疆風能有限責任公司) and China Three Gorges New Energy Co., Ltd. (中國三峽新能源有限公司), and the amounts due from the Group's joint ventures and associates included in the Group's trade and bills receivables are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Beneficial shareholders of the Company	1,772,565	1,421,423
Joint ventures	667,009	737,228
Associates	34,094	7,680
	2,473,668	2,166,331

The above balances are unsecured, non-interest-bearing and repayable on credit terms similar to those offered to the independent customers of the Group.

As at 31 December 2019, the Group's trade and bills receivables amounting to RMB3,882,996,000 (31 December 2018: RMB3,453,577,000) were pledged to secure certain of the Group's interest-bearing bank and other borrowings.

As at 31 December 2019, the Group's trade receivables amounting to RMB345,000 (31 December 2018: RMB680,000) were pledged to secure power price swap contract.

As at 31 December 2019, bills receivable amounting to RMB40,000,000 were pledged to build final assembly plant (31 December 2018: RMB40,000,000).

11. CONTRACT ASSETS

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
Contract assets arising from:			
Retention receivables on the sale of wind turbines	(i)	3,640,803	2,964,288
Construction services	(ii)	928,170	271,236
Services concession arrangement	(ii)	836,567	681,575
		5,405,540	3,917,099
Impairment		(8,040)	(4,452)
		5,397,500	3,912,647
Portion classified as non-current assets		(3,719,519)	(3,005,214)
Current portion		1,677,981	907,433

(i) The Group normally allows a credit period of not more than three months to its customers. For retention money receivables, the due dates usually fall from two to five years after the completion of commissioning for wind turbines.

(ii) Contract assets are initially recognised for revenue earned from the provision of construction services. Upon billing of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables and financial receivables.

11 CONTRACT ASSETS (continued)

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Within one year	1,677,981	907,433
After one year	3,719,519	3,005,214
Total contract assets	5,397,500	3,912,647

The movements in the loss allowance for impairment of contract assets are as follows:

	Note	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
At beginning of year		4,452	2,920
Impairment losses recognised	5	5,440	2,168
Impairment losses reversed	5	(1,548)	(636)
Amounts written off as uncollectible		(15)	-
Exchange realignment		(289)	-
At end of year		8,040	4,452

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The provision rates of contract assets are based on trade receivables for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

	As at 31 December 2019	As at 31 December 2018
Expected credit loss rate	0.15%	0.11%
	RMB'000	RMB'000
Gross carrying amount	5,405,540	3,917,099
Expected credit losses	8,040	4,452

12. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 31 December 2019 RMB'000	2018 RMB'000
Cash and bank balances	7,165,866	4,903,096
Time deposits	188,018	276,837
	7,353,884	5,179,933
Less: Time deposits pledged for:		
- Bank loans, letters of credit, bills issued and others	(50,611)	(38,300)
- Provision for risk and mandatory reserve deposits	(482,493)	(113,995)
	(533,104)	(152,295)
Cash and cash equivalents in the consolidated statement of financial position	6,820,780	5,027,638
Less: Non-pledged time deposits with original maturity of more than three months when acquired	(13,363)	(15,621)
Cash and cash equivalents in the consolidated statement of cash flows	6,807,417	5,012,017
Pledged deposits	533,104	152,295
Portion classified as non-current assets	(106,371)	(113,995)
Current portion	426,733	38,300
Cash and cash equivalents and pledged deposits denominated in:		
- RMB	5,759,945	3,671,962
- Australian dollar	448,037	612,817
- United States dollar	575,202	522,300
- Euro	147,557	249,758
- Hong Kong dollar	13,907	15,644
- Argentine peso	291,570	6,893
- Other currencies	117,666	100,559
	7,353,884	5,179,933

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between seven days and ninety days depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

13. TRADE AND BILLS PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Trade payables	17,142,173	14,868,880
Bills payable	9,763,574	6,221,491
	26,905,747	21,090,371
Portion classified as non-current liabilities (i)	(1,477,772)	(1,090,612)
Current portion	25,427,975	19,999,759

(i) The non-current portion of trade payables mainly represented retention amounts held by the Group as at 31 December 2019 and 2018.

Trade and bills payables are non-interest-bearing and are normally settled in 180 days. For the retention payables in respect of warranties granted by the suppliers, the due dates usually fall from three to five years after the completion of the preliminary acceptance of goods.

13. TRADE AND BILLS PAYABLES (continued)

An ageing analysis of trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Within 3 months	15,106,505	13,808,826
3 to 6 months	7,104,600	3,799,108
6 months to 1 year	1,922,115	1,516,255
1 to 2 years	1,172,579	845,241
2 to 3 years	769,489	541,662
Over 3 years	830,459	579,279
	26,905,747	21,090,371

The amounts due to the Group's beneficial shareholders, joint ventures and associates included in the trade and bills payables are as follows:

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
Beneficial shareholders of the Company	30	237
Joint ventures	4,242	4,442
Associates	277,891	309,870
	282,163	314,549

The above amounts are unsecured, non-interest-bearing and have no fixed terms of settlement.

Management Discussion and Analysis

OVERVIEW

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

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

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

I. MAIN POLICIES REVIEW

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

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

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

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

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

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

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

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

On 21 May, 2019, the NDRC issued the Notice on Completing On-grid Electricity Price Policy for Wind Power *（《關於完善風電上網電價政策的通知》）* that reduces the on-grid tariffs of wind power, and for the first time clearly discloses the timeline of onshore wind power grid-parity. The Notice clarifies on-grid price policy for newly approved onshore and offshore wind power projects in 2019 and 2020, and changes previous on-grid tariffs mechanism for onshore and offshore wind power projects to a guided-price mechanism. The Notice also stipulates that on-grid price for newly approved centralized onshore and offshore projects be determined through competitive bidding, and price should be lower than that set for the region where projects are domiciled. On-grid tariffs for new onshore projects in 2019 are RMB 0.34/0.39/0.43/0.52/kWh for wind resource region I/II/III/IV, respectively; and on-grid tariffs for new onshore projects in 2020 are RMB 0.29/0.34/0/38/0.47/kWh for wind resource region I/II/III/IV, respectively.

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

For offshore projects that are included in 2019 planning and annual subsidy budget, guided on-grid tariffs of 2019/2020 newly approved projects are adjusted to RMB 0.8/0.75kWh.

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

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

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

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

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

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

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

II. INDUSTRY REVIEW

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

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

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

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

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

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

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

3. Domestic Wind Curtailment and Curtailment Rate Both Declined

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

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

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

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

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

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

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

III. MAIN BUSINESS ANALYSIS

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

During the Reporting Period, the Company’s operating revenue was RMB 37,878.21 million, representing an increase of 32.49% YoY. Net profit attributable to the parent company was RMB 2,209.85 million, representing a decrease of 31.30% YoY.

i. WTG R&D, Manufacturing and Sales

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

1. WTG R&D and Sales

During the Reporting Period, the Group’s revenue from the sales of WTGs and components was RMB 28,856.92 million, representing an increase of 30.17% YoY. The Group’s external sales totalled 8,171.02MW, an increase of 39.41% YoY. The sales volume of 2.5S turbines saw a significant rise, and the proportion of total sale volume in 2019 increased to 28.8% from 12.71% in 2018.

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

Model	**2019**		2018		Change（%）
	Unit	**Capacity（MW）**	Unit	Capacity（MW）	
6.0S	**39**	**253.3**	9	54.00	369.07
3.0S	**220**	**701.02**	114	342.00	104.98
2.5S	**945**	**2,353.00**	298	745.00	215.84

2.0S	**2250**	**4,732.90**	2180	4,360.00	8.55
1.5MW	**74**	**130.80**	240	360.00	-63.67
Total	**3528**	**8,171.02**	**2841**	**5,861.00**	**39.41**

During the Reporting Period, the Company's order backlog increased steadily. As of 31 December 2019, the Company's external contract orders were 14,444.77MW, which included 372.3MW of 1.5MW unit, 3832.10MW of GW 2S platform, 7,402.70MW of GW2.5S platform, 2,372.17MW of GW 3S platform, 457.50MW of GW6S platform, 8MW of 8MW unit. The Company had 5835.91MW unsigned orders, which included 257.6MW of GW 2S platform, 910.8MW of GW 2.5S platform, 3462.21MW of GW 3S platform, 1205.3MW of GW 6S platform. External orders totaled 20280.68MW.

2. R&D and Certification

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

a. Product R&D and Mass Production

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

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

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

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

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

b. Product Certificate

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

c. Intellectual Property and Standard-setting

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

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

3. Quality Management

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

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

ii. Wind Power Service

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

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

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

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

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

iii. Wind Farm Investment and Development

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

During the Reporting Period, revenue from Wind Farm Investment and Development business was RMB4,257.23 million, representing an increase of 9.05% YoY. Power sales volume totaled 3,621 billion kWh. Investment gains from wind farm disposal totalled RMB720.83 million in 2019.

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

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

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

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

iv. Implementation of "Offshore and Overseas" Strategy

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

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

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

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

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

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

v. Water Treatment Business

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

Water treatment business sector has filed a total of 16 domestic patent applications and obtained 48 invention patents and utility model, involving key technologies concerning water treatment, including smart sewage treatment, industrial waste water treatment, smart water business operation platform, waste water treatment information system. Goldwind Environmental Protection was entitled "2018 Fastest-growing Investment Operation Enterprise" in China Water Business Forum held in Beijing. In November, 2019, Goldwind Environmental Protection received Quality ISO9001, Environment ISO14001, and Occupational Health and Safety ISO45001 certificates from China Quality Certification Center.

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

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

vi. Major Subsidiaries

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

As at 31 December 2019
Unit: RMB

No.	Company Name	Registered Capital (RMB ten thousand, unless otherwise stated)	Total Assets	Net Assets	Revenue of Principal Businesses	Net Profits Attributable to the Company
1	Beijing Goldwind Science & Creation Wind Power Equipment Co., Ltd.	99,300.00	7,690,335,200.89	1,567,076,823.41	8,189,524,402.80	86,241,691.25
2	Jiangsu Goldwind Technology Co., Ltd.	75,961.00	3,478,473,384.47	1,547,263,033.31	3,603,811,302.69	57,878,530.81
3	Beijing Techwin Electric Co., Ltd.	10,000.00	4,125,920,058.83	1,628,851,017.75	4,439,440,340.13	315,367,050.84
4	Beijing Tianrun New Energy Investment Co., Ltd.	555,000.00	34,843,549,458.41	11,706,654,806.88	4,050,190,709.77	1,852,669,714.04
5	Goldwind Investment Holding	100,000.00	2,712,953,100.26	2,085,179,176.14		201,552,809.77

	Co., Ltd.					
6	Tianxin International Finance Lease Co., Ltd.	USD30million	6,093,174,440.15	864,970,307.12	416,691,334.52	172,130,832.05
7	Goldwind Environmental Science & Technology Co., Ltd.	100,000.00	5,583,804,348.12	1,329,869,004.66	649,656,877.77	81,791,603.39

IV. OPERATIONS PERFORMANCE AND ANALYSIS

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

Summary

For the year ended 31 December 2019, the Group's operating revenue was RMB 37,878.21 million, representing an increase of 32.49% compared with RMB 28,590.31 million for the year ended 31 December 2018. Net profit attributable to owners of the company was RMB 2,209.85 million, representing a decrease of 31.30% compared with RMB 3,216.60 million for the year ended 31 December 2018. The Group reported basic earnings per share of RMB 0.51.

The following table provides Group's major financial indicators:

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

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

Revenue

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

For the year ended 31 December 2019, The Group's operating revenue was RMB 37,878.21 million, representing an increase of 32.49% compared with RMB 28,590.31 million for the year ended 31 December 2018. Details are set out as below:

Unit: RMB thousand

Revenue	Year ended 31 December **2019**	2018	Amount Change	Percentage Change

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

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

Cost of Sales

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

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

Unit: RMB thousand

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

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

Unit: RMB thousand

	Year ended 31 December		Amount	Percentage

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

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

Gross Profit

Unit: RMB thousand

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

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

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

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

1.5MW	**25.98%**	26.93%	-0.95%

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

Other Income and Gains

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

Other net incomes and gains of the Group were RMB 2,373.31 million for the year ended 31 December 2019, representing an increase of 14.48% compared with RMB 2,073.16 million for the year ended 31 December 2018. This is mainly caused by the increase in gains from disposal of sub-companies and associates, from sale of property, plant, equipment, investment properties, and derivative financial instruments, and was offset by the decrease in gains on fair value re-measurement of previously held interest in subsidiaries at the disposal-date, the decrease in fair value gains on the equity investment in unlisted companies, and the decrease in gain on disposal of financial assets at fair value through profit or loss, etc.

Selling and Distribution Costs

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

For the year ended 31 December 2019 the Group’s selling and distribution costs was RMB 2,804.14 million, representing an increase of 47.85% compared with RMB 1,896.61 million for the year ended 31 December 2018.This is caused by the increase in WTG sales, product warranty provisions, freight cost, bidding service fees etc, and offset by the decrease in staff cost.

Administrative Expenses

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

The Group's administrative expenses for the year ended 31 December 2019 amounted to RMB 2,636.53 million, generally at the same level as RMB 2,737.78 million for 2018.

Other Expenses

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

For the year ended 31 December 2019 the Group’s other expenses were RMB 611.45 million, representing an increase of 212.04% compared with RMB 195.95 million for the year ended 31 December 2018. The increase is mainly due to increase in bank fees, exchange losses and intangible asset impairment losses, etc.

Finance Costs

For the year ended 31 December 2019 the Group’s finance costs were RMB 1,109.32 million, representing an increase of 3.55% compared with RMB 1,071.30 million for 2018. The increase is mainly due to increase in interest on lease liabilities, etc.

Income Tax Expense

For the year ended 31 December 2019 the Group’s income tax expenses were RMB 331.35 million, representing a decrease of 17.13% compared with RMB 399.83 million for the year ended 31 December

2018. This is mainly due to the decrease in profit before tax for the financial year of 2019.

Capital Expenditures

For the year ended 31 December 2019 the Group’s capital expenditures were RMB 13.037.53 million, representing an increase of 84.65% compared with RMB 7,060.54 million for the year ended 31 December 2018. The primary sources of funds to finance capital expenditures are bank loans and cash flows from operating activities of the Group.

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

Financial Resources and Liquidity

Unit: RMB thousand

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

1. Cash flows from operating activities

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

For the year ended 31 December 2019 the Group’s net cash flow from operating activities was RMB 5,928.78 million. Cash inflows consist mainly of profit before tax of RMB 2,561.11 million, income tax payments of RMB 331.35 million, which has adjusted the increase of RMB 6,912.61 million in other payables, the increase of RMB 2,280.93 million.in trade and bill payables, the increase of RMB 1,322.45 million in depreciation, and the increase of RMB 1,109.32 million in finance cost. The cash inflow was offset by the increase of RMB 3,141.45 million in inventory, the increase of RMB 1,582.62 million in prepayments, other receivables and other assets, the increase of RMB 937.72 million in trade and bill receivables, the increase of RMB 720.83 million in gain from disposal of subsidiaries, the increase of RMB 656.93 million in contract assets, the increase of RMB 487.60 million in finance receivables, the increase of RMB 348.44 million in gain from joint ventures, the increase of RMB 227.81 million in interest income, the increase of RMB 207.25 million in gains on disposal of associated companies, and the increase of RMB 197.47 million in gain on disposal of investment properties, etc.

The Group had RMB3,125.36million of net cash acquired from operating activities for the year ended on 31 December, 2018. Cash inflow mainly included RMB3,682.43million of profit before tax, RMB399.83million of the paid income tax, which has adjusted the increase of RMB 2,980.45 million of trade and bills payables, the increase of RMB 1,218.02 million of depreciation, the increase of RMB737.93 million of other payables and accruals etc. Such cash inflow was offset by the increase of RMB 1,741.66 million of financial receivables, the increase of RMB1,129.14 million of prepayments, other receivables and other assets, the increase of RMB869.01million of inventory, increase of RMB627.63 million of gain on remeasurement of fair value of the previously held interest in subsidiaries in disposal of subsidiaries, increase of RMB313.89 million of gains on disposal of subsidiaries, the increase of RMB269.78 million of contract assets, etc.

2. Cash flows used in investing activities

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

For the year ended 31 December 2019 the Group's net cash consumed by investing activities was RMB 10,266.61 million. Cash outflows consist mainly of purchase of property, plant and equipment of RMB 10,968.12 million, purchase of financial assets of FVTPL of RMB 740.00 million, acquisition of associated companies of RMB 520.51 million, etc. The cash outflow was offset by the cash inflows from disposal of subsidiaries (net of cash) of RMB 1,230.32 million, and from disposal of joint ventures and associated companies of RMB 608.82 million.

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

3. Cash flows from financing activities

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

For the year ended 31 December 2019 the Group's net cash inflow from financing activities was RMB 6,131.07 million. Cash inflows consist mainly of new borrowings from banks and other institutions of RMB 11,458.08 million, equity financing of 4,639.73 million. Cash inflow was offset by repayments of bank borrowings and other borrowings of RMB 7,641.61 million, dividends to shareholders of RMB 1,181.36 million, and interest payments of RMB 1,073.35 million

The net cash obtained from financing activities of the Group for the year ended 31 December, 2018 amounted to RMB1,201.42 million. Cash inflow mainly comprised new bank and other borrowings increased of RMB12,527.20million, capital contributions from non-controlling shareholders increased of RMB1,008.89 million. Such cash inflow was offset by repayments of bank and other borrowings of RMB 10,918.45 million, interest paid of RMB1,115.05 million and dividends paid to the shareholders of the company of RMB 805.21 million.

Financial Position

As of 31 December 2019 and 31 December 2018, the Group's total assets were RMB 103,057.08 million and RMB 81,364.05 million, respectively. Total current assets were RMB 48,444.17 million and RMB 32,917.50 million, respectively. The ratio of current assets to total assets were 47.10% and 40.46%, respectively. The increase in current assets is mainly due to the increase in held for sale assets, inventory, cash and cash equivalents, prepayments, other receivables and other assets, and trade and bill receivables.

As of 31 December 2019 and 31 December 2018, the Group's total non-current assets were RMB 54,612.92 million and RMB 48,446.55 million, respectively. The increase in total non-current asset is mainly due to the increase in property, plant and equipment as a result of increased number of wind farms either under operation or under construction, the increase in the interests in joint ventures and associates, the increase in right-of-use assets, contract assets and deferred tax assets, which was offset by the decrease of prepaid land lease payment, etc.

As of 31 December 2019 and 31 December 2018, the Group's total liabilities were RMB 70,832.84 million and RMB 54,888.93 million, respectively. Total current liabilities were RMB 49,568.90 million and RMB 31,600.59 million, respectively. The increase in current liabilities was mainly due to the increase in other payables, advance from customers and accruals, trade and bill payables, held for sale liabilities, and the increase in the interest-bearing bank borrowings and other borrowings that will be repaid within one year.

As of 31 December 2019 and 31 December 2018, the Group's total non-current liabilities were RMB 21,263.94 million and RMB 23,288.34 million, respectively. The decrease in total non-current liabilities was mainly due to the decrease in long-term interest-bearing bank borrowings and other borrowings. The decrease was offset by the increase in trade payables and other payables and accruals, etc.

As of 31 December 2019 and 31 December 2018, the Group's net current assets were RMB -1,124.73 million and RMB 1,316.91 million, respectively. The Group's net assets were RMB 32,224.25 million and RMB 26,475.12 million, respectively.

As of 31 December 2019 and 31 December 2018, the Group's cash and cash equivalents were RMB 6,820.78 million and RMB 5,027.64 million, respectively. The interest-bearing bank borrowings and other borrowings were RMB 21,741.51 million and RMB 22,401.32 million, respectively.

Interest-bearing Bank Loans and Other Borrowings

As at 31 December 2019, the Group's interest-bearing bank loans was RMB 20,389.20 million, including bank loans repayable within one year of RMB 5,342.85 million, in the second year of RMB 1,993.40 million, in the third to fifth year of RMB 2,795.40 million, and above five years of RMB 10,257.55 million. In addition, as at 31 December 2019, the Group's outstanding amount of corporate bonds and lease liabilities were RMB 1,352.31 million, including corporate bonds repayable and lease liabilities within one year of RMB 362.47 million, in the second year of RMB 357.68 million, in the third to fifth year of RMB 140.02 million, above five year of RMB 492.14 million. During the Reporting Period, the Group did not apply any interest rate hedging methods.

Capitalization of Interest

For the year ended 31 December 2019. The Group's capitalised interest expenses under IFRS was RMB 40.73 million.

Reserves

As at 31 December 2019, the Company's reserves distributable to shareholders was RMB 1,742.12 million. This was the lower figure calculated under CASBE and IFRS.

Restricted Assets

As at 31 December 2019, certain assets of the Group with a total carrying value of RMB 22,293.56 million were pledged as security for certain bank loans, other banking facilities, power price swap contract, finance leases,etc. Such assets include bank deposits of RMB 533.10 million, trade and bills receivables of RMB 3,923.34 million, financial receivables of RMB 571.60 million, property, plant and equipment of RMB 10,686.20 million, right-of-use asset of RMB 597.05 million, prepayments, other receivables and other assets of RMB 14.34 million, inventories of RMB 0.44 million and held for sale assets of RMB 5,967.49 million.

As at 31 December 2018, certain assets of the Group with a total carrying value of RMB18,683.21 million were pledged as security for certain bank loans, other banking facilities and finance leases. Such assets included bank deposits of RMB152.29 million, trade and bills receivables of RMB 3,494.26 million, financial receivables of RMB 667.26 million, property, plant and equipment of RMB 13,531.20 million, prepaid land lease payments of RMB 146.63million, other intangible assets of RMB 285.51 million, prepayment,other receivable and other assets of RMB 393.01 million and derivative financial instruments of RMB 13.05 million.

Gearing Ratio

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

Exposure to Fluctuations in Exchange Rates and Any Related Hedges

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

Contingent Liabilities

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

As at 31 December 2019, the Group's contingent liabilities were RMB 21,002.83 million, representing an increase of RMB 2,677.04 million compared with RMB 18,325.79 million as at 31 December 2018

V. OUTLOOK FOR THE FUTURE

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

1、Industrial Development Trend

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

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

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

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

2、2020 Domestic Market Development Trend

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

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

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

3、Company strategy

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

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

4. Company Business Plan and Main Objectives

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

5. Demand for Funds

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

6. Possible Risks

（1）Policy Risk

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

（2）Competition Risk

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

（3）Curtailment

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

（4）Economic Environment and Exchange Rate Fluctuation

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

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

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

VI. CORE COMPETITIVE ADVANTAGES

i. Market Position

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

ii. Products and Technology

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

iii. Brand Awareness

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

iv. Comprehensive Profit Model

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

v. Internationalisation

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

VII. ESTIMATED OPERATING RESULTS FOR THE THREE MONTHS ENDING 31 MARCH 2020

Range of percentage change in net profits attributable to owners of the Company for the three months ending 31 March 2020	250.00%	to	300.00%
Range of net profits attributable to owners of the Company for the three months ending 31 March 2020 (RMB million)	800.13	to	914.43
Net profits attributable to owners of the Company for the three months ended 31 March 2019 (RMB million)	228.61		
Reasons for increase/decrease	Mainly due to the completion of share delivery of subsidiaries, the gain on disposal of subsidiaries increased		

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB1.6 per every 10 Shares (including tax) from the Company's retained undistributed profit for the financial year ended 31 December 2019, based on the issued share capital of the company of 4,225,067,647 Shares after completion of the Rights Issue. This recommendation is subject to approval by the Shareholders at the forthcoming AGM for the year of 2019 in accordance with the provisions of the Articles, and will be implemented thereafter. The final dividend will be paid to the Shareholders on or before 30 August 2020. Information regarding the date of the AGM for the year of 2019, distribution of final dividend, and the relevant record dates and book close dates will be announced in due course.

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of the novel coronavirus disease "COVID-19" in January 2020, necessary prevention and control measures were taken to stem the spread of the epidemic throughout the PRC continuously. Responding to the call of the government, the Group actively and strictly implements the requirements of the authorities to prevent COVID-19 epidemic. the Group has, in a timely manner, put in place numerous precautionary measures and procured essential protective supplies to ensure the health and safecty of all its employees in different regions.

The Group predicted that the outbreak of the COVID-19 will affect the production and operation temporarily, while the effect will depend on the developments, duration, and implementation of prevention measures of coronavirus.

The Group will focus on the development of the COVID-19, assess and actively respond to its impact on the Group's financial position, business performance and other aspects. Up to the date of approval and submission of the financial statements, no significant adverse effects had been identified.

Save as disclosed above, there are no significant events subsequent to 31 December 2019 which would materially affect the Group's operating and financial performance as at the date of this announcement.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

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

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

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

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

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

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

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

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

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

ULTRA-SHORT-TERM FINANCING BONDS

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

RIGHTS ISSUE

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

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

REVIEW OF 2019 ANNUAL RESULTS

The Audit Committee of the Company has reviewed and approved the 2019 Annual Results of the Company.

Definitions

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

"A Shares"	ordinary shares issued by the Company, with RMB-denominated par value of RMB1.00 each, which are listed on the SZSE and traded in RMB;
"AGM"	annual general meeting of the Company;
"Articles"	the *Articles of Association* of the Company, as amended, modified or otherwise supplemented from time to time;
"attributable capacity"	represents the capacity attributed to the Group calculated by multiplying the Group's percentage ownership in a power project by the total capacity of such power project;
"Beijing Tianrun"	Beijing Tianrun New Energy Investment Co., Ltd.（北京天潤新能投資有限公司）, a company incorporated under the laws of the PRC on 11 April 2007 and a wholly owned subsidiary of the Company;
"Board"	the board of directors of the Company;
"CASBE"	*China Accounting Standards for Business Enterprises*;
"China" or "PRC"	the People's Republic of China. References in this announcement to the PRC exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Company" or "Goldwind"	Xinjiang Goldwind Science & Technology Co., Ltd. (新疆金風科技股份有限公司), a joint stock limited liability company incorporated in the PRC on 26 March 2001;
"Corporate Governance Code"	*Corporate Governance Code* and *Corporate Governance Report*, as set out in Appendix 14 of the Listing Rules;
"DDPM"	direct-drive permanent magnet, a technology that combines a) a drive-train concept in which the need for a gearbox is eliminated and the turbine rotor directly drives the generator rotor; and b) a synchronous generator in which permanent magnet is used on the generator;
"Directors"	the directors of the Company;
"EPC"	Engineering, Procurement and Construction, a construction arrangement where a company that is contracted to construct the project will be responsible for the design, procurement and construction of such project, and will deliver such project to the owner after completion of the project construction and passing of the final acceptance inspection;
"Financial Statements"	the audited consolidated financial statements of the Group for the financial year ended 31 December 2018, prepared in accordance with IFRSs;
"gearing ratio"	net debt divided by the sum of capital and net debt;
"Group", "Goldwind", "us" or "we"	the Company and its subsidiaries;
"GW"	gigawatt, a unit of power, 1GW equals 1,000MW;

"H Shares"	ordinary shares issued by the Company, with RMB- denominated par value of RMB1.00 each, which are listed on the Stock Exchange and traded in HKD;
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"IFRSs"	*International Financial Reporting Standards*;
"kV"	kilovolt, a unit of potential difference between two terminals, 1kV equals 1,000 volts;
"kW"	kilowatt, a unit of power, 1kW equals 1,000 watts;
"kWh"	kilowatt hour, the unit of measurement for calculating the quantity of power production output. 1kWh is the work completed by a kilowatt generator running continuously for one hour at the rated output capacity;
"Listing Rules"	the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;*
"MW"	megawatt, a unit of power, 1MW equals 1,000kW;
"NEA"	National Energy Administration of the PRC (中國國家能源局);
"NDRC"	National Development and Reform Commission of the PRC (中國國家發展和改革委員會);
"R&D"	research and development;
"RMB"	Renminbi, the lawful currency of the PRC;
"Senior Management"	the members of the senior management of the Company;
"Shareholders"	shareholders of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary"	has the meaning as ascribed in the Listing Rules;
"SZSE"	Shenzhen Stock Exchange;
"Three-North region"	China's Three-North region, which includes northeast, northwest and northern China;
"USD"	United States dollars, the lawful currency of the United States;
"Wind Farm Investment and Development"	the Group's Wind Farm Investment and Development business segment, one of the three primary business segments of the Group;
"Wind Power Services"	the Group's Wind Power Services business segment, one of the three primary business segments of the Group;
"WTG"	wind turbine generator;
"WTG Manufacturing"	the Group's WTG R&D, Manufacturing and Sales business segment, the core business of the Group and one of the three primary business segments of the Group;
"Xinjiang"	the Xinjiang Uyghur Autonomous Region of the PRC;

"YoY"	year-over-year, a method of evaluating two or more measured events to compare the results at one time period with those from another time period on an annualised basis; and
"%"	percent, in this announcement, calculations of percentage shall be based on the financial data contained in the Financial Statements including the relevant notes (where applicable).

By order of the Board
Xinjiang Goldwind Science & Technology Co., Ltd.
Ma Jinru
Company Secretary

Beijing, 31 March 2020

As at the date of this announcement, the Company's executive directors are Mr. Wu Gang, Mr. Cao Zhigang and Mr. Wang Haibo Mr. Cao Zhigang; non-executive directors are Mr. Gao Jianjun, Ms. Gu Hongmei and Mr. Lu Hailin; and independent non-executive directors are Dr. Tin Yau Kelvin Wong, Mr. Wei Wei and Ms. Yang Jianping.