華電國際電力股份有限公司

HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Stock Code：1071

ANNUAL REPORT 2019

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CONTENTS

COMPANY PROFILE

Huadian Power International Corporation Limited (the "**Company**") and its subsidiaries (together the "**Group**") are one of the largest comprehensive energy companies in the People's Republic of China (the "**PRC**"), and primarily engaged in the construction and operation of power plants, including large-scale efficient coal- or gas-fired generating units and various renewable energy projects. The Group's power generating assets are located in 14 provinces, autonomous regions and municipalities across the PRC at the prime location, mainly in the electricity and heat load centres or regions with abundant coal resources. As at the date of this report, the Group had a total of 61 controlled power plants which have commenced operations involving a total of 56,615.3 MW controlled installed capacity, with a total of 43,235 MW attributable to coal-fired generating units, 6,874.1 MW attributable to gas-fired generating units and 6,506.2 MW attributable to renewable energy generating units such as hydropower, wind power and solar power generating units.

The Company was incorporated in Jinan, Shandong Province, the PRC on 28 June 1994. On 30 June 1999, the Company issued approximately 1,431 million H shares in its initial public offering, which are listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). On 3 February 2005, the Company issued 765 million A shares in the PRC, which are listed on the Shanghai Stock Exchange. Subsequently, on 1 December 2009, 3 July 2012 and 18 July 2014, the Company issued 750 million, 600 million and 1,150 million A shares, respectively, each through a non-public issuance in the PRC, and all such A shares are listed on the Shanghai Stock Exchange. On 30 July 2014, the Company issued approximately 286 million H shares by way of placing, and such H shares are listed on the Hong Kong Stock Exchange. On 8 September 2015, the Company issued approximately 1,056 million A shares by way of non-public issuance, and such A shares are listed on the Shanghai Stock Exchange. Currently, the Company has an issued share capital comprising 8,145,743,053 A shares and 1,717,233,600 H shares, accounting for approximately 82.59% and 17.41%, respectively, of the total issued share capital of the Company. As of 31 December 2019, the total number of employees of the Group amounted to 27,287.

Details of the Group's major operational power generating assets as of the date of this report are as follows:

(1) Details of controlled coal- and gas-fired generating units are as follows:

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
1	Zouxian Plant	2,575	100%	1 x 635 MW + 1 x 600 MW + 4 x 335 MW
2	Shiliquan Plant	2,120	100%	2 x 660 MW + 2 x 330 MW + 1 x 140 MW
3	Laicheng Plant	1,200	100%	4 x 300 MW
4	Shuozhou Thermal Power Branch Company	700	100%	2 x 350 MW
5	Fengjie Plant	1,200	100%	2 x 600 MW
6	Shenzhen Company	365	100%	1 x 120 MW + 2 x 82 MW + 1 x 81 MW
7	Huadian Zouxian Power Generation Company Limited ("**Zouxian Company**")	2,000	69%	2 x 1,000 MW
8	Huadian Laizhou Power Generation Company Limited ("**Laizhou Company**")	4,001.1	75%	4 x 1,000 MW + 1.1 MW
9	Huadian Weifang Power Generation Company Limited ("**Weifang Company**")	2,002.4	45%	2 x 670 MW + 2 x 330 MW + 2.4 MW
10	Huadian Qingdao Power Generation Company Limited ("**Qingdao Company**")	1,220	55%	1 x 320 MW + 3 x 300 MW

COMPANY PROFILE (CONTINUED)

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
11	Huadian Zibo Thermal Power Company Limited (“**Zibo Company**”)	950	100%	2 x 330 MW + 2 x 145 MW
12	Huadian Zhangqiu Power Generation Company Limited (“**Zhangqiu Company**”)	925	87.5%	1 x 335 MW + 1 x 300 MW + 2 x 145 MW
13	Huadian Tengzhou Xinyuan Thermal Power Company Limited (“**Tengzhou Company**”)	930	93.257%	2 x 315 MW + 2 x 150 MW
14	Huadian Longkou Power Generation Company Limited (“**Longkou Company**”)	880	84.31%	4 x 220 MW
15	Huadian Ningxia Lingwu Power Generation Company Limited (“**Lingwu Company**”)	3,320	65%	2 x 1,060 MW + 2 x 600 MW
16	Sichuan Guang’an Power Generation Company Limited (“**Guang’an Company**”)	2,400	80%	2 x 600 MW + 4 x 300 MW
17	Huadian Xinxiang Power Generation Company Limited (“**Xinxiang Company**”)	1,320	90%	2 x 660 MW
18	Huadian Luohe Power Generation Company Limited (“**Luohe Company**”)	660	75%	2 x 330 MW
19	Huadian Qudong Power Generation Company Limited (“**Qudong Company**”)	660	90%	2 x 330 MW
20	Anhui Huadian Suzhou Power Generation Company Limited (“**Suzhou Company**”)	1,260	97%	2 x 630 MW
21	Anhui Huadian Wuhu Power Generation Company Limited (“**Wuhu Company**”)	2,320	65%	2 x 660 MW + 1 x 1,000 MW
22	Anhui Huadian Lu’an Power Generation Company Limited (“**Lu’an Company**”)	1,320	95%	2 x 660 MW
23	Hangzhou Huadian Banshan Power Generation Company Limited (“**Hangzhou Banshan Company**”)	2,415.7	64%	3 x 415 MW + 3 x 390 MW + 0.7 MW
24	Hangzhou Huadian Xiasha Thermal Power Company Limited (“**Xiasha Company**”)	246	56%	1 x 88 MW + 2 x 79 MW
25	Hangzhou Huadian Jiangdong Thermal Power Company Limited (“**Jiangdong Company**”)	960.5	70%	2 x 480.25 MW
26	Huadian Zhejiang Longyou Thermal Power Company Limited (“**Longyou Company**”)	417	100%	2 x 127.6 MW + 1 x 130.3 MW + 1 x 19.5 MW + 12 MW
27	Hebei Huadian Shijiazhuang Thermal Power Company Limited (“**Shijiazhuang Thermal Power Company**”)	928.6	82%	1 x 453.6 MW + 2 x 200 MW + 3 x 25 MW

COMPANY PROFILE (CONTINUED)

Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
28 Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("**Yuhua Company**")	600	100%	2 x 300 MW
29 Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("**Luhua Company**")	660	90%	2 x 330 MW
30 Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B) ("**Pingshi Power Company**")	600	100%	2 x 300 MW
31 Guangdong Huadian Shaoguan Thermal Power Company Limited ("**Shaoguan Thermal Power Company**")	700	100%	2 x 350 MW
32 Huadian Foshan Energy Company Limited ("**Foshan Energy Company**")	165.5	100%	2 x 59 MW + 47.5 MW
33 Huadian Guangdong Shunde Energy Company Limited ("**Shunde Energy Company**")	163.5	90%	2 x 59 MW + 45.5 MW
34 Tianjin Huadian Fuyuan Thermal Power Company Limited ("**Fuyuan Thermal Power Company**")	445.5	100%	2 x 200 MW + 45.5 MW
35 Tianjin Huadian Nanjiang Thermal Power Company Limited ("**Nanjiang Thermal Power Company**")	930	65%	2 x 315 MW +1 x 300 MW
36 Huadian Hubei Power Generation Company Limited ("**Hubei Company**") *(Note)*	6,944.4	82.56%	2 x 680 MW + 2 x 660 MW + 2 x 640 MW + 6 x 330 MW + 1 x 300 MW + 2 x 185 MW + 40 x 2 MW + 254.4 MW

Note: Details of the installed generating units of Hubei Company are as follows:

COMPANY PROFILE (CONTINUED)

Power generation enterprise	Installed capacity *(MW)*	Shareholding percentage of Hubei Company	Generating units
Huadian Hubei Power Generation Company Limited Huangshi Thermal Power Plant ("**Huangshi Thermal Power Plant**")	330	100%	1 x 330 MW
Hubei Xisaishan Power Generation Company Limited ("**Xisaishan Company**")	660	50%	2 x 330 MW
Hubei Huadian Xisaishan Power Generation Company Limited ("**Huadian Xisaishan Company**")	1,360	50%	2 x 680 MW
Hubei Huadian Xiangyang Power Generation Company Limited ("**Xiangyang Company**")	2,570	60.10%	2 x 640 MW + 3 x 330 MW + 1 x 300 MW
Hubei Huadian Jiangling Power Generation Company Limited ("**Jiangling Company**")	1,320	100%	2 x 660 MW
Hubei Huadian Wuchang Thermal Power Company Limited ("**Wuchang Thermal Power**") *(Note 1)*	370	100%	2 x 185 MW
Hubei Huadian Wuxue New Energy Company Limited ("**Wuxue New Energy Company**")	120	100%	40 x 2 MW + 40 MW
Hubei Huadian Zaoyang Photovoltaic Power Generation Company Limited ("**Zaoyang Photovoltaic Power Generation Company**")	100	100%	100 MW
Hubei Huadian Suixian Yindian Photovoltaic Power Generation Company Limited ("**Suixian Photovoltaic Power Generation Company**")	100	100%	100 MW
Huadian Hubei Power Generation Company Limited Huangshi Photovoltaic Power Generation Branch Company ("**Huangshi Photovoltaic Power Generation Company**")	6.4	100%	6.4 MW
Huadian Hubei Power Generation Company Limited Wuhan Photovoltaic Power Generation Branch Company ("**Wuhan Photovoltaic Power Generation Company**")	8	100%	8 MW

Note 1: Hubei Company acquired 100% equity interest of Wuchang Thermal Power in 2019.

COMPANY PROFILE (CONTINUED)

(2) Details of controlled renewable energy generating units are as follows:

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
1	Sichuan Huadian Luding Hydropower Company Limited ("**Luding Hydropower Company**")	920	100%	4 x 230 MW
2	Sichuan Huadian Za-gunao Hydroelectric Development Company Limited ("**Za-gunao Hydroelectric Company**")	591	64%	3 x 65 MW + 3 x 56 MW + 3 x 46 MW + 3 x 30 MW
3	Lixian Xinghe Power Company Limited ("**Lixian Company**")	67	100%	3 x 11 MW + 4 x 8.5 MW
4	Sichuan Liangshan Shuiluohe Hydropower Development Company Limited ("**Shuiluohe Company**")	524	57%	3 x 70 MW + 3 x 38 MW + 3 x 46 MW + 62 MW
5	Hebei Huadian Complex Pumping-storage Hydropower Company Limited ("**Hebei Hydropower Company**")	83.4	100%	1 x 16 MW + 2 x 15 MW + 1 x 11 MW + 2 x 3.2 MW + 20 MW
6	Inner Mongolia Huadian Mengdong Energy Company Limited ("**Mengdong Energy Company**")	399	100%	262 x 1.5 MW + 2 x 3 MW
7	Huadian Kezuozhongqi Wind Power Company Limited ("**Kezuozhongqi Wind Power Company**")	49.5	100%	33 x 1.5 MW
8	Huadian Power International Ningxia New Energy Power Company Limited ("**Ningxia New Energy Company**")	1,311.5	100%	147 x 2 MW + 665 x 1.5 MW + 20 MW
9	Hebei Huadian Guyuan Wind Power Company Limited ("**Guyuan Wind Power Company**")	290.5	100%	167 x 1.5 MW + 40 MW
10	Hebei Huadian Kangbao Wind Power Company Limited ("**Kangbao Wind Power Company**")	379.5	100%	72 x 2 MW + 137 x 1.5 MW + 30 MW
11	Hebei Huarui Energy Group Corporation Limited ("**Huarui Company**")	99	100%	48 x 2 MW + 2 x 1.5 MW
12	Huadian Laizhou Wind Power Company Limited ("**Laizhou Wind Power Company**")	40.5	55%	27 x 1.5 MW
13	Huadian Laizhou Wind Power Generation Company Limited ("**Laizhou Wind Company**")	48	55%	24 x 2 MW
14	Huadian Laizhou Wind Energy Power Company Limited ("**Laizhou Wind Energy Company**")	149.4	55%	72 x 2 MW + 3 x 1.8 MW
15	Huadian Longkou Wind Power Company Limited ("**Longkou Wind Power Company**")	99.3	65%	23 x 1.5 MW + 6 x 2.5 MW + 24 x 2 MW + 1 x 1.8 MW

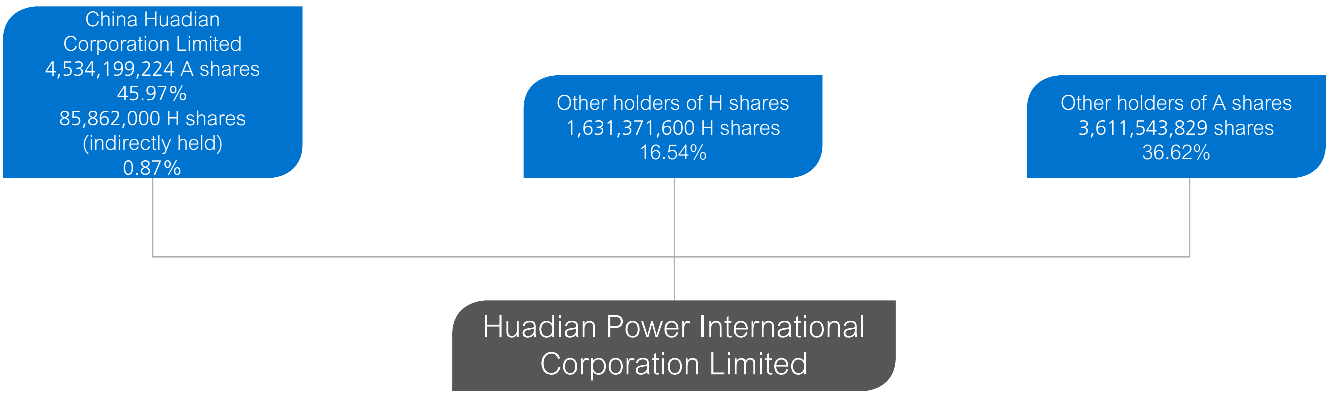
COMPANY PROFILE (CONTINUED)

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
16	Longkou Dongyi Wind Power Company Limited ("**Longkou Dongyi Wind Power Company**")	80	55%	25 x 2 MW + 20 x 1.5 MW
17	Huadian Shandong New Energy Company Limited ("**Shandong New Energy Company**") *(Note 2)*	573	100%	193 x 2 MW + 3 x 1.9 MW + 1 x 1.8 MW + 33 x 1.5 MW + 130 MW
18	Huadian Xuwen Wind Power Company Limited ("**Xuwen Wind Power Company**")	99	100%	48 x 2 MW + 2 x 1.5 MW
19	Huadian Xiaxian Wind Power Company Limited ("**Xiaxian Wind Power Company**")	100	100%	50 x 2 MW
20	Huadian Ningxia Ningdong Shangde Solar Power Company Limited ("**Shangde Solar Company**")	10	60%	10 MW
21	Huadian Zhangjiakou Saibei New Energy Generation Company Limited ("**Zhangjiakou Saibei New Energy Company**")	4	100%	4 MW
22	Huadian Ningbo New Energy Generation Company Limited ("**Ningbo New Energy Company**")	10	100%	10 MW
23	Huadian Huzhou New Energy Power Generation Company Limited ("**Huzhou New Energy Company**")	30	100%	30 MW
24	Huadian Taiqian Photovoltaic Power Generation Company Limited ("**Taiqian Photovoltaic Power Generation Company**")	100	50%	100 MW
25	Zezhou County Huadian Wind Power Company Limited ("**Zezhou Wind Power Company**")	98	100%	40 x 2.2 MW + 5 x 2 MW

Note 2: Shandong New Energy Company absorbed and merged Huadian Changyi Wind Power Company Limited and Huadian Zaozhuang New Energy Generation Company Limited (both were former subsidiaries of the Company) in 2019.

SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the date of this report is set out as follows:



CHAIRMAN'S STATEMENT

Dear shareholders,

In 2019, the Group thoroughly implemented each of the decisions and arrangements made by the board of directors of the Company (the "**Board**"). To actively cope with rigorous challenges in the slowdown in the growth of power consumption and increasing market competition, the Group has forged ahead despite of hardships and difficulties, made remarkable achievements in improving quality and efficiency, enhanced its quality of development, strengthened safety production and supervision of environmental protection, steadily improved all works and achieved good results. The Group's turnover amounted to approximately RMB91,753 million, the profit for the year attributable to equity holders of the Company amounted to approximately RMB3,385 million, and the basic earnings per share were approximately RMB0.288. The Board proposes to declare a final cash dividend of RMB0.146 per share (tax inclusive) for the financial year ended 31 December 2019.

In terms of improving quality and efficiency, the Group achieved good results in marketing and supply of thermal coal. The power generation maintained the overall growth due to the complementation in regions and sectors. Power generation of the Group in 2019 amounted to 215.11 million MWh, representing an increase of 1.84% as compared with the restated data in the same period of 2018. Capitalizing on its overall advantages, the Group actively participated in transactions in the electricity market and formulated targeted marketing strategies, leading to a year-on-year decrease in the decline of market electricity price. The total volume of market power in 2019 amounted to approximately 108.18 million MWh, accounting for approximately 53.7% of the volume of on-grid electricity

CHAIRMAN'S STATEMENT (CONTINUED)

sold, representing an increase of 10.1 percentage points as compared with the restated data in the same period of 2018. The Group's average on-grid tariff was RMB414.49/MWh, representing an increase of 1.16% as compared with the restated data in the same period of 2018. Capturing its advantages in the intensive procurement of electricity-coal, the Group strengthened its management of procurement strategies, and optimized its structure of coal purchase. The Group implemented seasonal coal reserves in various regions, increased the inventory in a scientific and orderly manner, and reduced fuel cost through multiple measures. The unit price of standard coal converted by coal as fire was RMB689.26/ton in 2019, representing a year-on-year decrease of RMB31.07/ton or 4.31%.

In terms of project development, in 2019, the Group adhered to the new development concept, continued to optimize its investment management and control and focus on risk management, emphasized high-quality development and project competitiveness, determined differentiated development paths for different regions in a scientific manner, optimized industrial layout in regions, accelerated to adjust the structure of power source, practically increased the proportion of investment in clean energies and enhanced the Company's capacities against risks. The Group's total new installed capacity amounted to 6,612.9 MW in 2019, and its installed capacity amounted to 56,565.3 MW at the end of the period, representing an increase of 13.24% from the beginning of 2019. All new projects that have been put into operation have achieved profitability, laying a solid foundation for the Company to improve efficiency.

CHAIRMAN'S STATEMENT (CONTINUED)

In terms of safety and environmental protection, the Group conscientiously performed its supervision responsibilities on safety production and environmental protection and maintained stable in safety and environmental protection in 2019. The Group continued to improve its management of energy consumption, established and improved its management systems according to key indicators, and continuously optimized its indicators including coal consumption. The coal consumption for power supply was 295.28g/KWh in aggregate in 2019, representing a year-on-year decrease of 3.93g/KWh. The Group fully completed its important transformation tasks for environmental protection, including closure of coal yard with quality and quantity guaranteed, ultra-low emissions and treatment of wastewater, and continued to supervise environmental protection and emission indicators on a daily basis, in order to ensure compliance with national environmental protection requirements.

In 2019, by virtue of its improvement in operating performance and standardized corporate governance, the Group was awarded as the top ten "Best Listed Companies" of 2019 China Securities Golden Bauhinia Awards. Our achievements are relied on the efficient and hard work of all employees, the consistent trust and support of shareholders and the continuous concerns and assistance from all sectors of society. I hereby extend my sincere gratitude to them.

In 2020, with improving quality and efficiency as the main line and standardized operation and governance according to law as the basis, the Group will continue to cope with challenges and follow the trend, so as to accelerate its transformation towards high-quality development and make new achievements in all works. We will strive to build a leading listed company with international reputation, and create sound results and returns for our investors.

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW

(1) Power Generation

As at 31 December 2019, the Group's total controlled installed capacity amounted to 56,565.3 MW. Power generation of the Group in 2019 amounted to 215.11 million MWh, representing an increase of 1.84% as compared with the restated data for the same period of last year; the volume of on-grid power sold amounted to 201.44 million MWh, representing an increase of 2.09% as compared with the restated data for the same period of last year. The annual utilization hours of the Group's generating units were 3,978 hours, representing a year-on-year decrease of 286 hours, among which the utilization hours of coal-fired generating units were 4,512 hours, representing a year-on-year decrease of 337 hours. The coal consumption for power supply was 295.28g/KWh in aggregate, representing a year-on-year decrease of 3.93g/KWh.

(2) Turnover

In 2019, the Group's turnover amounted to approximately RMB91,753 million, representing an increase of approximately 4.96% over 2018; Revenue generated from sale of electricity amounted to approximately RMB73,200 million, representing an increase of approximately 5.92% over 2018; revenue generated from sale of heat amounted to approximately RMB5,711 million, representing an increase of approximately 16.26% over 2018; revenue from sale of coal amounted to approximately RMB12,842 million, representing a decrease of approximately 4.14% over 2018.

(3) Profit

In 2019, the Group's operating profit amounted to approximately RMB8,216 million, representing an increase of approximately 31.06% over 2018, mainly due to the year-on-year decrease in coal prices. For the year ended 31 December 2019, the profit for the year attributable to equity holders of the Company amounted to approximately RMB3,385 million, the profit for the year attributable to equity shareholders of the Company amounted to approximately RMB2,842 million, and the basic earnings per share were approximately RMB0.288.

(4) The Capacity of Newly-added Generating Units

From 1 January 2019 to the date of this report, the details of the Group's newly-added generating units are as follows:

Projects	Category	Capacity *(MW)*
Wuhu Company	Coal-fired	1,000
Jiangling Company	Coal-fired	660
Laizhou Company	Coal-fired	2,000
Shaoguan Thermal Power Company	Coal-fired	350
Shijiazhuang Thermal Power Company	Gas-fired	453.6
Nanjiang Thermal Power Company	Gas-fired	930
Shunde Energy Company	Gas-fired	163.5
Shenzhen Company	Gas-fired	245
Wuchang Thermal Power	Gas-fired	370
Foshan Energy Company	Gas-fired	47.5
Shuiluohe Company	Hydropower	62
Kangbao Wind Power Company	Wind power	49.5
Laizhou Wind Energy Company	Wind power	49.8
Zezhou Wind Power Company	Wind power	98
Longkou Dongyi Wind Power Company	Wind power	50
Huzhou New Energy Company	Solar power	15
Taiqian Photovoltaic Power Generation Company	Solar power	100
Longyou Company	Solar power	11
Wuhan Photovoltaic Power Generation Company	Solar power	8
Total		**6,662.9**

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

(5) Generating Units under Construction:

As at the date of this report, the Group's major generating units under construction are as follows:

Type of generating units	Planned installed capacity *(MW)*
Coal-fired generating unit	510
Gas-fired generating unit	1,633
Hydropower generating unit	292
Wind power generating unit	1,757.3
Solar power generating unit	20.2
Total	**4,212.5**

The Group will manage the construction and the pace of operation of its projects in accordance with the national and local energy policies, the conditions of the power market and the Group's overall strategy.

BUSINESS OUTLOOK

(1) Competition and Development Trend of the Industry

In terms of the electricity market, according to the prediction of China Electricity Council, against the background of following the general principle of seeking progress while keeping stable performance and counter-cyclical adjustment of national macro policies, the power consumption in China will continue to grow smoothly in 2020. In the absence of widespread extreme temperature effects, it is expected that the power consumption in China in 2020 will increase by 4% to 5% year on year. It is expected that the installed capacity of new generating units in national infrastructure in 2020 will be approximately 120 million kW, of which the installed capacity of 87 million kW will be generated from non-fossil energy, and at the end of the year, the installed capacity of generating units in China will be approximately 2.13 billion kW, representing a year-on-year increase of approximately 6%, and the proportion of installed capacity generated from non-fossil energy will continue to rise. Throughout the year, it is expected that there will be an overall balance between electricity supply and demand in China, with a tight supply of electricity in certain regions during the rush hours. Affected by trans-regional power transmission and coal control policies, the utilization hours of equipments in certain regions will decrease. The implementation of power generation and utilization plans for industrial power users, the gradual formation of a market-based electricity price mechanism, and the acceleration of the pace of spot market construction will have a more profound impact on the operation of power companies.

In terms of the coal market, in 2020, it is expected that the coal supply and demand relation will tend to be moderate. With the increase of coal production capacity, changes in the structure of electricity consumption, and the deepening of national regulation, there is a possibility of a certain decline in price.

In terms of the capital market, the central government will continue to implement a proactive fiscal policy and a prudent monetary policy, guide the optimization of liquidity and credit structure, support key economic areas and weak links, as well as the results of leverage and debt reductions will also be emerging, which will help further reduce financing costs.

(2) Development Strategies of the Group

By taking the quality and efficiency improvement as the main line, and based on the principle of governing enterprises according to law and standardizing operations, the Company will continue to enhance the competitiveness, innovation, control, influence and anti-risk capabilities, accelerate the high-quality development, ensure the completion of all target tasks of the whole year and strive to create a first-class listed company with international reputation.

(3) Operation Plan of the Group in 2020

Where external conditions remain relatively stable, the Group expects to complete the goal of power generation of about 210-220 million MWh in 2020, and the utilisation hours of power generating units are expected to remain stable or decrease slightly. According to the actual progress of each project, in 2020, the Group intends to invest approximately RMB16.0 billion, which will be used for the infrastructure of power supply projects, environmental protection and energy-saving technical reformation projects and other projects.

In 2020, the Company will focus on the following four aspects:

Enhancing the control of operations and comprehensively improving quality and efficiency. Continuing to improve the level of leanness in marketing and fuel management, strengthening policy analysis, implementing strategies according to each factory's situation, identifying superior themes, and striving for favorable priority power generation plans and base quantity of electricity. Accelerating the construction of supporting mechanisms for trading in the electricity market, participating in market competition in a coordinated manner of quantity and price, and striving to seize the opportunity in the reform of the electricity market. Studying and establishing risk management and control mechanism for electricity market transactions and preventing market risks and compliance risks. Strengthening the management of the whole process of fuel procurement, and performing well the coal market analysis and procurement strategy research. Continuing to optimize the coal purchase structure and continuously improving the ability to ensure supply and control prices. Implementing asset and fund management solidly, strengthening capital cost control, improving financing structure, seizing favorable opportunities and policies, and further reducing credit costs.

Strengthening strategic leadership and promoting high-quality development. Enhancing energy and power policy analysis and planning research, scientifically analyzing development trends, and vigorously promoting project construction. Further reinforcing investment plans and capital management, combining project progress and actual needs, improving the efficiency of capital use, and protecting the needs of project development and infrastructure projects.

Promoting standardized operations and strictly controlling regulatory risks. Further standardizing the procedures of "general meetings, the Board and the Supervisory Committee" of the Company in accordance with the latest requirements of regulatory agencies. Further opening channels for information acquisition and properly managing risks. Further deepening the work of administering enterprises according to law, improving the integration of legal management and business processes, continuously improving the quality of legal review and control, and preventing and controlling corporate legal risks. Improving the Company's internal control and compliance management system, and further improving internal control evaluation and internal control supervision.

Consolidating the safety foundation and strengthening environmental protection. Strictly implementing production safety responsibilities at all levels, focusing on key investigations and management, timely detecting hidden problems, and earnestly carrying out rectification work. Focusing on safety production in key areas, highlighting key areas and links such as pre-control of risk analysis, implementation of safety production measures, prevention and control of natural disasters, management and control of anti-violation regulations, and power protection in key periods to effectively prevent and resolve safety risks. Effectively improving the level of environmental protection and energy conservation, continuing to supervise the daily environmental protection emission indicators to ensure compliance with national environmental protection requirements. Strengthening plan management and benchmarking management to ensure that the Company's energy consumption indicators reach the advanced level of similar listed companies.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

(4) Possible Risks and Measures

Affected by the current greater economic downturn pressures in China and the outbreak of novel coronaviruses, the trend of slowing down national power growth is expected to continue. Under the influence of coal control and emission reduction policies and the increase in purchased electricity, the output of coal-fired power generation in the central and eastern provinces is declining, and generating units in certain regions face the risk of decline in utilization hours. With the advancement of the reform of electricity marketization, affected by factors such as the further increase in the proportion of the volume of electricity traded in the market and the decline in electricity price for industrial and commercial users, the overall electricity price is at risk of falling.

In terms of the coal market, it is expected that the demand growth will slow down for the year, with a slightly loose supply-demand balance, but there are regional and periodical risks of resource shortages. In terms of market price, affected by various factors, there are greater impact on whole demands for coal in certain regions, and there are risks of fluctuations in coal market prices.

In terms of environmental protection policy, the state makes increasingly strict requirements on atmospheric, soil and water pollution control. In the context of greater restrictions on carbon emissions, the development for coal power has been affected to some extent.

With regard to the above risks, in future operation and development, the Group will speed up improving the construction of supporting mechanisms for trading in the power market, participate in market competition in a coordinated manner of quantity and price, and strive to seize the opportunity in the reform of the power marketization. The Group will perform in-depth analysis of the situation, focus on key elements and key enterprises, continue to improve the analysis and monitoring methods, and actively strive to prioritize power generation large user resources, and improve the efficiency of each kilowatt-hour of electricity. We will highlight high-quality development and project competitiveness, scientifically determine the path of regional differentiated development, optimize regional industrial layout, speed up the adjustment of power supply structure, effectively increase the proportion of clean energy investment, and enhance the Company's ability to resist risks. We will strengthen the management of the whole process of fuel procurement, and do a good job of coal market analysis and procurement strategy research. The Group will plan ahead for seasonal reserves, continue to optimize the coal purchase structure, and continuously improve the ability to maintain supply and control prices. The Group will deeply understand the major responsibilities of environmental protection, strictly implement environmental protection laws and regulations, effectively improve the level of environmental protection and energy conservation, continue to supervise well daily environmental protection emission indicators, and ensure compliance with national environmental protection requirements. The Group will strengthen plan management and benchmarking management to ensure that the Company's energy consumption indicators reach the advanced level of similar listed companies.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the date of this report, the biographies of the directors of the Company ("**Director**"), supervisors of the Company ("**Supervisor**") and senior management of the Company are as follows:

Mr. Wang Xuxiang (王緒祥), Chinese nationality, was born in September 1967. He graduated with a postgraduate degree and is a senior economist. He is currently the Chairman and the secretary of the party committee of the Company, and an assistant to the general manager of China Huadian Corporation Limited. Mr. Wang worked at different companies since July 1988, including Shandong Huangtai Power Plant, Electric Power Industry Bureau of Shandong province, Yingda International Trust Co., LTD (濟南英大國際信託投資有限公司), China Huadian Finance Corporation Limited (中國華電集團財務有限公司), Beijing Huaxin Insurance Assessment Co., Ltd. (北京華信保險公估有限公司), China Huadian Corporation Settlement Center (中國華電集團公司結算中心), Jiangsu Branch of China Huadian Corporation and China Huadian Corporation Limited. Mr. Wang has been engaged in the operation and management of power enterprises, financial management, finance and capital operations for more than 30 years.

Ni Shoumin (倪守民), Chinese nationality, born in October 1962. He graduated from Zhongnan University of Economics and Law with a master's degree in EMBA. He currently serves as the Vice Chairman of the Company, and concurrently serves as the deputy secretary of the party committee and a director of Shandong Development Investment Holding Group Co., Ltd., a director of Taihe Assets Management Co., Ltd. and a director of Shandong Nuclear Power Company Ltd. Mr. Ni started his career in July 1984, and has worked successively for the General Office of the Shandong Provincial Government, Hong Kong Hualu Group Co., Ltd., Shandong Hualu Group Company Limited and Hualu Holdings Group Company Limited. Mr. Ni has more than 30 years of working experience in macroeconomics, corporate management, etc.

Gou Wei (苟偉), Chinese nationality, born in June 1967, a senior engineer graduated from North China Electric Power University with a master's degree. Mr. Gou is currently a Director of the Company and the head of the Financial and Risk Management Department of China Huadian Corporation Limited. Mr. Gou had successively worked at Jiangyou Electric Power Plant, Sichuan Guang'an Power Generation Co., Ltd., Huadian Power International Corporation Limited, Hubei branch of China Huadian Corporation, Huadian Hubei Power Co., Ltd. and China Huadian Corporation Limited. Mr. Gou has 30 years of experience in power production and operation management.

Mr. Chen Haibin (陳海斌), Chinese nationality, born in March 1968, graduated from Southeast University with a bachelor degree. He is also a senior engineer. He is currently a Director of the Company, the secretary to the board of directors of China Huadian Corporation Limited and the office (the office of the party leadership group and the office of the board of directors) director. He had served in Jiangsu Wangting Power Plant, Jiangsu Huadian Wangting Natural Gas-fired Power Company Limited, Shanghai Huadian Wangting Power Generation Company Limited, Shanghai Huadian Electric Power Development Company Limited, Taicang Huadian Construction and Development Company Limited, Jiangsu Branch of China Huadian Corporation, Huadian Jiangsu Energy Company Limited, and China Huadian Corporation Limited. Mr. Chen has 30 years of experience in business management and strategic management of power enterprises.

Mr. Tao Yunpeng (陶雲鵬), Chinese nationality, born in July 1970, graduated from Tsinghua University with master's degree in industrial engineering. He is also a senior engineer. He is currently a Director of the Company, the chairman and the secretary of the party committee of Guizhou Qianyuan Power Co., Ltd., and is also serving as the vice chairman of Huadian Energy Company Limited, director of Huadian Fuxin Energy Corporation Limited, and director of China Huadian Engineering Co., Ltd.. He had served in Shandong International Power Development Company Limited, Huadian Power International Corporation Limited and China Huadian Corporation Limited. Mr. Tao has over 20 years of experience in corporate management, financial management and capital operation.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Wang Xiaobo (王曉渤), Chinese nationality, born in March 1968. He graduated from Shandong University with a bachelor's degree in economics. He is an economist. He currently serves as a Director of the Company, and concurrently serves as the director of Investment and Development Department of Shandong Development Investment Holding Group Co., Ltd. Mr. Wang started his career in August 1991, and has worked successively for Weihai Huancui District Foreign Economic and Trade Commission, Shandong Foreign Investment Service Company, US Pacific Peak Investment Co., Ltd., British CAMCO International Carbon Asset Information Consulting (Beijing) Co., Ltd. and Hualu Holdings Group Company Limited. Mr. Wang has 28 years of working experience in capital operation, corporate management, etc.

Chen Cunlai (陳存來), Chinese nationality, born in November 1962, is an EMBA, senior economist and senior accountant. Graduated from Xi'an Jiaotong University majoring in Business Administration, Mr. Chen is currently a Director and the deputy general manager of the Company. Mr. Chen had served as a director of financial planning department, deputy chief economist, deputy chief accountant and assistant to factory manager of Zouxian Plant. He had also served as the head of supervision & audit Department, the head of HR administration department, the deputy chief accountant and the head of financial department and the chief financial officer of the Company. Mr. Chen has over 30 years of experience in power production, operation management and financial management.

Ding Huiping (丁慧平), Chinese nationality, born in June 1956, is a professor and Ph.D. tutor and is an independent non-executive Director of the Company, the Head of PRC Enterprise Competitiveness Research Center of Beijing Jiaotong University, and concurrently an independent director of Metro Land Corporation Ltd., an independent director of Shandong International Trust Co., Ltd., an external supervisor of China Merchants Bank Co., Ltd. and an independent director of China Haisum Engineering Co., Ltd. Mr. Ding graduated from Northeastern University with a bachelor's degree in Engineering in February 1982. He studied in Sweden in 1987 and acquired an associate doctoral degree in Industry Engineering in 1991, a doctoral degree in Enterprise Economics in 1992 and conducted postdoctoral research. He has been working at Economic and Management School of Northern Jiaotong University (presently known as Beijing Jiaotong University) since 1994. Research directions: enterprise economics and innovative management, investment and financing decisions and management of enterprise values, business strategies and supply chain management of enterprises.

Wang Dashu (王大樹), Chinese nationality, born in September 1956, obtained a master's degree in Management from the Department of Economics from Peking University and a doctoral degree in Economics from La Trobe University in Australia. He is currently an independent non-executive Director of the Company, a professor at School of Economics of Peking University and a special researcher at Sichuan Market Regulatory Research Centre of the State Administration for Industry and Commerce. He served as a visiting professor at Stanford University in the U.S., a coordinator for PRC projects of United Nations Industrial Development Organisation and a project consultant of Asian Development Bank. He is specialised in fields such as Economics, Public Finance, Finance, Marketing, Demography, etc.

Wang Chuanshun (王傳順), Chinese nationality, born in August 1965, former name Wang Genming (王根明), is a certified public accountant and a senior accountant. Mr. Wang graduated from Southwest Agricultural University with a master's degree. He currently serves as an independent Director of the Company, a director of Shandong Branch of Ruihua Certified Public Accountants and concurrently serves as an independent non-executive director of Luzheng Futures Company Limited, the vice chairman of the Institute of Certified Public Accountants of Shandong Province, a managing director of Shandong Accountants Association, the vice chairman of Shandong Auditors Association and the deputy secretary-general of Council for the Promotion of Capital Market of Shandong Province. Mr. Wang once served at Shandong Audit Office, Shandong Accounting Firm, Shandong Zhengyuan Hexin Accounting Firm and China Rightson Certified Public Accountants.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Zong Wenlong (宗文龍), Chinese nationality, born in October 1973, holds a doctoral degree in Accounting. He is currently an independent non-executive Director of the Company, a professor at the School of Accountancy of Central University of Finance and Economics. He served as an independent director of Ningbo Ligong Online Monitoring Technology Co., Ltd. and Beijing Transtrue Technology Inc., and currently serves as an independent director of Beijing Dongfang Guoxin Technology Co., Ltd., Datang Telecom Technology Co., Ltd., Beijing Aerospace Changfeng Co., Ltd. and China Television Media, Ltd. He is specialised in the theories and practices of Accountancy, particularly accounting standards for business enterprises, the finance and accounting policies on non-profit organisations.

Chen Wei (陳煒), Chinese nationality, born in April 1975. She is a holder of doctorate degree in law, and currently serves as the chairman of the Supervisory Committee of the Company, the director of the audit and law department (discipline inspection and supervision department) of Shandong Development Investment Holding Group Co., Ltd., a director of the supervisory committee office, and concurrently serves as the chairman of the supervisory committee of Shandong Nuclear Power Company Ltd. Ms. Chen started her career in July 2000, and has worked successively for the provincial and grassroots tax authorities in Shandong Province. Ms. Chen has 19 years of working experience in taxation, auditing, law, corporate management, etc.

Peng Xingyu (彭興宇), Chinese nationality, born in November 1962. He is a Chinese certified public accountant and a senior accountant, and currently a Supervisor of the Company and the chief auditor of China Huadian Corporation Limited. He graduated from Wuhan University with a master's degree in Economics. Mr. Peng had worked at Huazhong Electric Power Management Bureau, China Huazhong Electric Power Corporation, Hubei Electric Power Company and China Huadian Corporation Limited. He has many years of experience in fields such as auditing, finance and assets of electric power companies.

Yuan Yanan (袁亞男), Chinese nationality, born in February 1965, a senior engineer, graduated from the North China Electric Power University with a master's degree. She currently serves as a director-level consultant and an employee Supervisor of the Company. Before joining the Company, Ms. Yuan had worked at North China Electric Power University, the State Energy Investment Corporation, China Development Bank and China Huadian Corporation. She has over 30 years of working experience in various areas such as power production, finance, asset and financial management.

Ma Jing'an (馬敬安), Chinese nationality, born in March 1966, graduated from Dalian University of Technology with a master's degree in engineering and is a senior administrative engineer. He is currently an employee Supervisor and the secretary of the discipline committee of the Company, the chairman of the supervisory committee of Otog Front Banner Changcheng No.3 Mining Company, the chairman of the supervisory committee of Otog Front Banner Changcheng No.5 Mining Company, the chairman of the supervisory committee of Inner Mongolia Fucheng Mining Company Limited, the chairman of the supervisory committee of Otog Front Banner Changcheng Mine Company Limited and a supervisor of Huadian Group Beijing Fuel Logistics Co., Ltd. Mr. Ma started his career in 1986 and has worked for Fangzi Power Plant, Weifang Power Plant, Huadian Power International Corporation Limited and Shanxi Maohua Energy Investment Company Limited. Mr. Ma has many years of working experience in various aspects such as corporate culture and labor union.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Zha Jianqiu (查劍秋), Chinese nationality, born in August 1969, is a certified public accountant, certified asset valuer, senior accountant and international certified internal auditor. He currently serves as an independent Supervisor of the Company. Mr. Zha graduated from Nanjing Audit University and obtained a master's degree in Business Administration from Guanghua School of Management of Peking University and a doctoral degree in Corporate Management from the Economics and Management School of Beijing Jiaotong University. After graduation, he worked for the National Audit Office of the PRC. He was a partner to and a general manager of Overseas Business Department of Crowe Horwath CPA. He was a special technical assistant to the chairman of the Supervisory Committee of State-owned Enterprise of the State Council, an independent director and the chairman of the Audit Committee of IRICO Group Electronics Company Limited and a council member of the Certified Management Committee of Beijing Institute of Certified Public Accountants. He is currently the director of the China Market Centre of Ruihua. As a certified public accountant, he has extensive experience in fields such as financial management and auditing.

Peng Guoquan (彭國泉), Chinese nationality, born in October 1966, a senior engineer with a master's degree, graduated from Huazhong University of Science and Technology, majoring in Thermal Energy and Power. Mr. Peng is currently a deputy general manager of the Company. Mr. Peng concurrently serves as the chairman of Anhui Wenhui New Products Promotion Company Limited, the chairman of Anhui Hualin International Energy Company Limited, the vice chairman of CNNP CHD Hebei Nuclear Power Co., Ltd. and a director of Huadian Coal Industry Group Company Limited. Mr. Peng had served in Qingshan Thermal Power Plant, Wuchang Thermal Plant and Anhui Huadian Wuhu Power Generation Company Limited. Mr. Peng has 30 years of experience in power production and management.

Chen Bin (陳斌), Chinese nationality, born in September 1973, graduated from Guanghua School of Management, Peking University with a master's degree in Economics and Management. He currently serves as a vice general manager, the general legal counsel and the director of the working committee of the Company. Mr. Chen had successively worked in China Electric Power News, State Power Corporation, China Guodian Corporation and Guodian Finance Corporation Ltd. He had served as a supervisor of the Company. Mr. Chen has 24 years of experience in the power generation industry.

Feng Rong (馮榮), Chinese nationality, born in June 1968, graduated from Changsha Normal College of Water Resources and Electric Engineering and is a senior accountant. He is currently the chief financial officer of the Company, and the director of China Huadian Finance Corporation Limited and Huadian Hubei Power Generation Company Limited. Mr. Feng previously served as the deputy director and director of the Financial Department of Baozhusi Hydropower Construction Administration Bureau, the director of the Operation and Management Department of Baozhusi Power Plant, the deputy director of the Financial Department of Sichuan Branch of China Huadian Corporation (taking charge of works), the director of the Financial Asset Department of Sichuan Branch of China Huadian Corporation and Huadian Sichuan Power Company Limited, the deputy chief accountant and director of the Financial Asset Department of Sichuan Branch of China Huadian Corporation and Huadian Sichuan Power Company Limited (Huadian Jinshajiang Upstream Hydropower Development Company Limited), the chief accountant of Huadian Sichuan Power Company Limited (Huadian Jinshajiang Upstream Hydropower Development Company Limited), the member of the Leading Party Members' Group and the chief account of Huadian Sichuan Power Company Limited (Sichuan Branch of China Huadian Corporation) and chief accountant of Sichuan Branch of Huadian Power International Corporation Limited. Mr. Feng has 28 years of working experience in operation management and financial management.

Mr. Zhang Gelin (張戈臨), Chinese nationality, born in November 1969 and is a senior engineer. He graduated from the Department of Electrical Power Engineering of the Shanghai Jiao Tong University in 1991 with a Bachelor degree in Engineering and graduated from the Texas Tech University in 1999 with a MBA degree. He is now working as the secretary to the Board, an affiliated person of the Hong Kong Institute of Chartered Secretaries, and a director of Huadian Group Beijing Fuel Logistics Co., Ltd. Mr. Zhang started his career in 1991. He had successively held positions in Shandong Electric Power Group Company Electricity Transmission and Transformation Engineering Co., Ltd.* (山東電力集團公司送變電工程公司), Shandong International Power Development Company Limited* (山東國際電源開發股份有限公司) and Huadian Power International Corporation Limited. He has 29 years of experience in areas such as electricity and power-grid generation, management, capital operation of listed company, operation compliance, law and regulations, investors' relations and securities affairs management.

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Macroeconomic Conditions and Electricity Demand

According to preliminary calculation of the National Bureau of Statistics, the GDP of the PRC in 2019 amounted to RMB99,086.5 billion, representing a year-on-year increase of 6.1% determined based on comparable prices. Power consumption of the entire society totalled 7,225.5 billion KWh, representing a year-on-year increase of 4.5%. With regard to different industries, the consumption by the primary industry accounted for 78.0 billion KWh, representing a year-on-year increase of 4.5%; secondary industry accounted for 4,936.2 billion KWh, representing a year-on-year increase of 3.1%; and tertiary industry accounted for 1,186.3 billion KWh, representing a year-on-year increase of 9.5%; and the consumption by urban and rural residents accounted for 1,025.0 billion KWh, representing a year-on-year increase of 5.7%.

(2) Turnover

In 2019, the turnover of the Group was approximately RMB91,753 million, representing an increase of approximately 4.96% over 2018, mainly due to the adjustment of VAT tax rate and the increase in power generation volume.

(3) Major Operating Expenses

In 2019, the operating expenses of the Group amounted to approximately RMB83,537 million, representing an increase of approximately 2.94% over 2018. The particulars are as follows:

Fuel costs of the Group amounted to approximately RMB45,371 million in 2019, representing an increase of approximately 0.87% over 2018, mainly due to the increase of power generation volume.

Sale cost of coal of the Group amounted to approximately RMB11,689 million in 2019, representing a decrease of approximately 5.65% over 2018, mainly due to the decrease in coal price.

Depreciation and amortisation expenses of the Group amounted to approximately RMB11,825 million in 2019, representing an increase of approximately 13.73% over 2018, mainly due to the commencement of operation of new generating units.

In 2019, the maintenance, repair and inspection expenses of the Group were approximately RMB3,806 million, representing a decrease of approximately 0.88% over 2018, mainly due to the cost management and control strengthened by the Group.

In 2019, the staff cost of the Group was approximately RMB5,996 million, representing an increase of approximately 12.93% over 2018, mainly due to the increase in employee remuneration and commencement of operation of new generating units.

In 2019, the administration expenses of the Group were approximately RMB2,573 million, representing an increase of approximately 24.09% over 2018, mainly due to the increase in assets impairment losses.

(4) Investment Income

Investment income of the Group amounted to approximately RMB23 million in 2019, representing a decrease of approximately 91.27% over 2018. This was mainly due to the income from bankruptcy liquidation of Huadian Suzhou Biomass Energy Power Generation Company Limited (former subsidiary of the Company) in 2018.

(5) Other Net Income

Other net income of the Group amounted to approximately RMB760 million in 2019, representing an increase of approximately 632.83% over 2018. This was mainly due to the combined effect of the increase in revenue from sales of by-products of power generation such as coal ash in 2019 and the litigation losses incurred in 2018.

(6) Finance Costs

Finance costs of the Group amounted to approximately RMB5,263 million in 2019, representing a decrease of approximately 2.71% over 2018. This was mainly due to the fact that the Group strengthened the financing innovation and capital operation and also reduced the financing costs.

(7) Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures of the Group amounted to approximately RMB757 million in 2019, representing an increase of approximately 17.00% over 2018, which was mainly due to the increase in the profits of the coal mining enterprises invested by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(8) Income Tax

Income tax of the Group amounted to approximately RMB1,036 million in 2019, representing an increase of approximately 25.35% over 2018. This was mainly due to the increase in the Group's profits.

(9) Pledge and Mortgage of Assets

As at 31 December 2019, the Company and the Company's subsidiaries have pledged their income stream in respect of the sale of electricity and heat to secure loans amounting to approximately RMB19,885 million.

As at 31 December 2019, some of the Company's subsidiaries have mortgaged their generating units and relevant equipments, land use rights and mining rights to secure loans amounting to approximately RMB3,946 million.

(10) Indebtedness

As at 31 December 2019, the total borrowings of the Group amounted to approximately RMB99,184 million, of which borrowings denominated in Euro amounted to approximately EUR9.86 million and denominated in USD amounted to approximately US$20 million. The liabilities to assets ratio was approximately 65.28%, representing a decrease of 4.72 percentage points compared to the end of 2018. Borrowings of the Group were mainly of floating rates. Short-term borrowings and long-term borrowings due within one year amounted to approximately RMB34,561 million, and long-term borrowings due after one year amounted to approximately RMB64,624 million. The closing balance of super short-term debenture payables of the Group amounted to approximately RMB3,541 million, and the closing balance of the medium-term notes (including the portion due within one year) and debt financing instruments issued through non-public offering to target subscribers (including the portion due within one year) amounted to approximately RMB12,484 million. The closing balance of lease liabilities of the Group amounted to approximately RMB2,799 million.

(11) Contingent Liabilities

As at 31 December 2019, Guang'an Company, a subsidiary of the Company, provided guarantees to banks for loans amounting to approximately RMB43.58 million which were granted to Sichuan Huayingshan Longtan Coal Company Limited, an associate of Guang'an Company.

(12) Provisions

Provisions represent the Group's best estimate of its liabilities and remedial work costs arising from mine disposal and environmental restoration based on industry practices and historical experience. As at 31 December 2019, the balance of the Group's provisions amounted to approximately RMB128 million.

(13) Cash Flow Analysis

In 2019, the net cash inflow from operating activities of the Group amounted to approximately RMB15,546 million, increased by approximately RMB3,897 million over 2018, mainly due to the increase in the electricity and heat sales income for the whole year of 2019; the net cash outflow used in investing activities amounted to approximately RMB15,165 million, decreased by approximately RMB1,300 million over 2018, mainly due to the decrease in capital expenditures in 2019; the net cash outflow from financing activities amounted to approximately RMB553 million, while the net cash inflow in 2018 amounted to approximately RMB4,038 million, mainly due to the fact that the Group improved its efficiency, controlled investment expenditures and reduced loans in 2019.

(14) Exchange Rate Fluctuation Risk and Related Hedging

The Group mainly engages in business and obtains income in China, and has a relatively small amount of foreign currency borrowings. Therefore, the exchange rate fluctuation risk is relatively low. Based on the above considerations, the Group did not adopt relevant hedging measures.

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the "**Year**").

PRINCIPAL ACTIVITIES

The Group is principally engaged in the generation of electricity and heat, sales of coal and other relevant businesses in the PRC. All electricity generated is supplied to the grid companies where the plants are located. In 2019, the Company had strictly complied with relevant laws and regulations and industrial rules that impose significant influence on the operation of the Company. The chief operating decision makers review the Group's revenue and profit as a whole, which is determined in accordance with the Group's accounting policies, for resources allocation and performance assessment. Therefore, the Group has only one operating and reportable segment and no further segment information is presented in this financial information. The profit of the Group for the year ended 31 December 2019 and the Group's and the Company's financial positions as of that date prepared in accordance with IFRSs are set out on pages 50 to 130 of the annual report.

STATUTORY SURPLUS RESERVE

According to the Company's articles of association (the "**Articles of Association**"), the Company is required to transfer at least 10% (at the discretion of the Board) of its profit after tax, as determined under the PRC accounting rules and regulations, to its statutory surplus reserve until the surplus reserve balance reaches 50% of its registered capital. The transfer to the statutory surplus reserve must be made before the distribution of dividend to shareholders. The statutory surplus reserve can be used to make up losses (if any) of the previous year and may be converted into share capital by issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after the issue of new shares is not less than 25% of the registered share capital. On 25 March 2020, the Board resolved to transfer 10% of the annual profit after tax as determined under the PRC accounting rules and regulations, amounting to RMB233,333,000 (2018: RMB75,864,000), to the statutory surplus reserve.

DIVIDENDS

Pursuant to a resolution passed at the Board meeting held on 25 March 2020, the Board of the Company proposes to declare a final cash dividend of RMB0.146 per share (tax inclusive, based on the total share capital of 9,862,976,653 shares) for the financial year ended 31 December 2019, totaling approximately RMB1,439,995,000 (tax inclusive). The dividend distribution proposal is subject to approval by the shareholders at the upcoming 2019 annual general meeting. The notice of the 2019 annual general meeting of the Company, containing details of the period and procedures of the closure of register of members, will be published and despatched to shareholders of the Company in due course.

If the above proposal for dividend distribution is considered and approved at the upcoming 2019 annual general meeting, the Company expects to distribute such cash dividends on or before 28 August 2020.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Particulars of the Company's subsidiaries, associates and joint ventures as at 31 December 2019 are set out in notes 46 and 22 respectively to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

BANK LOANS AND OTHER LOANS

Details of bank loans and other loans of the Group and the Company as at 31 December 2019 are set out in note 31 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

INTEREST CAPITALISED

Details relating to the interest capitalised by the Group during the year 2019 are set out in note 10 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details relating to movements in property, plant and equipment of the Group and those of the Company during the year 2019 are set out in note 17 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

RESERVES

Details relating to movements in reserves of the Group and the Company for the year ended 31 December 2019 are set out in the consolidated statement of changes in equity in the consolidated financial statements and note 39(c) to the consolidated financial statements prepared in accordance with IFRSs included in this annual report respectively.

DONATIONS

During the year of 2019, the Group made donations for charitable purposes in an aggregate amount of approximately RMB15,035,000 (2018: approximately RMB8,101,000).

TAX REDUCTION AND EXEMPTION

The Company was not aware of any tax reduction and exemption granted to any shareholder by virtue of the securities held in the Company.

DIRECTORS' REPORT (CONTINUED)

ENVIRONMENTAL PROTECTION POLICIES

The Group will carry out its social responsibility seriously and put more emphasis on environment protection work. In particular, the Group will strictly implement the requirements of environment protection and monitor environmental index, in order to standardise the management of operation and maintenance of environmental facilities, and to improve the operation rate and efficiency of environmental protection facilities, so as to ensure standard-compliant emission. By adhering to the principles of safety and reliability, mature technology and cost-effectiveness, the Company will continue to optimise and refine technical improvement, make active arrangement and implementation, so as to ensure the environmental protection and improvement goes as planned and reaches the expected target.

In 2019, the Group continuously strengthened its management and control over the technological improvement of the environmental protection, improved the monitoring platform construction of environmental protection and strengthen the real-time online monitoring of environmental protection. As at the date of this report, there were 95 coal-fired generating units in the Company, 92 of which met the ultra-low emission requirement.

RELATIONSHIP WITH EMPLOYEES

The Group adheres to the concept of "identify talents through performance, select talents through competition and award talents through remuneration", continuously improves the rules and systems relating to human resources management, safeguards the interests of employees and constantly strengthens the training of talents so as to promote the common sustainable development of employees and enterprises. Meanwhile, the Group also strives to create a vibrant and comfortable working environment for employees so as to work together for the future, build a first-class team, and develop a first-class power generation enterprise.

RETIREMENT PLANS

The Group is required to contribute to the retirement plans operated by the State at a range of 15% to 20% of its staffs' salaries. After reaching retirement age and handling retirement procedures, a member subscribed to the plan is entitled to receive pension from the State.

In addition, the Group's staff has participated in an enterprise annuity plan managed by the annuity council of China Huadian Corporation Limited ("**China Huadian**") to supplement the above-mentioned plan. According to the plan, employees are required to pay a certain amount as their personal savings for pension insurance based on their service periods in the Company and its subsidiaries, while the Company and its subsidiaries pay four times as much as the amount of employee contributions. The employees will receive the total contribution of the plan when retiring. The Group's contribution to these plans total amounted to approximately RMB963 million during the year of 2019, details of which are set out in note 41 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

EMPLOYEES' MEDICAL INSURANCE

During 2019, there was no change in employees' medical insurance policies of the Group as compared with that of 2018. The Group anticipates that implementation of the above medical insurance will not have any significant impact on the business operation and financial position of the Group. Apart from the above contributions, the Group is not required to pay any other medical expenses for its staff.

PRE-EMPTIVE RIGHTS

Under the Articles of Association and the laws of the PRC, there was no rule relating to pre-emptive right in the Company which requires the Company to offer or issue new shares to its existing shareholders in proportion to their respective shareholdings in the Company.

SHARE CAPITAL

Details of the share capital of the Company for the year 2019 and as at 31 December 2019 are set out in the Company's statement of changes in equity in the financial statements prepared in accordance with IFRSs and note 39 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The Group is committed to maintaining long-term close business cooperation with customers and suppliers, realizing friendly communication and win-win collaboration and establishing bidding and bargaining mechanism to adapt to market changes. For the financial year of 2019, details regarding the percentages of the Group's sales and purchases attributable to its major customers and major suppliers, respectively, are as follows:

	Approximate Percentage in the Group's Sales	Purchases
The largest customer	28.63%	/
The five largest customers combined	59.01%	/
The largest supplier	/	4.20%
The five largest suppliers combined	/	16.52%

The suppliers of the Group are mainly coal supply enterprises. The distribution of the subordinate power generation enterprises of the Group is relatively scattered. Therefore, the distribution of the suppliers are also scattered. The total purchase volume of the Group from the five largest suppliers did not exceed 30%.

None of the Directors, their close associates or substantial shareholders of the Company (each of which to the knowledge of the Directors owns 5% or more of the Company's share capital) had any interest in the five largest suppliers and customers of the Group at any time during the year.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, each of the following persons, not being a Director, Supervisor, chief executive or member of the senior management of the Company, had an interest or short position as at 31 December 2019 in the Company's shares or underlying shares (as the case may be) which was disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "**SFO**"), or was otherwise interested in 5% or more of any class of issued share capital of the Company as at 31 December 2019, or was a substantial shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**")) of the Company as at 31 December 2019.

Name of shareholder	Class of shares	Number of shares held	Approximate percentage of the total number of shares of the Company in issue	Approximate percentage of the total number of A shares of the Company in issue	Approximate percentage of the total number of H shares of the Company in issue
China Huadian	A Shares	4,534,199,224 (L)	45.97%	55.66%	–
	H Shares	85,862,000 (L) (Note)	0.87%	–	5.00%
Shandong Development Investment Holding Group Co., Ltd.	A Shares	800,766,729 (L)	8.12%	9.83%	–
Pzena Investment Management, LLC	H Shares	157,116,672 (L)	1.59%	–	9.15%
BlackRock, Inc.	H Shares	101,186,118 (L)	1.03%	–	5.89%

(L) = long position
(S) = short position
(P) = lending pool

Note:

So far as the Directors of the Company are aware or are given to understand, these 85,862,000 H shares were held directly by a wholly-owned subsidiary of China Huadian, namely, China Huadian Hong Kong Company Limited ("**Huadian HK**") through CCASS in the name of HKSCC Nominees Limited.

Save as disclosed above and so far as the Directors are aware, as at 31 December 2019, no other person (other than the Directors, Supervisors, chief executives or members of senior management of the Company) had any interest or short position in the Company's shares or underlying shares (as the case may be) which was disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on data that is publicly available to the Company and to the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Directors believe that the Company has maintained the relevant applicable minimum percentage of listed securities as prescribed by Rule 8.08 of the Hong Kong Listing Rules.

DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors, Supervisors and senior management of the Company for the financial year ended 31 December 2019 and as at the date of this report. All Directors and Supervisors of the Company are currently serving a term of three years, renewable upon re-election and re-appointment every three years.

DIRECTORS' REPORT (CONTINUED)

Name	Position in the Company	Changes
Zhao Jianguo	Former Chairman, Non-executive Director	Resigned on 19 February 2019
Wang Xuxiang	Chairman, Executive Director	Elected as an executive Director at the extraordinary general meeting of the Company held on 9 April 2019 and elected as the Chairman at the eighteenth meeting of the eighth session of the Board held on 9 April 2019
Chen Bin	Former Vice Chairman, Executive Director	Resigned on 11 March 2019
Ni Shoumin	Vice Chairman, Non-executive Director	Elected at the extraordinary general meeting of the Company held on 30 October 2018
Tian Hongbao	Former Vice Chairman, Executive Director, General Manager	Re-elected as an executive Director and the General Manager at the annual general meeting of the Company held on 30 June 2017, elected as the Vice Chairman at the sixteenth meeting of the eighth session of the Board held on 11 March 2019 and resigned on 25 March 2020
Gou Wei	Non-executive Director	Re-elected at the annual general meeting of the Company held on 30 June 2017
Chu Yu	Former Non-executive Director	Resigned on 11 March 2019
Chen Haibin	Non-executive Director	Elected at the extraordinary general meeting of the Company held on 9 April 2019
Tao Yunpeng	Non-executive Director	Elected at the extraordinary general meeting of the Company held on 9 April 2019
Wang Xiaobo	Non-executive Director	Elected at the extraordinary general meeting of the Company held on 30 October 2018
Chen Cunlai	Executive Director, Deputy General Manager	Re-appointed as the Deputy General Manager at the first meeting of the eighth session of the Board held on 30 June 2017 and elected as an executive Director at the extraordinary general meeting of the Company held on 9 April 2019
Ding Huiping	Independent Non-executive Director	Re-elected at the annual general meeting of the Company held on 30 June 2017
Wang Dashu	Independent Non-executive Director	Re-elected at the annual general meeting of the Company held on 30 June 2017
Wang Chuanshun	Independent Non-executive Director	Re-elected at the annual general meeting of the Company held on 30 June 2017
Zong Wenlong	Independent Non-executive Director	Re-elected at the annual general meeting of the Company held on 30 June 2017
Chen Wei	Chairman of the Supervisory Committee	Elected at the extraordinary general meeting of the Company held on 30 October 2018
Peng Xingyu	Supervisor	Re-elected at the annual general meeting of the Company held on 30 June 2017
Zha Jianqiu	Independent Supervisor	Re-elected at the annual general meeting of the Company held on 30 June 2017
Yuan Yanan	Employee Representative Supervisor	Re-elected through employee election on 30 June 2017
Ma Jing'an	Employee Representative Supervisor	Elected through employee election on 30 June 2017
Peng Guoquan	Deputy General Manager	Re-appointed at the first meeting of the eighth session of the Board held on 30 June 2017
Chen Bin (Y)	Deputy General Manager, General Counsel	Re-appointed at the first meeting of the eighth session of the Board held on 30 June 2017
Feng Rong	Chief Financial Officer	Appointed at the 6th meeting of the eighth session of the Board held on 13 November 2017
Zhou Lianqing	Former Secretary to the Board, Company Secretary	Resigned as Secretary to the Board on 24 October 2019 and resigned as company secretary on 24 December 2019
Zhang Gelin	Secretary to the Board, Company Secretary	Appointed as Secretary to the Board at the 23rd meeting of the eighth session of the Board held on 24 October 2019 and appointed as company secretary on 24 December 2019

The Directors' and Supervisors' remunerations for the year ended 31 December 2019 are set out in note 12 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

The biographical details of the incumbent Directors, Supervisors and members of senior management of the Company, including the particulars required under paragraph 12 of Appendix 16 to the Hong Kong Listing Rules (if applicable or appropriate), are set out on pages 15 to 18 in this annual report.

Each of the independent non-executive Directors has issued a confirmation in respect of the factors set out in Rule 3.13 of the Hong Kong Listing Rules concerning his independence pursuant to Rule 3.15 of the Hong Kong Listing Rules. The Company considers all of the independent non-executive Directors are independent.

SECURITIES INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES OR MEMBERS OF SENIOR MANAGEMENT

As at 31 December 2019, the interests or short positions of the Directors, Supervisors, chief executives and members of senior management of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Name	Position in the Company	Number of A shares of the Company held as personal interest	Capacity in A shares
Gou Wei	Non-executive Director	10,000 *(Note)*	Beneficial owner

Note: Accounted for approximately 0.0001% of the total issued A shares of the Company on 31 December 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors, Supervisors, chief executives or members of senior management of the Company and their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, Supervisor, chief executive or member of senior management of the Company was taken or deemed to have under such provisions of the SFO) or was (ii) required to be recorded in the register of interests required to be kept by the Company pursuant to Section 352 of the SFO, or which was otherwise (iii) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code (which for this purpose shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

In 2019, the Company has adopted a code of conduct regarding transactions of the Directors in the Company's securities on terms identical to those of the Model Code. Having made specific enquiries of all Directors, the Company understands that all Directors have complied with the required standards set out in the Model Code.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transaction, arrangement or contract of significance or proposed transaction, arrangement or contract of significance, to which the Company or any of its subsidiaries and holding company was a party and in which a Director or Supervisor or their related entities (as defined in Article 486 of Hong Kong Companies Ordinance) had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year. None of the Company or its subsidiaries had provided any loan or quasi-loan to any Director or other members of senior management of the Company.

DIRECTORS' INTERESTS IN THE BUSINESS THAT COMPETES WITH THE COMPANY

None of our Directors has any interest in any business that competes or is likely to compete, either directly or indirectly, with the Company.

PERMITTED INDEMNITY PROVISIONS

In 2019, the Company has purchased liability insurance for its Directors and Supervisors to provide appropriate guarantee to the Directors and Supervisors of the Company.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

The Company has entered service contracts with its all Directors and Supervisors. No Director or Supervisor of the Company has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACT

In 2019, there was no management or administration contract in respect of all or substantial part of the Company's business.

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT EVENTS

(1) Convening of the Extraordinary General Meetings

The Company held the first extraordinary general meeting of 2019 (the "**2019 First EGM**") on 9 April 2019. At the 2019 First EGM, Mr. Wang Xuxiang, Mr. Chen Haibin, Mr. Tao Yunpeng and Mr. Chen Cunlai were elected as the Directors of the Company, with the term of office from the conclusion of the 2019 First EGM to the expiry of the eighth session of the Board.

For details, please refer to the announcements of the Company dated 22 February 2019, 11 March 2019 and 9 April 2019.

The Company held the second extraordinary general meeting of 2019 (the "**2019 Second EGM**") on 24 December 2019. At the 2019 Second EGM, the ordinary resolution in relation to the entering into by the Company of the Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian and the continuing connected transactions contemplated thereunder together with their respective annual caps was considered and approved.

For details, please refer to the announcements of the Company dated 1 November 2019, 22 November 2019 and 24 December 2019 and the circular of the Company dated 29 November 2019.

(2) Change of Directors and Company Secretary

On 19 February 2019, Mr. Zhao Jianguo tendered his resignation as the chairman and a non-executive Director of the eighth session of the Board of the Company, and the chairman of the Strategic Committee with effect from the same date due to his work commitments. On 11 March 2019, Mr. Chen Bin tendered his resignation as the vice chairman and an executive Director of the eighth session of the Board of the Company, and a member of the Strategic Committee due to his age; Mr. Chu Yu tendered his resignation as a non-executive Director of the eighth session of the Board of the Company, and a member of the Audit Committee due to his work commitments, in each case with effect from the same date. Mr. Zhao Jianguo, Mr. Chen Bin and Mr. Chu Yu have confirmed that they have no disagreements with the Board and there is no matter in relation to their resignations that need to be brought to the attention of the shareholders of the Company.

On 9 April 2019, Mr. Wang Xuxiang, Mr. Chen Haibin, Mr. Tao Yunpeng and Mr. Chen Cunlai were elected as the Directors of the Company at the 2019 First EGM. Meanwhile, Mr. Wang Xuxiang was elected as the chairman of the Board, an executive Director, and the chairman of the Strategic Committee of the Company; Mr. Chen Haibin was elected as a non-executive Director of the Company and appointed as a member of the Strategic Committee; Mr. Tao Yunpeng was elected as a non-executive Director of the Company and appointed as a member of the Audit Committee; Mr. Chen Cunlai was elected as an executive Director of the Company and appointed as a member of the Strategic Committee; Mr. Tian Hongbao was appointed as a member of the Nomination Committee of the Company. Their terms of office were from the conclusion of the 2019 First EGM to the expiry date of the eighth session of the Board, and they will be eligible for re-election upon the expiry.

Mr. Zhou Lianqing would no longer serve as the secretary to the Board of the Company due to work arrangement since 24 October 2019, and Mr. Zhang Gelin was appointed as the secretary to the Board of the Company at the Board meeting held on 24 October 2019. Mr. Zhou Lianqing would no longer serve as the company secretary of the Company and the authorised representative of the Company under Rule 3.05 of the Hong Kong Listing Rules due to work arrangement since 24 December 2019. Mr. Zhang Gelin was appointed as the company secretary of the Company at the Board meeting held on 24 December 2019 and would serve as the authorised representative of the Company under Rule 3.05 of the Hong Kong Listing Rules. The Hong Kong Stock Exchange has agreed that Mr. Zhang Gelin is qualified to act as the company secretary of the Company under Rule 3.28 of the Hong Kong Listing Rules.

For details, please refer to the announcements of the Company dated 19 February 2019, 22 February 2019, 11 March 2019, 9 April 2019, 24 October 2019 and 24 December 2019.

(3) Introduction of Third Party Investors for Capital Contribution to Certain Subsidiaries

On 27 December 2019, the Company, Mengdong Energy Company and CCB Financial Asset Investment Company Limited ("**CCB Investment**") entered into the Capital Contribution Agreement, pursuant to which CCB Investment agreed to make capital contribution in cash to Mengdong Energy Company pursuant to the terms and conditions of the Capital Contribution Agreement and the amount of RMB1.0 billion was introduced, CCB Investment acquires 45.15% of equity interest in Mengdong Energy Company. The proceeds from the capital contribution are proposed to be used for the repayment of existing financial institution debts (mainly for bank loans) of Mengdong Energy Company. Other types of bank loans or non-bank financial institution debts will also be properly considered. The proceeds may be provided to the Company to repay the debts under the 4th super short-term commercial paper issued by the Company for the year of 2019 or other existing financial institution debts (mainly for bank loans) in a way accepted by CCB Investment. Upon completion of the capital contribution, Mengdong Energy Company will continue to be the subsidiary of the Company and the Company will continue to hold the actual control over Mengdong Energy Company.

On 27 December 2019, the Company, Ningxia New Energy Company and ABC Financial Asset Investment Co., Ltd. ("**ABC Investment**") entered into the Capital Contribution Agreement, pursuant to which ABC Investment agreed to make capital contribution in cash to Ningxia New Energy Company pursuant to the terms and conditions of the Capital Contribution Agreement and the amount of RMB1.0 billion was introduced, ABC Investment acquires 24.05% of equity interest in Ningxia New Energy Company. The proceeds from the capital contribution are proposed to be used for the repayment of existing financial institution debts of Ningxia New Energy Company, the Company and other subsidiaries, which are classified as not non-performing under the five-level classification. Upon completion of the capital contribution, Ningxia New Energy Company will continue to be the subsidiary of the Company and the Company will continue to hold the actual control over Ningxia New Energy Company.

For details, please refer to the announcement of the Company dated 27 December 2019.

On 30 December 2019, the Company, Guyuan Wind Power Company and Central SOEs Industrial Investment Fund for Poor Area Corporation Limited ("**Central SOEs Fund for Poor Area**") entered into the Capital Contribution Agreement, pursuant to which Central SOEs Fund for Poor Area agreed to make capital contribution in cash to Guyuan Wind Power Company pursuant to the terms and conditions of the Capital Contribution Agreement and the amount of RMB0.75 billion was introduced, Central SOEs Fund for Poor Area acquires 38.13% of equity interest in Guyuan Wind Power Company. The proceeds from the capital contribution are proposed to be used for the repayment of existing financial institution debts of Guyuan Wind Power Company. Upon completion of the capital contribution, Guyuan Wind Power Company will continue to be the subsidiary of the Company and the Company will continue to hold the actual control over Guyuan Wind Power Company.

On 30 December 2019, the Company, Huarui Company, Hebei Huadian Yuzhou Wind Power Company Limited ("**Yuzhou Company**") and Central SOEs Fund for Poor Area entered into the Capital Contribution Agreement, pursuant to which Central SOEs Fund for Poor Area agreed to make capital contribution in cash to Yuzhou Company pursuant to the terms and conditions of the Capital Contribution Agreement and the amount of RMB0.25 billion was introduced, Central SOEs Fund for Poor Area acquires 39.62% of equity interest in Yuzhou Company. The proceeds from the capital contribution are proposed to be used for the repayment of existing financial institution debts of Yuzhou Company. Upon completion of the capital contribution, Yuzhou Company will continue to be the subsidiary of the Company and the Company will continue to hold the actual control over Yuzhou Company.

CONNECTED TRANSACTION

Pursuant to requirements of the Hong Kong Listing Rules, the connected transactions conducted by the Group for the year ended 31 December 2019 are as follows:

CONNECTED TRANSACTIONS

(1) Capital Increase in Huadian Jinsha River Upstream Hydropower Development Co., Ltd. ("Huadian Jinsha River")

On 21 May 2019, the Company and Huadian Jinsha River entered into the Capital Increase Agreement. Pursuant to the Capital Increase Agreement, the Company will participate in the capital increase in Huadian Jinsha River. Immediately after the capital increase, the registered capital of Huadian Jinsha River will be increased to RMB10,000 million, which will be funded entirely by capital contributions made by existing shareholders of Huadian Jinsha River on a pro-rata basis and will be completed before 31 December 2022. In the capital increase, the Company will contribute an amount of RMB710.64 million in cash in proportion to its shareholding. Upon completion of the capital increase, the aggregated contribution made by the Company will amount to RMB1,200 million and the equity interests held by it in the then enlarged capital of Huadian Jinsha River are expected to remain as 12%. The Board of the Company considers that the transaction under the Capital Increase Agreement is in line with the Group's development strategy of adjusting its power structure, which is expected to bring benefits to the operation of the Group.

Huadian Jinsha River is a subsidiary of the controlling shareholder of the Company, i.e. China Huadian, and thus Huadian Jinsha River is a connected person of the Company. Therefore, the transaction under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions under the Capital Increase Agreement exceeds 0.1% but is lower than 5%, the transaction is subject to the annual reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details, please refer to the announcement of the Company dated 21 May 2019.

(2) Acquisition of 100% Equity Interests in Wuchang Thermal Power from China Huadian

On 27 August 2019, Hubei Company, a subsidiary of the Company, entered into the Equity Transfer Agreement with China Huadian. Pursuant to the Equity Transfer Agreement, China Huadian agreed to sell and Hubei Company agreed to acquire 100% equity interests in Wuchang Thermal Power at a consideration of approximately RMB571 million. The acquisition has been completed, and Wuchang Thermal Power has become a subsidiary of the Company. Wuchang Thermal Power is primarily engaged in power generation using natural gas with two 185MW gas-fired power generating units. The Board of the Company is of the view that the acquisition will provide support to the sustainable and stable development of the business of the Group, and enhance the Group's overall competitiveness through integration of relevant prime assets, expansion of its production scale and optimization of the assets structure in Hubei region.

China Huadian is the controlling shareholder of the Company, and thus a connected person of the Company. Therefore, the transaction under the Equity Transfer Agreement constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules. As the highest percentage ratio (as defined under Rule 14A.06 of the Hong Kong Listing Rules) applicable to the transaction under the Equity Transfer Agreement exceeds 0.1% but is less than 5%, the transaction is subject to the annual reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details, please refer to the announcement of the Company dated 27 August 2019.

DIRECTORS' REPORT (CONTINUED)

(3) Acquisition of Assets from Anhui Huadian Lu'an Power Generation Company Limited ("Lu'an Power Generation")

On 12 September 2019, Lu'an Company (a subsidiary of the Company) entered into the Physical Assets Transaction Contract with Lu'an Power Generation (a subsidiary of China Huadian). Pursuant to the Physical Assets Transaction Contract, Lu'an Power Generation agreed to sell and Lu'an Company agreed to acquire the target assets at a consideration of approximately RMB92 million and the target assets mainly include certain structures, machines and equipment owned by Lu'an Power Generation which were leasing to Lu'an Company at that time. The Board of the Company considers that the purpose of acquiring such target assets is to ensure that there are assets necessary for normal production and operation in Lu'an Company after Lu'an Power Generation closes down and deregisters. The acquisition has been completed, and Lu'an Company reduced the leasing expenses of public assets accordingly, and the acquisition did not have material impact on its operating results.

Lu'an Power Generation is a subsidiary of the controlling shareholder of the Company, i.e. China Huadian, and thus a connected person of the Company. Therefore, the transaction under the Physical Assets Transaction Contract constitutes a connected transaction under Chapter 14A of the Hong Kong Listing Rules. As the highest percentage ratio (as defined under Rule 14A.06 of the Hong Kong Listing Rules) applicable to the transaction under the Physical Assets Transaction Contract exceeds 0.1% but is less than 5%, the transaction is subject to the annual reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details, please refer to the announcement of the Company dated 12 September 2019.

(4) Capital Increase to Longkou Dongyi Wind Power Company and Laizhou Wind Company by Huadian HK

On 29 November 2019, the Company entered into the Capital Increase Agreement I with Longkou Dongyi Wind Power Company and Huadian HK. Pursuant to the Capital Increase Agreement I, Huadian HK agreed to contribute approximately RMB102 million to Longkou Dongyi Wind Power Company. On the same day, the Company entered into the Capital Increase Agreement II with Laizhou Wind Company and Huadian HK. Pursuant to the Capital Increase Agreement II, Huadian HK agreed to contribute approximately RMB94 million to Laizhou Wind Company. The capital increase has been completed, and the Company and Huadian HK hold 55% and 45% of the equity interests in Longkou Dongyi Wind Power Company and Laizhou Wind Company, respectively. Longkou Dongyi Wind Power Company and Laizhou Wind Company will remain as subsidiaries of the Company. The Board of the Company is of the view that the transactions under the Capital Increase Agreement I and the Capital Increase Agreement II are conducive to satisfying the requirements of the local government for the introduction of foreign investment, and are beneficial to the commencement and operation of wind power projects of Longkou Dongyi Wind Power Company and Laizhou Wind Company. Huadian HK has extensive experience in overseas project management. The introduction of Huadian HK as a strategic investor can be complementary in terms of operational management mechanisms and enhance the management and operational efficiency of the Group.

Huadian HK is a wholly-owned subsidiary of the controlling shareholder of the Company, i.e. China Huadian, and thus a connected person of the Company. Therefore, the transactions under the Capital Increase Agreement I and the Capital Increase Agreement II constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules. As the highest percentage ratio (as defined under Rule 14A.06 of the Hong Kong Listing Rules) applicable to the transactions under the Capital Increase Agreement I and the Capital Increase Agreement II when aggregated exceeds 0.1% but is less than 5%, the transactions are subject to the annual reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

For details, please refer to the announcement of the Company dated 29 November 2019.

CONTINUING CONNECTED TRANSACTIONS

(1) Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian

A. Continuing connected transactions expected to be conducted in 2020:

On 1 November 2019, the Company and China Huadian entered into the Fuel, Equipments and Services Purchase (Supply) Framework Agreement, to regulate the purchase of fuel by the Group from China Huadian, provision of engineering equipments, systems, products, engineering and construction contracting projects, environmental protection system renovation projects, supplies procurement services and miscellaneous and relevant services by China Huadian to the Group, and the sale of fuel and the provision of relevant services to China Huadian by the Group. The term of the Fuel, Equipments and Services Purchase (Supply) Framework Agreement commences from 1 January 2020 and expires on 31 December 2020. Pursuant to the Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the annual cap for the purchase of fuel by the Group from China Huadian is RMB7.0 billion, the annual cap for the provision of engineering equipments, systems, products, engineering and construction contracting, environmental protection system renovation projects, supplies procurement services and miscellaneous and relevant services by China Huadian is RMB8.0 billion and the annual cap for the sale of fuel and the provision of relevant services to China Huadian by the Group is RMB13 billion.

The coal mines of the Group and China Huadian are in different localities in which the mutual provision of coal may reduce the overall cost for the procurement of coal. In addition, a subsidiary of the Group is primarily engaged in coal trading services, through which the Group is able to enhance its bargaining power in the process of coal procurement by way of bulk procurement and sales, and reduce the overall cost for coal procurement of the Group accordingly. The mutual provision of relevant services between China Huadian and the Group provides more efficient allocation of labour (in that the timing for the needs of the relevant services which are generally of a maintenance nature may differ).

China Huadian is a controlling shareholder of the Company, and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transactions contemplated under the Fuel, Equipments and Services Purchase (Supply) Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group, thus constituting continuing connected transactions of the Company under the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions under the Fuel, Equipments and Services Purchase (Supply) Framework Agreement exceed 5%, the transactions contemplated thereunder are subject to all applicable requirements including the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The independent shareholders have approved such transactions and relevant annual caps.

For details, please refer to the announcements of the Company dated 1 November 2019 and 24 December 2019 and the circular of the Company dated 29 November 2019.

B. Continuing connected transactions conducted in 2019:

On 2 November 2018, the Company and China Huadian entered into the Fuel, Equipments and Services Purchase (Supply) Framework Agreement, to regulate the purchase of fuel by the Group from China Huadian, provision of engineering equipments, systems, products, engineering and construction contracting projects, environmental protection system renovation projects, supplies procurement services and miscellaneous and relevant services by China Huadian to the Group, and the sale of fuel and the provision of relevant services to China Huadian by the Group. The term of the Fuel, Equipments and Services Purchase (Supply) Framework Agreement commenced from 1 January 2019 and expires on 31 December 2019. Pursuant to the Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the annual cap for the purchase of fuel by the Group from China Huadian is RMB7.0 billion, the annual cap for the provision of engineering equipments, systems, products, engineering and construction contracting projects, environmental protection system renovation projects, supplies procurement services and miscellaneous and relevant services by China Huadian is RMB8.0 billion and the annual cap for the sale of fuel and the provision of relevant services by the Group to China Huadian is RMB13 billion. China Huadian is a controlling shareholder of the Company, and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transactions contemplated under the Fuel, Equipments and Services Purchase (Supply) Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group, thus constituting continuing connected transactions of the Company under the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions under the Fuel, Equipments and Services Purchase (Supply) Framework Agreement exceeds 5%, the transactions contemplated thereunder are subject to all applicable requirements including the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The independent shareholders have approved such transactions and relevant annual caps.

In 2019, the actual amount of fuel procurement by the Group from China Huadian was approximately RMB5,087 million; the actual amount of provision of engineering equipments, systems, products, engineering and construction contracting projects, environmental protection system renovation projects, supplies procurement services and miscellaneous and relevant services by China Huadian was approximately RMB4,282 million, and the actual amount of the sale of fuel and the provision of relevant services to China Huadian by the Group was approximately RMB11,135 million.

For details, please refer to the announcements of the Company dated 2 November 2018 and 27 December 2018 and the circular dated 28 November 2018.

(2) Financial Services Agreement with China Huadian Finance Corporation Limited ("Huadian Finance")

On 2 November 2018, the Company entered into the Financial Services Framework Agreement with Huadian Finance for a term of three years commencing from 1 January 2019 to 31 December 2021, pursuant to which Huadian Finance shall provide financial services including deposit services, loan services, settlement services and other financial services to the Group. Pursuant to the Financial Services Agreement, the maximum average daily balance of the deposits placed by the Group with Huadian Finance is RMB9.0 billion and shall not be more than the average daily loan balance from Huadian Finance to the Group.

Huadian Finance is held as to 36.148% by the controlling shareholder of the Company, i.e. China Huadian. Thus, Huadian Finance is an associate of China Huadian and a connected person of the Company under the Hong Kong Listing Rules. As the connected transactions under the Financial Services Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of the business of the Group, such transactions constitute continuing connected transactions of the Company under the Hong Kong Listing Rules. As one or more of the applicable percentage ratios in relation to the maximum average daily balance of the deposits of the deposit services under the Financial Services Framework Agreement, i.e. RMB9.0 billion, exceeds 5%, the transaction involving the provision of deposit services to the Group by Huadian Finance constitutes a discloseable transaction and non-exempt continuing connected transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 and the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The independent shareholders have approved the transaction and relevant annual caps. Since the amount of the settlement services and other financial services under the Financial Services Framework Agreement will continue to be very small, they fall within the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules, thus such transactions are fully exempted from the requirements under Chapter 14A of the Hong Kong Listing Rules. The Company will monitor the transaction amounts of such financial services and will comply with relevant requirements under the Hong Kong Listing Rules as and when required. In respect of the provision of loan services under the Financial Services Framework Agreement, since the services provided by Huadian Finance to the Group are at fees not higher than those charged by other commercial banks and financial institutions in the PRC for the same services, the transactions involving provision of financial assistance by Huadian Finance to the Group are on normal commercial terms or better to the Group where no security over the Group's assets is granted in respect of the financial assistance. Such loans are fully exempted continuing connected transactions under Rule 14A.90 of the Hong Kong Listing Rules.

DIRECTORS' REPORT (CONTINUED)

Considering the long-term relationship between the Group and Huadian Finance, the Company considers that it is beneficial to continue to enter into the Financial Services Framework Agreement with Huadian Finance as such transaction has facilitated the growth of the principal business and installation capacity of the Group, improved the utilisation efficiency of the capital of the Group, and enabled the Group to gain desirable profits. The transactions will also continue to facilitate the operation and growth of the businesses of the Group.

In 2019, the maximum average daily balance of the deposits placed by the Group with Huadian Finance amounted to RMB8,302 million, which did not exceed RMB9.0 billion and was not more than the average daily loan balance from Huadian Finance to the Group.

For details, please refer to the announcements of the Company dated 2 November 2018 and 27 December 2018 and the circular dated 28 November 2018.

(3) Lease Agreement with Beijing Huabin Investment Company Limited ("Beijing Huabin")

On 5 December 2017, the Company entered into the Lease Agreement with Beijing Huabin in respect of the lease of certain properties of Huadian Tower by the Company, pursuant to which, during the three years from 1 January 2018 to 31 December 2020, the Group leased certain properties of Huadian Tower from Beijing Huabin, and the annual rental is approximately RMB42.64 million. Beijing Huabin is a wholly-owned subsidiary of Huadian Property Co., Ltd ("**Huadian Property**"), which is owned as to 43.4% by China Huadian, the controlling shareholder of the Company. As such, according to the Hong Kong Listing Rules, Beijing Huabin is an associate of China Huadian and thus a connected person of the Company. The connected transactions under the Lease Agreement will constitute continuing connected transactions of the Company under the Hong Kong Listing Rules. As the highest applicable percentage ratio in respect of the annual rentals of the continuing connected transactions under the Lease Agreement exceeds 0.1% but is lower than 5%, such transactions shall be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Hong Kong Listing Rules but are exempt from the independent shareholders' approval requirement. Considering the long-term relationship between the Group and Beijing Huabin, the Company considers that it is beneficial to continue to enter into the Lease Agreement with Beijing Huabin as such transactions have provided the Group a good working environment and will continue to facilitate the operation and growth of the Group's businesses.

The annual rental paid by the Group to Beijing Huabin during 2019 amounted to approximately RMB41.5243 million.

For details, please refer to the announcement of the Company dated 5 December 2017.

(4) Finance Lease Framework Agreement with Huadian Financial Leasing Company Limited ("Huadian Financial Leasing")

On 10 May 2017, the Company entered into the Finance Lease Framework Agreement with Huadian Financial Leasing, pursuant to which (i) the term of the Finance Lease Framework Agreement was from 1 July 2017 to 30 June 2020, and (ii) the annual cap was RMB6.0 billion for the three fiscal years ended 30 June 2020. Huadian Financial Leasing provided finance lease services including direct lease services and sale leaseback services to the Group as requested or instructed by the Company. Huadian Financial Leasing is a subsidiary of the Company's controlling shareholder, i.e. China Huadian, and thus a connected person of the Company. The connected transactions contemplated under the Finance Lease Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of the business of the Group and accordingly constitute continuing connected transactions of the Company under the Hong Kong Listing Rules. As one or more of the percentage ratios applicable to the finance lease under the Finance Lease Framework Agreement exceed 5%, the transactions are subject to requirements of reporting, announcement and the approval from independent shareholders under Chapter 14A of the Hong Kong Listing Rules. The independent shareholders have approved such transactions and related annual caps.

The finance leases under the Finance Lease Framework Agreement are expected to reduce the Company's finance costs, improve its capital utilisation rate and thereby promote its business development. In particular, the finance leases can provide stable, reliable and low-cost financial support for the Group's clean energy power generation projects and lay a solid foundation for the Group's future daily operations.

The actual amount under the Finance lease Framework Agreement in 2019 was RMB2,103 million.

For details, please refer to the announcements of the Company dated 10 May 2017 and 30 June 2017 and the circular of the Company dated 9 June 2017.

(5) Coal Purchase Framework Agreement with Shaanxi Coal Selling and Transportation (Group) Corporation ("Shaanxi Coal Transportation")

On 9 November 2017, the Company entered into the Coal Purchase Framework Agreement with Shaanxi Coal Transportation for a term of three years, pursuant to which, from 1 January 2018 to 31 December 2020, the Company's annual purchase cap for the purchase of coal from Shaanxi Coal Transportation amounts to RMB2.5 billion. Shaanxi Coal Transportation is a wholly-owned subsidiary of Shaanxi Coal and Chemical Group Industry Group Co., Ltd. ("**Shaanxi Coal and Chemical Group**"). Since Shaanxi Coal and Chemical Group is a substantial shareholder of a subsidiary of the Company, Shaanxi Coal and Chemical Group is a connected person of the Company at the subsidiary level under the Hong Kong Listing Rules. Shaanxi Coal Transportation is also a connected person of the Company at the subsidiary level under the Hong Kong Listing Rules. The continuing transactions between Shaanxi Coal Transportation and the Group under the Coal Purchase Framework Agreement constitute continuing connected transactions of the Company. As the Directors have approved the transactions under the Coal Purchase Framework Agreement and the independent non-executive Directors have confirmed that the terms of such transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, pursuant to Rule 14A.101 of the Hong Kong Listing Rules, the transactions thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Considering the established relationship between Shaanxi Coal Transportation and the Company, the Company considers that it is beneficial to the Group to continue the supply of coal by Shaanxi Coal Transportation to the Group as such transaction ensures the stable supply of coal required for the power generation business of the Group, and also for management purposes. The Directors believe that it will continue to facilitate the operation and development of the businesses of the Group.

In 2019, the actual amount of coal purchased by the Group from Shaanxi Coal Transportation was approximately RMB616 million.

For details, please refer to the announcement of the Company dated 9 November 2017.

(6) Coal Purchase Framework Agreement with Yanzhou Coal Mining Company Limited ("Yanzhou Coal")

A. Continuing connected transactions expected to be conducted in 2020:

The Company renewed the Coal Purchase Framework Agreement with Yanzhou Coal on 1 November 2019, for a term of three years from 1 January 2020 to 31 December 2022. The annual caps for the coal purchase will not exceed RMB8.0 billion. Yanzhou Coal is a substantial shareholder of Zouxian Company (a non-wholly owned subsidiary of the Company), thus Yanzhou Coal is a connected person of the Company at the subsidiary level and the purchase of coal from Yanzhou Coal by the Company constitutes continuing connected transactions of the Company under the Hong Kong Listing Rules. As the Directors have approved the transactions under the Coal Purchase Framework Agreement and the independent non-executive Directors have confirmed that the terms of such transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, pursuant to Rule 14A.101 of the Hong Kong Listing Rules, the transactions thereunder are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Considering the long-term relationship between the Group and Yanzhou Coal, the Company considers that it is beneficial to continue to enter into the Coal Purchase Framework Agreement as such transactions have facilitated the growth of the Group's principal business, and provided the Group a good working environment and will continue to facilitate the operation and growth of the Group's businesses.

For details, please refer to the announcement of the Company dated 1 November 2019.

B. Continuing connected transactions conducted in 2019:

The Company renewed the Coal Purchase Framework Agreement with Yanzhou Coal on 7 November 2016, for a term of three years from 1 January 2017 to 31 December 2019. The annual caps for the coal purchase did not exceed RMB8.0 billion. Yanzhou Coal is a substantial shareholder of Zouxian Company (a non-wholly owned subsidiary of the Company), thus Yanzhou Coal is a connected person of the Company at the subsidiary level and the purchase of coal from Yanzhou Coal by the Company constitutes a continuing connected transaction of the Company under the Hong Kong Listing Rules. As the Directors have approved the transactions under the Coal Purchase Framework Agreement and the independent non-executive Directors have confirmed that the terms of such transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, pursuant to Rule 14A.101 of the Hong Kong Listing Rules, the transactions thereunder are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In 2019, the actual amount of coal purchased by the Group from Yanzhou Coal was approximately RMB2,528 million.

For details, please refer to the announcement of the Company dated 7 November 2016.

DIRECTORS' REPORT (CONTINUED)

(7) Continuing Loan Framework Agreement with China Huadian

On 9 November 2017, the Company entered into the Continuing Loan Framework Agreement with China Huadian for a term of three years from 1 January 2018 to 31 December 2020. Provided that the loan interest rate shall not exceed that available to the Company from commercial banks during the same period and the loans do not require the Group to provide any form of mortgage, pledge, third party guarantee or other forms of guarantee, the annual average loan balance provided by China Huadian to the Group shall not exceed RMB20.0 billion. China Huadian is a controlling shareholder of the Company, thus is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. According to the requirements of the Hong Kong Listing Rules, the Continuing Loan Framework Agreement constitutes financial assistance of connected persons to the Group, provided that: (i) the financing cost of the Group shall not be higher than that available to the Company from the commercial banks for the same financing products with the same term during the same period and the loans are conducted on normal commercial terms or better to the Group; and (ii) the loans are not secured by any of the assets of the Group, such loans are exempted financial assistance under Rule 14A.90 of the Hong Kong Listing Rules and are not subject to the reporting, announcement and relevant independent shareholder's approval requirements under the Hong Kong Listing Rules. However, the above loans constitute continuing related party transactions of the Company pursuant to the relevant requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (the "**Shanghai Listing Rules**") and the PRC law. The transactions have been approved by the independent shareholders.

As of 31 December 2019, the closing balance of loan of the Group advanced from China Huadian and its subsidiaries amounted to RMB11,083 million, falling within the maximum average annual balances approved by the Shareholders in the general meeting of the Company.

For details, please refer to the announcements of the Company dated 9 November 2017 and 29 December 2017, and the circular of the Company dated 4 December 2017.

The Company has engaged external auditors to report on the Group's six aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditors' Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have submitted an unqualified letter containing their conclusions in respect of the No. (1) to No. (6) continuing connected transactions set out above to the Board in accordance with Rule 14A.56 of the Hong Kong Listing Rules. A copy of the Auditors' Letter has been provided by the Company to the Hong Kong Stock Exchange.

The auditors of the Company confirmed that these continuing connected transactions:

(1) had been approved by the Board of the Company;

(2) were carried out on the price policies of the Company, if the transactions are related to the provision of goods or services by the Company;

(3) were carried out under relevant agreements of these transactions; and

(4) did not exceed the caps as disclosed in previous announcements.

The Company's independent non-executive Directors have reviewed the continuing connected transactions set out above and confirmed that:

(1) these transactions were entered into in the ordinary and usual course of the business of the Group;

(2) these transactions were under normal commercial terms or more favourable terms; and

(3) these transactions were conducted under agreed terms of relevant transactions which are fair and reasonable and in the interests of the Group and its shareholders as a whole.

In respect of the Company's material related party transactions set out in note 40 to the consolidated financial statements prepared in accordance with International Financial Reporting Standards, to the extent that they constitute connected transactions and/or continuing connected transactions of the Company under the Hong Kong listing Rules that apply to it, the Company confirms that it has complied with the relevant requirements under the Hong Kong Listing Rules (if applicable).

Save as disclosed above, the material related party transactions of Company set out in note 40 to the consolidated financial statements prepared in accordance with International Financial Reporting Standards do not constitute connected transactions of the Company under the Hong Kong Listing Rules.

ISSUE OF DEBENTURES

In 2019, in order to meet its operational needs, the Group has successfully issued six tranches of super short-term debentures at a total par value of RMB16.5 billion and the interest rates ranging from 2.10% to 3.20% per annum; the Group has successfully issued one tranche of medium-term notes at a par value of RMB3.0 billion and the interest rate of 4.06% per annum; the Group has successfully issued one tranche of company debenture at a par value of RMB2.0 billion and the interest rate of 3.58% per annum. For details, please refer to note 31(e) and 31(f) to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

ISSUE OF EQUITY FINANCING INSTRUMENTS

In 2019, in order to meet its operational needs, the Company has successfully issued six tranches of perpetual capital securities at a total par value of RMB7.0 billion. For details, please refer to note 39(e) to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its issued securities ("**securities**" having the meaning as ascribed thereto under paragraph 1 of Appendix 16 to the Hong Kong Listing Rules).

FINANCIAL SUMMARIES

Summaries of the results and the assets and liabilities of the Group for each of the five financial years ended 31 December 2019 prepared in accordance with IFRSs are set out on page 131. The Company is not aware of any matter taking place in the year ended 31 December 2019 that would be required to be disclosed under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

BUSINESS REVIEW AND OUTLOOK

Description of the fair review of the Group's business, potential risks and countermeasures of the Group, material factors related to the performance and finance of the Group and the future development of the Group's business are set out in the sections headed "Business Review and Outlook" and "Management Discussion and Analysis" of this report.

MATERIAL LITIGATION

As of 31 December 2019, some members of the Group were a party to certain litigations arising from the Group's ordinary course of business or acquisition of assets. The management of the Group believes that any possible legal liability which incurred or may incur from the aforesaid cases will have no material adverse effect on the financial position and operating results of the Group.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2019, the Group's deposits placed with financial institutions or other parties did not include any designated or entrusted deposits, or any material overdue time deposits which could not be collected by the Group upon maturity.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the annual results of the Group for 2019 and the financial statements prepared under IFRSs for the financial year ended 31 December 2019.

AUDITORS

At the annual general meeting held on 26 June 2018, the Company changed the international auditor and the domestic auditor from Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) to BDO Limited and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership).

At the annual general meeting held on 26 June 2019, the Company appointed BDO Limited and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the international auditor and the domestic auditor of the Company respectively for the financial year ended 31 December 2019.

By Order of the Board
Wang Xuxiang
Chairman

Beijing, the PRC
25 March 2020

CORPORATE GOVERNANCE REPORT

The Company has always attached great importance to the corporate governance and continuously promoted management innovation. In strict compliance with the Company Law of the People's Republic of China (the "**Company Law**"), the Securities Law of the People's Republic of China, the Shanghai Listing Rules, the Hong Kong Listing Rules and relevant provisions promulgated by domestic and overseas securities regulatory institutions, the Company has improved its corporate governance structure, enhanced the level of its governance and endeavoured to achieve a harmonious development between the Company's growth and the interest of its shareholders.

The codes on corporate governance of the Company include, but not limited to, the following documents:

1. Articles of Association;

2. Rules of Procedures for General Meetings, Rules of Procedures for the Board and Rules of Procedures for the Supervisory Committee (as part of the current Articles of Association);

3. Terms of Reference of the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, and the Strategic Committee of the Board;

4. Working Requirements for Independent Directors;

5. Working Requirements for Secretary to the Board;

6. Working Rules for General Manager;

7. Code on the Company's Investment Projects;

8. the Company's Management Methods on Raised Proceeds;

9. the Company's Management Methods on External Guarantees;

10. the Company's Management Rules on Information Disclosure;

11. Management Rules on Investor Relations and Implementation Procedures;

12. Code on Trading in Securities of the Company by Directors (Supervisors) of the Company;

13. Code on Trading in Securities of the Company by Employees of the Company;

14. Management Methods for Affairs of the Board of Directors;

15. Working Rules on Annual Report for the Audit Committee of the Board;

16. Working Rules on Annual Report for Independent Directors;

17. Management Methods on Connected Transactions; and

18. Insider Registration and Management Methods.

The Board is committed to the principles of corporate governance in order to achieve a prudent management and enhancement of shareholders' value. Transparency, accountability and independence are enshrined under these principles.

The Board has reviewed the relevant requirements prescribed under the corporate governance codes adopted by the Company and its actual practices, and has taken the view that the corporate governance of the Company in 2019 has met the requirements under the code provisions in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Hong Kong Listing Rules and there was no deviation from such provisions. In certain aspects, the corporate governance codes adopted by the Company are more stringent than the code provisions set out in the CG Code, the particulars of which are as follows:

- The Company has formulated the Code on Trading in Securities of Huadian Power International Corporation Limited* by Directors (Supervisors) and the Code on Trading in Securities of Huadian Power International Corporation Limited* by Employees, which are on terms no less exacting than those set out in the Model Code set out in Appendix 10 to the Hong Kong Listing Rules.

- In addition to the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee, the Company has established the Strategic Committee and stipulated the Terms of Reference of the Strategic Committee.

- In the financial year of 2019, a total of twelve Board meetings were held by the Company.

- The Audit Committee comprises five members, including two non-executive Directors and three independent non-executive Directors.

THE BOARD OF DIRECTORS

As an efficient leader of the Company, the Board is responsible for the leadership and supervision of the Company.

Directors as a whole are responsible for advancing activities of the Company through commanding and monitoring. We are of the opinion that all Directors can act on an objective basis and make decisions in the interest of the Company.

As at 31 December 2019, members of the Board are set out below:

Name	Position in the Company
Wang Xuxiang	Chairman, Executive Director
Tian Hongbao	Vice Chairman, Executive Director
Ni Shoumin	Vice Chairman, Non-executive Director
Gou Wei	Non-executive Director
Chen Haibin	Non-executive Director
Tao Yunpeng	Non-executive Director
Wang Xiaobo	Non-executive Director
Chen Cunlai	Executive Director
Ding Huiping	Independent Non-executive Director
Wang Dashu	Independent Non-executive Director
Wang Chuanshun	Independent Non-executive Director
Zong Wenlong	Independent Non-executive Director

The biographical details of Directors and connections between them are detailed in the section headed "Directors, Supervisors and Senior Management" in this annual report. Directors (including non-executive Directors) of each session serve a term of three years, renewable upon re-election and reappointment. The term of office for independent non-executive Directors is renewable with a limit of six years. A Director who is elected to fill a temporary vacancy shall be elected by the shareholders at the first general meeting following his/her election, and his/her term of office shall be terminated upon re-election of Directors. A Director who is elected for the first time shall report to the Board his/her position as director or other roles in other companies or entities upon his/her election, and such reporting of relevant interests is updated annually. In the event that the Board considers that a conflict of interest exists for a Director or any of his/her associates when considering any resolution, such Director shall report such interest and abstain from voting.

The independent non-executive Directors have submitted written confirmation of their independence as required by Rule 3.13 of the Hong Kong Listing Rules. The independent non-executive Directors of the Company have extensive expertise and experience. Among the nine non-executive Directors, four of them (representing more than one-third of all Directors) are independent non-executive Directors, where Mr. Zong Wenlong is an accounting professional. While playing an important role of check and balance, they safeguard the interests of the shareholders and the Company as a whole. The Board is of the opinion that all independent non-executive Directors are able to deliver effective independent judgments under the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules, and are independent in accordance with such guidelines.

To ensure compliance with the Board procedures and all applicable rules, each Director has access to advice and services of the Secretary to the Board. Directors are encouraged to enroll in comprehensive professional development courses and seminars relating to the Hong Kong Listing Rules, the Companies Ordinance, laws and corporate governance practices so that they can continuously update and further improve their relevant knowledge and skills. From time to time, the Directors are provided with written training materials to develop and refresh their professional skills.

The Directors of the Company received the following trainings with an emphasis related to the roles, functions and duties of a director of a listed company during the year ended 31 December 2019:

Name	Trainings *(Note)*
Zhao Jianguo	A
Wang Xuxiang	A, B
Chen Bin	A
Tian Hongbao	A
Ni Shoumin	A
Gou Wei	A
Chu Yu	A
Chen Haibin	A
Tao Yunpeng	A
Wang Xiaobo	A
Chen Cunlai	A, B
Ding Huiping	A
Wang Dashu	A
Wang Chuanshun	A
Zong Wenlong	A

Note:

A: Read relevant listing rules, the general business or responsibilities of the directors and other relevant training materials and updates
B: Attend seminars and/or lectures

The current Company Secretary has taken no less than 15 hours of relevant professional training for the year ended 31 December 2019.

CHAIRMAN AND GENERAL MANAGER

To improve independence, accountability and responsibility, the positions of the Chairman and General Manager of the Company are assumed by different individuals. As at 31 December 2019, Mr. Wang Xuxiang and Mr. Tian Hongbao are currently serving as the Chairman and the General Manager, respectively. As the legal representative of the Company, the Chairman presides over the Board, aiming to ensure that the Board acts in the best interest of the Company, operates effectively, duly fulfils its responsibilities and engages in discussion of important and appropriate matters, and to ensure Directors' access to accurate, timely and clear data. In addition, the Chairman appoints the Secretary to the Board to arrange for agenda of every Board meeting and consider any matter proposed by other Directors to be included in the agenda, thus ensuring that all Directors are properly briefed regarding matters discussed at the Board meeting and have the access to adequate and reliable data in due time. The Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors.

The General Manager heads the management to take charge of daily operation of the Company. With the cooperation from other executive Directors and management team of each business department, the General Manager manages the business of the Company, including implementation of policies adopted by the Board and reporting to the Board in respect of the overall operation of the Company.

THE MANAGEMENT

The Board and the management work separately and cooperate with each other in accordance with relevant requirements of the Company Law, the Articles of Association and the Working Rules for General Manager of the Company. The duties and responsibilities of the management include, but are not limited to, the following matters:

(1) to preside over the production, operation and management of the Company, and to implement resolutions of the Board;

(2) to formulate development plans, annual production and operation plans, annual financial budget and final account scheme, profit (after tax) distribution plan and loss recovery plan of the Company;

(3) to implement the Company's annual business plans and investment schemes;

(4) to formulate the scheme of the Company's internal management structure;

(5) to formulate the Company's basic management system;

(6) to formulate the Company's detailed regulations;

(7) to determine remuneration, welfare, bonus and penalties of employees of the Company and to determine appointment or dismissal of them;

(8) to handle significant business on behalf of the Company; and

(9) to exercise other powers within the authorisation of Articles of Association and the Board.

BOARD MEETINGS

The Board shall convene at least four meetings annually, approximately one in each quarter. The Chairman of the Board should convene the Board meetings, ensure the Board's effective discharge of its duties, schedule agenda of Board meetings and consider matters proposed by other Directors to be included in the agenda. The Board has arrangements in place to ensure that all Directors are given an opportunity to include matters in the agenda for regular Board meetings. 14 days' notice shall be given prior to the commencement of a regular meeting.

The Chairman of the Board shall convene an extraordinary meeting of the Board within 10 days in any of the following cases:

(1) when proposed by the shareholders representing more than 10% voting rights;

(2) when deemed as necessary by the Chairman of the Board;

(3) when proposed jointly by more than one-third of the Directors;

(4) when proposed jointly by more than one-half of the independent Directors;

(5) when proposed by the Supervisory Committee; and

(6) when proposed by the General Manager.

Notice of Board meetings and extraordinary Board meetings should be served on all Directors, either by facsimile, express mail, registered air mail, by hand or email.

If the time and venue for a regular meeting have been previously determined by the Board, no notice is necessary. Otherwise, the Chairman of the Board or relevant proposer shall inform the Secretary to the Board of the proposal and agenda of the meeting in writing, and the Secretary to the Board shall then dispatch a notice containing time, venue and agenda of the Board meeting to the Directors 10 days prior to the date of the meeting. However, each Director may waive his/her right for being served with the notice of the Board meeting prior or subsequent to the dispatch of the notice. The Secretary to the Board should also send a copy of the above mentioned notice of the Board meeting to the Chairman of the Supervisory Committee prior to the meeting.

Each Director has one vote. The Board's resolutions shall be passed by a simple or two-thirds majority of the Directors in accordance with the stipulations of relevant laws, regulations and the Articles of Association of the Company. A Director shall attend Board meetings in person. Regular or extraordinary Board meetings can be held by way of teleconference meeting or by virtue of similar telecommunication device. So long as the participating Directors can hear and communicate effectively with each other, all participating Directors are deemed as if they had participated in the meeting in person.

A Director shall appoint, in writing, another Director to attend the meeting on his/her behalf in case of unavailability of attendance. The scope of authorisation shall be specified in the authorisation letter. The Director attending the meeting on behalf of the entrusting Director shall only exercise the rights within the authorisation letter. Should a Director neither attend a Board meeting nor appoint another Director to attend on his/her behalf, such Director shall be deemed to have waived his/her voting rights at such meeting.

The Secretary to the Board officially appointed shall prepare detailed minutes for the matters put to the Board meeting for consideration and resolutions passed, including any reserved or dissenting opinion expressed by the Directors. Within a reasonable period of time following the conclusion of the Board meeting, the Secretary to the Board shall dispatch to all Directors the draft and final minutes of Board meetings at which reserved or dissenting opinions are expressed by the Directors for comments and for records, respectively.

There has been a procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the expense of the Company. The Board resolves to provide separate independent professional advice to Directors.

The Board accepts the proposal passed by written resolution instead of convening a Board meeting and such draft proposal shall be dispatched to each Director, either by hand, mail, telex, facsimile or email. Unless otherwise stipulated by applicable laws, regulations and/or relevant listing rules, a resolution shall come into effect without a Board meeting being convened when the number of Directors signing and consenting to the written resolution meets the quorum for the resolution as required by the laws, administrative regulations and the Articles of Association in connection therewith, and the signed resolution is returned to the Secretary to the Board by the aforesaid means.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Any written resolution not being executed by Directors in accordance with legal procedures, even opined by each Director by different means, shall not come into legal force as a resolution of the Board. Minutes of meetings of the Board and its committees shall be kept by the Secretary to the Board, and upon any Director's request to review, the Secretary to the Board shall produce to such Director the requested minutes within a reasonable period of time.

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical Board meeting rather than a written resolution. Independent non-executive Directors who, and whose close associates, have no material interest in the transaction should be present at that Board meeting.

To ensure sound corporate governance, the Board has established the following committees: Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategic Committee, and specified their respective terms of reference in accordance with principles stipulated by laws, regulations and the CG Code. Relevant administrative departments set up by those special committees in the Company are responsible for the preparation of meeting documents while those special committees report to the Board.

The Board reports to the general meeting, and is also responsible for the completeness of financial data as well as the effectiveness of internal control system and risk management procedures of the Company. Besides, the Board shall bear the responsibility for the preparation of corporate financial statements, while the General Manager assumes duties of attaining business goals and attending to daily operations of the Company. Through regular reviews of functions of the General Manager and his/her authorised powers, the Board ensures the rationality of such arrangement. In addition, the Board also regularly reviews performances in relation to budget and business goals of operating departments, and retained various powers, including:

(1) to convene general meetings and report its work to the general meetings;

(2) to implement the resolutions passed at general meetings;

(3) to decide the Company's business plans and investment schemes;

(4) to formulate the Company's annual budget scheme and final account plan;

(5) to formulate the Company's profit distribution plan and loss recovery plan;

(6) to formulate proposals for increasing or reducing the Company's registered capital and the issue of corporate debentures;

(7) to draw up plans for repurchase of the Company's shares or proposal for merger, division or dissolution of the Company;

(8) within the authorisation of the general meeting, to determine external investment, acquisition and disposal of assets, pledge of assets, trusted finance, connected transactions; and to determine other guarantee matters not subject to approval of the general meeting as stipulated by law, administrative regulations and the Article of Association;

(9) to determine the establishment of the Company's internal management structure;

(10) to appoint or dismiss the Company's General Manager and the Secretary to the Board, and pursuant to the General Manager's nominations, to appoint or dismiss senior management including the Deputy General Managers and financial officers of the Company and determine their remuneration, bonus and penalties;

(11) to formulate the Company's basic management system;

(12) to formulate proposed amendments to the Articles of Association;

(13) to manage the information disclosure of the Company;

(14) to propose at general meetings for the appointment or change of auditors providing audit services to the Company;

(15) to hear the work report and inspect the work of the Company's General Manager; and

(16) to exercise any other powers specified in relevant laws, administrative regulations or the Articles of Association and conferred by the shareholders at general meetings.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Except for the Board's resolutions in respect of the matters specified in the abovementioned items (6), (7), (12) and external guarantees which shall be passed by two-thirds majority of the Directors, the Board's resolutions in respect of any other aforesaid matters may be passed by a simple majority. The Board mainly performed the following duties in respect of corporate governance in the reporting period:

(1) to develop and review the Company's policies and practices on corporate governance;

(2) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(3) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors of the Company;

(4) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; and

(5) to review the Company's compliance with CG Code and disclosure in the Corporate Governance Report in the annual report.

Twelve Board meetings were held by the Company in the financial year from 1 January 2019 to 31 December 2019, the attendance of each Director at which is set out as follows:

Name	Position in the Company	Number of meetings actually attended (excluding by proxy)/number of meetings to attend
Zhao Jianguo	Former Chairman, Non-executive Director	0/0
Wang Xuxiang	Chairman, Executive Director	8/8
Chen Bin	Former Vice Chairman, Executive Director	2/2
Tian Hongbao	Former Vice Chairman, Executive Director, General Manager	12/12
Ni Shoumin	Vice Chairman, Non-executive Director	12/12
Gou Wei	Non-executive Director	12/12
Chu Yu	Former Non-executive Director	2/2
Chen Haibin	Non-executive Director	8/8
Tao Yunpeng	Non-executive Director	8/8
Wang Xiaobo	Non-executive Director	12/12
Chen Cunlai	Executive Director	8/8
Ding Huiping	Independent Non-executive Director	12/12
Wang Dashu	Independent Non-executive Director	12/12
Wang Chuanshun	Independent Non-executive Director	12/12
Zong Wenlong	Independent Non-executive Director	12/12

One annual general meeting and two extraordinary general meetings were held by the Company in the financial year from 1 January 2019 to 31 December 2019, the attendance of each Director at which is set out as follows:

Name	Position in the Company	Number of meetings actually attended/ number of meetings to attend
Zhao Jianguo	Former Chairman, Non-executive Director	0/0
Wang Xuxiang	Chairman, Executive Director	2/2
Chen Bin	Former Vice Chairman, Executive Director	0/0
Tian Hongbao	Former Vice Chairman, Executive Director, General Manager	3/3
Ni Shoumin	Vice Chairman, Non-executive Director	2/3
Gou Wei	Non-executive Director	2/3
Chu Yu	Former Non-executive Director	0/0
Chen Haibin	Non-executive Director	0/2
Tao Yunpeng	Non-executive Director	0/2
Wang Xiaobo	Non-executive Director	2/3
Chen Cunlai	Executive Director	2/2
Ding Huiping	Independent Non-executive Director	2/3
Wang Dashu	Independent Non-executive Director	3/3
Wang Chuanshun	Independent Non-executive Director	3/3
Zong Wenlong	Independent Non-executive Director	2/3

Note: Mr. Wang Xuxiang, the Chairman, attended the annual general meeting held by the Company on 26 June 2019 by correspondence. Mr. Ni Shoumin, a non-executive Director, was unable to attend the annual general meeting held by the Company on 26 June 2019 due to his work commitments. Mr. Gou Wei and Mr. Wang Xiaobo, non-executive Directors, were unable to attend the extraordinary general meeting held by the Company on 24 December 2019 due to their work commitments. Mr. Chen Haibin and Mr. Tao Yunpeng, non-executive Directors, were unable to attend the annual general meeting held by the Company on 26 June 2019 and the extraordinary general meeting held by the Company on 24 December 2019 due to their work commitments. Mr. Ding Huiping and Mr. Zong Wenlong, independent non-executive Directors, were unable to attend the extraordinary general meeting held by the Company on 9 April 2019 due to their work commitments.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Directors confirm that they are responsible for the preparation of the financial statements of the Group. Mr. Ding Shengmin was in charge of the accounting department. With the assistance of the accounts department, the Directors ensure that the financial statements of the Company are prepared in compliance with relevant laws, regulations and applicable accounting policies. The Directors also confirm that the financial statements of the Company will be published in due course.

The responsibility statement made by the Company's auditors in respect of the financial statements of the Company is set out in the section headed "Independent Auditors' Report" of this annual report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code" as the code of conduct regarding securities transactions by its Directors. In addition, it formulated the "Code on Trading of the Company's Securities by Directors (Supervisors) of Huadian Power International Corporation Limited" which requires the Directors and Supervisors to sign, as early as the commencement of their term of office, a statement on share transaction undertaking that any share transaction by Directors or Supervisors and their associates will be reported to the Board or the Supervisory Committee. No securities transaction should be conducted by the Directors or Supervisors prior to a written consent being given with a specific date certifying compliance of the proposed transaction with the Hong Kong Listing Rules and Shanghai Listing Rules and the requirements regarding transactions of securities of listed companies by Directors and Supervisors as stipulated in the abovementioned codes.

After specific inquiries with all Directors and Supervisors, the Directors and Supervisors of the Company have complied with the relevant codes on securities transactions by Directors and Supervisors set out in the "Model Code" and the "Code on Trading of the Company's Securities by Directors (Supervisors) of Huadian Power International Corporation Limited" during the year ended 31 December 2019.

AUDIT COMMITTEE

In accordance with the Hong Kong Listing Rules, the Board set up the Audit Committee in August 1999. It comprises five members, including three independent non-executive Directors and two non-executive Directors. Currently, one of the five members is an accounting professional. In addition to carrying out duties in accordance with the Hong Kong Listing Rules and requirements stipulated in the "A Guide for Effective Operation of an Audit Committee" issued by Hong Kong Institute of Certified Public Accountants and the "Principle on Governance of Listed Companies" issued by the China Securities Regulatory Commission, the Audit Committee of the Board comprising such five members also formulated the "Working Rules for the Audit Committee of the Board of Directors of Huadian Power International Corporation Limited" by setting out the scope of their powers and functions in details.

The primary terms of reference of the Audit Committee include:

(1) to make recommendations to the Board on the appointment, reappointment or replacement of the external auditor;

(2) to review and monitor the external auditor's independence and objectivity as well as the effectiveness of the audit process;

(3) to formulate and implement policies on engaging an external auditor to supply non-audit services;

(4) to act as the key representative body for the communication between the Company and the external auditor;

(5) to examine, monitor and supervise integrity of the Company's financial statements, annual reports and interim reports, and to review the major opinions on financial reporting in such statements and reports; and

(6) to examine and continuously monitor the efficient operation of internal control and risk management system of the Company, hear the report regarding internal control and risk management mechanism as well as the system establishment of the enterprise, and offer opinion and suggestion accordingly.

The terms of reference of the Audit Committee is published on the webpage of the Company at http://www.hdpi.com.cn/. On 11 March 2019, Mr. Chu Yu tendered his resignation as a non-executive Director of the eighth session of the Board of the Company, and a member of the Audit Committee due to his work commitments, with effect from the same date. As at 31 December 2019, the Audit Committee is chaired by the independent non-executive Director, Mr. Zong Wenlong, and comprises four other members, namely independent non-executive Directors, Mr. Wang Dashu and Mr. Wang Chuanshun, and non-executive Directors, Mr. Tao Yunpeng and Mr. Wang Xiaobo. They are responsible for the communication between the Company's internal and external auditors, supervision and examination while giving advice to the Board on audit, risk management, internal control and corporate governance. In particular, Mr. Zong Wenlong is an accounting professional.

The Audit Committee held five meetings respectively on 25 March, 30 July, 22 August, 24 October and 15 November 2019, with the average attendance rate of 100%. All of the Directors of the committee attended all of the meetings in person instead of by proxy.

During the reporting period, the Audit Committee considered and approved internal control evaluation reports of the Company and the proposal on appointment of domestic and foreign auditors, examined relevant information in the annual and interim financial reports of the Company, carefully reviewed the Directors' Report, the Auditors' Report and Internal Control Audit Report, and considered and approved proposals on connected transactions and continuing connected transactions and adoption of new accounting standards and change of accounting policies. In respect of corporate governance, the Audit Committee has developed and reviewed the Company's policies and practices on corporate governance and make recommendations to the Board; reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; developed, reviewed and monitored the code of conduct and compliance manual applicable to the Company's employees and Directors; and reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

Main Features of the Risk Management and Internal Control Systems

The Board is responsible for the ongoing supervision on the Company's risk management and internal control systems. The Board has developed the Group's risk management and internal control systems and confirmed that the Board bears the overall responsibility for overseeing and reviewing the effectiveness of the risk management and internal control systems to safeguard the interest of the shareholders and the assets of the Group. It reviews the effectiveness of the systems at least annually to ensure the adequacy of resources, staff qualifications and experience, training programs received by staffs and budget of the Group on accounting, internal audit and financial reporting functions.

The Company has established its special department to regularly review the adequacy and effectiveness of the Group's risk management and internal control systems, and the Audit Committee will review the work report and suggestions made by the independent internal audit department on the effectiveness of the key internal control system.

The Company's risk management and internal control systems are designed to manage rather than eliminate risks, and can only provide reasonable but not absolute assurance against material misstatement or loss. We have employed a bottom-up approach to identify, assess and mitigate risk to the largest extent at all business unit levels and across functional areas of the Group.

Process Used to Identify, Evaluate and Manage Major Risks

The Company's risk management and internal control systems are mainly responsible for tracking and recording identified major risks, assessing and evaluating major risks and developing and updating counter-measures, as well as continuing to test risk management and internal control procedures to ensure their effectiveness.

The Company has put in place appropriate policies and monitoring procedures to ensure that no asset will be used or disposed without authorisation of the Company. The Company maintains reliable financial and accounting records in accordance with the relevant accounting standards and regulatory reporting regulations, and properly identifies and manages major risks which may affect the Company's performance, and reasonably ensures that the level of risk is within the acceptable scope of the Company.

Process Used to Review the Effectiveness of the Risk Management and Internal Control Systems and to Resolve Material Internal Control Defects

During the risk evaluation process, each business department and major subsidiaries which face risks are the first responsible persons to identify the major risks that have reached target. It should assess the residual risks and report to the management, the Audit Committee and the Board of the Company after considering the counter-measures against major risks.

The internal control department of the Company carries out its work based on risks and defects. The internal control department of the Company formulates the annual internal control evaluation work plan covering the Company's operation, business and finance and major procedures of its affiliated entities, and reports the evaluation findings to the management and the Board of the Company. The internal control department of the Company urges relevant entities to rectify the internal control defects identified in the process and reports the progress of rectification to the Audit Committee and the management on a regular basis.

The internal control department of the Company reports the adequacy and effectiveness of its monitoring to the management, the Audit Committee and the Board of the Company.

The management of the Company, with assistance of the internal control department, is responsible for the design, implementation and monitoring of the risk management and internal control systems, and reports the effectiveness of risk management and internal control to the Audit Committee and the Board.

The Company has adopted various policies and procedures to evaluate and enhance the effectiveness of the risk management and internal control systems, including requiring the management to conduct assessment on a regular basis and control the risks at a level which is acceptable to the Company to ensure that the risk management and internal control systems of the Company operate effectively, which the Company believes will enhance the corporate governance in the future and improve the risk management and internal control capacities of the Company.

The Company has integrated risk management and internal control into its daily operations. The functional departments and affiliated entities of the Company continuously conduct risk assessment, formulate risk management strategies and risk counter-measures, assess residual risks and report risk events and counter-measures implemented to the relevant business management departments of the Company on a timely basis. The relevant business departments of the Company summarise the possibility and effect of risk events, analyse the effectiveness of its risk management and internal control strategies and counter-measures, and report to the management and the Board of the Company on a regular basis.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Procedures and Internal Control for the Handling and Dissemination of Inside Information

The Board has already established a policy on the procedures and internal control for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of publishing inside information, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and waiver to the disclosure of inside information, and also compliance and reporting procedures. Every senior management of the Company must take all reasonable measures to prevent the breach of the disclosure requirement in relation to the Company. They must promptly bring any possible leakage or divulgence of inside information to the attention of the management, who will notify the Board accordingly and take appropriate actions promptly. For any material violation of this policy, the Board will decide, or designate appropriate persons to decide the course of actions for rectifying the problem and avoiding reoccurrence.

In 2019, the effectiveness assessment on risk management and internal control of the Company and its subsidiaries was conducted using the "Internal Control and Risk Management – A Basic Framework" issued by Hong Kong Institute of Certified Public Accountants as guidance, and in accordance with requirements of the "Standard Regulations on Corporate Internal Control" jointly issued by five PRC ministries and commissions including the Ministry of Finance of the PRC, specifically covering various material aspects including operational control, finance control, compliance control and risk management. Based on the assessment results, the Audit Committee of the Board prepared the draft 2019 assessment report on internal control which was approved on the 27th meeting of the 8th session of the Board. The 2019 assessment report on internal control of the Board concluded that no material and important internal control defect was found from the assessment, and therefore confirmed that the Company has fully complied with provisions of risk management and internal control set out in the CG Code in 2019, and confirmed that the existing risk management and internal control systems of the Company was in line with the relevant PRC laws and requirements of securities regulators, and it could effectively perform the role of controlling and preventing in areas of major enterprise risks, serious management fraud and important procedures. The Board and the Audit Committee considered that the Company has adequate resources, qualification and experience of employees in accounting and financial reporting, and that the relevant employees have received adequate trainings, and the Company has adequate budget. The Company handled and disseminated the inside information according to the information disclosure management system and the stipulated procedures to ensure that inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made after obtaining the appropriate approval.

In 2019, the Company has performed its duties in accordance with the latest requirements of Hong Kong Listing Rules on risk management and internal control of listed companies. The Board considers that the risk management and internal control systems of the Group in 2019 was effective and adequate.

REMUNERATION AND APPRAISAL COMMITTEE

The Company has set up a Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee is a specialised committee of the Board established under the resolution of the general meeting of the Company. It is responsible for studying the performance appraisal standards for the Directors and the senior management of the Company, performing appraisal and giving its advice. It is also responsible for research and review of the remuneration policy and scheme for the Directors and the senior management of the Company. The Remuneration and Appraisal Committee is accountable to the Board. It has reviewed the current remuneration policy and proposed to the Board to improve the remuneration policy and system. After each meeting, the Committee will report to the Board. None of the Directors shall participate in the determination of his/her own remuneration.

The primary terms of reference of the Remuneration and Appraisal Committee of the Board include:

(1) to make recommendations to the Board on the remuneration's policy and developing procedure for Directors and senior management;

(2) to review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board;

(3) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment;

(4) to supervise the execution of the Company's remuneration system; and

(5) to review duty performance by Directors and senior management and carry out performance appraisal of them.

The terms of reference of the Remuneration and Appraisal Committee are published on the Company's Webpage: http://www.hdpi.com.cn/. As at 31 December 2019, the Remuneration and Appraisal Committee of the Company is chaired by the independent non-executive Director, Mr. Wang Dashu, and comprises four other members including non-executive Directors, Mr. Gou Wei and Mr. Wang Xiaobo, and independent non-executive Directors, Mr. Wang Chuanshun and Mr. Zong Wenlong.

The Remuneration and Appraisal Committee held one meeting on 25 March 2019. The meeting studied the 2018 annual salaries of the executive Directors, the General Manager and other senior management members of the Company based on the appraised results, the 2018 annual salary scheme for the executive Directors and the General Manager of the Company and the 2018 work report of the Remuneration and Appraisal Committee of the Board, all of which were submitted to the Board for approval. All members of the committee were present at the meeting in person, and there was no attendance by proxy.

The Remuneration and Appraisal Committee reviewed and monitored the training and continuous professional development of Directors and senior management of the Company in the reporting period. The remuneration of the executive Directors, the General Manager and other senior management members of the Company were determined based on their calibre, education level and commitment to work with reference to the Company's results and profit, industry comparables and market conditions.

ANNUAL SALARY SCHEME FOR THE DIRECTORS IN 2019

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2019 and to ensure completion of the annual missions of the Board, the Company linked the annual salary scheme for the Directors with the annual operating performance of the Company with reference to the Company's actual circumstances.

ANNUAL SALARY SCHEME FOR THE GENERAL MANAGER IN 2019

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2019 and to ensure completion of the annual plans of the Company, the Company linked the annual salary scheme for the General Manager of the Company with the annual operating performance of the Company with reference to the Company's actual circumstances.

Based on the Company's development strategies, external environmental changes, annual performance results, salary level of employees and other factors, and with reference to the salary level of the listed peers and the Company's actual circumstances, the Remuneration and Appraisal Committee determined the annual salary plan for the Directors and General Manager of the Company in 2019 in line with principles such as integration of incentives and constraints, priority to efficiency while giving considerations to impartiality, and combination of material and ideological incentives, subject to the approval of the shareholders or Board before implementation of such plan.

MOTIVATION AND APPRAISAL METHODS FOR OTHER SENIOR MANAGEMENT IN 2019

In order to secure the accomplishment of the strategic targets in 2019 and to ensure completion of the annual missions of the Board, the Remuneration and Appraisal Committee formulated the motivation and assessment methods for other senior management members (including the Deputy General Managers, Chief Financial Officer and Secretary to the Board) of the Company in 2019 with reference to the Company's actual circumstances, and the annual salary scheme for the General Manager of the Company, and in line with the performance based and integration of incentives and constraints principles. The motivation and appraisal methods are carried out by the Remuneration and Appraisal Committee upon approval of the Board.

EMPLOYEE REMUNERATION POLICY FOR THE GROUP

As of 31 December 2019, the total number of employees of the Group amounted to 27,287. Consistently complying with state regulations, the Group determines the salary of the employees at various levels based on its economic benefits, and adheres to the concept of "identify talents through performance, select talents through competition and award talents through remuneration", thus establishing the objective, impartial, scientific and effective remuneration distribution mechanism and performance appraisal mechanism for its employees.

ALLOWANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In 2019, each of the independent non-executive Directors, namely, Mr. Ding Huiping, Mr. Wang Dashu, Mr. Wang Chuanshun and Mr. Zong Wenlong were paid an independent Director's allowance of approximately RMB109,000 (before tax).

Remuneration (allowance) of Directors, Supervisors and senior management of the Company in 2019 (before individual income tax)

Name	Position in the Company	Remuneration (allowance) *(RMB0'000)*
Zhao Jianguo	Former Chairman, Non-executive Director	–
Wang Xuxiang	Chairman, Executive Director	12.50
Chen Bin	Former Vice Chairman, Executive Director	22.36
Ni Shoumin	Vice Chairman, Non-executive Director	–
Tian Hongbao	Former Vice Chairman, Executive Director, General Manager	89.65
Gou Wei	Non-executive Director	–
Chu Yu	Former Non-executive Director	–
Chen Haibin	Non-executive Director	–
Tao Yunpeng	Non-executive Director	–
Wang Xiaobo	Non-executive Director	–
Chen Cunlai	Executive Director, Deputy General Manager	80.80
Ding Huiping	Independent Non-executive Director	10.90
Wang Dashu	Independent Non-executive Director	10.90
Wang Chuanshun	Independent Non-executive Director	10.90
Zong Wenlong	Independent Non-executive Director	10.90
Chen Wei	Chairman of the Supervisory Committee	–
Peng Xingyu	Supervisor	–
Zha Jianqiu	Independent Supervisor	9.60
Yuan Yanan	Employee Representative Supervisor	71.51
Ma Jing'an	Employee Representative Supervisor	69.78
Peng Guoquan	Deputy General Manager	80.80
Chen Bin (Y)	Deputy General Manager, General Counsel	80.01
Feng Rong	Chief Financial Officer	79.07
Zhou Lianqing	Former Secretary to the Board, Company Secretary	60.62
Zhang Gelin	Secretary to the Board, Company Secretary	12.17

CORPORATE GOVERNANCE REPORT (CONTINUED)

NOMINATION COMMITTEE

On 28 March 2012, the Company set up a Nomination Committee, which is a body specifically set up by the Board according to the resolution of the general meeting, and mainly responsible for making recommendations to the Board on the procedures, standards and qualifications of electing and appointing Directors and senior management of the Company.

In 2019, the Nomination Committee strictly implemented the nomination policy of the Company. The standards relating to the selection and recommendation of Director candidates include the Director's appropriate professional knowledge and background, personal ethics, as well as their time commitment. In order to achieve sustainable and balanced development, the Company will take into account many aspects concerning the diversity of members of the Board, including but not limited to gender, age, cultural and educational background, race, professional expertise, skills, knowledge and terms of service, when determining the composition of the Board.

If the term of office of the Board expires or the Board proposes to add new Directors or to fill vacancies of the Board, the Nomination Committee of the Board shall recommend to the Board the candidates. Upon being considered and approved by the Board, relevant proposals will be submitted at the general meeting of the Company for approval. Other Director candidates other than the independent non-executive Director shall be nominated by the Board, the Supervisory Committee, shareholders individually or collectively holding over 3% of the total voting shares of the Company, and elected at the general meeting of the Company. The candidates for the independent non-executive Director shall be nominated by the Board, the Supervisory Committee of the Company, shareholders individually or collectively holding over 1% of the total voting shares of the Company, and elected at the general meeting of the Company.

The primary terms of reference of the Nomination Committee include:

(1) to regularly review the structure, size and composition of the Board;

(2) to consider the criteria and procedures for the selection of Directors and senior management and the appointment plan, and to provide recommendations on it;

(3) to verify the personal information of all the candidates for election or re-election of the Company's Directors and senior management of the Company, and submit the verification result to the Board or the general meeting of the Company for reference;

(4) in case of resignation or removal of a Director, to present the Board the reasons for such resignation or removal and other matters that need to be specified to shareholders of the Company; in case of resignation or removal of a senior management member, to present the Board the reasons for such resignation or removal;

(5) to assess the independence of the independent non-executive Director; and

(6) to formulate and review the standards for establishing the special committees under the Board and provide proposed amendments to the Board when appropriate.

As at 31 December 2019, the Nomination Committee of the Company is headed by Mr. Ding Huiping (independent non-executive Director) as its chairman and is composed of Mr. Tian Hongbao (executive Director), Mr. Gou Wei (non-executive Director), Mr. Wang Xiaobo (non-executive Director), Mr. Wang Dashu (independent non-executive Director), and Mr. Wang Chuanshun (independent non-executive Director) as members. On 25 March 2020, Mr. Tian Hongbao tendered his resignation as the vice chairman and an executive Director of the eighth session of the Board of the Company, and a member of the Nomination Committee due to his age, with effect from the same date.

The Nomination Committee of the Board held four meetings on 19 February, 11 March, 25 March and 24 October 2019, and all of the members of the committee attended the meetings in person instead of by proxy. During the reporting period, the proposal on nomination of candidates for Directors was considered and approved by the Nomination Committee, and was submitted to the Board for consideration and reported at the general meeting for approval. The 2018 Work Report of the Nomination Committee was considered and approved. The proposal on nomination of Secretary to the Board was considered and approved, and was submitted to the Board for consideration and approval.

DIVIDEND DISTRIBUTION POLICY

The Company implements active profit distribution measures, gives priority to cash dividends and pays attention to the reasonable investment returns to the investors. The Company shall distribute cash dividends provided that the Company has no significant cash outlay required for its operation and development in the foreseeable future, that the net profit for the year is positive, that the accumulated and undistributed profit at the end of the year is positive, that the cash flow generated from operating activities is positive and that the Company's normal operation will not be affected. In the profit distribution, the cash dividends shall account for at least 40%.

AUDITORS

For the year ended 31 December 2019, the Company paid an aggregate of RMB9.50 million of audit service fees to its auditors, BDO Limited and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership), including fees for audit of internal control provided by BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) to the Company. The audit service fees were considered by the Audit Committee and the Board and were approved at the annual general meeting of the Company.

SHAREHOLDERS' RIGHTS

Shareholders individually or jointly holding 10% or more of the Company's shares may request the convening of an extraordinary general meeting by signing one or more counterpart requisition(s) in writing stating the meeting agenda and requiring the Board to convene the meeting. The Board shall give a reply in writing, as to whether or not it agrees to convene the meeting within 10 days after receiving the aforementioned requisition.

Shareholders individually or jointly holding 3% or more of the Company's shares shall have the right to submit proposals at a general meeting of the Company. Shareholders individually or jointly holding 3% or more of the Company's shares may submit extra proposals to the convener in writing 10 days prior to the general meeting. The convener shall issue a supplemental notice of the general meeting and announce the contents of such extra proposals within 2 days after receipt thereof.

INVESTOR RELATIONS

The Company undertakes that it shall make impartial disclosure and full and transparent reporting. The ultimate duty of the Chairman is to ensure effective communication with the investors and the Board's understanding of the opinions of substantial shareholders. In this regard, the Chairman shall meet with the shareholders. The Secretary to the Board is responsible for the day-to-day contacts between the Board and substantial shareholders.

The previous annual general meeting of the Company was held in Beijing on 26 June 2019, at which the Chairman of the Board attended the meeting and answered questions. At the annual general meeting, each matter was put forward in form of a separate proposal and voted by way of poll.

The senior management of the Company shall preside over presentations and attend the meetings with institutional investors and financial analysts for intercommunication in respect of the Company's results and business prospects, which is a regular function of investor relations. Investors and the public may access the Company's website to download presentation data used in these meetings from online database. The website also sets out the detailed information on the Company's businesses.

For any enquiry addressed to the Board, investors can contact the Board through shareholder hotlines (83567900 or 83567905) or by email (hdpi@hdpi.com.cn) or by fax (8610-83567963), and shareholders may raise questions at annual or extraordinary general meetings of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES AND PERFORMANCE

The Company complied with the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide in 2019. The information relating to the environmental, social and governance policies and performance of the Company in 2019 is set out in the Environmental, Social and Governance Report of the Company.

By Order of the Board
Wang Xuxiang
Chairman

Beijing, the PRC
25 March 2020

As at the date of this report, the Board of the Company comprises:

Wang Xuxiang (Chairman, Executive Director), Ni Shoumin (Vice Chairman, Non-executive Director), Gou Wei (Non-executive Director), Chen Haibin (Non-executive Director), Tao Yunpeng (Non-executive Director), Wang Xiaobo (Non-executive Director), Chen Cunlai (Executive Director), Ding Huiping (Independent Non-executive Director), Wang Dashu (Independent Non-executive Director), Wang Chuanshun (Independent Non-executive Director) and Zong Wenlong (Independent Non-executive Director).

CORPORATE INFORMATION

CORPORATE INFORMATION

Legal address	14800 Jingshi Road Jinan, Shandong Province The People's Republic of China
Authorised representatives	Wang Xuxiang Zhang Gelin
Company secretary	Zhang Gelin
Hong Kong share registrar and transfer office	Hong Kong Registrars Limited 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Auditors	BDO Limited 25th Floor Wing On Centre, 111 Connaught Road Central, Hong Kong
	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) 4th Floor, No. 61 East Nanjing Road, Huangpu District, Shanghai The People's Republic of China
Legal advisers to the Company as to Hong Kong law and United States law	Baker & McKenzie 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
as to PRC law	King & Wood Mallesons 18th Floor, East Tower, World Financial Center, 1 Dongsanhuan Zhonglu, Chaoyang District, Beijing The People's Republic of China

COMPANY PUBLICATIONS

The Company's 2019 annual report was published in April 2020. Copies of the annual report are available for inspection at:

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Hong Kong	Toppan Merrill Limited 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong Tel: (852)2973-8600 Fax: (852)2877-9978

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS
OF HUADIAN POWER INTERNATIONAL CORPORATION LIMITED
(Incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Huadian Power International Corporation Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 50 to 130, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIC FOR OPINION

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

KEY AUDIT MATTERS

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

Impairment of Property, Plant and Equipment, Right-of-use Assets and Goodwill

Refer to notes 17, 18 and 21 to the consolidated financial statements and the accounting policies on pages 57, 58 to 59, 60 and 63.

Key audit matter	How the matter was addressed in our audit
We identified the carrying value of property, plant and equipment, right-of-use assets and goodwill related to power generation as a key audit matter due to significant accounting estimations involved in estimating the recoverable amounts of the relevant assets and cash generating units ("**CGUs**"). The capacity of power generation is at risk of overcapacity in power market of certain regions. Hence management performed an impairment test on the property, plant and equipment, right-of-use assets and goodwill associated with the relevant CGUs related to power generation in those regions, after taking into account the Group's future power generation operating plans and the outlook for the industry. The recoverable amount of the relevant assets or the CGUs has been determined based on value in use calculation through discounting the estimated future cash flows generated from the relevant assets or the CGUs to the present value. In estimating the aforesaid recoverable amount, management is required to consider all relevant factors with reasonable and supportable assumptions to make significant accounting estimations.	Our procedures in relation to carrying value of the property, plant and equipment, right-of-use assets and goodwill related to power generation included: • Testing the management's key internal controls over the impairment test of the long-term assets; • Evaluating the appropriateness of the methodologies of the impairment test; • Testing the underlying data used by the management in the impairment test, evaluating the appropriateness of management's key assumptions and judgements in the impairment test and how the external valuer's work was relied on by management; and • Verifying the mathematical accuracy of the calculation in the impairment test of the long-term assets.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Amy, Yau Shuk Yuen
Practising certificate no. P06095

Hong Kong, 25 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 *RMB'000*	2018 *RMB'000*
Turnover	5	**91,752,980**	87,419,418
Operating expenses			
Fuel costs		**(45,371,094)**	(44,980,414)
Costs of coal sold		**(11,689,111)**	(12,388,566)
Depreciation and amortisation		**(11,825,403)**	(10,398,216)
Repairs, maintenance and inspection		**(3,806,140)**	(3,839,939)
Personnel costs	6	**(5,995,775)**	(5,309,392)
Administration expenses		**(2,573,146)**	(2,073,634)
Taxes and surcharges	7	**(1,095,065)**	(1,094,297)
Other operating expenses		**(1,181,516)**	(1,066,355)
		(83,537,250)	(81,150,813)
Operating profit		**8,215,730**	6,268,605
Investment income	8	**23,399**	268,072
Other revenue	9	**780,140**	790,876
Other net income	9	**760,294**	103,747
Interest income from bank deposits		**96,817**	86,680
Fair value gain on financial assets at fair value through profit or loss		**–**	47,276
Fair value loss on financial liabilities at fair value through profit or loss		**(9,690)**	(64,496)
Finance costs	10	**(5,262,693)**	(5,409,024)
Share of results of associates and joint ventures		**757,145**	647,158
Profit before taxation	11	**5,361,142**	2,738,894
Income tax	14	**(1,036,440)**	(826,862)
Profit for the year		**4,324,702**	1,912,032
Other comprehensive income for the year (net of tax):			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive income of investees accounted for under the equity method	15	**22,375**	(15,894)
Total comprehensive income for the year		**4,347,077**	1,896,138
Profit for the year attributable to:			
Equity holders of the Company		**3,385,324**	1,445,736
Non-controlling interests		**939,378**	466,296
		4,324,702	1,912,032
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**3,406,951**	1,430,374
Non-controlling interests		**940,126**	465,764
		4,347,077	1,896,138
Basic earnings per share	16(a)	**RMB0.288**	RMB0.132

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	17	**159,729,585**	149,582,344
Right-of-use assets	18	**8,252,067**	–
Construction in progress	19	**16,657,612**	26,415,047
Lease prepayments	18	**–**	3,441,173
Investment properties		**32,752**	–
Intangible assets	20	**4,232,732**	5,843,716
Goodwill	21	**1,327,522**	1,432,802
Interests in associates and joint ventures	22	**11,776,604**	11,100,365
Financial assets at fair value through profit or loss	23	**279,439**	280,330
Other non-current assets	24	**2,661,438**	3,262,617
Deferred tax assets	36(b)	**614,436**	365,613
		205,564,187	201,724,007
Current assets			
Inventories	26	**3,222,936**	3,441,302
Trade debtors and bills receivable	27	**12,261,884**	10,670,383
Deposits, other receivables and prepayments	28	**4,475,544**	4,756,158
Tax recoverable	36(a)	**52,011**	113,790
Restricted deposits	29	**122,233**	39,799
Lease prepayments	18	**–**	112,356
Cash and cash equivalents	30	**6,465,560**	6,638,326
		26,600,168	25,772,114
Current liabilities			
Bank loans	31(a)	**29,454,795**	31,581,576
Loans from shareholders	31(b)	**400,000**	100,000
State loans	31(c)	**4,466**	2,774
Other loans	31(d)	**4,701,694**	5,642,320
Short-term debentures payable	31(e)	**3,541,337**	7,134,237
Long-term debentures payable – current portion	31(f)	**1,998,796**	2,597,864
Amount due to the parent company		**72,785**	47,021
Lease liabilities	18	**738,666**	–
Obligations under finance leases	18	**–**	621,420
Trade creditors and bills payable	32	**17,636,233**	19,157,988
Other payables	33	**8,184,037**	8,163,364
Financial liabilities at fair value through profit or loss	34	**–**	64,496
Tax payable	36(a)	**596,975**	421,350
		67,329,784	75,534,410
Net current liabilities		**(40,729,616)**	(49,762,296)
Total assets less current liabilities		**164,834,571**	151,961,711

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2019

	Notes	2019 *RMB'000*	2018 *RMB'000*
Non-current liabilities			
Bank loans	31(a)	**57,124,722**	59,399,344
Loans from shareholders	31(b)	**2,193,730**	1,678,666
State loans	31(c)	**52,881**	57,906
Other loans	31(d)	**5,252,197**	5,546,750
Long-term debentures payable	31(f)	**10,485,671**	7,477,547
Lease liabilities	18	**2,060,661**	–
Obligations under finance leases	18	**–**	2,392,958
Long-term payables	35	**313,791**	363,999
Provisions	38	**127,532**	117,625
Deferred government grants	9	**1,617,262**	1,614,386
Deferred income	37	**2,777,731**	2,746,688
Deferred tax liabilities	36(b)	**2,203,843**	2,305,891
Retirement benefit obligations		**16,907**	18,087
		84,226,928	83,719,847
Net assets		**80,607,643**	68,241,864
Capital and reserves			
Share capital	39(b)	**9,862,977**	9,862,977
Perpetual capital securities	39(e)	**16,129,055**	9,108,775
Reserves	39(c)	**36,609,706**	34,159,390
Equity attributable to equity holders of the Company		**62,601,738**	53,131,142
Non-controlling interests		**18,005,905**	15,110,722
Total equity		**80,607,643**	68,241,864

The consolidated financial statements on pages 50 to 130 were approved and authorised for issue by the board of directors on 25 March 2020 and are signed on its behalf by:

Wang Xuxiang
Director

Chen Cunlai
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Company										
	Share capital RMB'000 (note 39(b))	Capital reserve RMB'000 (note 39(c)(i))	Statutory surplus reserve RMB'000 (note 39(c)(ii))	Discretionary surplus reserve RMB'000	Revaluation reserve RMB'000 (note 39(c)(iii))	Fair value reserve RMB'000 (note 39(c)(iv))	Retained profits RMB'000	Perpetual capital securities RMB'000 (note 39(e))	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018	9,862,977	14,876,958	3,227,884	68,089	44,726	(25,675)	14,854,200	–	42,909,159	14,292,634	57,201,793
Profit for the year	–	–	–	–	–	–	1,300,160	145,576	1,445,736	466,296	1,912,032
Other comprehensive income for the year (note 15)	–	–	–	–	–	(15,362)	–	–	(15,362)	(532)	(15,894)
Total comprehensive income for the year	–	–	–	–	–	(15,362)	1,300,160	145,576	1,430,374	465,764	1,896,138
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	498,893	498,893
Issue of perpetual capital securities	–	–	–	–	–	–	–	8,963,199	8,963,199	–	8,963,199
Dividends recognised as distribution (note 39(a))	–	–	–	–	–	–	(177,534)	–	(177,534)	–	(177,534)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	(220,001)	(220,001)
Appropriation of general reserve	–	–	75,864	–	–	–	(75,864)	–	–	–	–
Appropriation of specific reserve	–	–	129,831	–	–	–	(129,831)	–	–	–	–
Utilisation of specific reserve	–	–	(124,506)	–	–	–	124,506	–	–	–	–
Others	–	6,731	–	–	–	–	(787)	–	5,944	73,432	79,376
Balance at 31 December 2018 and 1 January 2019	**9,862,977**	**14,883,689**	**3,309,073**	**68,089**	**44,726**	**(41,037)**	**15,894,850**	**9,108,775**	**53,131,142**	**15,110,722**	**68,241,864**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2,841,730**	**543,594**	**3,385,324**	**939,378**	**4,324,702**
Other comprehensive income for the year (note 15)	**–**	**–**	**–**	**–**	**–**	**21,627**	**–**	**–**	**21,627**	**748**	**22,375**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**21,627**	**2,841,730**	**543,594**	**3,406,951**	**940,126**	**4,347,077**
Capital injection from non-controlling interests	**–**	**138,394**	**–**	**–**	**–**	**–**	**–**	**–**	**138,394**	**2,289,634**	**2,428,028**
Addition from business combination (note 46(c)(i))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**108,923**	**108,923**
Issue of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,988,156**	**6,988,156**	**–**	**6,988,156**
Dividends recognised as distribution (note 39(a))	**–**	**–**	**–**	**–**	**–**	**–**	**(650,956)**	**–**	**(650,956)**	**–**	**(650,956)**
Dividends declared to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(453,863)**	**(453,863)**
Distributions payable to holders of perpetual capital securities (note 39(e))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(511,470)**	**(511,470)**	**–**	**(511,470)**
Appropriation of general reserve	**–**	**–**	**233,332**	**–**	**–**	**–**	**(233,332)**	**–**	**–**	**–**	**–**
Appropriation of specific reserve	**–**	**–**	**172,721**	**–**	**–**	**–**	**(172,721)**	**–**	**–**	**–**	**–**
Utilisation of specific reserve	**–**	**–**	**(143,279)**	**–**	**–**	**–**	**143,279**	**–**	**–**	**–**	**–**
Others	**–**	**127,561**	**–**	**–**	**–**	**–**	**(28,040)**	**–**	**99,521**	**10,363**	**109,884**
31 December 2019	**9,862,977**	**15,149,644**	**3,571,847**	**68,089**	**44,726**	**(19,410)**	**17,794,810**	**16,129,055**	**62,601,738**	**18,005,905**	**80,607,643**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash received from customers and others		**107,257,210**	102,967,000
Cash paid to suppliers, employees and others		**(84,736,509)**	(84,311,405)
Cash generated from operations		**22,520,701**	18,655,595
Interest paid		**(5,831,237)**	(6,157,004)
PRC enterprise income tax paid	36(a)	**(1,143,820)**	(849,614)
Net cash generated from operating activities		**15,545,644**	11,648,977
Cash flows from investing activities			
Payment of purchase of property, plant and equipment, construction in progress, investment properties and intangible assets		**(15,089,119)**	(17,244,975)
Net cash (outflow)/inflow for the acquisition of subsidiaries		**(368,282)**	2,634
Payment of investments in associates		**(186,545)**	(23,339)
Increase in other long-term receivables		**(73,408)**	(157,650)
Payment of purchase of financial assets at fair value through profit or loss		**(12,300)**	(300)
Proceeds from disposal of financial assets at fair value through profit or loss		**3,553**	11,031
Interest received		**111,674**	89,188
Withdrawal of restricted deposits		**17,428**	260,164
Placement of restricted deposits		**(99,862)**	(234,602)
Dividends received		**302,922**	397,201
Other investing activities		**229,006**	435,442
Net cash used in investing activities		**(15,164,933)**	(16,465,206)
Cash flows from financing activities			
Debentures			
– Net proceeds from debentures		**21,499,800**	11,800,000
– Repayment of debentures		**(22,600,000)**	(17,300,000)
Loans			
– Proceeds from loans		**53,439,069**	64,834,498
– Repayment of loans		**(59,924,935)**	(64,098,094)
Lease liabilities			
– Repayment of principal portion of the lease liabilities		**(810,201)**	–
Obligations under finance leases			
– Proceeds obtained under sales and leaseback arrangement		**–**	262,108
– Lease payment under sales and leaseback arrangement		**–**	(248,837)
Bills financing			
– Proceeds from bank acceptance bills discounted		**1,284,504**	2,075,729
– Repayment of bank acceptance bills		**(1,108,000)**	(2,227,609)
Capital injection from non-controlling interests		**2,428,028**	494,122
Issue of perpetual capital securities		**7,000,000**	8,985,000
Dividends paid to non-controlling interests		**(566,183)**	(253,385)
Dividends distribution		**(650,956)**	(177,534)
Dividends paid to holders of perpetual capital securities		**(442,730)**	–
Other financing activities		**(101,873)**	(108,244)
Net cash (used in)/generated from financing activities		**(553,477)**	4,037,754
Net decrease in cash and cash equivalents		**(172,766)**	(778,475)
Cash and cash equivalents at beginning of the year		**6,638,326**	7,416,801
Cash and cash equivalents at end of the year	30	**6,465,560**	6,638,326

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. BACKGROUND OF THE COMPANY

Huadian Power International Corporation Limited (the "**Company**") was established in Shandong province of the People's Republic of China (the "**PRC**") on 28 June 1994 as a joint stock limited company and the office address is No. 2 Xuanwumennei Street, Xicheng District, Beijing, the PRC.

The Company and its subsidiaries (together referred to as the "**Group**") are principally engaged in the generation and sale of electricity, heat and coal. The majority of electricity generated is supplied to the local power grid companies where the power plants are located.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance ("**CO**"). A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the consolidated financial statement

The consolidated financial statements for the year ended 31 December 2019 comprise the Group and its interests in associates and joint ventures.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except for certain financial instruments, which are measured fair value (see note 2(l)).

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories, or value in use in IAS 36 Impairment of Assets.

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

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

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control is achieved when the Group:

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the Group's relevant components of equity and non-controlling interests within consolidated equity to reflect the change in relative interests, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests, if any, are derecognised. It is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss and calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(l)) or, when appropriate, the cost on initial recognition of an investment in an associate or a joint venture (see note 2(k)). All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary, i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Business combination

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

(e) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(m)(ii)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate capitalisation of borrowing costs (see note 2(w)).

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodies within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

When proved and probable coal reserves have been determined, costs incurred to develop coal mines are capitalised as part of the cost of the mining structures. When stripping activities can be shown to give rise to future benefits from the mineral property, the Group capitalises the related production stripping costs into property, plant and equipment as mining structure, including production stripping costs for surface mining activities.

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

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

– Buildings	20 – 45 years
– Generators, machinery and equipment	5 – 20 years
– Motor vehicles, furniture, fixtures, equipment and others	5 – 10 years

Mining structures and mining rights are depreciated on a units-of-production method utilising only proved and probable coal reserves in the depletion base.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing

(i) Policies applied from 1 January 2019

As a lessee

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

(i) Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

– Buildings	20 – 45 years
– Generators, machinery and equipment	5 – 20 years
– Land use rights and sea use right	10 – 70 years
– Motor vehicles, furniture, fixtures, equipment and others	5 – 10 years

At inception, the right-of-use asset comprises the initial lease liability, initial direct costs and obligation to restore the assets, less an incentive granted by the lessor. The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The right-of-use asset is subject to impairment review whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

(ii) Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iii) Sale and leaseback transaction

The Group acts as a seller-lessee

The Group applies the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale by the Group as a seller-lessee. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as borrowing within the scope of IFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing *(Continued)*

(ii) Policies applied until 31 December 2018

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

(i) Classification of leases

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

(ii) Assets acquired under finance leases

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

(iii) Sales and leaseback arrangement resulting in finance lease

A sales and leaseback arrangement which results in a finance lease is a means whereby the lessor provides finance to the lessee with the asset as security. To reflect the substance of the transaction, any excess of sales proceeds over the carrying amount of the asset, or any deficit of sales proceeds lower than the carrying amount of the asset, is deferred and amortised as an adjustment to the depreciation of the asset.

(iv) Lease prepayment

Lease prepayments represented cost of land use rights and sea use rights paid to the PRC's land bureau and oceanic bureau respectively. Lease prepayments were stated at cost, less accumulated amortisation and any impairment losses (see note 2(m)(ii)). Amortisation was charged to profit or loss from the date of initial recognition on a straight-line basis over the respective periods of the rights which mainly range from 10 years to 70 years.

(v) Operating lease charges

Where the Group has the right to use an asset held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the accounting periods covered by the lease term. Lease incentives received are recognised in profit or loss on a straight-line basis over the lease term. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(g) Construction in progress

Construction in progress is stated at cost, which comprises construction expenditure, including interest costs and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest costs during the construction period, and the cost of related equipment, less impairment losses (see note 2(m)(ii)).

The costs are transferred to property, plant and equipment and depreciation will be provided at the appropriate rates specified in note 2(e) above when the relevant assets are completed and ready for their intended use.

(h) Investment property

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses (note 2(m)(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Goodwill

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

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

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

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

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

(j) Intangible assets (other than goodwill)

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

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

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

– Concession assets	the shorter of remaining concession period or 25 years
– Development right of hydropower	45 years
– Others	5 – 10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

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

(k) Interests in associates and joint ventures

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Interests in associates and joint ventures *(Continued)*

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

When there is an objective evidence indicating that the net investments in associates and joint ventures may be impaired, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised in profit or loss forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale is accounted for using the equity method.

Upon disposal or partial disposal of the Group's interest in an associate or a joint venture in which the Group lost significant influence or joint control and discontinued the use of equity method, any retained interest that is within the scope of IFRS 9 is measured at fair value on that date, the difference between the carrying amount of the associate or joint venture at the date, and the proceeds from disposing of such interest (or partial interest) in the associate or joint venture and the fair value of the retained interest is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the Group lost significant influence or joint control over the investee.

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

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

(l) Other investments in securities

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

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("**FVPL**"), for which transaction costs are recognised directly in profit or loss.

Investments other than equity securities

Non-equity securities held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held within a business model with the objective of collecting the contractual cash flows; and the contractual terms of the non-equity securities give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A gain or loss on an investment that is subsequently measured at amortised cost is recognised in profit or loss when the investment is derecognised or impaired. Interest income from these investments is included in finance income using the effective interest method.

  The Group assesses on a forward looking basis the expected credit losses associated with its non-equity securities carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk (see note 2(m)(i)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Other investments in securities *(Continued)*

Investments other than equity securities *(Continued)*

– fair value through other comprehensive income ("**FVOCI**") – recycling, if the objective of the business model is to hold the investments to collect the contractual cash flows and to sell financial assets; and the contractual term of the non-equity securities give rise on specified date to cash flows that are solely payments of principal and interest on the principal outstanding. Change in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains or losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL, if the investments does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Change in the fair value of the investment (including interest) are recognised in profit or loss.

Equity securities

Investment in equity securities are always measured at fair value. Equity securities that are held for trading are measured at FVPL.

For equity securities which are not held for trading, the Group has made an irrecoverable election at initial recognition to recognise changes in FVPL rather than FVOCI.

The Group subsequently measures all equity securities at fair value. Since the Group's management has elected to present fair value gains and losses on equity securities in profit or loss, there is no subsequent reclassification of fair value gain or losses to other comprehensive income. Equity securities that are elected by the Group's management to be classified as FVPL are not subject to impairment.

The fair value of these financial assets are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Dividend income from these financial assets at FVPL is recognised in profit or loss in accordance with the policy set out in note 2(t)(iv).

(m) Impairment of assets

(i) Impairment of financial assets

The Group recognises loss allowances for expected credit loss (the "**ECL**") on trade debtors and bills receivable related to sales of electricity, heat and coal, restricted deposits and cash and cash equivalents and debt instruments measured at amortised cost. The ECLs are measured on either of the following bases:

(1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and

(2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

For trade debtors and bills receivable related to sale of electricity, heat and coal, the Group applies the simplified approach to providing for ECLs prescribed by IFRS 9, which requires the use of the lifetime expected losses provision for all debtors. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For restricted deposit and cash equivalents placed in high credit-rated financial institutions are considered to be of low credit risk. Thus the impairment provision recognised during the period was limited to 12 months expected losses.

For debt instruments measured at amortised cost, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk, since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

(i) Impairment of financial assets *(Continued)*

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers a financial asset to be credit-impaired when:

(1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

(2) the financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criteria is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(ii) Impairment of other assets

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

– property, plant and equipment;

– right-of-use assets;

– construction in progress;

– intangible assets;

– investment properties;

– goodwill;

– interests in associates and joint ventures; and

– other non-current assets (other than financial assets).

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– **Calculation of recoverable amount**

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

– **Recognition of impairment losses**

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

– **Reversals of impairment losses**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Inventories

Inventories, comprising coal, stalk, fuel oil, gas, materials, components and spare parts for consumption are carried at the lower of cost and net realisable values.

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

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

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

(o) Trade debtors and bills receivable, deposits and other receivables ("Trade and other receivables")

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for credit loss (see note 2(m)(i)).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Cash and cash equivalents are assessed for ECL in accordance with the policy (see note 2(m)(i)).

(q) Financial liabilities and equity instruments

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

(i) Equity instruments

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

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

(ii) Other financial liabilities

Other financial liabilities including bank loans, loans from shareholders, state loans, other loans, short-term debentures payable, amount due to the parent company, trade creditors and bills payable, other payables, long-term debentures payable, long-term payables, are subsequently measured at amortised cost, using the effective interest method.

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

(r) Derecognition of financial assets or financial liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at FVPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract.

Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in note 2(m)(i); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of IFRS 15.

(ii) Provision and contingent liabilities

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

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

(t) Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(i) Electricity Income

For sales of electricity, each unit sold is generally considered a distinct good and the related performance obligation is generally satisfied at a point in time when control of electricity is transferred to the customer. Revenue is thus recognised upon when the power grid companies received each unit of electricity. A standard tariff is charged for each unit of electricity, which is established by the government.

(ii) Heat Income

For sales of heat, each unit sold is generally considered a distinct good and the related performance obligation is generally satisfied at a point in time when control of heat is transferred to the customer. Revenue is thus recognised upon the customers received each unit of heat.

(iii) Sale of coal

Revenue is recognised when control of the goods has transferred, being when the goods are delivered to and have been accepted by customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

(iv) Other income

Dividend income

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

Interest income

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

Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred government grants in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Upfront installation fees

Upfront installation fee received for connecting the customers' premises to the heat network of the Group is deferred and recognised on a straight-line basis over the expected service terms after the completion of the installation work.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Foreign currency translation differences relating to funds borrowed relevant to construction in progress, to the extent that they are regarded as an adjustment to interest costs, are capitalised during the construction period (see note 2(g)). All other exchange differences are dealt with in profit or loss.

(v) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit before tax as reported in the consolidated financial statements because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Income tax *(Continued)*

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

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

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

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

  – the same taxable entity; or

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

(w) Borrowing costs

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

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

(x) Employee benefits

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

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

(ii) Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

(y) Research expenditure

Expenditure on research activities is recognised as expenses in the period in which it is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Related parties

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

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

(ii) has signification influence over the Group; or

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

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

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

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

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

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

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

(aa) Segment reporting

The Group's most senior executive management ("**the chief operating decision makers**") review the Group's revenue and profits as a whole for the purposes of allocating resources and assessing the performance (note 5).

(ab) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(ac) Contract liabilities

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Adoption of new or revised IFRSs – effective on 1 January 2019

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRS 3 – Business Combination	As part of the Annual Improvement to IFRSs 2015-2017 Cycle
Amendments to IFRS 11 – Joint Arrangements	As part of the Annual Improvement to IFRSs 2015-2017 Cycle
Amendments to IAS 12 – Income Tax	As part of the Annual Improvement to IFRSs 2015-2017 Cycle
Amendments to IAS 23 – Borrowing Costs	As part of the Annual Improvement to IFRSs 2015-2017 Cycle

Except for IFRS 16, none of the new or revised standards and interpretation have had a material effect on the Group's accounting policies. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The impact of the adoption of IFRS 16 is summarised below.

IFRS 16 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has initially adopted IFRS 16 from 1 January 2019 and applied IFRS 16 in accordance with the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained profits at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 *Leases* and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of a lease

Previously, the Group identified leases in accordance with IAS 17 and IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is or contains a lease if the Group determines that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applies IFRS 16 only to contracts that were previously identified as leases. 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.

At inception or on reassessment of contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties and equipment in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(a) Adoption of new or revised IFRSs – effective on 1 January 2019 *(Continued)*

IFRS 16 Leases (Continued)

B. As a lessee

The Group is a lessee under leases of buildings, generators, machinery and equipment. A majority of the Group's leases were operating leases with remaining lease terms between 6 months and 45 years.

As a lessee, the Group previously classified leases as operating or finance leases based on the assessment of whether a lease transferred substantially all the risks and rewards incidental to ownership of an underlying asset. For finance leases, lease assets and lease liabilities were recognised by the Group. However, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease expenses were recognised in the consolidated statement of profit or loss and other comprehensive income over the lease period on a straight-line basis.

Under IFRS 16, the Group recognised right-of-use assets and lease liabilities for most leases – i.e. these leases are on balance sheet. The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position. The Group applies recognition exemption to leases with a lease term of 12 months or less or lease of low-value assets which are recognised as expenses on a straight-line basis over the lease term.

Right-of-use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of the initial measurement of the lease liabilities (see below for the accounting policy for lease liabilities), any initial direct costs incurred, an estimate of costs to be incurred in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease and lease payments made at or before the commencement date less any lease incentives received. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments that are not paid at that date. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be payable by the Group under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(a) Adoption of new or revised IFRSs – effective on 1 January 2019 *(Continued)*

IFRS 16 Leases *(Continued)*

B. As a lessee (Continued)

Lease liabilities *(Continued)*

i. Significant accounting policies

The Group applies judgement to determine as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

ii. Transition

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of respective entities as at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at an amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets on 1 January 2019.

The Group applied the following practical expedients on transition to IFRS 16 for those leases which were previously classified as operating leases under IAS 17:

– the exclusion of leases for which the lease term ends within 12 months of the date of initial application. Payment associated with such leases were recognised on a straight-line basis as expenses.

– the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and

– the exclusion of initial direct costs from the measurement of the right-of-use assets at the date of initial application.

For leases previously classified as finance leases applying IAS 17 and relevant interpretations, including those under sale and leaseback arrangements, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability on 1 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(a) Adoption of new or revised IFRSs – effective on 1 January 2019 *(Continued)*

IFRS 16 Leases *(Continued)*

C. Impacts on financial statements

i. Impacts on financial statements:

The adjustment of the opening balances (affected items only) below results from the initial application of the IFRS 16 as at 1 January 2019. The prior-year amounts were not adjusted.

	As at 31 December 2018 *RMB'000*	Impact of IFRS 16 *RMB'000*	As at 1 January 2019 *RMB'000*
Assets			
Right-of-use assets	–	10,024,834	10,024,834
Property, plant and equipment	149,582,344	(4,559,281)	145,023,063
– Buildings	44,520,254	–	44,520,254
– Generators, machinery and equipment	95,503,181	(4,559,281)	90,943,900
– Mining structures and mining rights	7,194,973	–	7,194,973
– Motor vehicles, furniture, fixtures, equipment and others	2,363,936	–	2,363,936
Lease prepayments	3,553,529	(3,553,529)	–
Intangible assets	5,843,716	(1,549,118)	4,294,598
– Land use rights	1,482,328	(1,482,328)	–
– Concession assets	2,475,926	–	2,475,926
– Development right of hydropower	1,382,954	–	1,382,954
– Others	502,508	(66,790)	435,718
Deposits, other receivables and prepayments	4,756,158	(1,852)	4,754,306
Total assets	163,735,747	361,054	164,096,801
Liabilities			
Obligations under finance leases	3,014,378	(3,014,378)	–
Trade payables and bills payables	19,157,988	(33,046)	19,124,942
Lease liabilities	–	3,408,478	3,408,478
Total liabilities	22,172,366	361,054	22,533,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(a) Adoption of new or revised IFRSs – effective on 1 January 2019 *(Continued)*

IFRS 16 Leases *(Continued)*

C. *Impacts on financial statements (Continued)*

ii. Impacts on transition

The amount of the operating lease commitment disclosed as at 31 December 2018 under the principle of IAS17 was RMB380,435,000. Taking into account of the discounting effect of RMB69,848,000, the major difference between the operating lease commitment and the lease liabilities of RMB3,408,478,000 recognised at the initial date of IFRS 16 application was the reclassification of the finance lease liabilities amounting to RMB3,014,378,000 which were previously recognised under obligation under finance leases.

The lease liabilities were discounted at its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.81%.

IFRIC-Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met – instead of at FVPL.

Amendments to IAS 19 – Plan Amendments, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that IFRS 9 is applied to these LTI before the impairment losses guidance within IAS 28.

Amendments to IFRSs 2015-2017 Cycle – Amendments to IFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(a) Adoption of new or revised IFRSs – effective on 1 January 2019 *(Continued)*

Amendments to IFRSs 2015-2017 Cycle – Amendments to IFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New or revised IFRSs that have been issued but are not yet effective

The following new/revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IFRS 3	Definition of a Business[1]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1. Effective for annual periods beginning on or after 1 January 2020
2. The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

The adoption of these new/revised IFRSs has no material impact on the Group's financial statements.

Amendments to IFRS 3 – Definition of a Business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IAS 1 and IAS 8 – Definition of Material

The amendments clarify the definition and explanation of "material", aligning the definition across all IFRS Standards and the Conceptual Framework, and incorporating supporting requirements in IAS 1 into the definition.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

(b) New or revised IFRSs that have been issued but are not yet effective *(Continued)*

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual result may differ from these estimates.

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

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

(a) Impairment for non-current assets

As disclosed in notes 17, 18, 19, 20, 21, 22 and 24, if circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36, Impairment of assets.

The carrying amounts of individual assets or the cash generating units ("**CGUs**") containing the non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. The assets or the CGUs are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use.

In determining the value in use, expected cash flows generated by the assets or the CGUs are discounted to their present value, the Group uses all readily available information, including estimates based on reasonable and supportable assumptions and projections of sale volume, tariff and amount of operating costs.

(b) Provision for ECLs on trade and other receivables

The provision rate of trade and other receivables are made based on the assessment of their recoverability and the ageing analysis of the trade and other receivables as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. Information about the ECLs on the Group's trade and other receivables are disclosed in notes 27 and 28 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(c) Depreciation and amortisation

As disclosed in notes 17, 18 and 20, property, plant and equipment, right-of-use assets and intangible assets are depreciated and amortised over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account upgrading and improvement work performed, and anticipated technological changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

(d) Deferred tax assets

As disclosed in note 36(b), a deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The Group uses all readily available information which includes reasonable and supportable assumptions and projections of sales volume, tariff and relevant operating costs to estimate whether there will be sufficient available future taxable profits to utilise deductible temporary differences. Any significant change in estimates would result in adjustment in the amount of deferred tax assets and income tax in future years.

(e) Incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using the benchmark interest rate for RMB loan ("人民幣貸款基準利率") published by The People's Bank of China as the observable inputs.

(f) Provision on remediation costs

As disclosed in note 38, the estimation of the liabilities for mine disposal and environmental restoration involves the estimates of the amount and timing of future cash outflows as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including the size of mining area, future production development plan and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred.

5. TURNOVER

Turnover represents the sale of electricity, heat and coal. Major components of the Group's turnover are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Sale of electricity	**73,200,382**	69,110,654
Sale of heat	**5,710,507**	4,911,666
Sale of coal	**12,842,091**	13,397,098
	91,752,980	87,419,418

In 2019, there are two (2018: two) customers whose sale has exceeded 10% of the Group's revenue, and revenue from sale of electricity to these customers, including sale to entities which are known to the Group to be under common control of these customers, amounted to approximately RMB39,110 million (2018: RMB39,126 million). Details of concentration of credit risk arising from the customers is set out in note 44(b).

The chief operating decision makers review the Group's revenue and profit as a whole, which is determined in accordance with the Group's accounting policies, for resources allocation and performance assessment. Therefore, the Group has only one operating and reportable segment and no further segment information is presented in the consolidated financial statements. The Group's major customers are the power grid operators in relation to the sale of electricity. The revenue from sale of electricity, heat and coal is recognised at a point in time. The Group's assets are mainly located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. TURNOVER *(Continued)*

The following table provides information about trade debtors and bills receivable and contract liabilities from contracts with customers.

	2019 RMB'000	2018 RMB'000
Trade debtors and bills receivable (note 27)	**12,261,884**	10,670,383
Contract liabilities (note 33)	**1,757,069**	1,375,579

The contract liabilities mainly relate to the advance consideration received from customers in relating to sale of heat and coal. RMB1,355 million (2018: RMB1,107 million) of the contract liabilities as of 31 December 2018 has been recognised as revenue for the year ended 31 December 2019 from performance obligations satisfied.

6. PERSONNEL COSTS

	2019 RMB'000	2018 RMB'000
Wages, welfare and other benefits	**4,053,150**	3,562,207
Retirement costs (note 41)	**962,575**	877,573
Other staff costs	**980,050**	869,612
	5,995,775	5,309,392

7. TAXES AND SURCHARGES

During the year, taxes and surcharges of the Group with the amount of RMB1,095 million (2018: RMB1,094 million) mainly represent city maintenance and construction tax, education surcharge, urban land use tax, real estate tax and other taxes and surcharges.

8. INVESTMENT INCOME

	2019 RMB'000	2018 RMB'000
Gain on loss of control of a subsidiary	**–**	219,675
Gain/(loss) on disposal of financial assets measured at FVPL (note 23)	**247**	(4,078)
Dividend income from financial assets measured at FVPL	**7,500**	28,088
Interest on loans and receivables	**15,076**	14,232
Gain on deemed acquisition of a subsidiary (note 46(c)(i))	**576**	–
Gain on deemed disposal of an associates	**–**	4,053
Gain on disposal of equity interest in associates	**–**	6,102
	23,399	268,072

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

9. OTHER REVENUE AND NET INCOME

	2019	2018
	RMB'000	*RMB'000*
Other revenue		
Government grants (note)	**455,061**	516,038
Revenue from upfront installation fees for heating networks (note 37)	**177,155**	195,138
Others	**147,924**	79,700
	780,140	790,876
Other net income		
Net income on disposal of property, plant and equipment	**29,075**	30,660
Net income from sale of materials	**924,200**	602,193
Others	**(192,981)**	(529,106)
	760,294	103,747

Notes:

Government grants mainly represent value added tax refund and the grants from government for environmental protection and heat supply. There is no unfulfilled condition relating to those grants.

In addition, for grants related to assets, such grants have been deferred and released to profit or loss in accordance with the useful lives of the related assets. In 2019, the Group received such grants amounting to RMB145 million (2018: RMB287 million), and the amount released to profit or loss is RMB136 million (2018: RMB125 million).

10. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on loans and other financial liabilities	**5,327,747**	5,842,367
Less: interest capitalised	**(515,421)**	(691,760)
	4,812,326	5,150,607
Net foreign exchange loss	**1,299**	12,550
Interest on lease liabilities	**143,733**	–
Amortisation on unrecognised finance charges	**–**	140,183
Other finance costs	**305,335**	105,684
	5,262,693	5,409,024

The borrowing costs have been capitalised at an average rate of 4.60% per annum (2018: 4.70%) for construction in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

11. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2019	2018
	RMB'000	*RMB'000*
Amortisation		
– Lease prepayments	**–**	117,594
– Intangible assets	**275,277**	238,983
Depreciation		
– Property, plant and equipment	**11,077,444**	10,041,639
– Right-of-use assets	**472,603**	–
– Investment properties	**79**	–
Total amortisation and depreciation	**11,825,403**	10,398,216
Auditor's remuneration	**9,500**	8,900
Cost of inventories expensed	**61,465,695**	61,208,919
Impairment losses included in administration expenses		
– Trade debtors and bills receivable	**34,831**	500
– Deposits, other receivables and prepayments	**116,553**	262,012
– Inventories	**34,532**	3,233
– Construction in progress	**68,272**	4,294
– Property, plant and equipment	**573,250**	113,134
– Intangible assets	**562**	–
– Goodwill	**105,280**	–
Reversal of impairment losses		
– Trade debtors and bills receivable	**(8)**	–
– Deposits, other receivables and prepayments	**(220)**	(1,133)
– Inventories	**(19)**	–
Expense relating to short-term leases and leases of low-value assets	**55,793**	–
Operating lease charges in respect of land and buildings	**–**	169,693
Research and development costs	**20,747**	19,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

12. DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' EMOLUMENTS

Details of directors', chief executives' and supervisors' emoluments are as follows:

2019	Directors' and supervisors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement benefits *RMB'000*	Bonuses *RMB'000*	Total *RMB'000*
Executive directors					
Chen Bin (note i)	–	86	17	121	224
Tian Hongbao	–	345	66	486	897
Chen Cunlai (note ii)	–	315	56	437	808
Wang Xuxiang (note iii)	–	–	–	125	125
Non-executive directors					
Zhao Jianguo (note iv)	–	–	–	–	–
Gou Wei	–	–	–	–	–
Chu Yu (note v)	–	–	–	–	–
Wang Xiaobo	–	–	–	–	–
Ni Shoumin	–	–	–	–	–
Chen Haibin (note vi)	–	–	–	–	–
Tao Yunpeng (note vii)	–	–	–	–	–
Independent non-executive directors					
Ding Huiping	–	109	–	–	109
Wang Dashu	–	109	–	–	109
Zong Wenlong	–	109	–	–	109
Wang Chuanshun	–	109	–	–	109
Supervisors					
Peng Xingyu	–	–	–	–	–
Yuan Yanan	–	285	56	374	715
Zha Jianqiu	–	96	–	–	96
Ma Jingan	–	285	55	358	698
Chen Wei	–	–	–	–	–
	–	1,848	250	1,901	3,999

Notes:

(i) Mr. Chen Bin resigned as an executive director on 11 March 2019.

(ii) Mr. Chen Cunlai was appointed as an executive director on 9 April 2019.

(iii) Mr. Wang Xuxiang was appointed as an executive director on 9 April 2019.

(iv) Mr. Zhao Jianguo resigned as non-executive director on 19 February 2019.

(v) Mr. Chu Yu resigned as non-executive director on 11 March 2019.

(vi) Mr. Chen Haibin was appointed as non-executive director on 9 April 2019.

(vii) Mr. Tao Yunpeng was appointed as non-executive director on 9 April 2019.

(viii) No directors, supervisors, or chief executives of the Company waived any remuneration in 2019 (2018: nil), and their emoluments shown above were mainly for their services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

12. DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' EMOLUMENTS *(Continued)*

Details of directors', chief executives' and supervisors' emoluments are as follows: *(Continued)*

2018	Directors' and supervisors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement benefits *RMB'000*	Bonuses *RMB'000*	Total *RMB'000*
Executive directors					
Chen Bin	–	341	64	404	809
Tian Hongbao	–	341	64	404	809
Non-executive directors					
Zhao Jianguo	–	–	–	–	–
Wang Yingli (note i)	–	–	–	–	–
Gou Wei	–	–	–	–	–
Chu Yu	–	–	–	–	–
Zhang Ke (note ii)	–	–	–	–	–
Wang Xiaobo (note iii)	–	–	–	–	–
Ni Shoumin (note iv)	–	–	–	–	–
Independent non-executive directors					
Ding Huiping	–	80	–	–	80
Wang Dashu	–	80	–	–	80
Zong Wenlong	–	80	–	–	80
Wang Chuanshun	–	80	–	–	80
Supervisors					
Li Xiaopeng (note v)	–	–	–	–	–
Peng Xingyu	–	–	–	–	–
Yuan Yanan	–	311	54	364	729
Zha Jianqiu	–	70	–	–	70
Ma Jingan	–	251	50	283	584
Chen Wei (note vi)	–	–	–	–	–
	–	1,634	232	1,455	3,321

Notes:

(i) Ms. Wang Yingli resigned as non-executive director on 30 October 2018.

(ii) Mr. Zhang Ke resigned as non-executive director on 30 October 2018.

(iii) Mr. Wang Xiaobo was appointed as non-executive director on 30 October 2018.

(iv) Mr. Ni Shoumin was appointed as non-executive director on 30 October 2018.

(v) Mr. Li Xiaopeng resigned as an employee representative supervisor on 30 October 2018.

(vi) Ms. Chen Wei was appointed as an employee representative supervisor on 30 October 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five (2018: six) highest paid employees of the Group during the year included two directors (2018: two directors), whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining three (2018: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Salaries and other emoluments	**936**	1,243
Retirement benefits	**167**	218
Bonuses	**1,296**	1,456
	2,399	2,917

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within following bands is as follows:

	2019 ***Number of Individuals***	2018 *Number of Individuals*
Nil – Hong Kong Dollars ("**HK$**") 1,000,000	**3**	4

14. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 ***RMB'000***	2018 *RMB'000*
Current tax (note 36(a))		
Charge for PRC enterprise income tax for the year	**1,374,200**	1,061,989
Under provision in respect of prior years	**7,024**	11,946
	1,381,224	1,073,935
Deferred tax (note 36(b))		
Origination and reversal of temporary differences and tax losses	**(344,784)**	(247,073)
Total income tax expense in the consolidated statement of profit or loss and other comprehensive income	**1,036,440**	826,862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

14. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019 ***RMB'000***	2018 *RMB'000*
Profit before taxation	**5,361,142**	2,738,894
Notional PRC enterprise income tax expense at a statutory tax rate of 25% (2018: 25%)	**1,340,286**	684,724
Tax effect of non-deductible expenses	**39,905**	161,950
Tax effect of non-taxable income	**(4,189)**	(3,823)
Preferential tax rate on subsidiaries' profit or loss (note (a))	**(196,814)**	(229,383)
Tax credit (note (b))	**(242,130)**	(20,046)
Tax effect of share of results of associates and joint ventures	**(189,286)**	(161,725)
Tax effect of tax losses and deductible temporary differences not recognised	**359,474**	415,923
Utilisation of tax losses and deductible temporary differences previously not recognised	**(77,830)**	(32,704)
Under provision in respect of prior years	**7,024**	11,946
	1,036,440	826,862

Notes:

(a) The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (2018: 25%) on the estimated assessable profit or loss for the year determined in accordance with relevant enterprise income tax rules and regulations, except for certain subsidiaries of the Company, which are tax exempted or taxed at preferential rates of 7.5%, 12.5% or 15% (2018: 7.5%, 12.5% or 15%).

(b) Tax credit represents additional deductions in relation to equipment for environmental protection pursuant to the applicable PRC tax laws and regulations.

15. OTHER COMPREHENSIVE INCOME

	2019 ***RMB'000***	2018 *RMB'000*
Share of other comprehensive income of investees accounted for under the equity method	**22,375**	(15,894)
Other comprehensive income, net of income tax	**22,375**	(15,894)

16. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the year and divided by the weighted average number of ordinary shares in issue during the year.

	For the year ended 31 December	
	2019 ***RMB'000***	2018 *RMB'000*
Profit attributable to equity holders of the Company	**3,385,324**	1,445,736
Less: Profit attributable to holders of perpetual capital securities (note 39(e))	**(543,594)**	(145,576)
Profit attributable to equity shareholders	**2,841,730**	1,300,160
Weighted average number of ordinary shares in issue	**9,862,976,653**	9,862,976,653
Basic earnings per share (RMB)	**0.288**	0.132

(b) Diluted earnings per share

No diluted earnings per share was presented as there were no potential ordinary shares outstanding during the years ended 31 December 2019 and 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Generators, machinery and equipment RMB'000	Mining structures and mining rights RMB'000	Motor vehicles, furniture, fixtures, equipment and others RMB'000	Total RMB'000
Cost					
At 1 January 2018	57,973,285	150,878,898	10,280,621	4,121,042	223,253,846
Additions	162,483	27,536	65,090	91,266	346,375
Transferred from construction in progress (note 19)	4,008,752	8,768,411	514,291	854,696	14,146,150
Net decrease arising from sales and leaseback arrangement	–	(492,220)	–	–	(492,220)
Disposals/write-offs	(470,945)	(2,233,971)	–	(164,521)	(2,869,437)
At 31 December 2018 as originally presented	**61,673,575**	**156,948,654**	**10,860,002**	**4,902,483**	**234,384,714**
Initial application of IFRS 16	**–**	**(5,806,534)**	**–**	**–**	**(5,806,534)**
Restated balances as at 1 January 2019	**61,673,575**	**151,142,120**	**10,860,002**	**4,902,483**	**228,578,180**
Additions	**288,993**	**3,376,031**	**832**	**141,713**	**3,807,569**
Transferred from construction in progress (note 19)	**5,537,445**	**16,084,195**	**–**	**1,573,083**	**23,194,723**
Disposals/write-offs	**(317,618)**	**(1,343,783)**	**(201,734)**	**(301,525)**	**(2,164,660)**
At 31 December 2019	**67,182,395**	**169,258,563**	**10,659,100**	**6,315,754**	**253,415,812**
Accumulated depreciation and impairment					
At 1 January 2018	15,573,413	56,145,592	3,565,410	2,274,866	77,559,281
Charge for the year	1,976,453	7,541,154	99,619	424,413	10,041,639
Decrease arising from sales and leaseback arrangements	–	(415,395)	–	–	(415,395)
Disposals	(416,935)	(1,918,622)	–	(160,732)	(2,496,289)
Impairment loss (note (i))	20,390	92,744	–	–	113,134
At 31 December 2018 as originally presented	**17,153,321**	**61,445,473**	**3,665,029**	**2,538,547**	**84,802,370**
Initial application of IFRS 16	**–**	**(1,247,253)**	**–**	**–**	**(1,247,253)**
Restated balances as at 1 January 2019	**17,153,321**	**60,198,220**	**3,665,029**	**2,538,547**	**83,555,117**
Charge for the year	**2,149,722**	**7,950,782**	**118,844**	**858,096**	**11,077,444**
Disposals	**(247,292)**	**(953,414)**	**(172,299)**	**(146,579)**	**(1,519,584)**
Impairment loss (note (i))	**17,226**	**89,558**	**452,712**	**13,754**	**573,250**
At 31 December 2019	**19,072,977**	**67,285,146**	**4,064,286**	**3,263,818**	**93,686,227**
Net book value					
At 31 December 2019	**48,109,418**	**101,973,417**	**6,594,814**	**3,051,936**	**159,729,585**
At 31 December 2018	44,520,254	95,503,181	7,194,973	2,363,936	149,582,344

Notes:

(i) Impairment losses

During the current year, the management assessed the carrying value of the property, plant and equipment and goodwill related to power generation, after taking into account the Group's future power generation operating plans and the outlook for the industry. Each power generation plant constitutes a CGU. Based on the impairment testing results, the carrying value of property, plant and equipment related to certain power generation of the Group were impaired of RMB573 million (2018: RMB113 million), with impairment losses recognised accordingly.

The recoverable amount of the relevant CGUs had been determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by the management covering a five-year period (2018: five-year period). Cash flows beyond the five-year period are projected using zero growth rates (2018: zero growth rates). The cash flows are discounted using a discount rate of 8.17% (2018: 8.00%). The discount rates used are pre-tax and reflect specific risks relating to the relevant group of assets.

Other key assumptions for the value in use calculations during the current and prior years include the expected sales price, demand of products in specific regions where these assets are located, production capacities, fuel cost and others. Management determined these key assumptions based on past performance and its expectations on market development.

(ii) Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's property, plant and equipment, which had an aggregate net book value of RMB5,208 million as at 31 December 2019 (2018: RMB3,775 million).

(iii) At 31 December 2019, the carrying value of property, generators and related machinery of property, plant and equipment held as collateral of the sales and leaseback agreement newly signed by the Group for financing purposes (note 31(d)) during the year was RMB786 million (2018: nil).

18. LEASE

IFRS 16 was adopted on 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see note 3(a). The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in note 2(f)(i).

The Group as a lessee

The Group has lease contracts for various items of buildings, generators, machinery and equipment, land use rights and sea use right, motor vehicles were used in its operations. Leases of buildings, generators, machinery and equipment generally have lease terms between 6 months and 45 years, while land use rights and sea use right generally have lease terms between 10 and 70 years. For motor vehicles, generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Lease prepayments

Lease prepayments as at 31 December 2018 represented cost of land use rights and sea use right paid to the Ministry of Land and Resources of the PRC and State Oceanic Administration of the PRC, respectively. The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balance of the lease prepayments at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. See note 3(a) for further details about transition.

	At 31 December 2018 *RMB'000*
Current assets	112,356
Non-current assets	3,441,173
	3,553,529

At 31 December 2018, the group pledged lease prepayment with a net book value of RMB128 million to secure bank borrowings.

(b) Right-of-use assets

(i) The carrying amounts of the Group's right-of-use assets are as follows:

	At 31 December 2019 ***RMB'000***	At 1 January 2019 *RMB'000*
Buildings	**119,174**	151,435
Generators, machinery and equipment	**2,677,843**	4,565,620
Land use rights and sea use right	**5,454,964**	5,307,106
Motor vehicles, furniture, fixtures, equipment and others	**86**	673
Total	**8,252,067**	10,024,834

Additions to the right-of-use assets during the year ended 31 December 2019 were RMB573,979,000.

(ii) Depreciation charge of right-of-use assets is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Buildings	**57,323**	–
Generators, machinery and equipment	**259,176**	–
Land use rights and sea use right	**155,951**	–
Motor vehicles, furniture, fixtures, equipment and others	**153**	–
Total	**472,603**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

18. LEASE *(Continued)*

(c) Lease liabilities

The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. See note 3(a) for further details about transition.

The carrying amounts of lease liabilities (include under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2019 ***RMB'000***
Carrying amount at 1 January	**3,408,478**
New leases	**145,072**
Interest recognised during the year	**143,733**
Payments	**(897,956)**
Carrying amount at 31 December	**2,799,327**
Analysed into:	
Current portion	**738,666**
Non-current portion	**2,060,661**

Future lease payments are due as follows:

	Minimum lease payments **At 31 December** **2019** ***RMB'000***	**Interest** **At 31 December** **2019** ***RMB'000***	**Present value** **At 31 December** **2019** ***RMB'000***
Not later than one year	**833,762**	**95,096**	**738,666**
Later than one year and not later than two years	**815,909**	**90,903**	**725,006**
Later than two years and not later than five years	**1,051,682**	**79,891**	**971,791**
Later than five years	**400,843**	**36,979**	**363,864**
	3,102,196	**302,869**	**2,799,327**

	Minimum lease payments At 1 January 2019 *RMB'000*	Interest At 1 January 2019 *RMB'000*	Present value At 1 January 2019 *RMB'000*
Not later than one year	807,105	104,346	702,759
Later than one year and not later than two years	939,503	104,185	835,318
Later than two years and not later than five years	1,614,968	199,978	1,414,990
Later than five years	580,749	125,338	455,411
	3,942,325	533,847	3,408,478

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

18. LEASE *(Continued)*

(c) Lease liabilities *(Continued)*

The amounts recognised in profit or loss in relation to lease are as follows:

	For the year ended 31 December 2019 *RMB'000*
Interest on lease liabilities	**143,733**
Depreciation charge of right-of-use assets	**472,603**
Expense relating to short-term leases and other leases with remaining lease terms ended on before 31 December 2019	**55,793**
Expense relating to lease of low-value assets	**–**
Total amount recognised in profit or loss	**672,129**

The total cash outflow for leases for the year ended 31 December 2019 was RMB953,749,000.

(d) Operating lease commitments

At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings were payable as follows:

	At 31 December 2018 *RMB'000*
Within 1 year	116,190
After 1 year but within 5 years	138,634
After 5 years	125,611
	380,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

18. LEASE *(Continued)*

(e) Obligations under finance leases

The Group had obligations under finance leases payable at 31 December 2018 as follows:

	At 31 December 2018	
	Present value of the minimum lease payments *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	621,420	708,975
After 1 year but within 2 years	732,553	826,940
After 2 years but within 5 years	1,318,038	1,489,384
After 5 years	342,367	386,875
	2,392,958	2,703,199
	3,014,378	3,412,174
Less: total future interest expenses		(397,796)
Present value of finance leases obligations		3,014,378

As at 31 December 2018, the carrying amounts of the facilities held under finance leases included in generators, machinery and equipment of property, plant and equipment amounted to RMB4,557 million.

19. CONSTRUCTION IN PROGRESS

	2019 *RMB'000*	2018 *RMB'000*
At 1 January	**26,415,047**	23,648,651
Additions	**13,505,560**	16,916,840
Transferred to property, plant and equipment (note 17)	**(23,194,723)**	(14,146,150)
Impairment loss (note 17(i))	**(68,272)**	(4,294)
At 31 December	**16,657,612**	26,415,047

Note:

During the current year, certain projects of the Group were identified that they have no economic value for further development or the likelihood to obtain preliminary approval by the National Development and Reform Commission or its local agencies is remote. As a result, the carrying amount of related preliminary projects of RMB68.3 million (2018: RMB0.27 million) was fully impaired as at 31 December 2019. In addition, amounting to RMB16.6 million of certain preliminary projects which had been fully impaired was written off in 2019 (2018: RMB6.49 million). As of 31 December 2019, the accumulated impairment loss of construction in progress was RMB365 million (2018: RMB314 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

20. INTANGIBLE ASSETS

	Land use rights *RMB'000*	Concession assets *RMB'000* (note 25)	Development right of hydropower *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost					
At 1 January 2018	1,482,328	3,693,868	1,382,954	613,511	7,172,661
Additions	–	–	–	167,081	167,081
Disposals	–	–	–	(25,303)	(25,303)
At 31 December 2018 as originally presented	**1,482,328**	**3,693,868**	**1,382,954**	**755,289**	**7,314,439**
Initial application of IFRS 16	**(1,482,328)**	**–**	**–**	**(77,208)**	**(1,559,536)**
Restated balances as at 1 January 2019	**–**	**3,693,868**	**1,382,954**	**678,081**	**5,754,903**
Additions	**–**	**–**	**–**	**255,888**	**255,888**
Disposals	**–**	**(11,815)**	**–**	**(37,626)**	**(49,441)**
At 31 December 2019	**–**	**3,682,053**	**1,382,954**	**896,343**	**5,961,350**
Accumulated amortisation					
At 1 January 2018	–	1,062,989	–	169,226	1,232,215
Charge for the year	–	154,953	–	84,030	238,983
Disposals	–	–	–	(475)	(475)
At 31 December 2018 as originally presented	**–**	**1,217,942**	**–**	**252,781**	**1,470,723**
Initial application of IFRS 16	**–**	**–**	**–**	**(10,418)**	**(10,418)**
Restated balances as at 1 January 2019	**–**	**1,217,942**	**–**	**242,363**	**1,460,305**
Charge for the year	**–**	**154,884**	**5,700**	**114,693**	**275,277**
Disposals	**–**	**–**	**–**	**(7,526)**	**(7,526)**
Impairment loss	**–**	**562**	**–**	**–**	**562**
At 31 December 2019	**–**	**1,373,388**	**5,700**	**349,530**	**1,728,618**
Net Book value					
At 31 December 2019	**–**	**2,308,665**	**1,377,254**	**546,813**	**4,232,732**
At 31 December 2018	1,482,328	2,475,926	1,382,954	502,508	5,843,716

Intangible assets of the Group's consolidated statement of financial position mainly represent concession assets to operate wind power plants granted by the government under service concession arrangements, and development right of hydropower. Useful lives of land use rights are indefinite and titles of these rights are not transferable.

Development right of hydropower was obtained through acquisition of Sichuan Liangshan Shuiluohe Hydropower Development Company Limited ("**Shuiluohe Company**") in 2011. As at the acquisition date, all preliminary hydropower projects of Shuiluohe Company had obtained approval for basin development and preliminary work from the Development and Reform Commission of Sichuan Province. Amortisation of development right of hydropower will start after related hydropower plants are put into operation over its estimated useful life on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

21. GOODWILL

	2019 RMB'000	2018 RMB'000
Cost		
At 1 January	**1,448,813**	1,448,791
Addition	**–**	22
At 31 December	**1,448,813**	1,448,813
Impairment		
At 1 January	**16,011**	16,011
Impairment loss	**105,280**	–
At 31 December	**121,291**	16,011
Net book value		
At 31 December	**1,327,522**	1,432,802

The carrying amount of goodwill at the end of the reporting period is attributable to below subsidiaries or power plants:

	2019 RMB'000	2018 RMB'000
Laicheng Power Plant	**19,031**	19,031
Huadian Weifang Power Generation Company Limited	**20,845**	20,845
Hebei Huadian Shijiazhuang Thermal Power Company Limited	**99,946**	99,946
Hangzhou Huadian Banshan Power Generation Company Limited	**59,322**	59,322
Hebei Huarui Energy Group Corporation Limited	**38,491**	38,491
Huadian Longkou Power Generation Company Limited	**327,420**	327,420
Shaoguan Pingshi Power Plant Company Limited (Plant B)	**235,096**	340,376
Lixian Star River Hydropower Company Limited	**89,184**	89,184
Hebei Huadian Kangbao Power Generation Company Limited	**3,062**	3,062
Hubei Power Generation (as defined below)	**427,679**	427,679
Others	**7,446**	7,446
Total	**1,327,522**	1,432,802

During the year ended 31 December 2019, the Group recognised an impairment loss of RMB105 million (2018: nil).

The basis of the recoverable amounts of the CGUs containing goodwill and their major underlying assumptions are summarised below:

The recoverable amounts of the CGUs are determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a five-year period (2018: a five-year period). Cash flows beyond the five-year period are projected using zero growth rates (2018: zero growth rates). The cash flows are discounted using a discount rate of 8.17% (2018: 8.00%). The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Other key assumptions for the value in use calculations include the expected sales price of electricity, demands of electricity in specific regions where these power plants are located, fuel cost and others. Management determined these key assumptions based on past performance and its expectations on market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of these units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	2019 *RMB'000*	2018 *RMB'000*
Share of net assets	**11,875,894**	11,199,655
Less: impairment loss	**(99,290)**	(99,290)
	11,776,604	11,100,365
Fair value of listed investment	**240,057**	243,820

The recoverable amount of interests in associates has been determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts prepared by management of the Company covering a five-year period (2018: a five-year period). Cash flows beyond the five-year period are projected using zero growth rates (2018: zero growth rates). The cash flows are discounted using a discount rate of 9.40% (2018: 9.40%). The discount rates used are pre-tax and reflect specific risks relating to the relevant group of assets.

(a) General information of associates

The following list contains only the particulars of associates as at 31 December 2019, all of which are limited liability companies established and operating in the PRC, which principally affected the results, assets or liabilities of the Group:

Name of company	Paid by capital *RMB'000*	Proportion of ownership interest and voting rights: Held the company *%*	Held by subsidiaries *%*	Principal activities
Huadian Property Company Limited 華電置業有限公司 (note (i))	2,697,500	8.31	–	Property development
Huadian Coal Industry Group Company Limited 華電煤業集團有限公司 ("**Huadian Coal**") (note (i))	3,657,143	11.82	1.16	Provision of coal procurement service
China Huadian Finance Corporation Limited 中國華電集團財務有限公司 ("**China Huadian Finance**") (note(i))	5,000,000	16.46	–	Provision of corporate financial service to its group companies
Hengshui Hengxing Power Generation Company Limited 衡水恆興發電有限公司	475,000	–	30	Generation and sale of electricity and heat
Hebei Jiantou Yuzhou Wind Power Company Limited 河北建投蔚州風能有限公司	364,000	–	44.08	Generation and sale of electricity
Hebei Xibaipo Second Power Generation Company Limited 河北西柏坡第二發電有限責任公司	880,000	–	35	Generation and sale of electricity and heat
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited 國電內蒙古東勝熱電有限公司	500,000	–	20	Generation and sale of electricity and heat
Xingtai Guotai Power Generation Company Limited 邢臺國泰發電有限責任公司	400,000	–	35	Generation and sale of electricity and heat
Guodian Huai'an Thermal Power Company Limited 國電懷安熱電有限公司	514,800	–	35	Generation and sale of electricity and heat
Otog Front Banner Changcheng Mine Company Limited 鄂托克前旗長城煤礦有限責任公司 ("**Changcheng Mine**")	676,180	35	–	Sale of mines machinery and accessory
Inner Mongolia Fucheng Mining Company Limited 內蒙古福城礦業有限公司 ("**Fucheng Mining Company**")	837,604	35	–	Sale of ores steels products
Otog Front Banner Changcheng No.3 Mining Company Limited 鄂托克前旗長城三號礦業有限公司 ("**Changcheng No.3 Mining**")	1,110,594	35	–	Production and sale of coal

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES *(Continued)*

(a) General information of associates *(Continued)*

Name of company	Paid by capital RMB'000	Proportion of ownership interest and voting rights: Held the company %	Proportion of ownership interest and voting rights: Held by subsidiaries %	Principal activities
Otog Front Banner Changcheng No.5 Mining Company Limited 鄂托克前旗長城五號礦業有限公司 ("**Changcheng No.5 Mining**")	519,483	35	–	Production and sale of coal
Otog Front Banner Zhengtai Trading Company Limited 鄂托克前旗正泰商貿有限公司	6,770	35	–	Production and sale of coal
Ningxia Western Venture Industrial Co., Ltd 寧夏西部創業實業股份有限公司 ("**Ningxia West**") (note (i))	1,458,375	4.87	–	Railway development and management
Ningxia Yinxing Coal Company Limited 寧夏銀星煤業有限公司 ("**Yinxing Coal**") (note (ii))	611,000	50	–	Production and sale of coal
Huadian Jinshajiang Upstream Hydropower Development Company Limited 華電金沙江上游水電開發有限公司 ("**Jinshajiang Hydropower Company**") (note (i))	4,077,961	12	–	Generation and sale of electricity
Sichuan Huayingshan Longtan Coal Company Limited 四川華鎣山龍灘煤電有限責任公司 ("**Longtan Coal Company**")	144,250	–	45	Production and sale of coal
Sichuan Balanghe Hydropower Development Company Limited 四川巴郎河水電開發有限責任公司	120,000	–	20	Generation and sale of electricity
Datang Xiangcheng Tangdian Hydropower Development Company Limited 大唐鄉城唐電水電開發有限公司	712,749	–	49	Generation and sale of electricity
Datang Derong Tangdian Hydropower Development Company Limited 大唐得榮唐電水電開發有限公司	197,700	–	49	Generation and sale of electricity
CNNP CHD Hebei Nuclear Power Company Limited 中核華電河北核電有限公司 ("**Hebei Nuclear Power**")	322,640	39	–	Generation and sale of electricity
Huadian Huazhong Clean Energy Company Limited 華電華中清潔能源有限公司	300,000	–	20	Generation and development of gas

Notes:

(i) According to the articles of association of these companies, the Company has representations in the board of directors and therefore can participate in the financial and operating policy decisions of these companies so as to have significant influence in their activities.

(ii) The Group holds 50% ownership of Yinxing Coal. According to the articles of associations of Yinxing Coal, the Group only has the decisive rights on Yinxing Coal. Therefore, it has significant influence on financial performance and operation. Thus, it was accounted for as an associate.

(iii) The English translation of the names is for identification only. The official names of these entities are in Chinese.

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES *(Continued)*

(b) Summary financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

(i) Huadian Coal

	2019 *RMB'000*	2018 *RMB'000*
Current assets	**7,276,026**	8,532,346
Non-current assets	**49,851,976**	48,736,013
Current liabilities	**(17,316,111)**	(18,695,672)
Non-current liabilities	**(19,158,348)**	(20,330,893)

	2019 *RMB'000*	2018 *RMB'000*
Revenue	**20,267,336**	20,370,779
Profit for the year	**2,229,020**	1,775,862
Total comprehensive income for the year attributable to equity holders of Huadian Coal	**2,229,020**	1,775,862
Dividends received during the year	**–**	7,053

Reconciliation of the above summarised financial information to the carrying amount of the interest in Huadian Coal recognised in the consolidated financial statements:

	2019 *RMB'000*	2018 *RMB'000*
Net assets	**20,653,543**	18,241,794
Non-controlling interests of Huadian Coal	**(8,119,783)**	(7,919,499)
Proportion of the Group's ownership interest	**12.98%**	12.98%
Carrying amount of the Group's interest	**1,626,882**	1,339,834

(ii) China Huadian Finance

	2019 *RMB'000*	2018 *RMB'000*
Current assets	**8,930,110**	13,975,608
Non-current assets	**33,792,634**	35,084,331
Current liabilities	**(33,473,802)**	(40,490,595)
Non-current liabilities	**(1,056,610)**	(1,000,000)

	2019 *RMB'000*	2018 *RMB'000*
Revenue	**1,267,648**	1,263,780
Profit for the year	**882,697**	899,923
Other comprehensive income for the year	**61,608**	(96,553)
Total comprehensive income for the year	**944,305**	803,370
Dividends received during the year	**85,717**	122,393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES *(Continued)*

(b) Summary financial information of material associates *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in China Huadian Finance recognised in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Net assets	**8,192,332**	7,569,344
Proportion of the Group's ownership interest	**16.462%**	16.462%
Goodwill recognised at acquisition	**21,435**	21,435
Carrying amount of the Group's interest	**1,370,057**	1,267,500

(iii) Yinxing Coal

	2019 RMB'000	2018 RMB'000
Current assets	**344,623**	371,080
Non-current assets	**2,265,615**	2,291,552
Current liabilities	**(986,119)**	(1,252,874)
Non-current liabilities	**(715,597)**	(616,455)

	2019 RMB'000	2018 RMB'000
Revenue	**760,909**	905,803
Profit for the year	**171,556**	305,532
Total comprehensive income for the year	**171,556**	305,532

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yinxing Coal recognised in the consolidated financial statements:

	2019 RMB'000	2018 RMB'000
Net assets	**908,522**	793,303
Proportion of the Group's ownership interest	**50%**	50%
Effect of fair value adjustments at acquisition	**359,655**	359,655
Carrying amount of the Group's interest	**813,916**	756,307

(c) Aggregate information of associates and joint ventures that are not individually material

	2019 RMB'000	2018 RMB'000
The Group's share of profit	**236,731**	115,740
The Group's share of total other comprehensive income	**236,731**	115,740
Aggregate carrying amount of the Group's interests in these associates and joint ventures	**7,965,749**	7,736,724

The joint ventures held by the Group are not material to the consolidated financial statements.

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES *(Continued)*

(d) Where the Group has unrecognised share of losses of associates:

	2019 **RMB'000**	2018 RMB'000
The unrecognised share of loss of an associate for the year	**–**	(44,027)

	2019 **RMB'000**	2018 RMB'000
Cumulative unrecognised share of loss of an associate	**(50,377)**	(50,789)

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 **RMB'000**	2018 RMB'000
Unlisted investments:		
– Equity securities		
At FVPL	**279,439**	280,330

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC.

From 1 January 2018, the Group has made an irrecoverable election to recognise the financial assets at FVPL and there is no subsequent reclassification of fair value gain or losses to other comprehensive income. The fair value of unlisted equity securities is measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

In the current year, the Group disposed of an unlisted equity security with fair value of RMB24 million. A disposal gain of RMB0.2 million has been recognised in profit or loss for the current year.

In last year, the Group disposed of an unlisted equity security with fair value of RMB15 million. A disposal loss of RMB4 million was recognised in profit or loss for the last year.

24. OTHER NON-CURRENT ASSETS

	2019 **RMB'000**	2018 RMB'000
Financial assets		
– Other long-term receivables with fixed-rate and non-current feature (note (i))	**231,358**	352,303
Deductible Value Added Tax and other tax	**2,192,737**	2,487,613
Deferred differences arising from sales and leaseback arrangements and others (note (ii))	**237,343**	520,562
	2,661,438	3,360,478
Less: impairment loss	**–**	(97,861)
	2,661,438	3,262,617

Notes :

(i) Other long-term receivables are balances due from an associate (note 40(a)).

(ii) Deferred differences arising from sale and leaseback arrangements represent the deficit of sale proceeds over the carrying amounts of the assets disposed under the sale and leaseback arrangements which resulted in finance lease. The differences are deferred and amortised as adjustments to the depreciation of the assets over their estimated useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

25. SERVICE CONCESSION ARRANGEMENT

The Group entered into to certain service concession agreements with local governments (the "**Grantors**") to construct and operate wind power plants during the concession period, which is normally for 25 years of operation. The Group is responsible for construction and maintenance of the wind power plants during the concession period. At the end of the concession period, the Group needs to dispose of the wind power plants to local government at nil consideration. Service concession construction revenue represents the revenue recognised during the construction stage of the service concession period. The same amount of cost is recorded since substantially all construction activities are sub-contracted. In 2019 and 2018, there is no additional construction work incurred for service concession arrangement, and correspondingly no revenue and cost on service concession has been recognised in profit or loss.

The Group has recognised intangible assets (note 20) related to the service concession arrangement representing the right the Group receives to charge a fee for sales of electricity. The Group has not recognised service concession receivables as the Grantor will not provide the Group any guaranteed minimum payment for the operating period of the wind power plants.

The Group recognises the intangible assets at the fair value of the concession construction service and amortises the intangible assets over the operating period of the service concession projects.

26. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Coal, gas and stalk	**2,269,513**	2,764,163
Fuel oil	**51,874**	54,004
Materials, components and spare parts	**901,549**	623,135
	3,222,936	3,441,302

All of the inventories for future usage and sales are expected to be utilised within one year.

27. TRADE DEBTORS AND BILLS RECEIVABLE

	2019	2018
	RMB'000	*RMB'000*
Trade debtors and bills receivable for the sale of electricity	**10,705,213**	9,090,233
Trade debtors and bills receivable for the sale of heat	**645,722**	622,883
Trade debtors and bills receivable for the sale of coal	**1,199,203**	1,210,698
	12,550,138	10,923,814
Less: allowance for impairment	**(288,254)**	(253,431)
	12,261,884	10,670,383

Notes:

(i) As at 31 December 2019, bank acceptance bills discounted of RMB3,487 million (2018: RMB2,112 million) were derecognised by the Group (the "**Derecognised Bills**"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant. Losses related to derecognition of the Derecognised Bills was RMB8.21 million (2018: RMB6.51 million) in total and charged into profit or loss.

(ii) As at 31 December 2019, trade receivables amounted to RMB3,964 million (2018: RMB3,298 million) had been factored to a bank on a non-recourse basis. These trade receivables were derecognised as the Group had transferred the significant risks and rewards relating to the trade receivables to the bank under the non-recourse factoring agreements. Losses related to derecognition of the derecognised trade receivables was RMB1.1 million (2018: RMB1.1 million) in total and charged into profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

27. TRADE DEBTORS AND BILLS RECEIVABLE *(Continued)*

(a) Ageing analysis

As at 31 December 2019, the ageing analysis of trade debtors and bills receivable (net of allowance for impairment), presented based on the invoice date, which approximated to the revenue recognition date, is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Within 1 year	**10,757,651**	9,975,584
1 to 2 years	**1,342,010**	630,882
2 to 3 years	**142,988**	5,846
Over 3 years	**19,235**	58,071
	12,261,884	10,670,383

(b) Impairment of trade debtors and bills receivable

Impairment loss in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 2(m)(i)).

The movement in allowance for impairment during the year is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
At 1 January	**253,431**	252,931
Impairment loss recognised	**34,831**	500
Reversal of impairment loss	**(8)**	–
At 31 December	**288,254**	253,431

At 31 December 2019, the Group's trade debtors and bills receivable totalling of RMB35 million (2018: RMB0.5 million) were individually determined to be impaired. At 31 December 2019, allowance for impairment is RMB288 million (2018: RMB253 million). The Group does not hold any collateral over these balances.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Neither past due nor impaired	**8,127,912**	7,828,834
Less than 1 year past due	**2,629,739**	2,146,750
1 to 2 years past due	**1,342,010**	630,882
2 to 3 years past due	**142,988**	5,846
More than 3 years past due	**19,235**	58,071
At 31 December	**12,261,884**	10,670,383

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that ECL allowance is immaterial in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

28. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2019, deposits, other receivables and prepayments of the Group with gross amounts of RMB5,010 million (2018: RMB5,174 million) mainly represent prepayment for purchasing inventories and materials, deductible VAT recoverable, dividends receivable and other receivables.

ECLs are estimated by applying a loss rate approach with reference to the historical loss record of the Group. 12-month ECLs are applied as there is no significant increase in credit risk since initial recognition. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

As at 31 December 2019, 12-month ECLs of the Group amounted to RMB534 million (2018: RMB418 million), including allowance for impairment on receivables on Certified Emission Reductions of RMB85 million (2018: RMB85 million).

29. RESTRICTED DEPOSITS

Restricted deposits mainly represent deposits at banks and other financial institutions with maturity over three months.

30. CASH AND CASH EQUIVALENTS

	2019 ***RMB'000***	2018 *RMB'000*
Cash at bank and in hand	**916,108**	420,309
Cash at other financial institutions	**5,549,452**	6,218,017
	6,465,560	6,638,326

31. BORROWINGS

(a) Bank loans

	2019 ***RMB'000***	2018 *RMB'000*
Due:		
Within 1 year		
– short-term bank loans	**20,762,734**	23,747,947
– current portion of long-term bank loans	**8,692,061**	7,833,629
	29,454,795	31,581,576
After 1 year but within 2 years	**8,714,872**	9,003,731
After 2 years but within 5 years	**20,323,814**	20,812,267
After 5 years	**28,086,036**	29,583,346
	57,124,722	59,399,344
	86,579,517	90,980,920

As at 31 December 2019, all of the bank loans are unsecured, except for amounts of RMB19,599 million (2018: RMB19,842 million) in total which are secured by the income stream in respect of the sale of electricity and trade debtors for the sale of electricity and heat of certain subsidiaries, amounts of RMB2,994 million (2018: RMB3,189 million) in total which are secured by lease prepayments and property, plant and equipment with an aggregate carrying amount of RMB5,208 million (2018: RMB3,775 million) and amounts of RMB1,306 million (2018: RMB1,653 million) in total are secured by guarantee from China Huadian (as defined below) and independent third parties. None of the bank loans contain financial covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

31. BORROWINGS *(Continued)*

(a) Bank loans *(Continued)*

Details of the currencies, interest rates and maturity dates of bank loans are as follows:

	2019 *RMB'000*	2018 *RMB'000*
RMB loans		
Floating interest rates mainly ranging from 3.70% to 6.09% per annum as at 31 December 2019 (2018: 3.92% to 6.40%), with maturities up to 2043.	**71,048,146**	76,098,434
Fixed interest rates mainly ranging from 2.80% to 5.22% per annum as at 31 December 2019 (2018: 3.65% to 5.22%), with maturities up to 2033.	**15,371,695**	14,849,497
Euro loans		
Fixed interest rate of 2.50% per annum as at 31 December 2019 (2018: 2.50%), with maturity up to 2022.	**22,256**	32,989
USD loans		
Fixed interest rate of 3.86% per annum as at 31 December 2019 (2018: nil), with maturity up to 2020.	**137,420**	–
	86,579,517	90,980,920

The Group has the remaining balance of Euro and USD bank loans amounting to Euro2.85 million (2018: Euro4.20 million) and USD20 million (2018: nil) respectively as at 31 December 2019.

(b) Loans from shareholders

	2019 *RMB'000*	2018 *RMB'000*
Due:		
Within one year	**400,000**	100,000
After 1 year but within 2 years	**600,000**	550,000
After 2 years but within 5 years	**1,150,000**	1,100,000
After 5 years	**443,730**	28,666
	2,593,730	1,778,666

All of the loans from shareholders are unsecured and denominated in RMB. Details of the interest rates and maturity dates of loans from shareholders are as follows:

	2019 *RMB'000*	2018 *RMB'000*
Loans from China Huadian		
Floating interest rates ranging from 4.28% to 4.75% per annum as at 31 December 2019 (2018: 4.28% to 4.75%), with maturities up to 2021.	**1,400,000**	1,550,000
Fixed interest rates ranging from 3.89% to 6.40% per annum as at 31 December 2019 (2018: 4.15% to 6.40%), with maturities up to 2029.	**1,170,000**	200,000
Others		
Floating interest rate of 4.90% per annum as at 31 December 2019 (2018: 4.90%), with maturities up to 2030.	**23,730**	28,666
	2,593,730	1,778,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

31. BORROWINGS *(Continued)*

(c) State loans

	2019 RMB'000	2018 RMB'000
Due:		
Within 1 year		
– current portion of long-term state loans	**4,466**	2,774
After 1 year but within 2 years	**1,876**	4,810
After 2 years but within 5 years	**5,628**	4,764
After 5 years	**45,377**	48,332
	52,881	57,906
	57,347	60,680

Details of the currencies, interest rates and maturity dates of state loans are as follows:

	2019 RMB'000	2018 RMB'000
RMB loans		
Fixed interest rates mainly ranging from 2.55% to 2.82% per annum as at 31 December 2019 (2018: 2.55% to 2.82%), with maturities up to 2020.	**1,227**	2,455
Floating interest rate of 1.80% per annum as at 31 December 2019 (2018: 1.80%), with maturities up to 2020.	**1,364**	1,363
Euro loan		
Fixed interest rate of 0.75% per annum as at 31 December 2019 (2018: 3.09%), with maturities up to 2048.	**54,756**	56,862
	57,347	60,680

The RMB state loans represent loans of RMB1.23 million (2018: RMB2.46 million) obtained from Ministry of Finance of the PRC in 2006 and a loan of RMB1.36 million (2018: RMB1.36 million) obtained from Ministry of Finance of Weifang Municipal Government in 2005. The RMB state loans are unsecured.

The Euro state loan represents a loan facility maximum of Euro14.50 million granted by the KfW Bankengruppe of Germany to the PRC State Government pursuant to a loan agreement entered into in December 2008 based on a series of bilateral financial cooperation agreements between The Federal Republic of Germany and the PRC State Government. The loan is to finance the Qingdao central heating system under the Energy Efficiency programme. The PRC State Government on-lent the loan facility to Qingdao Heat Company through China Agricultural Bank and is guaranteed by Qingdao Finance Bureau. As at 31 December 2019, the total amount of the above state loan is Euro7.01 million (2018: Euro7.25 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

31. BORROWINGS *(Continued)*

(d) Other loans

	2019	2018
	RMB'000	*RMB'000*
Due:		
Within 1 year		
– short-term other loans	**3,304,000**	2,839,000
– current portion of long-term other loans	**1,397,694**	2,803,320
	4,701,694	5,642,320
After 1 year but within 2 years	**1,560,530**	1,935,262
After 2 years but within 5 years	**2,748,836**	3,282,968
After 5 years	**942,831**	328,520
	5,252,197	5,546,750
	9,953,891	11,189,070

Other loans are borrowed from China Huadian Finance, an associate of the Group and a fellow subsidiary of the Company. Other loans bear interest rates ranging from 1.50% to 6.09% per annum as at 31 December 2019 (2018: 1.80% to 5.39% per annum), with maturities from 2020 to 2039 (2018: 2019 to 2028).

Thereinto, the Group had 6 sales and leaseback agreements with a fellow subsidiary of the Company (note 40) and three other financial leasing companies with contract terms of 3 years and 10 years respectively in order to sell certain property, generator and related machinery and equipment (note 17) and at the meantime, lease back those assets during the year ended 31 December 2019. According to the agreements, the Group has an option to buy back the equipment at a nominal price (RMB1 or 0) when the lease term expires. The substance of the transaction was to obtain financing secured by relevant assets within the leasing period and repaid them in instalment. During the year ended 31 December 2019, the loans mentioned above bear interest rate ranging from 1.50% to 5.64% per annum (2018: nil) and will be due from 2022 to 2029 (2018: nil).

The loans amounts totalling RMB211 million (2018: RMB195 million), and the loans amounts totaling RMB75 million (2018: nil) by third party financial leasing companies which are secured by the income stream in respect of the sale of electricity, and amounts totalling nil (2018: RMB1,500 million) are secured by guarantee from China Huadian. All of the other loans are denominated in RMB. Details of the interest rates and maturity dates of other loans are as follows:

	2019	2018
	RMB'000	*RMB'000*
Loans from China Huadian Finance		
Floating interest rates ranging from 3.92% to 4.90% per annum as at 31 December 2019 (2018: 3.92% to 4.90%), with maturities up to 2035.	**6,219,131**	5,813,981
Fixed interest rates ranging from 3.92% to 4.90% per annum as at 31 December 2019 (2018: 3.92% to 4.35%), with maturities up to 2029.	**2,271,000**	2,348,000
Others		
Floating interest rates ranging from 1.80% to 5.15% per annum as at 31 December 2019 (2018: 1.80% to 5.39%), with maturities up to 2029.	**768,118**	2,892,127
Fixed interest rates of ranging from 1.50% to 6.09% per annum as at 31 December 2019 (2018: 4.00% to 5.39%) with maturities up to 2039.	**695,642**	134,962
	9,953,891	11,189,070

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

31. BORROWINGS *(Continued)*

(e) Short-term debentures payable

	2019 **RMB'000**	2018 RMB'000
Third tranche of super short-term debentures for the year of 2018	**–**	4,115,275
Fourth tranche of super short-term debentures for the year of 2018	**–**	3,018,962
Fourth tranche of super short-term debentures for the year of 2019	**3,037,009**	–
First tranche of super short-term debentures for the year of 2019 - Hubei	**504,328**	–
	3,541,337	7,134,237

On 25 January 2019, the Group issued the first tranche of super short-term debentures of 2019 in PRC interbank debenture market. The super short-term debentures was issued at a total par value of RMB3,500 million with a maturity period of 180 days and bears interest at 2.96% per annum. The tranche is unsecured.

On 13 March 2019, the Group issued the second tranche of super short-term debentures of 2019 in PRC interbank debenture market. The super short-term debentures was issued at a total par value of RMB3,000 million with a maturity period of 180 days and bears interest at 2.78% per annum. The tranche is unsecured.

On 18 July 2019, the Group issued the third tranche of super short-term debentures of 2019 in PRC interbank debenture market. The super short-term debentures was issued at a total par value of RMB3,500 million with a maturity period of 90 days and bears interest at 2.50% per annum. The tranche is unsecured.

On 22 July 2019, the Group issued the fourth tranche of super short-term debentures of 2019 in PRC interbank debenture market. The super short-term debentures was issued at a total par value of RMB3,000 million with a maturity period of 180 days and bears interest at 2.78% per annum. The tranche is unsecured.

On 19 September 2019, the Group issued the first tranche of super short-term debentures – Hubei of 2019 in PRC interbank debenture market. The super short-term debentures was issued at a total par value of RMB500 million with a maturity period of 270 days and bears interest at 3.20% per annum. The tranche is unsecured.

On 15 October 2019, the Group issued the fifth tranche of super short-term debentures of 2019 in PRC interbank debenture market. The super short-term debentures was issued at a total par value of RMB3,000 million with a maturity period of 60 days and bears interest at 2.10% per annum. The tranche is unsecured.

During the current year, the Group repaid six tranches of super short-term debentures totally amounting to principal amount of RMB20,000 million (2018: RMB10,800 million) at par value.

The effective interest rates of above debentures are ranging from 2.20% to 4.55% (2018: from 3.70% to 4.75%) per annum after considering the effect of issue costs.

(f) Long-term debentures payable

	2019 **RMB'000**	2018 RMB'000
First tranche of medium-term notes for the year of 2014	**–**	2,597,864
First tranche of medium-term notes for the year of 2016	**1,992,113**	1,987,401
First tranche of medium-term notes for the year of 2017	**3,496,139**	3,494,489
Second tranche of medium-term notes for the year of 2017	**1,998,796**	1,995,657
First tranche of medium-term notes for the year of 2019	**2,997,594**	–
First tranche of company debentures for the year of 2019	**1,999,825**	–
	12,484,467	10,075,411
Less: Long-term debentures due within one year	**(1,998,796)**	(2,597,864)
	10,485,671	7,477,547

During the current year, the Group has not issued any long-term debenture and non-public private placement bond.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

31. BORROWINGS *(Continued)*

(f) Long-term debentures payable *(Continued)*

On 2 April 2019, the Group issued the first tranche of medium-term notes for the year of 2019 in PRC interbank debenture market. The medium-term notes was issued at a total par value of RMB3,000 million with a maturity period of 5 years and bears interest at 4.06% per annum. The tranche is unsecured.

On 17 October 2019, the Group issued the first tranche of company debenture for the year of 2019 in Shanghai Stock Exchange. The company debenture was issued at a total par value of RMB2,000 million with a maturity period of 3 years and bears interest at 3.58% per annum. The tranche is unsecured.

During the year, the Group repaid one tranche of medium-term note with principal amount of RMB2,600 million at par value.

During the last year, the Group repaid two tranche of non-public private placement bonds with principal amount of RMB6,500 million at par value.

The effective interest rates of above long-term debentures are ranged from 3.47% to 4.97% (2018: from 3.47% to 6.29%) per annum after considering the effect of issue costs.

32. TRADE CREDITORS AND BILLS PAYABLE

As at 31 December 2019, the aging analysis of trade creditors and bills payable, presented based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**12,089,916**	14,057,094
1 to 2 years	**3,563,282**	3,110,936
Over 2 years	**1,983,035**	1,989,958
	17,636,233	19,157,988

33. OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Financial liabilities		
– Construction deposits	**1,517,143**	1,544,752
– Consideration payables on acquisitions	**633,969**	694,578
– Interest payables	**509,482**	506,404
– Wages payable	**236,568**	238,716
– Payables for installed capacity quota	**273,530**	273,530
– Payables for sewage charges	**32,933**	34,502
– Dividend payables to non-controlling interests	**252,825**	331,176
– Current portion of long-term payables (note 35)	**54,950**	65,350
– Others (note (i))	**1,900,188**	1,819,214
	5,411,588	5,508,222
Other tax payables	**1,015,380**	1,279,563
Contract liabilities (note 5)	**1,757,069**	1,375,579
	8,184,037	8,163,364

Notes:

(i) Others mainly include payables on service fees, water charges and other miscellaneous items.

(ii) All of the other payables of the Group are expected to be settled or recognised as income within one year or are repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

33. OTHER PAYABLES *(Continued)*

Contract liabilities

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Contract liabilities arising from:	**1,757,069**	1,375,579
Included:		
Sale of heat	**1,408,318**	1,256,949
Sale of coal	**71,835**	32,295
Total	**1,757,069**	1,375,579

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of heat and sale of coal

Contract liabilities mainly relate to the deposits received from customers for sale of heat and sale of coal. The Group expects to deliver the goods to satisfy the performance obligations of these contract liabilities within one year or less.

34. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In 2016, the Group entered into a restructuring agreement (the"**restructuring agreement**") with four independent third parties and Ningxia West (Formerly known as Guangxi (Yinchuan) Industrial Co., Limited "廣夏(銀川)實業股份有限公司"), an associated company. Pursuant to the restructuring agreement, the independent third parties and the Group guaranteed and undertook to the Ningxia West that, the accumulated consolidated after-tax net profit of the Ningxia West prepared in accordance with the China Accounting Standards (the "**CASs**") shall not be less than RMB1 billion (the "**Profit Guarantee**") for the three financial years ended 31 December 2018.

The financial liability at FVPL represents a contingent consideration payable arising from the Profit Guarantee in related to the acquisition of specified percentage of equity interest of Ningxia West. Pursuant to the Profit Guarantee, the potential undiscounted amount of the contingent consideration receivable that the Group and four independent third parties could receive is between nil and the amount exceeded the RMB1 billion. The fair value of the financial liability at FVPL was determined by applying the income approach and after considering the accumulated consolidated after-tax net profit of the guaranteed three-year period.

For the year ended 31 December 2019, the contingent consideration payable has been settled and the corresponding financial liability at FVPL has been derecognised.

35. LONG-TERM PAYABLES

An amount of RMB369 million (2018: RMB429 million) represents payables to local governments for mining rights, by using a pre-tax discount rate that reflects current assessments of the time value of money and interest expenses was recognised with the passage of time. In accordance with the repayment schedule set out in the relevant agreement, the current portion and non-current portion of this long term payable were RMB55 million and RMB314 million (2018: RMB65 million and RMB364 million).

36. INCOME TAX IN THE CONSOLIDATION STATEMENT OF FINANCIAL POSITION

(a) Taxation in the consolidation statement of financial position represents:

	2019 *RMB'000*	2018 *RMB'000*
Net tax payable at 1 January	**307,560**	83,239
Provision for the year (note 14(a))	**1,374,200**	1,061,989
Under provision in respect of prior years (note 14(a))	**7,024**	11,946
Income tax paid	**(1,143,820)**	(849,614)
Net tax payable at 31 December	**544,964**	307,560
Representing:		
Tax payable	**596,975**	421,350
Tax recoverable	**(52,011)**	(113,790)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

36. INCOME TAX IN THE CONSOLIDATION STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	At 1 January 2018 *RMB'000*	(Charged)/ credited to profit or loss *RMB'000* (note 14(a))	At 31 December 2018 and 1 January 2019 *RMB'000*	Credited to profit or loss *RMB'000* (note 14(a))	Through acquisition of subsidiary *RMB'000*	At 31 December 2019 *RMB'000*
Written-off of inventories and impairment of receivables, property, plant and equipment and construction in progress	102,021	(24,198)	77,823	6,856	–	84,679
Accelerated tax depreciation of property, plant and equipment	(1,164,614)	19,363	(1,145,251)	320,975	–	(824,276)
Fair value adjustments on property, plant and equipment, construction in progress, intangible assets and equity investment arising from business combination	(1,341,634)	95,191	(1,246,443)	–	6,087	(1,240,356)
Long-term payables discounting	(76,918)	–	(76,918)	–	–	(76,918)
Expenses to be claimed on paid basis	6,674	1,271	7,945	513	–	8,458
Tax losses	169,971	184,616	354,587	16,440	–	371,027
Others	117,149	(29,170)	87,979	–	–	87,979
	(2,187,351)	247,073	(1,940,278)	344,784	6,087	(1,589,407)

Reconciliation to the consolidated statement of financial position is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**614,436**	365,613
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(2,203,843)**	(2,305,891)
	(1,589,407)	(1,940,278)

In accordance with the accounting policy set out in note 2(v), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB3,763 million (2018: RMB3,739 million) and deductible temporary differences of approximately RMB4,335 million (2018: RMB3,591 million) due to the unpredictability of future profit streams. The expiration of tax losses under current tax legislation is as follows:

	2019 ***RMB'000***	2018 *RMB'000*
2019	**–**	405,760
2020	**314,636**	327,045
2021	**544,874**	546,740
2022	**780,321**	781,219
2023	**1,670,449**	1,678,047
2024	**452,344**	–
	3,762,624	3,738,811

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

37. DEFERRED INCOME

Deferred income represents the unearned portion of upfront installation fees received from customers for connecting the customers' premises to the heat network of the Group. The amount is deferred until completion of the installation work and recognised in profit or loss in equal instalments over the expected service terms of the relevant services.

The upfront installation fee recognised for the year amounting to RMB177 million (2018: RMB195 million) is included in "Other revenue" in the consolidated statement of profit or loss and other comprehensive income (note 9).

38. PROVISIONS

The provisions represent the Group's best estimate of the remediation costs for Group's liability on mine disposal and environmental restoration, which is based on industry standards and historical experience.

	2019 ***RMB'000***	2018 *RMB'000*
At 1 January	**117,625**	108,912
Accretion expense	**9,907**	8,713
At 31 December	**127,532**	117,625

39. SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2019 ***RMB'000***	2018 *RMB'000*
Final dividend proposed after the end of reporting period of RMB0.146 per share (2018: RMB0.066 per share)	**1,439,995**	650,956

Pursuant to a resolution passed at the directors' meeting held on 25 March 2020, final dividend of RMB0.146 per share will be payable to shareholders for 2019, subject to the approval of the shareholders at the coming annual general meeting.

(ii) Dividends for equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2019 ***RMB'000***	2018 *RMB'000*
Final dividend in respect of the previous financial year approved and paid during the year, of RMB0.066 per share (2018: RMB0.018 per share)	**650,956**	177,534

(b) Share capital

	No. of shares ***'000***	***RMB'000***
Ordinary shares registered, issued and fully paid at 1 January 2018, 31 December 2018 and 31 December 2019:		
A shares of RMB1 each	**8,145,743**	**8,145,743**
H shares of RMB1 each	**1,717,234**	**1,717,234**
Total	**9,862,977**	**9,862,977**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

39. SHARE CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Reserve

(i) Capital reserve

Capital reserve represents premium received from issue of shares, share of a joint venture or an associate's capital reserve movements which are required to be included in this reserve by the PRC regulations and the difference between the fair value of the interest-free loans provided by the parent company initially recognised in the financial statements and the nominal amount of loans received by the Group.

(ii) Statutory surplus reserve

General reserve

According to the Company's Articles of Association, the Company is required to transfer at least 10% (at the discretion of the board of directors) of its profit after taxation, as determined under PRC accounting rules and regulations, to a statutory general surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

The statutory general surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

Specific reserve

Pursuant to the relevant PRC regulations for coal mining companies, the Group is required to set aside an amount to maintenance and production funds. The funds can be used for maintenance of production and improvements of safety at the mines, and are not available for distribution to shareholders.

(iii) Revaluation reserves

Revaluation reserve represents the fair value adjustment of acquisition of Weifang Company (as defined below) relating to the previously held interest of the Group.

(iv) Fair value reserve

The fair value reserve comprises the Group's share of the cumulative net change in the fair value of financial asset at OCI of an associate at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 2(k).

(d) Distributability of reserve

According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under PRC accounting rules and regulations and the amount determined under IFRSs. As of 31 December 2019, the retained profits available for distribution were RMB8,297 million (2018: RMB7,372 million).

(e) Perpetual capital securities

During the current year, the Company issued 6 tranches of public perpetual capital securities, which included 6 tranches of public perpetual capital securities, which included (1) 2nd tranche of medium-term note of 2019 (Type 1); (2) 2nd tranche of medium-term note of 2019 (Type 2); (3) 3rd tranche of medium-term note of 2019 (Type 1); (4) 3rd tranche of medium-term note of 2019 (Type 2); (5) 4th tranche of medium-term note of 2019 (Type 1); (6) 4th tranche of medium-term note of 2019 (Type 2), to third parties with an aggregate principal amount of RMB7 billion.

In the prior year ended, the Company total issued 6 tranches of public perpetual capital securities, which included (1) 1st tranche of renewable debentures of 2018 in public market (Type 1) (the "**18 Huadian Y1**"); (2) 1st tranche of renewable debentures of 2018 in public market (Type 2) (the "**18 Huadian Y2**"); (3) 2nd tranche of renewable debentures of 2018 in public market (Type 1) (the "**18 Huadian Y3**"); (4) 2nd tranche of renewable debenture of 2018 in public market (Type 2) (the "**18 Huadian Y4**"); (5) 1st tranche of perpetual notes 2018 (the "**Tranche A**"); and (6) 2nd tranche of perpetual note 2018 (the "**Tranche B**"), to third parties with an aggregate principal amount of RMB9 billion.

Type of securities	Issue date	Category	Issue Price *RMB'000*	Number	Par value *RMB'000*
2nd Tranche of medium-term note of 2019 (Type 1)	June 2019	Equity Instrument	0.1	15,000,000	1,500,000
2nd Tranche of medium-term note of 2019 (Type 2)	June 2019	Equity Instrument	0.1	15,000,000	1,500,000
3rd Tranche of medium-term note of 2019 (Type 1)	September 2019	Equity Instrument	0.1	15,000,000	1,500,000
3rd Tranche of medium-term note of 2019 (Type 2)	September 2019	Equity Instrument	0.1	5,000,000	500,000
4th Tranche of medium-term note of 2019 (Type 1)	November 2019	Equity Instrument	0.1	15,000,000	1,500,000
4th Tranche of medium-term note of 2019 (Type 2)	November 2019	Equity Instrument	0.1	5,000,000	500,000
					7,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

39. SHARE CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Perpetual capital securities *(Continued)*

The perpetual capital securities are issued at par value with a range of initial distribution rate from 3.88% to 5.20%. The interests of perpetual capital securities are recorded as distributions, which are payable annually after the approval of the directors of the Company and may be deferred at the discretion of the Company unless compulsory distribution payment events (distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company) occurred.

The perpetual capital securities have no fixed maturity date and are redeemable at the Company's discretion in whole in July 2021, July 2023, August 2021, August 2023, October 2021, November 2021, June 2022, June 2024, September 2022, September 2024, November 2022 and November 2024 respectively, the payment of the principal may be deferred for each renewable period as 3 or 5 years. The applicable distribution rate will be reset on first call date and each renewal period after first call date, to the sum of the applicable benchmark interest rate, the initial spread and 300 basis points per annum.

The directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the perpetual capital securities. Therefore, the perpetual capital securities are classified as equity instrument and recorded in equity in the consolidated statement of financial position. During the year ended 31 December 2019, the profit attributable to holders of perpetual capital securities, based on the applicable distribution rate, was approximately RMB178 million (2018: RMB146 million).

Movement of the perpetual capital securities is as follows:

	Principal *RMB'000*	Distribution *RMB'000*	Total *RMB'000*
As at 1 January 2018	–	–	–
Issue of perpetual capital securities	8,963,199	–	8,963,199
Profit attributable to holders of perpetual capital securities (note 16(a))	–	145,576	145,576
As at 31 December 2018 and 1 January 2019	**8,963,199**	**145,576**	**9,108,775**
Issue of perpetual capital securities	**6,988,156**	**–**	**6,988,156**
Profit attributable to holders of perpetual capital securities (note 16(a))	**–**	**543,594**	**543,594**
Distributions payable to holders of perpetual capital securities	**–**	**(511,470)**	**(511,470)**
As at 31 December 2019	**15,951,355**	**177,700**	**16,129,055**

(f) Capital management

The Group's capital management objectives are:

– to ensure the Group's ability to continue as a going concern;

– to provide an adequate return to shareholders; and

– to maintain an optimal capital structure to reduce cost of capital.

In order to maintain and improve the capital structure, the Group may, for the purpose of business expansion, issue new shares to reduce its liabilities to assets ratio.

The Group monitors its capital structure on the basis of liabilities to assets ratio. This ratio is calculated as total liabilities divided by total assets.

The liabilities to assets as at 31 December 2019 and 2018 were as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Total liabilities	**151,556,712**	159,254,257
Total assets	**232,164,355**	227,496,121
Liabilities to assets ratio	**65%**	70%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

40. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with shareholders, fellow subsidiaries and associates

Shareholders, fellow subsidiaries and associates that had material transactions with the Group are as follows:

Name of related parties	Nature of relationship
China Huadian	Parent and ultimate holding company of the Company
China Huadian Engineering Corporation and its subsidiaries	Fellow subsidiaries of the Company
Huadian Shanxi Energy Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Guodian Nanjing Automation Company Limited and its subsidiaries	Fellow subsidiaries of the Company
CHD Power Plant Operation Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Huadian Sichuan Power Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Materials Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Huadian Inner Mongolia Energy Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Capital Holdings Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Huadian Energy Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Advanced Training Centre	A fellow subsidiary of the Company
China Huadian Electrical Construction Technical and Economic Consulting Centre	A fellow subsidiary of the Company
Huadian Shaanxi Energy Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Huadian Fuxin Energy Limited Company and its subsidiaries	Fellow subsidiaries of the Company
Anhui Huadian Lu'an Power Generation Company Limited	A fellow subsidiary of the Company
China Huadian Clean Energy Company Limited	A fellow subsidiary of the Company
Huadian Jiangsu Energy Limited Company and its subsidiaries	Fellow subsidiaries of the Company
Hunan Huadian Changsha Power Generation Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Hunan Huadian Changde Power Generation Company Limited	A fellow subsidiary of the Company
Guizhou Wujiang Hydroelectric Development Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Hong Kong Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Group Science and Technology Research Institutes Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Huadian Xinjiang Power Generation Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Zhejiang Huadian Wuxijiang Hydropower Company Limited	A fellow subsidiary of the Company
Huadian Electric Power Research Institute Company Limited	A fellow subsidiary of the Company
Huadian Jinshan Energy Co., Ltd	A fellow subsidiary of the Company
China Huadian Finance	An associate of the Group
Longtan Coal Company	An associate of the Group
Huadian Coal	An associate of the Group
Yinxing Coal	An associate of the Group
Fucheng Mining Company	An associate of the Group
Shuozhou Tong-coal Wantongyuan Coal Transportation and Sales Company Limited	An associate of the Group
Hebei Nuclear Power	An associate of the Group
Changcheng Mine	An associate of the Group
Changcheng No.3 Mining	An associate of the Group
Changcheng No.5 Mining	An associate of the Group
Ningxia Zhongning Power Generation Company Limited	An associate of the Group
Lu'an Municipal Thermal Power Company Limited	An associate of the Group
Suzhou Industrial Investment Group Co., Ltd	An associate of the Group
Beijing Huabin Investment Company Limited	A subsidiary of an associate of the Group
Beijing Huabin Property Management Company Limited	A subsidiary of an associate of the Group
Ningxia Ningdong Railway Corporation Limited	A subsidiary of an associate of the Group
Yanzhou Coal Mining Company Limited ("**Yanzhou Coal**") (note (i))	A connected person of the Group
Shaanxi Coal Transportation and Marketing (Group) Company Limited ("**Shaanxi Coal Transportation and Marketing**") (note (ii))	A connected person of the Group
Shandong Development & Investment Holding Group Co., Ltd	A connected person of the Group

Notes:

(i) Yanzhou Coal is a substantial minority shareholder of a non-wholly owned subsidiary of the Company.

(ii) Shaanxi Coal Transportation and Marketing is a company of a substantial minority shareholder of a non-wholly owned subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

40. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with shareholders, fellow subsidiaries and associates *(Continued)*

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the years ended 31 December 2019 and 2018:

	2019	2018
	RMB'000	*RMB'000*
Sale of electricity to		
Fellow subsidiaries	**41,172**	42,112
Purchase of electricity from		
Fellow subsidiaries	**89,708**	38,570
Sale of coal to		
Fellow subsidiaries	**11,045,698**	10,939,553
Purchase of coal from		
Associates	**3,286,643**	2,770,504
Fellow subsidiaries	**1,517,670**	828,994
Connected persons	**3,143,945**	3,440,200
Purchase of natural gas from		
A fellow subsidiary	**751,181**	32,710
Purchase of construction service and equipment from		
An associate	**16,296**	–
Fellow subsidiaries	**3,657,944**	4,681,810
Sales of equipment to		
Fellow subsidiaries	**31,878**	489,323
Other services income from		
Associates	**311**	–
Fellow subsidiaries	**14,966**	21,194
Loans provided to		
An associate	**73,408**	157,650
Loans proceeds obtained from		
China Huadian	**1,070,000**	–
An associate	**9,755,990**	12,899,001
A fellow subsidiary	**622,162**	–
Loans repaid to		
China Huadian	**250,000**	–
An associate	**9,427,840**	13,607,795

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

40. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with shareholders, fellow subsidiaries and associates *(Continued)*

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the years ended 31 December 2019 and 2018: *(Continued)*

	2019 RMB'000	2018 RMB'000
Bills receivable discounted to		
Associates	**736,929**	1,282,240
Derecognised bills receivable collected by		
Associates	**774,000**	1,392,240
Lease payment under sales and leaseback arrangement to		
A fellow subsidiary	**127,412**	101,098
Financing received under sales and leaseback arrangement from		
A fellow subsidiary	**–**	262,108
Interest paid to		
China Huadian	**85,674**	82,849
An associate	**366,069**	391,372
A fellow subsidiary	**6,770**	–
Interest received from		
Associates	**98,820**	92,128
Rental and property management service expenses paid to		
Associates	**60,339**	56,689
Fellow subsidiaries	**18,765**	11,637
Rental and property management service income from		
An associate	**–**	429
Fellow subsidiaries	**1,357**	–
Guarantee service expenses paid to		
China Huadian	**1,603**	5,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

40. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with shareholders, fellow subsidiaries and associates *(Continued)*

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the years ended 31 December 2019 and 2018: *(Continued)*

	2019 ***RMB'000***	2018 *RMB'000*
Other service expenses paid to		
China Huadian	**107,232**	108,364
Associates	**45,726**	31,194
Fellow subsidiaries	**369,949**	424,628
Additional capital injection in		
Associates	**186,545**	129,706
Purchase of equipment from		
A fellow subsidiary	**92,040**	–
Consideration of acquiring a subsidiary from		
China Huadian (note 46(c)(ii))	**469,776**	–

The balances due from (to) shareholders, fellow subsidiaries and associates are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Construction in progress-construction and construction material prepayments		
An associate	**7,809**	–
Fellow subsidiaries	**331,958**	471,967
Trade debtors and bills receivable		
Fellow subsidiaries	**869,435**	701,965
Deposits, other receivables and prepayments		
Associates	**97,197**	73,555
Fellow subsidiaries	**238,288**	365,533
A connected person	**54,854**	24,810
Other long-term receivables		
An associate (note 24)	**231,358**	254,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

40. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with shareholders, fellow subsidiaries and associates *(Continued)*

The balances due from (to) shareholders, fellow subsidiaries and associates are as follows: *(Continued)*

	2019 **RMB'000**	2018 RMB'000
Cash and cash equivalents and restricted deposits		
An associate	**5,621,452**	6,218,017
Loans from a shareholder		
China Huadian	**(2,570,000)**	(1,750,000)
Other loans		
An associate	**(8,490,131)**	(8,161,981)
A fellow subsidiary	**(622,162)**	–
Trade creditors and bills payable		
China Huadian	**(11,374)**	(12,049)
Associates	**(146,588)**	(191,807)
Fellow subsidiaries	**(2,732,741)**	(2,957,941)
A connected person	**(123,400)**	(41,648)
Other payables		
China Huadian	**(34,827)**	(34,973)
Associates	**(15,687)**	(12,095)
Fellow subsidiaries	**(509,041)**	(598,540)
A connected person	**(100)**	–
Contract liabilities		
A fellow subsidiary	**(32,589)**	(10,987)
Lease liabilities/obligation under finance leases		
A fellow subsidiary	**(1,480,952)**	(1,406,292)

Notes:

(i) At 31 December 2019, the Group provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB43.58 million (2018: RMB43.65 million).

(ii) At 31 December 2019, China Huadian provided guarantee to banks for loans granted to the Group amounting to RMB1,102 million (2018: RMB2,925 million).

(b) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 12 and certain highest paid employees as disclosed in note 13, is as follows:

	2019 **RMB'000**	2018 RMB'000
Salaries and other emoluments	**3,066**	3,126
Retirement benefits	**472**	502
Bonuses	**3,587**	3,195
	7,125	6,823

Total remuneration is included in "personnel costs" (see note 6).

(c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments and China Huadian for its staff. As at 31 December 2019 and 2018, there was no material outstanding contribution to post-employment benefit plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

40. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Transactions with other government-related entities in the PRC

China Huadian is a PRC state-owned enterprise. Government-related entities, other than entities under China Huadian, over which the PRC government has control, joint control or significant influence are also considered as related parties of the Group ("**other government-related entities**"). The majority of the business activities of the Group are conducted with other government-related entities.

The transactions between the Group and other government-related entities are conducted in the ordinary course of the Group's business within normal business operations. The Group has established its approval process for sales of electricity, purchase of products and services and its financing policy for borrowing. Such approval processes and financing policy do not depend on whether the counterparties are government-related entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and information that would be necessary for an understanding of the potential effect of the relationship on the consolidated financial statements, the directors believe that the following transactions are collectively significant for disclosure purpose:

– sale of electricity to the grid

The Group sells substantially all its electricity to local government-related power grid companies, and the tariff of electricity is regulated by relevant government. For the year ended 31 December 2019, management estimates that the aggregate amount of the Group's significant transactions with other government-related entities are at least 97% of its sale of electricity.

– depositing and borrowing

The Group deposits most of its cash in government-related financial institutions, and also obtains short-term and long-term loans from these banks in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China.

– other transactions

Other collectively significant transactions with other government-related entities include a large portion of fuel purchases, property, plant and equipment construction. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are government-related entities or not.

(e) Commitment with related parties

	2019 ***RMB'000***	2018 *RMB'000*
Capital commitment	**1,451,644**	766,545
Commitment on properties rental and management fees	**7,559**	120,880

41. RETIREMENT PLANS

The Group is required to make contributions to retirement plans operated by the State at range from 15% to 20% (2018: 15% to 20%) of the staff salaries. A member of the plan is entitled to receive from the State a pension equal to a fixed proportion of his or her salary prevailing at the retirement date. In addition, the Group participates in a retirement plan managed by China Huadian to supplement the above-mentioned plan. The Group has no other material obligation to make payments in respect of pension benefits associated with these plans other than the annual contributions described above.

The Group's contribution to these plans amounted to RMB963 million during the year (2018: RMB878 million) which was charged to the consolidated statement of profit or loss and other comprehensive income.

42. COMMITMENTS

Capital commitments

The Group had capital commitments at 31 December as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Contracted for but not provided in the financial statements		
– Development of power plants	**10,359,153**	8,989,148
– Improvement projects and others	**311,393**	1,085,873
	10,670,546	10,075,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

43. CONTINGENT LIABILITIES

During 2019, some subsidiaries of the Company were the defendant in certain lawsuits for events incurred before the acquisition date. At the end of reporting period, the lawsuits were in progress whose final outcomes cannot be determined at present. The directors of the Company considered that the outcome of these outstanding lawsuits will not result in significant adverse effect on the financial position and operating results of the Group.

Apart from the above guarantees disclosed in note 40(a)(i), the Group has no other material contingent liabilities as at 31 December 2019 (2018: nil).

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Categories of financial instruments

	2019	2018
	RMB'000	*RMB'000*
Financial assets		
At amortised cost		
– Other non-current assets	**231,358**	254,442
– Trade debtors and bills receivable	**12,261,884**	10,670,383
– Other receivables	**1,873,144**	1,967,799
– Restricted deposits	**122,233**	39,799
– Cash and cash equivalents	**6,465,560**	6,638,326
At FVPL		
– Financial assets at FVPL	**279,439**	280,330
	21,233,618	19,851,079
Financial liabilities		
– At amortised cost	**138,138,375**	148,813,482
– Financial liabilities at FVPL	**–**	64,496
	138,138,375	148,877,978

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Interest rate risk

The interest rates and terms of repayment of the outstanding interest-bearing liabilities of the Group is disclosed in note 31. At 31 December 2019, fixed rate borrowings comprise 30% of total borrowings of the Group (2018: 28%).

Sensitivity analysis

At 31 December 2019, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would have decreased the Group's profit after tax and total equity by approximately RMB653 million (2018: RMB712 million).

The sensitivity analysis above indicates the Group's exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period. The impact on the Group's profit after tax (and retained profits) and consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Credit risk

The Group's credit risk is primarily attributable to trade debtors and bills receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade debtors and bills receivable, individual credit evaluations are performed regularly on all customers granted with credit period. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer. Trade debtors are due within 30 to 90 days from the date of billing. For bills received from customers, the Group generally accepts only bank acceptance bills in order to minimise the risk of default payment. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 16% and 55% (2018: 19% and 59%) of the total trade debtors and bills receivable were due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade debtors and bills receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. ECLs rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. No impairment for trade debtors and bills receivable is provided as the amount of additional impairment measured under the ECLs model is immaterial.

Except for the financial guarantees given by the Group as set out in note 40(a)(i), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 40(a)(i).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and bills receivable are set out in note 27.

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

At the end of the reporting period, the Group had net current liabilities of RMB40,730 million (2018: RMB49,762 million). With regards to its future capital commitments and other financing requirements, the Group has unutilised banking facilities of RMB139.5 billion (2018: RMB136.5 billion) and an aggregate amount of debentures and bonds of RMB43.5 billion (2018: RMB40.9 billion) registered in the PRC interbank debenture market which has not been issued as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Liquidity risk *(Continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2019						2018					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Short-term debentures payable	3,552,498	–	–	–	3,552,498	3,541,337	7,301,236	–	–	–	7,301,236	7,134,237
Bank loans	33,143,969	11,323,169	25,805,108	36,034,682	106,306,928	86,579,517	35,308,694	11,621,530	27,974,543	39,674,549	114,579,316	90,980,920
Loans from shareholders	546,123	779,576	1,460,153	569,311	3,355,163	2,593,730	139,604	707,242	1,478,551	38,444	2,363,841	1,778,666
State loans	6,097	2,437	7,146	58,219	73,899	57,347	3,873	6,185	6,403	64,819	81,280	60,680
Other loans	5,294,060	2,027,585	3,490,192	1,209,662	12,021,499	9,953,891	6,728,774	2,444,873	4,412,760	440,582	14,026,989	11,189,070
Trade creditors and bills payable	17,636,233	–	–	–	17,636,233	17,636,233	19,157,988	–	–	–	19,157,988	19,157,988
Amount due to the parent company	72,785	–	–	–	72,785	72,785	47,021	–	–	–	47,021	47,021
Obligations under finance lease	–	–	–	–	–	–	708,975	826,940	1,489,384	386,875	3,412,174	3,014,378
Lease liabilities	833,762	815,909	1,051,682	400,843	3,102,196	2,799,327	–	–	–	–	–	–
Other payables	2,089,043	–	–	–	2,089,043	2,089,043	4,993,025	–	–	–	4,993,025	4,993,025
Long-term debentures payable (including current portion of long-term debentures obligations)	2,463,509	2,404,805	8,887,528	–	13,755,842	12,484,467	2,638,836	2,130,057	6,229,474	–	10,998,367	10,075,411
Retirement benefit obligations	213	256	1,342	17,734	19,545	16,907	–	484	3,130	17,016	20,630	18,,087
Long-term payables	–	54,950	67,465	630,671	753,086	313,791	–	65,350	61,178	939,826	1,066,354	363,999
Financial guarantee contracts	43,575	–	–	–	43,575	–	43,650	–	–	–	43,650	–
	65,681,867	17,408,687	40,770,616	38,921,122	162,782,292	138,138,375	77,071,676	17,802,661	41,655,423	41,562,111	178,091,871	148,813,482

(d) Currency risk

(i) Recognised assets and liabilities

The Group is exposed to currency risk primarily arising from borrowings which are denominated in US$ and Euro, as well as cash and cash equivalents denominated in HK$. Depreciation or appreciation of US$, Euro and HK$ against RMB would affect the financial position and operating results of the Group.

(ii) Exposure to currency risk

The following table details the Group's major exposure at the end of the reporting period to currency risk arising from monetary assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	2019			2018		
	US$ RMB'000	Euro RMB'000	HK$ RMB'000	US$ RMB'000	Euro RMB'000	HK$ RMB'000
Cash and cash equivalents	28	–	10	226	–	14
Bank loans	–	(22,255)	–	–	(32,989)	–
State loans	–	(54,757)	–	–	(56,863)	–
Net exposure	28	(77,012)	10	226	(89,852)	14

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

44. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and consolidated equity in that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2019			2018		
	Decrease In foreign exchange rate *%*	**Effect on profit after tax and retained profits** *RMB'000*	**Effect on consolidated equity** *RMB'000*	Decrease In foreign exchange rate *%*	Effect on Profit after tax and retained profits *RMB'000*	Effect on consolidated equity *RMB'000*
US$	**(10)**	**2**	**2**	(10)	(17)	(17)
Euro	**(10)**	**5,776**	**5,776**	(10)	6,739	6,739
HK$	**(10)**	**–**	**–**	(10)	–	

A 10% weakening of RMB against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2018.

(e) Fair values

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable (note 2(b)).

	Fair value as at			
Financial assets	**At 31 December 2019**	At 31 December 2018	**Fair value Hierarchy**	**Valuation technique(s) And key input(s)**
Financial assets at FVPL – unlisted equity securities in the consolidated statement of financial position	**279,439**	280,330	Level 3	The financial at FVPL are unlisted equity securities. The fair value is provided by the valuer. The fair value is measured by applying income approach and after considering the expected distributable profits of the investment discounted by a range of discount rate from 9.40% to 13.51%.

During the reporting period there is no transfer between instruments in Level 1 and Level 2.

(ii) Financial instruments carried at other than fair value

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	2019		2018	
	Carrying amount *RMB'000*	**Fair value** *RMB'000*	Carrying amount *RMB'000*	Fair value *RMB'000*
Fixed rate borrowings and debentures payable	**12,996,541**	**12,955,189**	10,745,310	10,672,541

The fair value measurements of above financial liabilities are within the level 2 category, which have been determined based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of the Group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

45. PARENT AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be China Huadian, which is a state-owned enterprise established in the PRC. China Huadian does not produce financial statements available for public use.

46. SUBSIDIARIES

(a) General information of subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2019, all of which are limited liability companies established and operating in the PRC, which principally affect the results, assets or liabilities of the Group:

Name of company	Paid up capital *RMB'000*	Proportion of ownership interest and voting rights Held by the Company %	Proportion of ownership interest and voting rights Held by subsidiaries %	Principal activities
Sichuan Guang'an Power General Company Limited 四川廣安發電有限責任公司	1,785,860	80	–	Generation and sale of electricity
Huadian Qingdao Power Generation Company Limited 華電青島發電有限公司	847,436	55	–	Generation and sale of electricity and heat
Huadian Weifang Power Company Limited 華電濰坊發電有限公司 ("**Weifang Company**")	1,328,889	45 (note(vi))	–	Generation and sale of electricity and heat
Huadian Zibo Thermal Power Company Limited 華電淄博熱電有限公司	773,850	100	–	Generation and sale of electricity and heat
Huadian Zhangqiu Power Generation Company Limited 華電章丘發電有限公司	758,114	87.5	–	Generation and sale of electricity and heat
Huadian Tengzhou Xinyuan Thermal Power Company Limited 華電滕州新源熱電有限公司	493,205	93.26	–	Generation and sale of electricity and heat
Huadian Xinxiang Power Generation Company Limited 華電新鄉發電有限公司	853,386	90	–	Generation and sale of electricity
Anhui Huadian Suzhou Power Generation Company Limited 安徽華電宿州發電有限公司	854,914	97	–	Generation and sale of electricity
Huadian Ningxia Lingwu Power Generation Company Limited 華電寧夏靈武發電有限公司	2,050,239	65	–	Generation and sale of electricity
Sichuan Huadian Luding Hydropower Company Limited 四川華電瀘定水電有限公司	1,516,090	100	–	Generation and sale of electricity
Huadian Zouxian Power Generation Company Limited 華電鄒縣發電有限公司 ("**Zouxian Company**")	3,000,000	69	–	Generation and sale of electricity
Huadian International Ningxia New Energy Power Company Limited 華電國際寧夏新能源發電有限公司	1,806,000	75.95 (note(iii))	–	Generation and sale of electricity
Anhui Huadian Wuhu Power Generation Company Limited 安徽華電蕪湖發電有限公司	1,651,739	65	–	Generation and sale of electricity and heat
Inner Mongolia Huadian Mengdong Energy Company Limited 內蒙古華電蒙東能源有限公司	797,128	54.85 (note(iv))	–	Generation and sale of electricity
Huadian Luohe Power Generation Company Limited 華電漯河發電有限公司	600,800	75	–	Generation and sale of electricity and heat
Hangzhou Huadian Banshan Power Generation Company Limited 杭州華電半山發電有限公司	1,509,346	64	–	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Thermal Power Company Limited 河北華電石家莊熱電有限公司	1,132,530	82	–	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited 河北華電石家莊裕華熱電有限公司	636,020	60	40	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited 河北華電石家莊鹿華熱電有限公司	500,550	90	–	Generation and sale of electricity and heat

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

46. SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

The following list contains only the particulars of subsidiaries as at 31 December 2019, all of which are limited liability companies established and operating in the PRC, which principally affect the results, assets or liabilities of the Group: *(Continued)*

Name of company	Paid up capital *RMB'000*	Proportion of ownership interest and voting rights: Held by the Company %	Held by subsidiaries %	Principal activities
Sichuan Huadian Zagunao Hydroelectric Development Company Limited 四川華電雜谷腦水電開發有限責任公司	980,563	64	–	Generation and sale of electricity
Hebei Huarui Energy Group Corporation Limited 河北華瑞能源集團有限公司	938,000	100	–	Sale of electricity and investment on power resources
Shanxi Maohua Energy Investment Company Limited 山西茂華能源投資有限公司	2,500,000	100	–	Sale of coal and investment in coal, electricity and heat industry
Hebei Huadian Guyuan Wind Power Company Limited 河北華電沽源風電有限公司	446,100	100	–	Generation and sale of electricity
Huadian Longkou Power Generation Plant Company Limited 華電龍口發電股份有限公司	488,000	84.31	–	Generation and sale of electricity and heat
Shaoguan Pingshi Power Plant Company Limited (Plant B) 韶關市坪石發電廠有限公司(B廠)	989,000	100	–	Generation and sale of electricity
Huadian Laizhou Power Generation Company Limited 華電萊州發電有限公司	2,049,000	75	–	Generation and sale of electricity
Hebei Huadian Kangbao Wind Power Company Limited 河北華電康保風電有限公司	635,600	100	–	Generation and sale of electricity
Anhui Huadian Lu'an Power Plant Company Limited 安徽華電六安電廠有限公司	921,500	95	–	Generation and sale of electricity
Huadian Qudong Power Generation Company Limited 華電渠東發電有限公司	568,000	90	–	Generation and sale of electricity and heat
Shantou Huadian Power Generation Company Limited 汕頭華電發電有限公司	590,000	51	–	Generation and sale of electricity
Shijiazhuang Huadian Heat Corporation Limited 石家莊華電供熱集團有限公司	502,370	100	–	Sale of heat
Huadian Laizhou Port Company Limited 華電萊州港務有限公司	215,130	65	–	Port construction and operation
Huadian Laizhou Wind Power Company Limited 華電萊州風力發電有限公司	91,914	55	–	Generation and sale of electricity
Inner Mongolia Haoyuan Coal Company Limited 內蒙古浩源煤炭有限公司	3,000	85	–	Sales of mining equipment and components
Inner Mongolia Alax League Shunge Mining Industry Corporation Company Limited 內蒙古阿拉善盟順舸礦業集團順舸礦業有限責任公司	30,000	100	–	Coal mine improvement and sales of mining equipment
Sichuan Liangshan Shuiluohe Hydropower Development Company Limited 四川涼山水洛河電力開發有限公司	1,001,996	–	57	Generation and sale of electricity
Tianjin Huadian Fuyuan Thermal Power Company Limited 天津華電福源熱電有限公司	257,000	100	–	Generation and sale of electricity and heat
Hangzhou Huadian Xiasha Thermal Power Company Limited 杭州華電下沙熱電有限公司	259,338	56	–	Generation and sale of electricity and heat
Huadian Zhejiang Longyou Thermal Company Limited 華電浙江龍遊熱電有限公司	255,000	100	–	Generation and sale of electricity and heat
Hangzhou Huadian Jiangdong Thermal Power Company Limited 杭州華電江東熱電有限公司	497,952	70	–	Generation and sale of electricity and heat
Shenzhen Huanyu Star River Investment Company Limited 深圳市環宇星河投資有限責任公司	20,000	100	–	Investment on hydropower resources

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

46. SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

The following list contains only the particulars of subsidiaries as at 31 December 2019, all of which are limited liability companies established and operating in the PRC, which principally affect the results, assets or liabilities of the Group: *(Continued)*

Name of company	Paid up capital *RMB'000*	Proportion of ownership interest and voting rights: Held by the Company %	Proportion of ownership interest and voting rights: Held by subsidiaries %	Principal activities
Inner Mongolia Huatong Ruisheng Energy Company Limited 內蒙古華通瑞盛能源有限公司	35,000	90	–	Production and sale of coal
Huadian Xuwen Wing Power Company Limited 華電徐聞風電有限公司	147,700	100	–	Generation and sale of electricity
Huadian Shangdu Wind Power Company Limited 華電商都風電有限公司	20,000	100	–	Generation and sale of electricity
Huadian Guangdong Shunde Energy Company Limited 華電廣東順德能源有限公司	214,300	90	–	Generation and sale of electricity
Huadian Foshan Energy Company Limited 華電佛山能源有限公司	194,910	100	–	Generation and sale of electricity
Huadian Feicheng New Energy Power Generation Company Limited 華電肥城新能源發電有限公司	214,000	–	100	Investment on new energy power resources
Ningxia Huadian Yongli Power Generation Company Limited 寧夏華電永利發電公司	61,600	100	–	Generation and sale of electricity and heat
Huadian Hubei Power Generation Company Limited 華電湖北發電有限公司 ("**Hubei Power Generation**")	3,140,360	82.5627 (note(ii))	–	Generation and sale of electricity and heat
Huadian Guangdong Energy Sales Company Limited 華電廣東能源銷售有限公司	100,000	100	–	Sale of electricity and heat
Huadian Anhui Energy Sales Company Limited 華電安徽能源銷售有限公司	110,000	100	–	Sale of electricity and heat
Huadian Henan Energy Sales Company Limited 華電河南能源銷售有限公司	50,000	100	–	Sale of electricity and heat
Huadian Ningxia Energy Sales Company Limited 華電寧夏能源銷售有限公司	21,000	100	–	Sale of electricity and heat
Huadian Shandong Energy Sales Company Limited 華電山東能源銷售有限公司	210,000	100	–	Sale of electricity and heat
Huadian Shandong New Energy Power Generation Company Limited 華電山東新能源有限公司	608,550	100 (note(v))	–	Generation and sale of electricity
Ningxia Huadian Heat Company Limited 寧夏華電供熱有限公司	1,034,250	53	–	Sale of heat
Huadian Taiqian Photovoltaic Power Generation Company Limited 華電台前光伏發電有限公司 ("**Taiqian Photovoltaic**")	160,000	50 (note(i))	–	Generation and sale of electricity
Shanxi Huadian Pinglu New Energy Company Limited 山西華電平魯新能源有限公司	5,000	100	–	Generation and sale of electricity
Huadian (Zhengxiangbai Banner) New Energy Company Limited 華電(正鑲白旗)新能源有限公司	140,000	100	–	Generation and sale of electricity
Shanxi Huadian Ying County New Energy Company Limited 山西華電應縣新能源有限公司	5,000	100	–	Generation and sale of electricity
Shanxi Huadian Shizhu County New Energy Company Limited 山西華電石柱縣新能源有限公司	174,000	100	–	Generation and sale of electricity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

46. SUBSIDIARIES *(Continued)*

(a) General information of subsidiaries *(Continued)*

Notes:

(i) On 2 January 2019, the Company control over Taiqian Photovoltaic with 50% equity interest by the amendment of articles of association related to appointment of the directors. (note 46(c)(i)).

(ii) On 1 September 2019, the Group completed its acquisition of 100% issued share capital of Hubei Huadian Wuchang Thermal Power Company Limited ("Wuchang Company") from China Huadian according to the corresponding equity transfer agreement. (note 46(c)(ii)).

(iii) During the year, ABC Financial Asset Investment Co., Ltd made the capital injection to the Huadian International Ningxia New Energy Power Company Limited by equity transfer agreement.

(iv) During the year, CCB Financial Asset Investment Company Limited made the capital injection to the Inner Mongolia Huadian Mengdong Energy Company Limited by equity transfer agreement.

(v) During the year, Shandong New Energy Company merged a former subsidiary, Huadian Zaozhuang New Energy Generation Company Limited ("華電棗莊新能源發電有限公司").

(vi) According to the articles of association of these companies, the Company holds majority of members in the board of directors which is the governing body of these companies and therefore has the power to direct the relevant activities of these companies, and is exposed, or has rights, to variable returns from the involvement with the investee, and has the ability to use its power to affect the amount of those returns.

(vii) The English translation of the names is for identification only. The official names of these entities are in Chinese.

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of the subsidiary	Place of establishment and principal place of business	Proportion of ownership Interests and voting Rights held by Non-controlling interests		Profit allocated to Non-controlling interests		Accumulated Non-controlling interests	
		2019	2018	**2019** *RMB'000*	2018 *RMB'000*	**2019** *RMB'000*	2018 *RMB'000*
Weifang Company	the PRC	**55%**	55%	**86,044**	74,688	**1,756,012**	1,670,368
Zouxian Company	the PRC	**31%**	31%	**17,039**	56,257	**1,063,271**	1,137,302
Hubei Power Generation	the PRC	**17.4373%**	17.4373%	**503,952**	231,972	**3,779,757**	3,403,895
Individually immaterial subsidiaries with non-controlling interests						**11,406,865**	8,899,157
Total						**18,005,905**	15,110,722

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information including goodwill and effect of fair value adjustments of assets and liabilities recognised upon acquisition of these subsidiaries but before inter-company eliminations is as follows:

(i) Weifang Company and its subsidiary

	2019 *RMB'000*	2018 *RMB'000*
Current assets	**418,850**	458,010
Non-current assets	**4,107,771**	4,313,447
Current liabilities	**(823,993)**	(900,771)
Non-current liabilities	**(517,747)**	(855,871)
Total equity	**3,184,881**	3,014,815
Non-controlling interests of Weifang Company	**(21,838)**	(22,082)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

46. SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

(i) Weifang Company and its subsidiary *(Continued)*

	2019	2018
	RMB'000	*RMB'000*
Revenue	**3,648,326**	3,913,169
Expenses	**(3,489,213)**	(3,775,311)
Profit for the year	**159,113**	137,858
Non-controlling interests of Weifang Company	**(156)**	(889)
Dividends paid to non-controlling interests	**400**	105,563
Net cash inflow from operating activities	**652,978**	667,605
Net cash outflow from investing activities	**(332,589)**	(364,759)
Net cash outflow from financing activities	**(335,505)**	(278,178)
Net cash (outflow)/inflow	**(15,116)**	24,668

(ii) Zouxian Company

	2019	2018
	RMB'000	*RMB'000*
Current assets	**236,415**	348,095
Non-current assets	**4,221,928**	4,530,923
Current liabilities	**(1,025,774)**	(1,207,418)
Non-current liabilities	**(2,880)**	(2,880)
Total equity	**3,429,689**	3,668,720

	2019	2018
	RMB'000	*RMB'000*
Revenue	**3,280,822**	3,836,987
Expenses	**(3,225,857)**	(3,655,512)
Profit for the year	**54,965**	181,475
Dividends paid to non-controlling interests	**91,070**	–
Net cash inflow from operating activities	**819,497**	358,322
Net cash outflow from investing activities	**(184,058)**	(153,006)
Net cash outflow from financing activities	**(647,327)**	(181,280)
Net cash (outflow)/inflow	**(11,888)**	24,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

46. SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

(iii) Hubei Power Generation and its subsidiaries

	2019	2018
	RMB'000	*RMB'000*
Current assets	**3,374,133**	3,200,218
Non-current assets	**15,442,509**	14,824,066
Current liabilities	**(5,348,848)**	(5,290,891)
Non-current liabilities	**(5,834,787)**	(6,154,390)
Total equity	**7,633,007**	6,579,003
Non-controlling interests of Hubei Power Generation	**(2,361,938)**	(2,018,157)

	2019	2018
	RMB'000	*RMB'000*
Revenue	**12,619,223**	9,830,195
Expenses	**(11,359,260)**	(9,294,620)
Profit for the year	**1,259,963**	535,575
Non-controlling interests of Hubei Power Generation	**(363,436)**	(148,340)
Dividends paid to non-controlling interests	**130,547**	106,258
Net cash inflow from operating activities	**3,363,006**	1,737,686
Net cash outflow from investing activities	**(1,024,736)**	(1,250,174)
Net cash outflow from financing activities	**(2,451,276)**	(332,826)
Net cash (outflow)/inflow	**(113,006)**	154,686

(c) Acquisition of subsidiaries during the year

(i) Taiqian Photovoltaic

On 2 January 2019, the articles of association of the Group's former joint venture, Taiqian Photovoltaic were amended that the Group can appoint three out of five directors in the board of the directors. Accordingly, control over Taiqian Photovoltaic with 50% (31 December 2018: 50%) equity interest was achieved by the Group since 2 January 2019 and became a non-wholly owned subsidiary of the Group. Taiqian Photovoltaic is principally engaged in the solar power generation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

46. SUBSIDIARIES *(Continued)*

(c) Acquisition of subsidiaries during the year *(Continued)*

(i) Taiqian Photovoltaic *(Continued)*

The fair value of identifiable assets and liabilities of Taiqian Photovoltaic as at the date of deemed acquisition was:

	RMB'000
ASSETS	
Property, plant and equipment	624,431
Right-of-use assets	39,669
Other non-current assets	71,019
Trade debtors and bills receivable	112,780
Deposits, other receivables and prepayments	2,109
Cash and cash equivalents	10,685
	860,693
LIABILITIES	
Borrowing	550,889
Trade creditors and bills payable	49,566
Other payables	1,925
Lease liabilities	39,669
Deferred tax liabilities	384
	642,433
Net assets	218,260
Less: Non-controlling interests	108,923
Fair value of share of net assets from subsidiary at deemed acquisition date	109,337
Book value of share of net assets from subsidiary at deemed acquisition date	108,761
Gain on deemed acquisition	576
Goodwill arising on deemed acquisition	
Investment cost	109,337
Add: Non-controlling interests	108,923
Less: Recognised amount of identifiable net assets acquired	(218,260)
Goodwill on deemed acquisition	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

46. SUBSIDIARIES *(Continued)*

(c) Acquisition of subsidiaries during the year *(Continued)*

(i) Taiqian Photovoltaic *(Continued)*

Net cash outflow from the deem acquisition:

	RMB'000
Cash consideration	–
Cash and cash equivalents in the subsidiary acquired	10,685
Net inflow of cash and cash equivalents included in cash flows from investing activities	10,685

The non-controlling interests recognised at the date of deemed acquisition were measured by reference to the proportionate share of the recognised value of the net identifiable assets of Taiqian Photovoltaic at the date of acquisitions and amounted to RMB108,923,000.

The fair value of trade debtors and bills receivable, deposits and other receivables amounted to RMB113,121,000. The gross amount of these receivables is RMB113,121,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the deemed acquisition date, Taiqian Photovoltaic has contributed RMB138,031,000 and RMB66,758,000 to Group's turnover and profit or loss respectively. There would have been no change in the Group's turnover and profit if the deemed acquisition had occurred on 1 January 2019.

(ii) Wuchang Company

On 1 September 2019, the Group completed its acquisition of 100% issued share capital of Wuchang Company from China Huadian in a cash consideration of approximately RMB469,776,000. Wuchang Company is principally engaged in power generation using natural gas. The acquisition was made by the Group with the aim to provide support to the sustainable and stable development of the business of the Group, and enhance the Group's overall competitiveness through integration of relevant prime assets, expansion of its production scale and optimisation of the assets structure in Hubei region, in order to further improve the Company's profitability and its market position in the industry.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

46. SUBSIDIARIES *(Continued)*

(c) Acquisition of subsidiaries during the year *(Continued)*

(ii) Wuchang Company *(Continued)*

The fair value of identifiable assets and liabilities of Wuchang Company as at the date of the acquisition was:

	RMB'000
ASSETS	
Property, plant and equipment	993,543
Intangible assets	39,693
Inventories	4,551
Trade debtors and bills receivable	194,123
Deposits, other receivables and prepayment	195,575
Cash and cash equivalents	90,809
	1,518,294
LIABILITIES	
Borrowing	822,608
Trade creditors and bills payable	174,340
Other payables	23,140
Tax payable	10,278
Other current liabilities	18,152
	1,048,518
Net asset	469,776
Consideration	
Cash consideration (note 40(a))	469,776
Less: Appraised net asset value of Wuchang Company	(469,776)
Goodwill on acquisition	–

Net cash outflow from the acquisition:

	RMB'000
Cash consideration	469,776
Cash and cash equivalents in the subsidiary acquired	(90,809)
Net outflow of cash and cash equivalents included in cash flows from investing activities	378,967

The fair value of trade debtors and bills receivable, deposits and other receivables amounted to RMB389,698,000. The gross amount of these receivables is RMB357,230,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition date, Wuchang Company has contributed RMB211,636,000 and RMB3,364,000 to Group's turnover and loss respectively. If the acquisition had occurred on 1 January 2019, Group's turnover and profit would have been RMB930,421,000 and RMB5,250,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Debentures *RMB'000*	Loans *RMB'000*	Lease liabilities/ obligation under finance leases *RMB'000*	Bills financing *RMB'000*	Dividend payables *RMB'000*	Perpetual capital securities *RMB'000*	Total *RMB'000*
At 1 January 2018	22,610,500	103,272,932	3,001,107	235,596	364,560	–	129,484,695
Financing cash flows	(5,500,000)	736,404	13,271	(396,609)	(430,919)	8,985,000	3,407,147
Dividends recognised as distribution	–	–	–	–	177,534	–	177,534
Dividends declared to non-controlling interests	–	–	–	–	220,001	–	220,001
Interest expenses	(260,867)	–	–	–	–	–	(260,867)
Interest income	360,015	–	–	–	–	–	360,015
Profit attributable to holders of perpetual capital securities	–	–	–	–	–	145,576	145,576
Issuing cost	–	–	–	–	–	(21,801)	(21,801)
At 31 December 2018 as originally presented	**17,209,648**	**104,009,336**	**3,014,378**	**(161,013)**	**331,176**	**9,108,775**	**133,512,300**
Initial application of IFRS 16	**–**	**–**	**394,100**	**–**	**–**	**–**	**394,100**
Restated balance as at 1 January 2019	**17,209,648**	**104,009,336**	**3,408,478**	**(161,013)**	**331,176**	**9,108,775**	**133,906,400**
Financing cash flows	**(1,100,200)**	**(6,485,866)**	**(897,956)**	**176,504**	**(1,217,139)**	**6,545,418**	**(2,979,239)**
New leases	**–**	**–**	**145,072**	**–**	**–**	**–**	**145,072**
Acquisition of subsidiaries	**–**	**1,268,854**	**–**	**–**	**–**	**–**	**1,268,854**
Lease adjustments	**–**	**392,161**	**–**	**–**	**–**	**–**	**392,161**
Dividends of perpetual securities recognised as distribution	**–**	**–**	**–**	**–**	**–**	**(68,732)**	**(68,732)**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**650,956**	**–**	**650,956**
Dividends declared to non-controlling interests	**–**	**–**	**–**	**–**	**487,832**	**–**	**487,832**
Interest expense	**–**	**–**	**143,733**	**–**	**–**	**–**	**143,733**
Interest income	**(83,644)**	**–**	**–**	**–**	**–**	**–**	**(83,644)**
Profit attributable to holders of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**543,594**	**543,594**
At 31 December 2019	**16,025,804**	**99,184,485**	**2,799,327**	**15,491**	**252,825**	**16,129,055**	**133,406,987**

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current assets		
Property, plant and equipment	**16,343,174**	16,094,833
Right-of-use assets	**1,013,264**	–
Construction in progress	**2,888,345**	2,498,285
Lease prepayments	**–**	893,685
Intangible assets	**33,324**	28,906
Goodwill	**46,524**	46,524
Interests in subsidiaries	**44,682,863**	43,365,143
Interests in associates and joint ventures	**8,826,896**	7,521,655
Financial asset at fair value through profit or loss	**27,500**	27,200
Other non-current assets	**746,761**	819,316
	74,608,651	71,295,547
Current assets		
Inventories	**486,061**	533,957
Lease prepayments	**–**	18,418
Trade debtors and bills receivable	**721,280**	831,929
Amounts due from subsidiaries	**12,540,275**	12,164,896
Deposits, other receivable and prepayments	**1,392,473**	1,610,678
Cash and cash equivalents	**986,596**	552,760
	16,126,685	15,712,638
Current liabilities		
Bank loans	**6,483,220**	9,988,790
State loans	**1,018**	–
Other loans	**1,919,024**	1,721,000
Short-term debentures payable	**3,037,009**	7,134,237
Long-term debentures payable – current portion	**1,998,796**	2,597,864
Amount due to the parent company	**17,640**	17,640
Amounts due to subsidiaries	**1,005,880**	1,005,880
Trade creditors and bills payable	**1,588,812**	2,247,626
Other payables	**1,731,398**	1,352,889
Financial liabilities at fair value through profit or loss	**–**	64,496
	17,782,797	26,130,422
Net current liabilities	**(1,656,112)**	(10,417,784)
Total assets less current liabilities	**72,952,539**	60,877,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

	2019 RMB'000	2018 RMB'000
Non-current liabilities		
Bank loans	**8,259,591**	8,075,432
State loans	**–**	2,036
Other loans	**1,340,491**	755,001
Long-term debentures payable	**10,485,671**	7,477,547
Long-term payables	**35,311**	46,255
Deferred government grants	**109,105**	116,087
Deferred tax liabilities	**59,157**	53,807
Lease liabilities	**67,204**	–
	20,356,530	16,526,165
Net assets	**52,596,009**	44,351,598
Capital and reserves		
Share capital	**9,862,977**	9,862,977
Perpetual capital securities	**16,129,055**	9,108,775
Reserves	**26,603,977**	25,379,846
Total equity	**52,596,009**	44,351,598

Movement in the Company's reserves

	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Perpetual capital securities RMB'000	Retained profits RMB'000	Total equity RMB'000
Balance at 1 January 2018	9,862,977	14,835,394	3,025,730	68,089	–	7,160,032	34,952,222
Dividends recognised as distribution	–	–	–	–	–	(177,534)	(177,534)
Issue of perpetual capital securities	–	–	–	–	8,963,199	–	8,963,199
Appropriation of general reserve	–	–	79,110	–	–	(79,110)	–
Total comprehensive income for the year	–	–	–	–	145,576	468,135	613,711
Balance at 31 December 2018 and 1 January 2019	**9,862,977**	**14,835,394**	**3,104,840**	**68,089**	**9,108,775**	**7,371,523**	**44,351,598**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**–**	**(650,956)**	**(650,956)**
Issue of perpetual capital securities	**–**	**–**	**–**	**–**	**6,988,156**	**–**	**6,988,156**
Appropriation of general reserve	**–**	**–**	**298,392**	**–**	**–**	**(235,616)**	**62,776**
Distributions payable to holders of perpetual capital securities	**–**	**–**	**–**	**–**	**(511,470)**	**–**	**(511,470)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**543,594**	**1,812,311**	**2,355,905**
Balance as at 31 December 2019	**9,862,977**	**14,835,394**	**3,403,232**	**68,089**	**16,129,055**	**8,297,262**	**52,596,009**

49. EVENT AFTER THE REPORTING PERIOD

On 13 Jan 2020, the Company issued the first tranche of medium-term notes (Type 1 and type 2) for the year of 2020, the face value is RMB100 per medium-term notes and it was issued at a total par value of RMB2 billion. Type 1 medium-term notes ("**20 Huadian MTN001A**") were issued at a total par value of RMB1.5 billion with 3+N years period and bears interest at 3.70% per annum. Type 2 medium-term notes ("**20 Huadian MTN001B**") were issued at a total par value of RMB0.5 billion with 5+N years period and bears interest at 3.99% per annum.

On 13 Feb 2020, the Company issued the first tranche of Green Asset-backed note ("**ABN**") for the year of 2020 at a total par value of RMB1,551 million with 2.5 years period. Priority class was issued at a total par value of RMB1,474 million and bears interest at 3.50% per annum. Subordinated class was issued at a total par value of RMB77 million and bears interest at 2.50% per annum.

On 18 Feb 2020, the Company issued the second tranche of medium-term notes (Type 1 and type 2) for the year of 2020, the face value is RMB100 per medium-term notes and it was issued at a total par value of RMB3 billion. Type 1 medium-term notes ("**20 Huadian MTN002A**") were issued at a total par value of RMB2.5 billion with 3+N years period and bears interest at 3.36% per annum. Type 2 medium-term notes ("**20 Huadian MTN002B**") were issued at a total par value of RMB0.5 billion with 5+N years period and bears interest at 3.68% per annum.

FIVE YEARS FINANCIAL SUMMARY

	2015 *RMB'000*	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	**2019** ***RMB'000***
Turnover	66,788,917	62,837,027	78,463,912	87,419,418	**91,752,980**
Profit before taxation	12,937,027	5,972,773	1,152,960	2,738,894	**5,361,142**
Income tax credit	(3,157,593)	(1,677,547)	(458,484)	(826,862)	**(1,036,440)**
Profit for the year	9,779,434	4,295,226	694,476	1,912,032	**4,324,702**
Attributable to:					
Equity holders of the Company	7,329,439	3,127,799	435,905	1,445,736	**3,385,324**
Non-controlling interests	2,449,995	1,167,427	258,571	466,296	**939,378**
Profit for the year	9,779,434	4,295,226	694,476	1,912,032	**4,324,702**
Total non-current assets	185,899,680	191,912,000	193,817,104	201,724,007	**205,564,187**
Total current assets	24,076,076	21,163,716	25,160,602	25,772,114	**26,600,168**
Total assets	209,975,756	213,075,716	218,977,706	227,496,121	**232,164,355**
Total current liabilities	(67,143,909)	(74,154,430)	(80,317,325)	(75,534,410)	**(67,329,784)**
Total non-current liabilities	(84,769,708)	(80,550,362)	(81,458,588)	(83,719,847)	**(84,226,928)**
Net assets	58,062,139	58,370,924	57,201,793	68,241,864	**80,607,643**
Equity holders of the Company	43,699,189	43,838,317	42,909,159	53,131,142	**62,601,738**
Non-controlling interests	14,362,950	14,532,607	14,292,634	15,110,722	**18,005,905**
Total equity	58,062,139	58,370,924	57,201,793	68,241,864	**80,607,643**

SUPPLEMENTAL INFORMATION

1. DIFFERENCE ON ACCOUNTING FIGURES BY ADOPTING DOMESTIC AND FOREIGN ACCOUNTING PRINCIPLES

RECONCILIATION OF THE FINANCIAL STATEMENTS PREPARED UNDER CAS AND IFRSs

Effects of major differences between the CAS and IFRSs on net profit assets attributable to equity holders of the Company are analysed as follows:

	Notes	Net profit attributable to equity holders of the Company		Net asset attributable to equity holders of the Company	
		2019	2018	**2019**	2018
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts under CAS		**3,406,920**	1,695,395*	**61,510,437**	52,031,011*
Adjustments:					
Business combination involving entities under common control	(1)	**(251,999)**	(243,787)	**2,312,194**	2,503,732
Government grants	(2)	**33,592**	33,592	**(320,393)**	(353,985)
Maintenance and production safety funds	(3)	**51,404**	38,851	**38,354**	28,674
Separation and transfer of equipment	(4)	**(5,522)**	(249,883)	**–**	–
The equity interest in an associate being passively diluted		**–**	4,053	**–**	–
Taxation impact of the adjustments		**58,683**	57,434	**(477,520)**	(536,203)
Attributable to minority Interest		**92,246**	110,081	**(461,334)**	(542,087)
Amounts under IFRSs		**3,385,324**	1,445,736	**62,601,738**	53,131,142

* The figures are extracted from the audited report prepared under China Accounting Standards for Business Enterprise and issued on Shanghai Stock Exchange for the year ended 31 December 2018.

Notes:

(1) According to the accounting policies adopted in the Group's financial statements prepared under IFRSs, assets and liabilities acquired by the Group during business combination, irrespective of whether such business combination is involving entities under common control or not, are measured at the fair value of identifiable assets and liabilities of the acquiree at the date of acquisition. In preparing the consolidated financial statements, the respective financial statements of subsidiaries are adjusted based on the fair value of individual identifiable assets and liabilities at the date of acquisition. The excess of purchase consideration paid by the Company over its share of fair value of identifiable net assets of the acquired was recognised as goodwill.

In accordance with CAS, assets and liabilities acquired by the Group in business combination involving entities under common control are measured at their carrying value at the date of combination. The excess of carrying value of purchase consideration paid by the Company over its share of carrying value of identifiable net assets of the acquiree for business combination involving entities under common control reduces the share premium of capital reserve or retained profits.

In addition, according to CAS, in respect of business combination involving entities under common control, when preparing consolidated financial statements, the opening balances as well as the comparative figures of the financial statements should be adjusted as if the current structure and operations resulting from the acquisitions had been in existence since prior periods (no earlier than the later of both parties were under common control).

(2) According to IFRSs, conditional government grants should be first recorded in long-term liabilities and amortised to profit or loss using the straight line method over the useful lives of the relevant assets after fulfilling the requirements from the government in respect of the construction projects.

According to CAS, government grants related to assets (required to be recorded in capital reserve pursuant to the relevant government notice) are not recognised as deferred income.

(3) Pursuant to the relevant PRC regulations for coal mining companies, the funds for production maintenance and production safety are accrued by the Group at fixed rates based on coal production volume. Provision for maintenance and production funds is recognised as expense in profit or loss with a corresponding adjustment to the specific reserve. The maintenance and production funds and special fees on other similar mining enterprises could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve back to retained earnings.

According to IFRSs, coal mining companies are required to set aside an amount to a fund for production maintenance, production safety and other similar funds through transferring from retained earnings to specific reserve. When qualifying revenue expenditures are incurred, such expenses are recorded in the profit or loss as incurred. When capital expenditures are incurred, an amount is transferred to property, plant and equipment and is depreciated in accordance with the depreciation policy of the Group. Internal equity items transfers take place based on the actual application amount of such expenses whereas specific reserve is offset against retained earnings to the extent of zero.

(4) Pursuant to the relevant PRC regulations for the separation and transfer of "Water/Electricity/Gas Supply and Property Management", the Group was required to transfer certain equipment to relevant parties without any consideration, which the loss will directly recognise to equity.

According to IFRSs, the loss from the separation and transfer of equipment should be first recorded in profit or loss as incurred, then to equity as reduced the retained profits for the Group.

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