China Power International Development Limited
中國電力國際發展有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code : 2380)

2020
ANNUAL REPORT

Clean Energy
Green Enterprise

Contents

2020 Performance Highlights

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

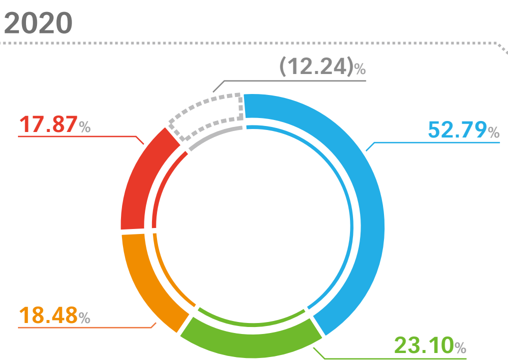
for the year ended 31 December

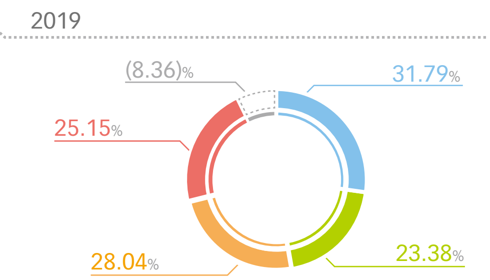
2020	2019	CHANGE
1,708,305 RMB'000	1,284,381 RMB'000	↑33.01%

NET PROFIT

for the year ended 31 December

2020	2019	CHANGE
2,925,551 RMB'000	2,201,150 RMB'000	↑32.91%

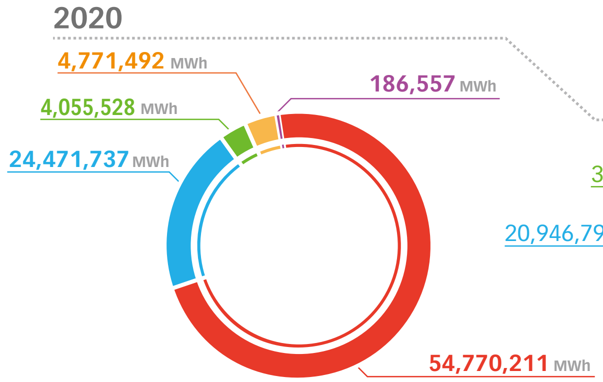


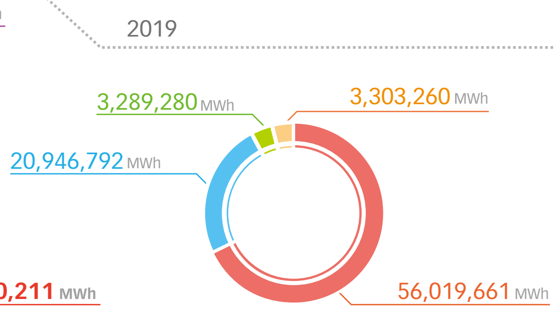


	HYDROPOWER	WIND POWER	PHOTOVOLTAIC POWER	COAL-FIRED POWER	UNALLOCATED
2020 RMB'000	1,544,442	675,730	540,543	522,769	(357,933)
2019 RMB'000	699,707	514,570	617,314	553,620	(184,061)

TOTAL ELECTRICITY SOLD

2020	2019	CHANGE
88,255,525 MWh	83,558,993 MWh	↑5.62%





Hydropower ↑ 16.83%

Wind Power ↑ 23.30%

Photovoltaic Power ↑ 44.45%

Natural Gas N/A

Coal-fired Power ↓ 2.23%

REVENUE

2020
28,427,721
RMB'000

2019
27,763,287
RMB'000

↑2.39%

OPERATING PROFIT

2020
6,371,860
RMB'000

2019
5,481,339
RMB'000

↑16.25%

BASIC EARNINGS PER SHARE

2020
0.17
RMB

2019
0.13
RMB

↑30.77%

DIVIDEND PER ORDINARY SHARE

2020
0.13
RMB

2019
0.13
RMB

–

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

2020
33,397,807
RMB'000

2019
30,320,075
RMB'000

↑10.15%

NET ASSETS

2020
45,789,917
RMB'000

2019
45,133,209
RMB'000

↑1.46%

TOTAL ASSETS

2020
155,948,671
RMB'000

2019
140,289,698
RMB'000

↑11.16%

CASH AND CASH EQUIVALENTS

2020
1,316,351
RMB'000

2019
1,238,290
RMB'000

↑6.30%

TOTAL DEBTS

2020
91,431,935
RMB'000

2019
78,568,268
RMB'000

↑16.37%

ATTRIBUTABLE INSTALLED CAPACITY

2020
23,878.2
MW

2019
21,113.2
MW

↑13.10%

Corporate Information

BOARD OF DIRECTORS

Executive Directors

TIAN Jun *(Chairman of the Board)*#
HE Xi *(President of the Company)*#

Non-executive Directors

GUAN Qihong#
WANG Xianchun

Independent Non-executive Directors

KWONG Che Keung, Gordon
LI Fang
YAU Ka Chi

AUDIT COMMITTEE

KWONG Che Keung, Gordon *(Chairman)*
LI Fang
YAU Ka Chi

RISK MANAGEMENT COMMITTEE

TIAN Jun *(Chairman)*#
KWONG Che Keung, Gordon
LI Fang
YAU Ka Chi

REMUNERATION AND NOMINATION COMMITTEE

LI Fang *(Chairman)*
KWONG Che Keung, Gordon
YAU Ka Chi

EXECUTIVE COMMITTEE

TIAN Jun *(Chairman)*#
HE Xi#
All vice presidents of the Company

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6301, 63/F., Central Plaza
18 Harbour Road
Wanchai, Hong Kong

BEIJING OFFICE

East Building, Hui Huang Shi Dai Plaza
56 North West Fourth Ring Road, Haidian District
Beijing, China

COMPANY WEBSITE

www.chinapower.hk

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited

- Ordinary Shares (Stock Code: 2380)

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

COMPANY SECRETARY

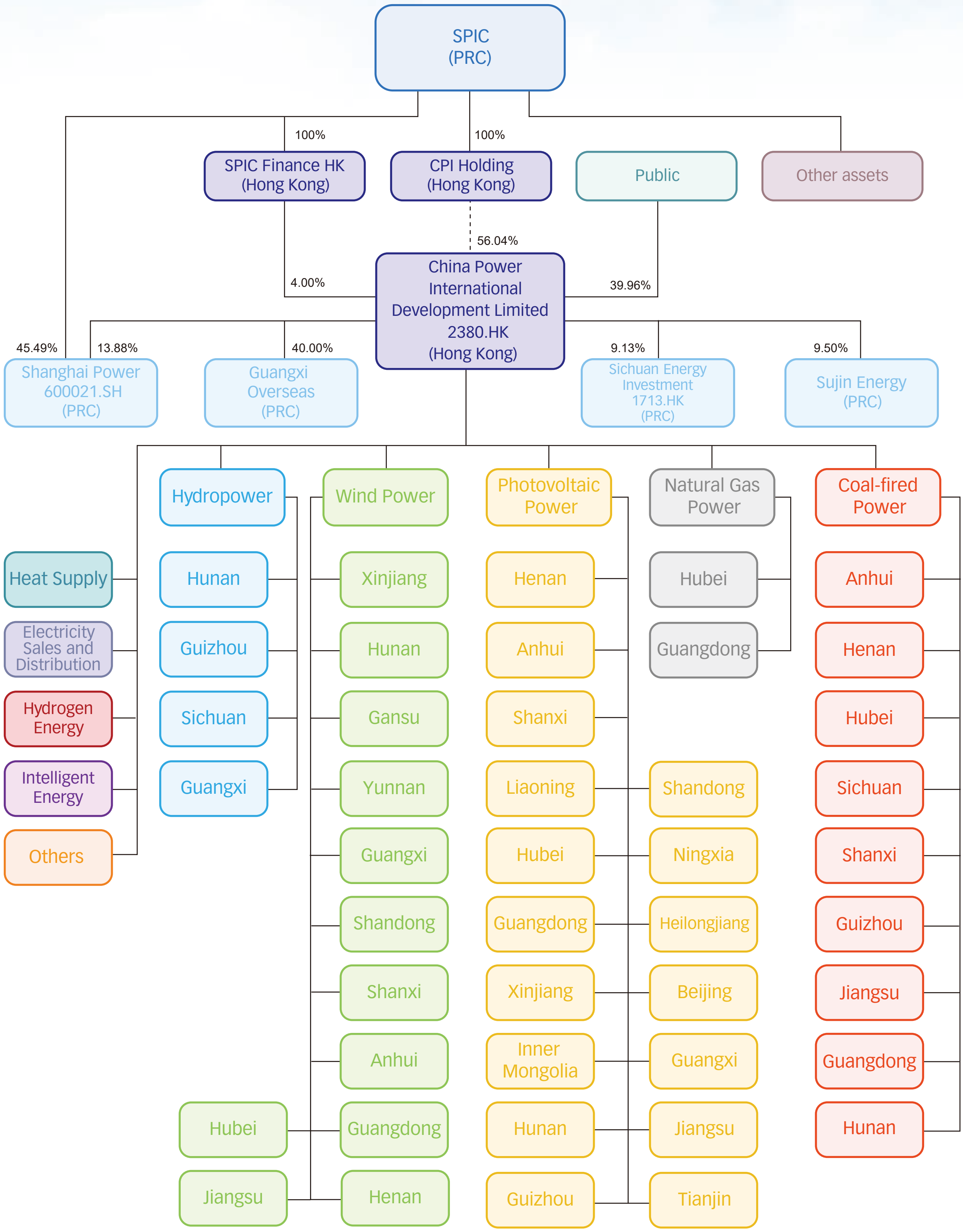
CHEUNG Siu Lan

AUDITOR

Ernst & Young

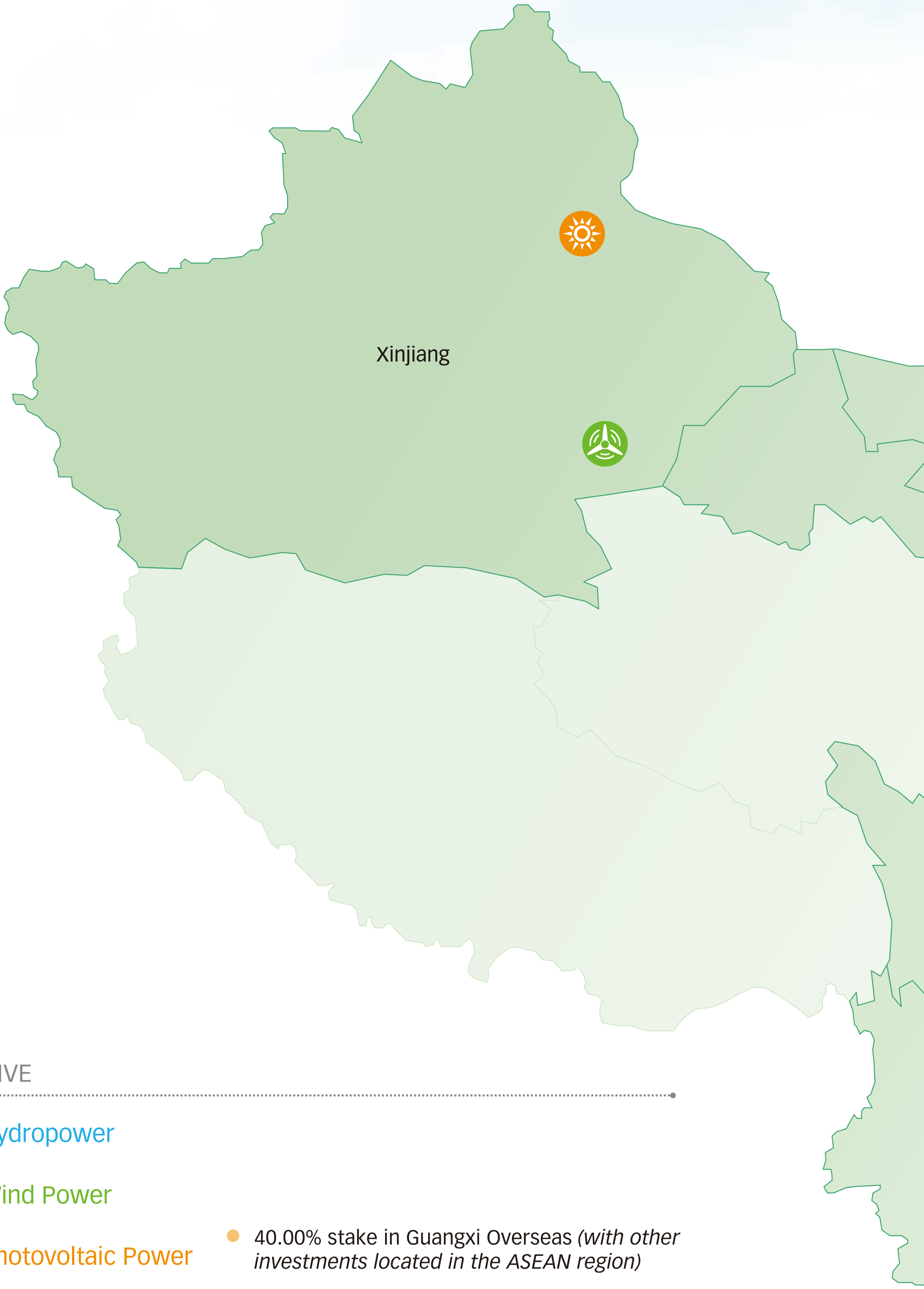
Subsequent to the Board's approval of this annual report on 18 March 2021, there were changes in directorate and Board committees effective from 12 April 2021. For details, please refer to the Company's announcement dated 12 April 2021.

Group Structure



Note: The above group structure is recorded as at the date of this annual report.

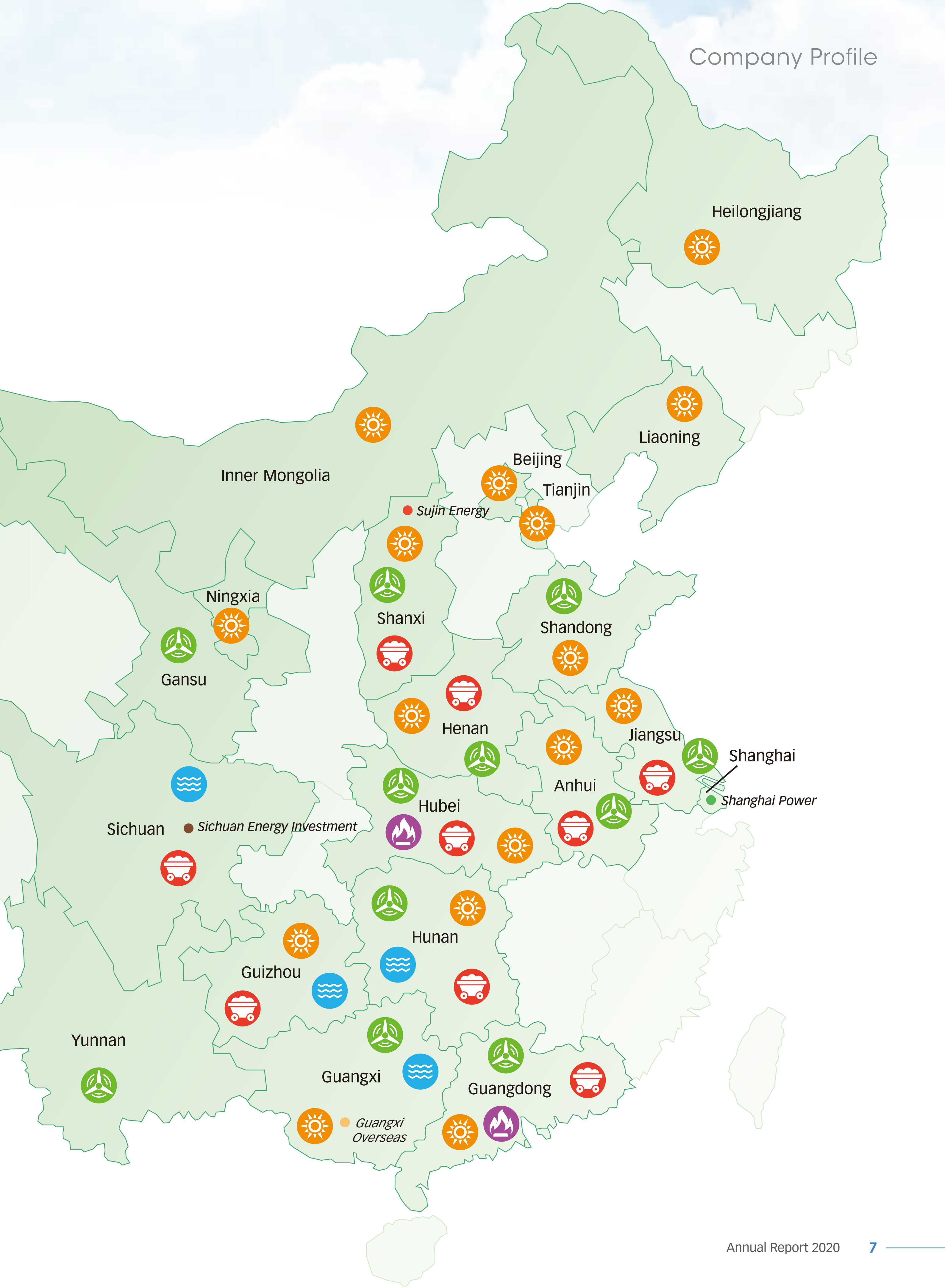
Company Profile



DIRECTIVE

- Hydropower
- Wind Power
- Photovoltaic Power
- Natural Gas Power
- Coal-fired Power

- 40.00% stake in Guangxi Overseas *(with other investments located in the ASEAN region)*
- 13.88% stake in Shanghai Power
- 9.13% stake in Sichuan Energy Investment
- 9.50% stake in Sujin Energy


Heilongjiang
Liaoning
Inner Mongolia
Beijing
Tianjin
Sujin Energy
Ningxia
Shanxi
Shandong
Gansu
Henan
Jiangsu
Shanghai
Shanghai Power
Anhui
Hubei
Sichuan
Sichuan Energy Investment
Hunan
Guizhou
Yunnan
Guangxi
Guangdong
Guangxi Overseas

China Power was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance on 24 March 2004 and is a core subsidiary for conventional energy business of SPIC, the only integrated energy group which simultaneously owns coal-fired power, hydropower, nuclear power and renewable energy resources in the PRC.

The shares of the Company were listed on The Main Board of the Hong Kong Stock Exchange on 15 October 2004 with the stock code 2380. From the beginning of engaging in coal-fired power business only, the Company has expanded its business into the areas of, among others, hydropower, wind power, photovoltaic power, natural gas power, electricity sales and distribution and integrated energy through continuous development for more than 15 years. Various business segments are growing orderly along with the constant expansion of the Group.

As at 31 December 2020, the Group's total attributable installed capacity was 23,878.2MW, of which attributable installed capacity of clean energy was 9,393.6MW, accounting for 39.34% of all attributable installed capacity.

EXISTING POWER PLANTS

As at 31 December 2020, the Group's total attributable installed capacity presented by type of power plants is as follows:

		Installed Capacity MW	Interest %	Attributable Installed Capacity MW
Type of Power Plants	Hydropower	5,834.7	~9.13–64.93	3,507.8
	Wind Power	5,015.4	~13.88–98.73	1,990.5
	Photovoltaic Power	6,268.6	~13.88–100	3,389.1
	Natural Gas Power	2,802.2	~13.88–90	506.2
	Coal-fired Power	29,992.7	~9.50–100	14,484.6
	Total	49,913.6		23,878.2

As at 31 December 2020, the total attributable installed capacity of the Group's wholly-owned and controlled power plants presented by region is as follows:

		Installed Capacity MW	Interest %	Attributable Installed Capacity MW
Hydropower Power Plant	Hunan	3,109.7	63	1,959.2
	Guizhou	1,570	59.85	939.7
	Sichuan	165.4	~44.1–63	98.7
	Guangxi	630	64.93	409.1
		5,475.1		3,406.7

		Installed Capacity MW	Interest %	Attributable Installed Capacity MW
Wind Power Plant	Xinjiang	198	63	124.8
	Hunan	470	~44.1–63	264.1
	Gansu	100	44.1	44.1
	Yunnan	147.4	~32.13–44.1	59.1
	Shanxi	50	56.7	28.4
	Guangxi	653.5	95	620.8
	Shandong	506.1	~51–98.73	323.1
	Henan	46.6	60	28
		2,171.6		1,492.4

Photovoltaic Power Station	Henan	206	~34.65–100	77.2
	Anhui	361.6	~35.7–100	338.2
	Shanxi	830	~70–100	785
	Liaoning	525	100	525
	Hubei	656.8	~34.65–100	481.4
	Guangdong	34	~34.65–100	24.9
	Xinjiang	20	63	12.6
	Inner Mongolia	90	~44.1–63	52.9
	Hunan	69	~32.13–63	37.3
	Guizhou	100	100	100
	Shandong	186.2	~44.1–100	157.6
	Ningxia	640	~32.13–44.1	229.6
	Heilongjiang	200	~70-100	152
	Beijing	2.3	~51–100	1.4
	Guangxi	70	~64.93–100	63
	Jiangsu	4.5	100	4.5
	Tianjin	9.7	35.7	3.4
		4,005.1		3,046

Natural Gas Power Station	Hubei	154	90	138.6
		154		138.6

Coal-fired Power Plant		Installed Capacity MW	Interest %	Attributable Installed Capacity MW
	Anhui	5,860	~60–100	4,044
	Henan	2,860	100	2,860
	Hubei	2,600	51	1,326
	Sichuan	1,200	51	612
	Shanxi	1,200	80	960
	Guizhou	1,320	95	1,254
		15,040		11,056

As at 31 December 2020, the total attributable installed capacity of the Group's main associates, joint ventures and investment holding companies' power plants are as follows:

Power Plant		Installed Capacity MW	Interest %	Attributable Installed Capacity MW
	Changshu Power Plant	3,320	50	1,660
	Xintang Power Plant	600	50	300
	Liyujiang Power Plant	600	25.2	151.2
	Shanghai Power	14,642.6	13.88	2,032.4
	Sujin Energy	2,983.2	9.50	283.4
	Guangxi Overseas	574.2	40	229.7
	Sichuan Energy Investment	138.7	9.13	12.7
	Jinzishan Wind Power	207.4	15.22	31.6
	Fushan Power Station	75	50	37.5
	Total	23,141.1		4,738.5

PROJECTS UNDER CONSTRUCTION

As at 31 December 2020, the Group's projects under construction presented by type of power plants is as follows:

Type of Power Plants		Installed Capacity MW	Interest %	Attributable Installed Capacity MW
	Hydropower	500	63	315
	Wind Power	1,882.4	~32.13–100	1,116
	Photovoltaic Power	978.9	~41–100	604.5
	Natural Gas Power	321.6	100	321.6
	Coal-fired Power	2,000	100	2,000
	Total	5,682.9		4,357.1

NEW DEVELOPMENT PROJECTS

As at the date of this annual report, the total installed capacity of new projects in a preliminary development stage (including projects which the approvals from government of the PRC have been applied for) is approximately 4,750MW. The categories are distributed as follows:

Type of Power Plants		Installed Capacity MW
	Renewable energy (wind power and photovoltaic power)	4,715
	Natural gas power	35
	Total, approximately	4,750

ULTIMATE CONTROLLING SHAREHOLDER – SPIC

The Company is ultimately owned by SPIC, a wholly State-owned enterprise established by the approval of the State Council of the PRC. The business of SPIC includes power, coal, aluminum, logistics, finance, environmental protection and high-tech industries, etc. with a total installed capacity of approximately 176GW, of which attributable installed capacity of clean energy was approximately 99GW, accounting for 56.25% of total attributable installed capacity.

Major Events in 2020

January

China Power formed a Leading Team for Coronavirus Disease Prevention and Control and Mr. TIAN Jun, the Chairman of the Board, served as the team leader. The Leading Team assumed full command over various arrangements, measures and requirements for pandemic prevention and control to ensure the normal operation and sufficient power supply of every single business unit at home and abroad of the Company. In the meantime, the Company also timely distributed the "Emergency Handbook for Coronavirus Disease Prevention and Control" to its employees to enhance their awareness of pandemic prevention and ensure the physical and mental health of the employees.

February

CP Zhihui, a subsidiary of the Company, was accredited as a national high-tech enterprise, which is a strong recognition to CP Zhihui's technological innovative works and technical innovation capability, thereby further enhancing its reputation and trustworthiness, strengthening its market competitiveness and thus have a positive impact on aspects such as initiating new integrated energy projects and seeking policy support from national and local governments.

China Power was granted the honorary title of "Advanced Enterprise for Resumption of Work and Production" by SPIC, commending the Company's strict implementation and reinforcement of its pandemic prevention and control measures as well as the planning for resumption of work and production in a safe and orderly manner.

March

China Power entered into an Entrusted Management Agreement with CPI Holding and SPIC Overseas, pursuant to which China Power provided planning, operation and management services to the Entrusted Companies, while China Power obtained the right of first refusal to acquire the Entrusted Companies, which created opportunities for the Company to further expand its clean energy business and expand into overseas markets.

April

China Power proposed to appoint Ernst & Young as the new auditor in replacement of Deloitte Touche Tohmatsu with its retirement upon the conclusion of the annual general meeting to comply with the relevant regulatory requirements in relation to the financial auditing work for State-owned enterprises promulgated in the PRC.

June

In response to the COVID-19 pandemic, China Power arranged online live streaming of its annual general meeting and online inquiry session for its registered shareholders for the first time. The meeting was held successfully as scheduled, at which an ordinary resolution to approve the appointment of Ernst & Young as the auditor of the Company was passed.

Guangxi Company, a subsidiary of the Company, established a joint venture (namely Guangxi Overseas) with Jilin Electric, CEC and Sinohydro B11 to share their technical experience and to explore opportunities for the development of clean energy projects in the ASEAN region with greater efforts in a joint strategic manner.

July

Mr. HE Xi was appointed as an executive Director and the President of China Power, while Mr. TIAN Jun, the Chairman of the Board, ceased to concurrently hold the position as the President of the Company.

"Liaoning Chaoyang 500MW Photovoltaic Grid Parity Project", the single largest project in terms of capacity among the first batch of grid parity demonstration projects in China, was fully put into production, which laid a solid foundation for the development of the Group's grid parity projects.

August

China Power announced the establishment of a Sustainability Working Committee under the Risk Management Committee, which will be responsible for assisting the Risk Management Committee in providing leadership, direction and oversight in formulating the policies and implementing the practices in relation to the sustainability of the Group.

October

China Power signed a strategic cooperation agreement with the government of Wudi County, Binzhou, Shandong Province, the PRC, pursuant to which it joined hands with upstream and downstream enterprises along the relevant industrial chain to participate in the construction of Lubei Integrated Intelligent Industrial Park, aiming to jointly develop a circular economy ecosystem with a focus on integrated intelligent energy that merges multi-industry, multi-energy and multi-intelligence.

Dabieshan Power Plant, a subsidiary of the Company, was honoured with the title of "Advanced Central Enterprise of Combating the Coronavirus Disease" by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC in recognition of its outstanding contribution in pandemic prevention and safeguarding the power supply.

November

China Power was awarded the "Excellent Enterprise Award for Sustainable Information Disclosure" at the 2020 (8th) Global Enterprise for Sustainable Competitiveness Summit Forum.

China Power was granted the title of Excellent Enterprise for Building Corporate Culture of the PRC under the "13th Five-Year" plan by China Corporate Culture Institute. In respect of building its corporate culture, China Power closely integrated the Company's development towards the goal of "establishing itself as the world's leading clean energy enterprise" with its vision and mission of "striving for clean development, contributing green energy". Such efforts have fully motivated the proactivity, initiative and creativity of its employees, integrated their wisdoms and strengths, and hence promoted the upgrade of the overall management standard and completed various tasks and missions of the Company with high level of quality.

December

The Hong Kong Institute of Certified Public Accountants (HKICPA) released the Judges' Report of the 20th Best Corporate Governance Awards 2020, among which China Power was shortlisted for the first time and received the Prize of Special Mention for Non-Hang Seng Index Constituent Stocks (Medium Market Capitalization) Category, signifying the recognition of the Company's achievements in corporate governance by the society and experts.

China Power was named the Advanced Member Enterprise in 2020 by The China Electricity Council in recognition of the Company's outstanding performance and remarkable contribution in the reliability management of electricity.

The natural gas project of Jingmen Lvdong, a subsidiary of the Company, located in Jingmen Hi-tech Industrial Development Zone, was the first self-built natural gas project of the Group, contributed a total output of 154MW throughout the year.

Letter to Shareholders

> **The year 2020 was an extraordinary and challenging year. Facing the adversities of the global COVID-19 outbreak, the difficult and complicated market conditions and the escalating impacts of climate change, the Group forged ahead to further push forward clean energy transition and development. Adhering to its original goal, mission and standards, it ultimately made outstanding progress in both pandemic fight and business growth while accomplishing its operational and development targets for the year.**

BUSINESS REVIEW OF 2020

The Group's total revenue for the year and the profit attributable to equity holders of the Company increased by 2.39% and 33.01% respectively as compared with the previous year. The operating results of the Group improved steadily.

Stable growth in operational efficiency driven by both effective pandemic prevention and resumption of work and production. In 2020, the Group made concerted efforts to overcome the impact of the pandemic and became one of the first enterprises to fully resume work and production in China, thereby getting off to a good start. During the year under review, the Group focused on extensive marketing activities to increase the sales of electricity in the market through direct power supply, cross-province power transmission and power sales agency contracts, registering a year-on-year growth in total electricity sales of 5.62%. Among it, clean energy sold was up 21.59% year-on-year and made a key contribution to the increase in total revenue. During the year, all business segments recorded profit and demonstrated excellent operational efficiency.

Constant promotion of clean energy transition to boost its share in power generation. In response to the policy trend to reduce subsidies, the Group centered on grid parity projects and competitive bidding energy projects as it continued to vigorously develop clean energy during the year. Liaoning Chaoyang 500MW photovoltaic grid parity project, one of the key projects, has commenced operation at full capacity. During the year, the Group also completed the acquisition of three gird parity projects with a total capacity of 350MW in Shanxi Datong Zero-carbon Green Energy Base. As of the end of 2020, the Group's attributable installed capacity of clean energy reached 9,393.6MW, representing an increase of 3.77 percentage points from the end of 2019 and accounting for 39.34% of the total attributable installed capacity. Revenue from the clean energy segment amounted to RMB10.72 billion, representing a growth of 4.01 percentage points from the end of 2019 and accounting for 37.71% of the total revenue of the Group.

Intense development of key demonstration projects with economic benefits to expand exposure of integrated intelligent energy. With the target of becoming an "integrated, autonomous and intelligent enterprise with zero carbon emission", the Group established integrated intelligent energy projects and achieved preliminary success during the year. The Beijing Baozhigu (北京寶之谷) "Zero-carbon" Power Supply Project, the "Photovoltaic Power Storage and Charging" integrated project for Huitong Times Square (惠通時代廣場) in Beijing and the integrated energy project of USTB Industrial Park (北科產業園) in Beijing, are operating at high standards. Currently, the Group's development capabilities and standards in respect of integrated intelligent energy have provided its development with certain ascendency.

New step towards multinational development through entrusted management of overseas projects for the parent company. Pursuant to the Entrusted Management Agreement entered into with CPI Holding and SPIC Overseas in March 2020, the Company took over the management of their overseas entrusted companies and their project assets with a total capacity of 5,700MW in eight countries, including Australia, Brazil, Chile and Mexico, among which, installed capacity of clean energy accounted for approximately 70%, which is in line with the Group's consistent concept of clean development. Leveraging the overseas management projects entrusted by the parent company, the Company further enhances its international business management capabilities and paves way for its multinational development strategy in the future.

Ongoing pursuit of more in-depth reform and innovation to enhance management capabilities. Focusing on the reform in key areas such as the governance, talent management and incentive mechanism, the Group continued to push forward the establishment of the governance system comprising "Plan-Budget-Assessment-Incentive". In order to strengthen management efficiency, it further set out the authorities and responsibilities of the Group and all of its business units and entrusted companies. During the year, by completing the comprehensive reform named the "Double-Hundred Actions", the Company effectively motivated the corporate transformation and development. In recognition of its success in reform, the Company was rated as "A-class Enterprise" in the Double-Hundred Reform by the Leading Group for State-owned Enterprises' Reform of the State Council, i.e. one of the 100 subsidiaries of central enterprises and 100 key local state-owned enterprises achieved breakthroughs in areas such as mixed-ownership, corporate governance structure, market-oriented operating mechanism, talent incentive mechanism and legacy problems during 2018 to 2020.

The Group has been placing great emphasis on the upgrade of its corporate governance level, improving the quality of information disclosure wilfully and presenting the shareholders with a clear picture of its results in respect of system reform. In this regard, the Group received the Prize of Special Mention – Non-Hang Seng Index Constituent Stocks (Medium Market Capitalization) Category (非恒指成份股（中市值）評判嘉許獎) from the Judges' Report for the 20th Best Corporate Governance Awards 2020 issued by the Hong Kong Institute of Certified Public Accountants.

All-out effort to secure power supply for pandemic fight and duly perform social responsibility. Early last year, Hubei province was among the most affected places by the pandemic. To ensure safe and stable power supply to the region, the Group swiftly reactivated its power generating units in Dabieshan Power Plant within the same province for direct power supply to Wuhan. Meanwhile, Changshu Power Plant provided emergency heat supply services to customers in Suzhou Industrial Park who rushed mattress manufacturing for the pandemic-stricken area. Also, Wuhu Power Plant reconnected to the power grid to supply electricity for pandemic prevention and control in Anhui province. All of our employees not only strived to secure power supply in favour of the national fight against the epidemic, but also assumed social responsibility by making voluntary donations to support Huanggang, Macheng and other areas in Hubei that were hard hit by the pandemic outbreak, fulfilling our corporate social responsibility.

OUTLOOK FOR 2021

In 2021, the global economy has gradually entered the post-pandemic era. The Chinese government proposed to accelerate the formation of a new development pattern, in which the domestic cycle plays a leading role and fosters a mutually beneficial relationship with the international cycle. Both energy and power demand are expected to further increase.

The year 2021 marks the first year after China set the "30 • 60 Carbon Target" to fulfill carbon emission peak and carbon neutrality by 2030 and 2060, respectively. It is also the inception year of the "14th Five-Year Plan", of which the comprehensive transition to clean energy of the power sector is an inevitable trend. At the same time, the establishment of the carbon trading market in China will have a profound impact on the development of the power industry.

All in all, the power sector faces new growth opportunities and challenges. In 2021, the Group will stay committed to energy transition and development with a focus on implementation of strategies. It will push forward its plans, missions and goals for the "14th Five Year" period to have a good start and lay a solid foundation. Key tasks of the Group will include:

Emphasis on transformation towards clean energy – The Group will strive to accelerate energy transition and development by further optimizing the energy structure and industrial layout. Firstly, it will expedite the development of clean energy and establish new gigawatt-level energy bases rapidly. Apart from pushing forward the development of distributed wind power projects, distributed photovoltaic projects, small-to-medium-sized wind power and photovoltaic power generation and storage complementary projects, it will also seek high-quality strategic partners to expand the scale of clean energy co-development projects. Secondly, it will lower the proportion of high-carbon assets and hasten the disposal of certain existing coal-fired projects. Thirdly, it will enhance technological upgrade and renovate coal-fired power generating units in pursuit of clean and efficient use of coal. It will also organize the carbon capture and storage plans in advance. Fourthly, it will conduct an in-depth study on carbon emission and carbon trading policies. Actively responding to the challenges and opportunities in the carbon trading market, it will work out the plan and implementation details for carbon reduction targets in line with the actual circumstances, and conduct research for carbon trading strategies. The Group will strive to realize its goal of comprehensive transformation towards clean and low-carbon energy and attain "The Peak of Carbon Emission" as soon as possible.

Improvement in operating results – Firstly, the Group will continue to strive its efforts in marketing and adapt to the power marketization trading trend actively. Moreover, it will take part in power trades vigorously to increase market-power generation. Secondly, the Group will continue to optimize production and operation to ensure new clean energy projects commence production successfully. This should secure the on-grid power consumption of renewable energy and consistently boost the proportion of revenue from clean energy. Thirdly, the Group will strengthen talent incentives, guidance and improvement of human resources. It will encourage its employees to shift focus towards emerging industries and key strategic fields, with the aim of enhancing the labor productivity of all employees. Fourthly, the Group will carry on upgrading its governance, management and control over projects abroad. Taking into account the profile of overseas entrusted assets, it will formulate an all-round set of overseas entrusted management policies, so that such assets are under proper management and in stable operation.

Input of new drivers for high-quality development – Firstly, the Group will actively promote the "Three New Businesses" (i.e. development of new industries, new business formats and new operational models by using new technologies and applications) in economically-developed areas with robust market demand. We will endeavour to incorporate the development of new energy, distributed energy and integrated energy projects, and to expand our layout with more intelligent energy demonstration projects that have leading advantages in the construction, transportation and information infrastructure sectors. Secondly, the Group will push ahead with the establishment of innovation management systems and mechanisms. By organizing resources and advancing innovation in terms of technology, business model and management, the Group's efforts on fostering innovation will play a more important role in driving and supporting industry transformation and upgrade.

Promotion of multinational expansion – The offshore assets under entrusted management services of the Group are mainly located in countries and regions along the "Belt and Road Initiative". The Group will fully capitalize on the opportunities arising from the offshore entrusted assets of the parent company to explore rooms for international expansion along the "Belt and Road Initiative". It will conduct in-depth study on the supply and demand profile, policies and market environment of the countries to properly develop and operate the entrusted offshore assets with a view to continuously enhancing its multinational operation capability and influence in the international market.

In 2021, the Group will continue to adopt a pragmatic approach and seize all kinds of opportunities arising from government policies, the market and the industry. Driving business growth through innovation, we will reward our shareholders and contribute to the society with more outstanding results!

TIAN Jun
Chairman

18 March 2021

DIRECTORS

TIAN Jun

Chairman of the Board
Executive Director
Chairman of the Risk Management Committee
Chairman of the Executive Committee

TIAN Jun, born in 1966, is a senior engineer at professor level and has a master of engineering degree from Taiyuan University of Technology. Mr. TIAN is currently a director of CPI Holding. He joined the Group in 2017. He previously served as a director and the general manager of State Power Investment Corporation Yuanda Environmental Protection Co., Ltd., the general manager of Hejin Power Branch of Zhangze Electric Power Co., Ltd., the deputy general manager and the chief engineer of CPI Power Operation Co., Ltd., the deputy general manager of CPI Xinjiang Energy Co., Ltd., the deputy director of Safety and Environmental Protection Supervision Department of CPIC.

HE Xi

Executive Director
President
Member of the Executive Committee

HE Xi, born in 1965, is a senior engineer at professor level and has a master degree in engineering from North China Electric Power University. Mr. HE is currently the chief engineer of new energy of SPIC. He joined the Group in 2020. He previously served as an executive director and the general manager of CPI Guangxi Nuclear Power Co., Ltd., the deputy general manager and the chief engineer of CPI Power Engineering Co., Ltd., and the chief engineer of Macun Power Plant of Hainan Zhonghai Energy Co., Ltd..

GUAN Qihong

Non-executive Director

GUAN Qihong, born in 1962, is a chief senior economist and a senior auditor and has a bachelor degree in engineering from Huazhong Institute of Technology, a master degree in economics from Zhongnan University of Economics and a doctoral degree in economics from Xiamen University. Mr. GUAN is currently the chief capital market officer of SPIC. He joined the Group in 2008. He previously served as a director of CPI Holding and SPIC Financial, the commissioner of Asset Assessment Centre of National Asset Management Bureau, the deputy secretary-general of China Appraisal Society, the assistant to the head of Finance and Property Ownership Management Department of the State Power Corporation of China, the chief economist of State Grid Shenzhen Energy Development Group Co., Ltd. and the supervisor of Capital Market and Equity Department of CPIC.

WANG Xianchun

Non-executive Director

WANG Xianchun, born in 1962, is a senior engineer and has a bachelor degree in power facilities for hydropower plant from Wuhan University of Water and Power Resources. Mr. WANG is currently a special duty director and supervisor of SPIC, a director of Shanghai Power and a chief supervisor of Jilin Electric. He joined the Group in 2017. He previously served as a director of CPI Holding, the deputy manager of Planning and Development Department of CPIC, the supervisor of Integrated Industry Department of CPIC, the general manager of the branch company of CPIC in Southern China, an executive director and the general manager of CPI Southern Power Co., Ltd. and an executive director of SPIC Guangdong Power Company Limited.

KWONG Che Keung, Gordon

Independent Non-executive Director
Chairman of the Audit Committee
Member of the Remuneration and Nomination Committee
Member of the Risk Management Committee

KWONG Che Keung, Gordon, born in 1949, has a bachelor of social science degree from The University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and Hong Kong Institute of Certified Public Accountants. Mr. KWONG was a partner of Pricewaterhouse from 1984 to 1998 and was a council member of the Hong Kong Stock Exchange from 1992 to 1997. He joined the Group in 2004.

Mr. KWONG is currently an independent non-executive director of a number of companies listed in Hong Kong and overseas, including NWS Holdings Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Group Holdings Limited, Chow Tai Fook Jewellery Group Limited, FSE Services Group Limited, COSCO Shipping International (Hong Kong) Co., Ltd. and Piraeus Port Authority S.A..

LI Fang

Independent Non-executive Director
Chairman of the Remuneration and Nomination Committee
Member of the Audit Committee
Member of the Risk Management Committee

LI Fang, born in 1962, has a bachelor degree in mechanical engineering from University of Science and Technology Beijing and a juris doctoral degree from the College of Law of Arizona State University in the United States in 1995. Mr. LI has extensive experience in business management and corporate finance. He joined the Group in 2004. He previously served as an executive director of Goldman Sachs (Asia) L.L.C. and a lawyer with Davis Polk and Wardwell LLP in the United States.

YAU Ka Chi

Independent Non-executive Director
Member of the Audit Committee
Member of the Remuneration and Nomination Committee
Member of the Risk Management Committee

YAU Ka Chi, born in 1958, holds a certified public accountant license issued by the Illinois Department of Financial and Professional Regulation, the United States and a professional diploma in company secretaryship and administration from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University), and is a member of the American Institute of Certified Public Accountants, the Illinois CPA Society and the Hong Kong Institute of Certified Public Accountants. Mr. YAU has over 30 years of professional accounting services experience including 20 years in serving PRC-based enterprises. He had worked for Ernst & Young in its Hong Kong, Toronto and Beijing offices, with a primary focus in providing professional services in accounting and audit, initial public offering, and corporate restructuring, before retiring in September 2015. During the tenure with Ernst & Young, Mr. YAU was appointed, among others, as the professional practice director of Greater China and the assurance leader for China North Region. He joined the Group in 2016.

Mr. YAU is currently an independent non-executive director of Yihai International Holding Ltd. and China Mengniu Dairy Company Limited, both companies are listed on the Main Board of the Hong Kong Stock Exchange. In addition, Mr. YAU is also an independent non-executive director of BetterLife Holding Limited, an applicant for listing in Hong Kong.

SENIOR MANAGEMENT

HUANG Yuntao
Vice president

HUANG Yuntao, born in 1965, is a senior engineer and has a bachelor degree in power system and automation from Hefei University of Technology. He participated in the works of the Group's power plants prior to the Company's listing in 2004. Mr. HUANG previously served as the general manager of Information Technology Department of CPI Holding and Wuhu Power Plant, the chief human resource officer of the Company and CPI Holding, and the deputy general manager of CPI Holding.

SUN Guigen
Vice president

SUN Guigen, born in 1966, is a senior engineer and has an executive master of business administration degree from Shanghai University of Finance and Economics. He participated in the works of the Group's power plants prior to the Company's listing in 2004. Mr. SUN previously served as the general manager of Dabieshan Power Plant, the chairman of Fuxi Power Plant, the deputy chairman of Changshu Power Plant, the chief engineer of the Company and CPI Holding, and the deputy general manager of CPI Holding.

XU Wei
Vice president
Chief legal adviser

XU Wei, born in 1973, holds a bachelor degree in law from China University of Political Science and Law, a master degree in law from Peking University and a lawyer qualification in China. She joined the Group in 2004. Ms. XU previously served as the head of the General Office of the Board of Directors and the general manager of Legal Affairs Department of the Company and CPI Holding, the deputy general manager and chief legal adviser of CPI Holding.

JU Shucheng

Vice president

JU Shucheng, born in 1969, is a senior political engineer and has a master degree in business administration from Beijing Institute of Technology. He joined the Group in 2020. Mr. JU previously served as the deputy director of Discipline Inspection and Supervision Department of Jilin Petroleum Corporation, the director-level supervisor and deputy director of Party Work Style Construction Office of Discipline Inspection and Supervision Department of China National Petroleum Corporation, the deputy director of Discipline Inspection and Supervision Department of State Nuclear Power Technology Corporation, the deputy director of Discipline Inspection and Supervision Department and the deputy leader of Discipline Inspection and Supervision Team of SPIC.

XUE Xinchun

Vice president

XUE Xinchun, born in 1966, is a senior engineer and has a master degree in electrical engineering from Southeast University. He participated in the works of the Group's power plants prior to the Company's listing in 2004. Mr. XUE previously served as the general manager of Liaoning Qinghe Electric Power Company Limited, Wuhu Power Plant and China Power Hua Chuang Electric Power Technology Research Company Limited and Beijing China Power Huizhi Technology Company Limited, the general manager of Technology and Information Department and the chief engineer of the Company and CPI Holding.

FU Jinsong

Vice president

FU Jinsong, born in 1974, is an economist and holds a master degree in administration and management from Sun Yat-Sen University and a certified enterprise legal adviser qualification in China. He joined the Group in 2018. Mr. FU previously served as the policy research manager of Policy Planning and Legal Department of State Nuclear Technology Corporation, a seconded research consultant of Bureau of Enterprise Reform of State-owned Assets Supervision and Administration Commission of the State Council, the deputy general manager of Policy Planning and Intellectual Property Department of SPIC and CPI Holding.

ZHAO Yonggang

Vice president

ZHAO Yonggang, born in 1972, is a senior engineer and has a master degree in Engineering Project Management from Changsha University of Science & Technology. He participated in the works of the Group's power plants prior to the Company's Listing in 2004. Mr. ZHAO previously served as the deputy general manager of Materials and Fuel Department and the general manager of International Business Department of the Company and CPI Holding, the deputy director of Guangzhou Representative Office of CPI Holding and the general manager of China Power Hub Generation Company (Private) Limited.

COMPANY SECRETARY

CHEUNG Siu Lan

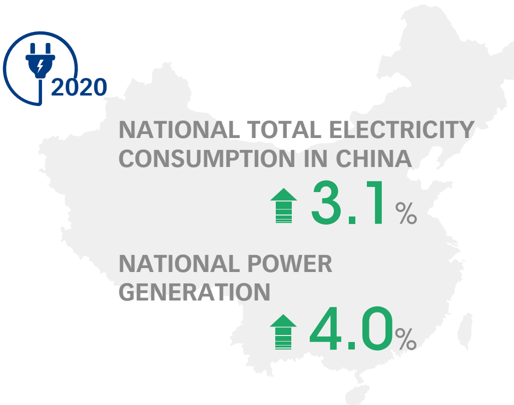
Company Secretary

CHEUNG Siu Lan is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators in the United Kingdom), who holds the dual designations of Chartered Secretary and Chartered Governance Professional, and is also a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia. She has a bachelor degree in commerce from The University of Queensland, Australia and obtained a master degree in professional accounting and a postgraduate diploma in corporate administration from The Hong Kong Polytechnic University. Ms. CHEUNG previously served as the company secretary and the group financial controller of a listed group in Hong Kong. She has extensive experience in the fields of corporate governance, corporate finance and mergers and acquisitions.

BUSINESS REVIEW

The Group is principally engaged in generation and sales of electricity in Mainland China, including investment, development, operation and management of coal-fired power, hydropower, wind power and photovoltaic power plants. Its businesses are located in the major power grid regions of China.

In the very extraordinary year of 2020, the sudden outbreak of the COVID-19 pandemic has had a material impact on global socio-economic conditions. Amid the epidemic early last year, China's energy consumption fell precipitously. However, under the timely introduction of a series of national policies to contain the spread of the virus, economic activities resumed steadily in the second quarter as the adverse impacts of the pandemic were gradually overcome. With the further recovery of the domestic macro-economy in the second half of the year, the national power consumption and demand rebounced and maintained a stable growth.



In 2020, the national total electricity consumption in China rose by 3.1% year-on-year and the national power generation recorded a year-on-year increase of 4.0%, among which, hydropower, wind power, photovoltaic power and coal-fired power grew by 4.1%, 15.1%, 16.6% and 2.5% respectively.

The profit attributable to equity holders of the Company for the year ended 31 December 2020 increased by RMB423,924,000 to RMB1,708,305,000, representing an increase of 33.01% from 2019. Basic earnings per share was approximately RMB0.17 (2019: RMB0.13). As at 31 December 2020, net assets per share (excluding non-controlling interests and other equity instruments) was approximately RMB3.10.

PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY
1,708,305 RMB'000
Compared with 2019 ↑ 33.01%

BASIC EARNINGS PER SHARE
0.17 RMB

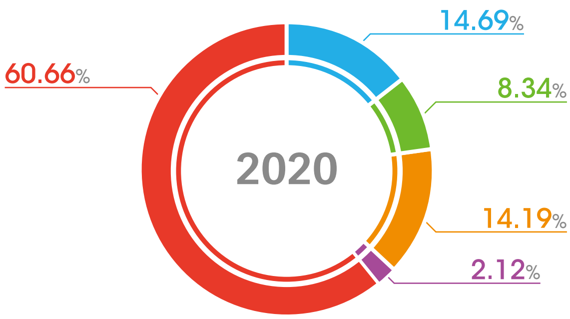
NET ASSETS PER SHARE
(excluding non-controlling interests and other equity instruments)
3.10 RMB

With the Group's new energy projects entered into a period of concentrated official commercial production, return on investment unleashed gradually and the proportion of profits contributed by the new energy projects has continued to increase. The electricity sales of photovoltaic power and wind power increased year-on-year by 44.45% and 23.30%, respectively. The electricity sales of hydropower also recorded a significant year-on-year increase of 16.83% as a result of abundant rainfall in the river basins where the Group's hydropower plants are located during the second half of the year.

During the year under review, the development and performance of the Group's principal businesses were as follows:

Attributable Installed Capacity

The details of attributable installed capacity of the Group as at 31 December 2020 are set out as follows:



	2020 / MW
Hydropower	3,507.8
Wind Power	1,990.5
Photovoltaic Power	3,389.1
Natural Gas Power	506.2
Coal-fired Power	14,484.6
	23,878.2

As at 31 December 2020, the attributable installed capacity of the Group's power plants reached 23,878.2MW, representing a year-on-year increase of 2,765.0MW. Among which, the attributable installed capacity of clean energy including hydropower, wind power, photovoltaic power and natural gas power was 9,393.6MW in total, accounting for approximately 39.34% of the total attributable installed capacity and representing an increase of 3.77 percentage points as compared with the previous year.

The Group's new power generating units that commenced commercial operation during the year are presented by type as follows:

Type of Power Plants	Installed Capacity MW	Interest %	Attributable Installed Capacity MW
Wind Power	586.6	~51-100	372.6
Photovoltaic Power	1,144.9	~51-100	791.7
Natural Gas Power	154	90	138.6
Coal-fired Power	1,320	51	673.2
Total	3,205.5		1,976.1

Note: Apart from the above new power generating units, as compared with the previous year, the Group recorded a net increase in attributable installed capacity of 2,765.0MW after taking into account the followings: (i) the acquisition of attributable installed capacity of 105MW from a new project company; (ii) the increase in attributable installed capacity of 285.3MW due to changes in equity interests in certain power plants; (iii) the decrease in attributable installed capacity of 150.0MW due to the sale or shutdown of power plants; and (iv) the changes in the total installed capacity of associates, joint ventures and Shanghai Power.

Project Development

The Group has been pursuing its transformational development strategy towards the direction of clean, integrated, intelligent and transnational development. During the year under review, the Group's additional installed capacity of clean energy was 1,827.1MW, accounting for approximately 58.06% of the total additional installed capacity.

Photovoltaic Grid Parity Project

During the year under review, "Liaoning Chaoyang 500MW Photovoltaic Grid Parity Project", the single largest project in terms of capacity among the first batch of photovoltaic grid parity projects in China, was put into full operation. In order to further promote social and economic development in Chaoyang, the Company has entered into agreement with Chaoyang municipal government in respect of the further development of clean energy projects, pursuant to which the Company will develop three other new energy projects in the city and establish an intelligent and ecological new energy demonstration base with a capacity of million kW in the future.

Liaoning Chaoyang 500MW Photovoltaic Grid Parity Project was put into full operation

In addition, another three photovoltaic competitive-bidding projects totalled 440MW in Ningxia Hui Autonomous Region of the PRC have also been put into production successively during the year, marking the official entry into the "Era of competitive-bidding and grid-parity" of the Group's renewable energy business, which will gradually reduce the reliance on government subsidies and lay a more solid foundation for its sustainable development.

Natural Gas Project

Located in Jingmen Hi-Tech Industrial Development Zone, Hubei Province, the natural gas project of 154MW is the Group's first natural gas project. The Group will continue to explore the business field of natural gas power generation.

Intelligent Energy Project

CP Zhihui, a subsidiary of the Company engaging in the development of integrated intelligent energy projects in Beijing, the PRC, completed four projects last year, namely:

The "Photovoltaic Power Storage and Charging" project for Huitong Times Square

(i) The "Photovoltaic Power Storage and Charging" project for Huitong Times Square (惠通時代廣場), which is the first project in Beijing that integrates photovoltaic power, energy storage and charging station construction, and develops a smart micro grid system for the building.

(ii) The integrated energy project in the USTB Industrial Park (北科產業園) which provides integrated energy services such as electricity, heating and cooling for the locality through internal combustion engines, electric screw-type chillers, rooftop photovoltaics, and smart photovoltaic carports, thereby achieving multi-energy synergy.

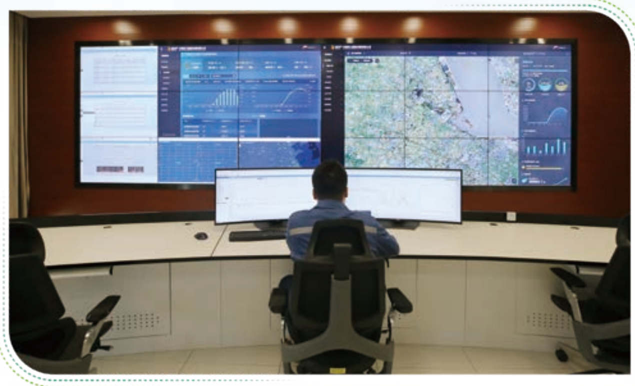
The integrated energy project in the USTB Industrial Park

The "zero carbon" energy supply project of Baozhigu International Conference Center Beijing

(iii) The "zero carbon" energy supply project of Baozhigu International Conference Center Beijing (北京寶之谷國際會議中心) was officially put into operation. With the complementary support and adjustment among power sources, power grids, power loading and energy storage, the project has enhanced the ability to maintain a dynamic balance of the power system in a more economical, efficient and safer manner.

(iv) The integrated intelligent energy project in Yanqing District, Beijing, which achieved significant energy saving and substantial reduction of overall energy consumption by providing cooling and heating services through air-source heat pumps, electric combustion engines and phase-change heat storage.

During the year under review, the Group's new integrated intelligent energy management platform was put into trial run officially, which facilitated the development of photovoltaic power stations with a full coverage of multi-functional modules such as operational performance management and intelligent diagnosis. This further enhanced the level of integrated management, efficient operation and maintenance, and precise decision-making, and thus constantly reinforced the Group's operation capabilities of new energy business.



The new integrated intelligent energy management platform was put into trial run

Overseas Management Project

In order to achieve the goal of becoming a world-class clean energy enterprise in the long run, during the year under review, the Company entered into an Entrusted Management Agreement with CPI Holding and SPIC Overseas, pursuant to which the Company will provide planning, operation and management services to their clean energy power plants in Mainland China and power plants abroad. As negotiated, the Company also obtained the right of first refusal to acquire the Entrusted Companies, which created opportunities for expansion into overseas markets. Through the entrusted management, the Company can better understand the asset quality, financial status and profitability of the Entrusted Companies, which, in the view of the Board, will be of important strategic significance for our future business development. For details, please refer to the Company's announcement dated 31 March 2020.

In June 2020, Guangxi Company, a subsidiary of the Company, established a joint venture in Guangxi Zhuang Autonomous Region of the PRC. The formation of the joint venture enables each of the joint venture partners to leverage their capital and investment capabilities, to share technical experience and to explore market development opportunities through concerted and strategic efforts to a greater extent. The joint venture will serve as a platform for investments in the ASEAN region with a focus on investment and development of clean energy, which is conducive to the Company's development and exploration of clean energy projects in the ASEAN region and will provide beneficial experience and reference for the Company's overseas project development in the future. For details, please refer to the Company's announcement dated 2 July 2020.

Projects under Construction

As at 31 December 2020, the attributable installed capacity of the projects under construction was 4,357.1MW, among which, the attributable installed capacity of coal-fired power and clean energy segments were 2,000MW and 2,357.1MW respectively. The clean energy projects under construction accounted for 54.10% in aggregate. Despite the slight delay in the construction progress of projects under construction due to the pandemic at the beginning of last year, several major projects commenced operation as scheduled during the year, including Chaoyang Photovoltaic Power Station, Jingmen Power Station and the expansion of Dabieshan Power Plant. The 500MW expansion project of Wu Qiang Xi Power Plant owned by Wu Ling Power was also progressing in an orderly manner.

The expansion project of Wu Qiang Xi Power Plant was progressing in an orderly manner

New Development Projects

The integrated photovoltaic charging comprehensive intelligent energy project of Fushida

During the year under review, the Group once again achieved remarkable performance in the development of new energy projects. The 50MW agricultural-photovoltaic complementary power generation project in Xishui, Hubei was included in the list of photovoltaic grid parity projects and planned to complete grid connection in the first half of 2021. The Group officially commenced the construction of the integrated photovoltaic charging comprehensive intelligent energy project of Tianjin Fushida Group (天津富士達集團) and the photovoltaic storage and charging project of TW Solar in Hefei, Anhui. It also completed the acquisition by capital injection of two grid parity projects in Shanxi, with a capacity of 100MW each. The projects are expected to commence operation in the first half of 2021, which marks another step of the Group towards clean energy development.

In addition, we will promote the development of integrated intelligent energy projects, such as the co-generation of heating, power, water, cooling and gas supply, photovoltaic power, energy storage, hydrogen power and incremental distribution network projects. We will seize the opportunities for the development of energy storage brought by the tariff difference between peak and low period, while securing resources of hydrogen refueling stations to establish the industrial chain for generation, storage and application of hydrogen power.

Currently, the total installed capacity of new projects of the Group at a preliminary development stage (including projects with applications submitted to the PRC government for approval) is approximately 4,800MW, which are mainly clean energy projects (including natural gas power generation projects) primarily located in areas with development potentials, including Shandong, Guangxi, Hunan and Ningxia.

Power Generation and Electricity Sold

In 2020, the details of power generation and electricity sold by the Group are set out as follows:

Power Generation

TOTAL POWER GENERATION
91,902,510 MWh
Compared with 2019 ↑ 5.47%

	2020 / MWh	2019 / MWh	CHANGE
Hydropower	24,714,306	21,177,302	+16.70%
Wind Power	4,145,978	3,371,192	+22.98%
Photovoltaic Power	4,851,827	3,354,423	+44.64%
Natural Gas Power	190,921	N/A	N/A
Coal-fired Power	57,999,478	59,231,954	-2.08%

Electricity Sold

	2020 / MWh	2019 / MWh	CHANGE
Hydropower	24,471,737	20,946,792	+16.83%
Wind Power	4,055,528	3,289,280	+23.30%
Photovoltaic Power	4,771,492	3,303,260	+44.45%
Natural Gas Power	186,557	N/A	N/A
Coal-fired Power	54,770,211	56,019,661	-2.23%

TOTAL ELECTRICITY SOLD
88,255,525 MWh
Compared with 2019 ↑ 5.62%

In 2020, the total electricity sold by the Group amounted to 88,255,525MWh, representing an increase of 5.62% as compared with the previous year. The changes in electricity sold by each power segment as compared with the previous year are as follows:

Hydropower ↑ 16.83%	An increase of 16.83% in electricity sold due to a year-on-year increase in rainfall in the river basins where most of the Group's hydropower plants are located during the year.
Wind Power ↑ 23.30% Photovoltaic Power ↑ 44.45%	Benefiting from the large number of new power generating units of the Group that commenced commercial operation during the year, as well as the strengthening clean energy dispatchment and consumption under the national promotion of green development, the electricity sales of wind power and photovoltaic power recorded a year-on-year increase of 23.30% and 44.45%, respectively.
Coal-fired Power ↓ 2.23%	Affected by the COVID-19 pandemic at the beginning of the year, coupled with the increase in the consumption of clean energy which squeezed the demand for coal-fired power generation, resulting in a decrease of 2.23% in the electricity sold.
Natural Gas Power	The electricity sold amounted to 186,557MWh as the first natural gas power project officially put into operation during the year.

In 2020, the Group also performed satisfactorily in gaining incentive electricity from local governments. In recognition of the fulfilment of certain specific targets required by the local governments in respect of environmental protection, heat supply capacity and productivity of certain power generating units, the accumulated amount of various incentive electricity available for production obtained by the Group during the year increased as compared with the previous year.

In 2020, the details of electricity sold by the Group's main associates and joint ventures are set out as follows:

		2020 / MWh	2019 /MWh	CHANGE
Associates	Photovoltaic Power	101,132	103,129	-1.94%
	Coal-fired Power	14,447,574	14,007,435	3.14%
Joint ventures	Wind Power	450,613	N/A	N/A
	Coal-fired Power	3,395,313	3,341,421	1.61%
	Total	18,394,632	17,451,985	5.40%

Heat Sold

In order to strongly support the existing environmental policies promulgated by the PRC government, the Group has carried out in-depth exploration of the heat supply potentials in various regions, strengthened the development of heat market and promoted the construction of centralized heating pipe networks, thereby achieving positive results in various areas such as energy efficiency upgrade and development of heat supply market. In 2020, the total heat sold by the Group (including an associate and a joint venture) was 22,151,047GJ, representing an increase of 1,467,398GJ or 7.09% as compared with the previous year.

TOTAL HEAT SOLD
22,151,047 GJ
Compared with 2019 ↑7.09%

In an effort to boost heat supply capacity, five subsidiaries of the Group are carrying out technical upgrade for the heating system of eight generating units in total, which are expected to be completed successively starting from 2021.

Direct Power Supply

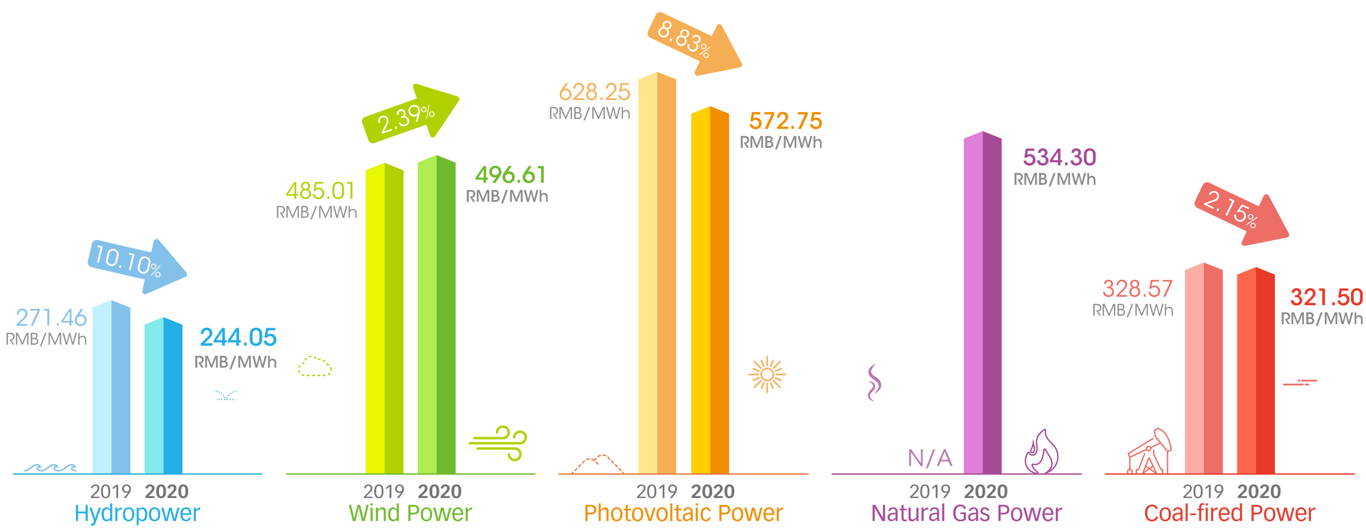
The Group has actively participated in the market-oriented reform of national power industry, analyzed the opportunities therein and participated in direct power supply transactions (including competitive bidding for on-grid electricity sales) with a view to securing market share. Subsidiaries in different provinces have also established their electricity sales centers to serve and attract more target customers.

In 2020, a number of coal-fired power plants and clean energy power plants of the Group participated in direct power supply transactions, and the electricity sold through direct power supply transactions amounted to 34,406,580MWh and 6,647,263MWh respectively, together accounting for approximately 46.52% (2019: 46.09%) of the Group's total electricity sold.

In 2020, for those coal-fired power and hydropower plants of the Group which participated in direct power supply transactions, their average post-tax tariffs were at a discount of approximately 9.81% and 5.75% (2019: 7.87% and 4.66%) respectively compared with the respective average post-tax on-grid tariffs officially approved by the PRC government (including ultra-low emission tariff). The direct power supply tariff discount for coal-fired power increased as compared with the previous year, mainly due to the intensified competition of market-power trading in Shanxi Province and Anhui Province which has resulted in more tariff discounts.

Average On-Grid Tariff

In 2020, the Group's average on-grid tariffs of each power segment as compared with the previous year were as follows:



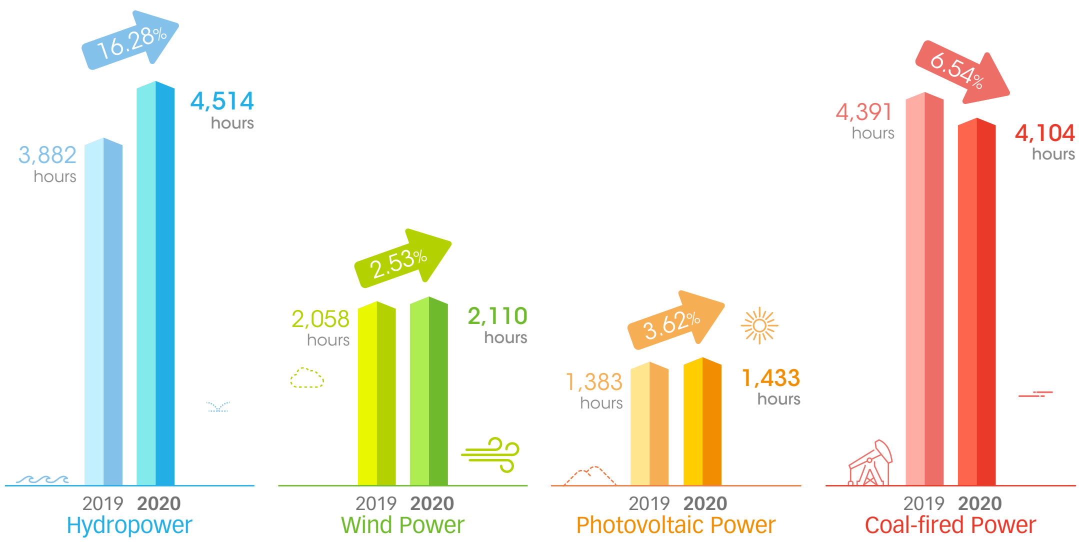
As compared with 2019, the changes in the average on-grid tariff of each power segment of the Group were mainly due to the following factors:

Hydropower	The reduction of on-grid tariff of hydropower in Hunan Province with effect from 1 July 2019 as promulgated by the Development and Reform Commission of Hunan Province where most of the Group's hydropower plants are located, and the government's subsidies for electricity fee to the ancillary service markets are required to be shared equally among power generating enterprises under the policy implemented by the local government last year.
Wind Power	The higher average tariff of wind power during the year as a result of the Group's newly operating wind power plants which charged a relatively higher average on-grid tariff than that of the existing wind power plants and the reduction in value-added tax rate from 1 April 2019.
Photovoltaic Power	The impact of subsidies reduction policy for photovoltaic power tariff and the commencement of operation of the Group's photovoltaic power generation grid parity projects, which resulted in a lower average tariff of photovoltaic power.
Coal-fired Power	Despite the higher average tariff of coal-fired power as a result of the reduction in the value-added tax rate from 1 April 2019, the overall average tariff of coal-fired power slightly decreased due to the increased proportion of sales of direct power supply with a lower average tariff.

The Group will continue to closely monitor and strengthen research on market-power trading policies and green energy tariff policies in order to actively seek more favorable terms regarding market-power trading.

Average Utilization Hours of Power Generating Units

In 2020, the average utilization hours of power generating units of each power segment of the Group as compared with the previous year were as follows:



As compared with 2019, the changes in the average utilization hours of power generating units of each power segment were mainly due to the following factors:

Hydropower	The increase in power generation as a result of the increase in rainfall in the river basins where most of the Group's hydropower plants are located during the year.
Wind Power	The higher average utilization hours of the newly operating generating units.
Photovoltaic Power	The results achieved from effective facility maintenance.
Coal-fired Power	The decrease in electricity consumption due to the COVID-19 pandemic at the beginning of last year and the increase in the consumption of clean energy which squeezed the demand for coal-fired power.

OPERATING RESULTS OF 2020

In 2020, the net profit of the Group amounted to RMB2,925,551,000, representing an increase of RMB724,401,000 or 32.91% as compared with the previous year.

In 2020, the net profit (loss) of each business segment and their respective changes over the previous year were as follows:

HYDROPOWER
1,544,442 RMB'000
Compared with 2019 ↑120.73%

WIND POWER
675,730 RMB'000
Compared with 2019 ↑31.32%

PHOTOVOLTAIC POWER
540,543 RMB'000
Compared with 2019 ↓12.44%

COAL-FIRED POWER
522,769 RMB'000
Compared with 2019 ↓5.57%

UNALLOCATED
(357,933) RMB'000
Compared with 2019 ↑94.46%

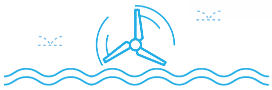
As compared with 2019, the changes in net profit were mainly due to the following factors:

Revenue

The revenue of the Group was derived from the sales of electricity to regional and provincial power grid companies and the provision of power generation while the Group recognized its revenue when its performance obligations have been satisfied. In 2020, the Group recorded a revenue of RMB28,427,721,000, representing an increase of 2.39% as compared with RMB27,763,287,000 of the previous year.

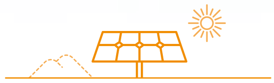
REVENUE
28,427,721 RMB'000
Compared with 2019 ↑2.39%

In 2020, the details of revenue of each business segment are set out as follows:



HYDROPOWER
5,972,434 RMB'000
Compared with 2019 ↑5.04%

WIND POWER
2,013,996 RMB'000
Compared with 2019 ↑26.24%



PHOTOVOLTAIC POWER
2,732,861 RMB'000
Compared with 2019 ↑31.69%

COAL-FIRED POWER
17,708,430 RMB'000
Compared with 2019 ↓3.79%

- Revenue from wind power and photovoltaic power increased by RMB1,076,248,000 in aggregate due to the commencement of commercial operation of various new power generating units and the strengthening clean energy consumption under the national promotion of green development.

- The electricity sales of hydropower increased due to the increase in the amount of rainfall in the river basins where the hydropower plants are located during the second half of 2020, resulting in an increase of RMB286,316,000 in revenue from hydropower.

- Revenue from coal-fired power decreased by RMB698,130,000, which was attributable to the decrease in electricity sales and average on-grid tariff of coal-fired power as compared with the previous year.

Operating Costs

Operating costs of the Group mainly consist of fuel costs for coal-fired power generation, repairs and maintenance expenses for power generating units and facilities, depreciation and amortization, staff costs, consumables and other operating expenses.

In 2020, the operating costs of the Group amounted to RMB22,393,465,000, representing a drop of 0.77% as compared with RMB22,567,558,000 of the previous year. The decrease in operating costs was mainly due to the net effect of the decline in fuel costs and the increase in depreciation and staff costs.

Total Fuel Costs

The total fuel costs decreased by RMB781,956,000 as a result of the year-on-year decline in coal price and reduced fuel consumption due to the decline in sales of coal-fired power.

Unit Fuel Cost

The average unit fuel cost of the Group's coal-fired power business was RMB197.10/MWh, representing a decrease of 5.29% from that of RMB208.11/MWh of the previous year, which was mainly because the Group exercised strict control over coal costs, while at the same time benefitting from the low-carbon power generation efficiency of the large-capacity power generating units.

AVERAGE UNIT FUEL COST
197.10 RMB/MWh
Compared with 2019 ↓5.29%

Depreciation and Staff Costs

Depreciation of property, plant and equipment and the right-of-use assets and staff costs increased by RMB992,919,000 in aggregate as a result of business expansion and the large number of new power generating units that commenced commercial operation during the year.

Other Gains and Losses and Other Operating Expenses

The net gains from other gains and losses increased by RMB46,599,000, mainly due to the net effect of the increase in profits on sales of heat, trading of coal, coal by-products, spare parts and others, and the increase in the impairment of assets as compared with the previous year.

Other operating expenses reduced by RMB372,619,000, mainly due to an impairment loss on the amount due from a joint venture in 2019 whilst there was no such impairment last year, and the reduction in loss on disposal from separation and transfer of the Water/Power/Gas Supply and Property Management (三供一業) as compared with the previous year.

Operating Profit

In 2020, the Group's operating profit was RMB6,371,860,000, representing an increase of 16.25% as compared with the operating profit of RMB5,481,339,000 of the previous year.

Finance Costs

In 2020, the finance costs of the Group amounted to RMB3,203,698,000 (2019: RMB3,165,881,000), representing an increase of RMB37,817,000 or 1.19% as compared with the previous year. The increase in interest expense was mainly due to the rise of debts level.

Share of Results of Associates

In 2020, the share of results of associates was profits of RMB283,952,000, representing an increase of RMB59,248,000 or 26.37% as compared with RMB224,704,000 of the previous year. The increase in profits was mainly due to the increase in net profits of the associates engaging in coal-fired power related business as a result of the reduced coal price as compared with the previous year.

Share of Results of Joint Ventures

In 2020, the share of results of joint ventures was profits of RMB43,661,000, representing an increase in profits of RMB18,186,000 as compared with RMB25,475,000 of the previous year. The increase in profits was mainly due to the profit contribution from newly established joint ventures.

Income Tax Expense

In 2020, income tax expense of the Group was RMB900,576,000, representing an increase of RMB387,563,000 as compared with RMB513,013,000 of the previous year. The increase was mainly due to the substantial increase in profits of some hydropower plants and the successive expiration of the preferential tax policy of "3+3 Years Tax Holiday (三免三減半)" of certain power plants.

Final Dividend

At the Board meeting held on 18 March 2021, the Board recommended the payment of a final dividend for the year ended 31 December 2020 of RMB0.13 (equivalent to HK$0.1556 at the exchange rate announced by the People's Bank of China on 18 March 2021) per ordinary share (2019: RMB0.13 (equivalent to HK$0.1426) per ordinary share), totaling RMB1,274,895,000 (equivalent to HK$1,525,952,000) (2019: RMB1,274,895,000 (equivalent to HK$1,398,462,000)), which is based on 9,806,886,321 shares (2019: 9,806,886,321 shares) in issue on 18 March 2021 (2019: 26 March 2020).

EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2020, the carrying amount of equity instruments at fair value through other comprehensive income was RMB3,061,952,000, accounting for 1.96% of total assets, including listed equity securities of RMB2,586,640,000 and unlisted equity investments of RMB475,312,000.

Listed equity securities represent the equity interests in Shanghai Power held by the Group. As at 31 December 2020, the Group held 13.88% of the issued share capital of Shanghai Power, the A shares of which are listed on Shanghai Stock Exchange. It was categorized into the level 1 financial assets of fair value measurements, and its fair value decreased by 11.55% as compared with RMB2,924,502,000 as at 31 December 2019.

Unlisted equity investments represent the Group's investment in equity of some unlisted companies principally engaged in financial services, coal production, water supply and electricity trading services respectively. They were categorized into the level 3 financial assets of fair value measurements. As at 31 December 2020, the aggregate fair value of unlisted equity investments owned by the Group was RMB493,189,000 (including an unlisted equity investment in the PRC as part of disposal groups classified as held for sale), representing an increase of 8.21% from RMB455,785,000 as at 31 December 2019.

The valuation technique and key inputs used for measuring the fair value of the above level 3 financial assets were market approach, i.e. fair value of such equity instruments is estimated by calculating the appropriate value ratio based on market multiples derived from a set of comparable listed companies in the same or similar industries. Key inputs were (i) the market value of the said equity interests, (ii) price-to-book ratio of the comparable companies (0.43-2.96), and (iii) the marketability discount (25.60%-30.78%).

The fair value loss on equity instruments at fair value through other comprehensive income for the year ended 31 December 2020 of RMB240,003,000 (net of tax) (2019: gain of RMB58,435,000) was recognized in the consolidated statement of comprehensive income.

MATERIAL ACQUISITIONS AND DISPOSALS

In June 2020, Guangxi Company (a wholly-owned subsidiary of the Company) entered into a Joint Venture Agreement with Jilin Electric, CEC and Sinohydro B11 to form a Joint Venture in Guangxi Zhuang Autonomous Region of the PRC. Guangxi Company made contribution by way of both Asset Injection and cash. Guangxi Company used its equity interests in Lingchuan Wind Power, Lingshan Wind Power and Jinzishan Wind Power (all being subsidiaries of Guangxi Company) as its contribution. Upon completing the transfer of equity interests in these three subsidiaries, they ceased to be subsidiaries of the Company. For details, please refer to the announcement of the Company dated 2 July 2020.

In July 2020, Changzhou Hydropower entered into an Equity Transfer Agreement with Guangxi Overseas, pursuant to which Changzhou Hydropower agreed to sell, and Guangxi Overseas agreed to acquire 45% of equity interests in Lingshan Wind Power at a consideration of RMB93,618,000. Upon completion of the Equity Transfer, Guangxi Overseas would hold the entire equity interest of Lingshan Wind Power, and the Group would indirectly hold 40% equity interest of Lingshan Wind Power through Guangxi Overseas. For details, please refer to the announcement of the Company dated 29 July 2020.

In October 2020, Wu Ling Power signed an Equity Transfer Confirmation on exercise of the Original Shareholder's Option to buy back the equity interests of Yuanjiang Company held by Huabao Trust and ABC Financial at the exercise price of RMB3 billion. Immediately following the completion of the transaction, Huabao Trust and ABC Financial ceased to hold any equity interest in Yuanjiang Company, Yuanjiang Company would then become a wholly-owned subsidiary of Wu Ling Power, and a 63%-owned indirect subsidiary of the Company. For details, please refer to the announcement of the Company dated 29 October 2020.

Save as disclosed above, the Group did not have any other material acquisitions and disposals during the year under review.

LIQUIDITY, CASH FLOWS AND FINANCIAL RESOURCES

As at 31 December 2020, cash and cash equivalents of the Group were RMB1,316,351,000 (31 December 2019: RMB1,238,290,000). Current assets amounted to RMB14,121,267,000 (31 December 2019: RMB8,352,076,000), current liabilities amounted to RMB40,556,194,000 (31 December 2019: RMB32,436,962,000) and current ratio was 0.35 (31 December 2019: 0.26).

In April 2019, the Company renewed the Financial Services Framework Agreement with SPIC Financial for a term of three years, pursuant to which SPIC Financial has agreed to provide the Group with deposit services, settlement services, loan services and other financial services approved by the CBIRC on a non-exclusive basis. The Annual Cap in respect of the maximum daily balance of deposit (including accrued interests) placed by the Group with SPIC Financial shall not exceed RMB4.2 billion during the term of this Framework Agreement. For the year ended 31 December 2020, the maximum daily balance of deposit (including accrued interests) placed by the Group with SPIC Financial was approximately RMB4.18 billion.

In order to ensure that the relevant business is in compliance with the terms of the above financial services framework agreements, the Company had designated personnel to monitor the funds deposited with SPIC Financial, performed daily real-time inquiries on the funds deposited with SPIC Financial, and collected deposit rates offered by major domestic commercial banks for comparison with the deposit rates offered by SPIC Financial on a monthly basis.

In addition to the deposit offers as agreed in the above agreements, SPIC Financial also provides internal treasury management platform, cross-border fund allocation platform and other financial services to the Group through its own financial resources, such as the business information system and cross-border fund allocation channels. Such platforms enable the real-time monitoring of account balances as well as income and expenditure, thereby safeguarding against funding risks. At the same time, they facilitate flexible and efficient fund allocation across borders, which gives rise to more flexible capital flow at home and abroad, broadens financing channels for domestic subsidiaries and reduces uncertainties in inbound and outbound capital flows due to changes in foreign exchange regulatory policies.

During the year under review, the Group recorded a net increase in cash and cash equivalents (including cash and cash equivalents as part of the disposal groups classified as held for sale) of RMB80,276,000 (2019: a net decrease of RMB610,933,000). For the year ended 31 December 2020:

CASH AND CASH EQUIVALENTS
1,316,351 RMB'000
Compared with 2019 ↑6.30%

NET CASH GENERATED FROM OPERATING ACTIVITIES
5,501,876 RMB'000
Compared with 2019 ↑6.66%

- net cash generated from operating activities amounted to RMB5,501,876,000 (2019: RMB5,158,172,000).

- net cash used in investing activities amounted to RMB15,768,455,000 (2019: RMB15,816,887,000), which mainly represented the cash outflow of capital expenditure on the Group's payments for property, plant and equipment and prepayments for construction of power plants.

- net cash generated from financing activities amounted to RMB10,346,855,000 (2019: RMB10,047,782,000). The increase in net cash inflow, as compared with the previous year, was mainly attributable to the increase in cash inflow from drawdown of bank borrowings.

The financial resources of the Group were mainly derived from cash inflow generated from operating activities, borrowings from banks and related parties, and project financing.

DEBTS

As at 31 December 2020, total debts of the Group amounted to RMB91,431,935,000 (31 December 2019: RMB78,568,268,000). All debts of the Group are denominated in RMB, Japanese Yen ("JPY") or United States Dollars ("USD").

TOTAL DEBTS

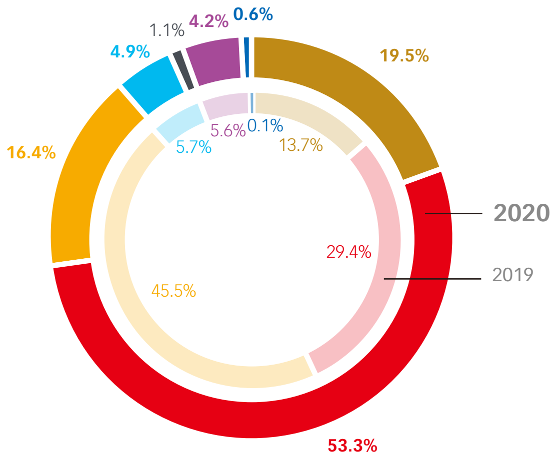
91,431,935 RMB'000

Compared with 2019 16.37%

As at 31 December 2020, the Group's gearing ratio, calculated as net debt (being total debts less cash and cash equivalents) divided by total capital (being total equity plus net debt), was approximately 66% (31 December 2019: approximately 63%). The Group's gearing ratio remained stable.

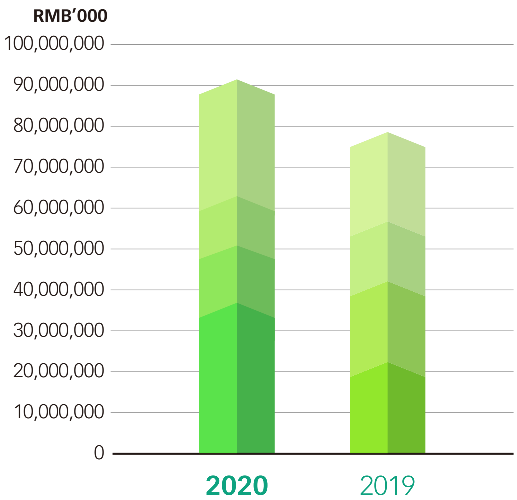
As at 31 December 2020, the amount of borrowings granted by SPIC Financial was approximately RMB4.06 billion (31 December 2019: approximately RMB3.88 billion).

The details of the Group's debt as at 31 December 2020 and 2019 are set out as follows:



	2020 RMB'000	2019 RMB'000
Bank borrowings, secured	17,857,058	10,777,320
Bank borrowings, unsecured	48,714,478	23,103,193
Borrowings from related parties	14,949,670	35,737,469
Medium-term notes and super & short-term commercial paper issued by the Company	4,500,000	4,500,000
Super & short-term commercial paper issued by Wu Ling Power	1,000,000	–
Lease liabilities	3,880,729	4,422,286
Other borrowings	530,000	28,000
	91,431,935	78,568,268

The above debts were repayable as follows:



	2020 RMB'000	2019 RMB'000
Within one year	28,580,938	21,835,349
Between one and two years	12,012,110	14,606,141
Between two and five years	14,014,980	19,713,065
Over five years	36,823,907	22,413,713
	91,431,935	78,568,268

Among the above debts, approximately RMB41,237,926,000 (31 December 2019: approximately RMB29,325,084,000) are subject to fixed interest rates, and the remaining debts denominated in RMB are subject to adjustment based on the relevant rules of the People's Bank of China and bearing interest rates ranged from 1.65% to 5.55% (2019: ranged from 3.92% to 5.23%) per annum.

ASSETS IMPAIRMENTS

When there is any indication of impairment, the Group will conduct an impairment test on assets such as property, plant and equipment and right-of-use assets to assess whether an impairment has occurred. In the process of conducting impairment tests, the Company has fully considered the impact of the COVID-19 pandemic in the year of 2020 and in the future.

In 2020, the Group made impairment provisions of RMB703,276,000 in total, which mainly included a provision for impairment of RMB587,327,000 made on the assets classified as held for sale, and an impairment of goodwill of RMB84,599,000 made for a hydropower plant that remained in loss-making position.

SIGNIFICANT FINANCING ACTIVITIES

In May 2020, the Company issued the second tranche of a super & short-term commercial paper in the PRC in a principal amount of RMB500 million, at the interest rate of 2.00% per annum and with a maturity period of 270 days. The proceeds were fully used for repayment of the existing borrowings. The aggregate principal amount of such super & short-term commercial paper was RMB1 billion. It has an effective registration period of two years with effect from August 2019 and can be issued in tranches on a revolving basis within the effective registration period.

In July 2020, Wu Ling Power, a subsidiary of the Company, received confirmation in relation to the acceptance of its application for the issuance of a super & short-term commercial paper in the PRC in the aggregate principal amount of RMB2 billion, with an effective registration period of two years and to be issued in tranches within the effective registration period. On 17 August 2020, Wu Ling Power completed the issuance of the 2020-first-tranche of super & short-term commercial paper in a principal amount of RMB1 billion, at the interest rate of 2.50% per annum and with a maturity period of 270 days. The proceeds were fully used for repayment of the existing borrowings.

In October 2020, the Company received confirmation in relation to the acceptance of its application for the issuance of perpetual medium-term notes in the PRC in the aggregate principal amount of RMB3 billion, with an effective registration period of two years and to be issued in tranches within the effective registration period. On 5 and 18 November 2020, the Company issued the perpetual medium-term notes in the principal amount of RMB1.5 billion each at the interest rate of 4.35% and 4.60% per annum, respectively, and both with a maturity period of 3+N (3) years. The proceeds were fully used for repayment of the existing borrowings and replenishment of working capital of the Group.

CAPITAL EXPENDITURE

In 2020, the capital expenditure of the Group was RMB18,269,260,000 (2019: RMB15,873,323,000). In particular, the capital expenditure for clean energy segments (hydropower, wind power and photovoltaic power) was RMB14,136,015,000 (2019: RMB11,936,314,000), which was mainly applied for the project construction of new power plants and power stations; whereas the capital expenditure for coal-fired power segment was RMB3,902,112,000 (2019: RMB3,791,184,000), which was mainly applied for the project construction of new coal-fired power generating units and technical upgrade for the existing power generating units. These expenditures were mainly funded by project financing, funds generated from business operations and borrowings from related parties.

PLEDGE OF ASSETS

As at 31 December 2020, the Group pledged certain property, plant and equipment with a net book value of RMB262,915,000 (31 December 2019: RMB392,981,000) to certain banks (31 December 2019: related parties) to secure bank borrowings (31 December 2019: borrowings from related parties) in the amount of RMB129,620,000 (31 December 2019: RMB196,820,000). In addition, certain bank borrowings, borrowings from related parties and lease liabilities totaling RMB19,546,007,000 (including bank borrowings as part of disposal groups classified as held for sale) (31 December 2019: RMB20,134,405,000) were secured by the rights on accounts receivable of certain subsidiaries of the Group. The accounts receivable secured under these borrowings amounted to RMB2,476,191,000 (including accounts receivable as part of disposal groups classified as held for sale) (31 December 2019: RMB3,760,170,000).

CONTINGENT LIABILITIES

As at 31 December 2020, a subsidiary of the Group was named as the defendant in certain legal disputes in relation to relocation compensations. As of the date hereof, the above legal proceedings are still in progress, of which none of the final outcome can be determined at present. The Board considered that the outcome of these pending disputes will have no material adverse effect either on the financial position or the operating results of the Group.

RISK MANAGEMENT

The Group has implemented all-rounded risk management and has established a systematic and comprehensive risk management mechanism and internal control system. The Group also has a Risk Management Committee which is accountable to the Board and assists the Board in providing leadership, direction and oversight with regard to the overall risk management and sustainable development strategy, risk appetite and tolerance and risk management framework of the Group, including risk policies, procedures and controls. The Group also has an Internal Audit Department in place for execution and implementation of risk management measures.

Foreign Exchange Risks

The Group principally operates its businesses in Mainland China with most of its transactions settled in RMB. Apart from certain bank borrowings as well as cash and cash equivalents, the Group's assets and liabilities are mainly denominated in RMB. The Group held borrowings denominated in JPY and USD during the year. Volatility of RMB exchange rate against JPY and USD may increase the exchange risks of the Group, thus affecting its financial position and operating results. As at 31 December 2020, the Group's borrowings denominated in foreign currencies amounted to RMB3,038,381,000 (31 December 2019: RMB3,371,773,000). The Group will continue to keep track on the movements of exchange rate and, if necessary, take responsive measures to avoid excessive foreign exchange rate risks.

Funding Risks

With the Group's strengthened efforts in developing all kinds of new power projects, funding adequacy will have an increasing impact on the Group's operations and development. The financing market is affected by a number of factors such as the liquidity of the lending market and the economic environment, which in turn may also affect the effectiveness and costs of the Group's borrowings.

The Group has always leveraged its capability of accessing the Mainland China and overseas markets to optimize its funding sources, increase the credit facilities and lower its financing costs. Various cost-saving and efficiency enhancement initiatives have also been adopted in the Group's business management to lower administrative and operating expenses. Moreover, the financial services framework agreement with SPIC Financial also helps to reduce funding risks.

As at 31 December 2020, the Group had sufficient available undrawn financing facilities amounting to RMB51,888,347,000 to safeguard against funding risks.

At the beginning of each year, the management reports to the Board on the working capital budget for the year and estimates the credit facilities and facilities reserves required for the year to ensure the Group has adequate financial resources to support the continued operation and development of projects in the foreseeable future. The management will also review the situation regularly to take contingency measures.

Risks Relating to Policy Changes

The cancellation of the coal price and coal-fired power tariff linkage mechanism (煤電價格聯動機制) since January 2020 has promoted the marketization of coal-fired power transactions. It is expected that the coal-fired power tariff will be further affected by the market conditions and the supply and demand of coal, as well as the results of negotiation or the competitive bidding between both parties of power supply and demand.

In March 2020, the National Energy Administration published the Notice on the Issues Related to the Construction of Wind Power and Photovoltaic Power Projects in 2020 (《關於2020年風電、光伏發電項目建設有關事項的通知》) to give priority to promoting the construction of wind power and photovoltaic power grid parity projects without subsidies, pursuant to which, those wind power and photovoltaic power projects which are either already grid-connected or still in the process of applying national subsidies within the approved effective term are strategically encouraged to transform into grid parity projects voluntarily, with a view to accelerating the progress of grid parity. The development of grid parity projects and competition for subsidies allocation led to declining on-grid tariffs and profitability of new energy projects. Conditions for profit margins are required to be implemented properly in the preliminary stages in order to reach the expected profit level. With less funding subsidies from the State, applications requirements are relaxed for projects once their land and connection compatibility documents are ready, which has facilitated the large-scale development of new energy projects and has rapidly increased the proportion of clean energy of the Company.

In April 2020, the National Development and Reform Commission published the Draft for Solicitation of Comments regarding the tariffs for power supply industry, with a view to gradually canceling the official tariffs for industrial and commercial use, among which, the tariffs will be determined by the market force while the tariffs for power transmission and distribution will be approved by the government and under its stringent control. It is expected that such measures will deepen the system reform of the power industry, thereby leading to more market-oriented electricity tariffs. From the perspective of the development of the electricity market, such measures will further reduce or even remove the market entry barrier, which will encourage more entities to participate in market-driven transactions.

In August 2020, the National Development and Reform Commission and the National Energy Administration jointly published the Draft for Solicitation of Comments regarding the integration of wind power, photovoltaic power, hydropower and coal-fired power storage and the integration of power source, power grid, power charge and power storage. The draft proposed the complementary mix of various types of power generation, including wind power, solar power, hydropower and coal-fired power, to meet specific local needs by taking into account the resources conditions and energy characteristics within the area, while increasing the proportion of energy storage as appropriate. This is expected to result in new power generation and consumption models, thereby helping to explore the development of a new generation of power system that highly integrates power source, power grid and power charge. The large scale of the installed coal-fired power capacity of the Group has imposed immense pressure on the reduction of carbon emission. Upon commencement, the two integration projects with coal-fired power as the major means of adjustment and peak shaving have become the key resources for the massive and base-oriented development of new energy. In the future, the Group may establish large-scale new energy bases surrounding its existing coal-fired power plants.

At the 75th General Assembly of the United Nations held in September 2020, the Chinese President pledged to achieve a carbon dioxide emissions peak by 2030 and carbon neutrality by 2060 through more effective policies and measures. Looking forward, China will have to meet its goal of carbon neutrality in the energy field via integrated measures, including energy restructuring, energy conservation and emission reduction, energy efficiency enhancement, as well as carbon capture and storage. China will accelerate the leapfrog transition of the national energy structure from coal-fired power generation-oriented to clean and low-carbon energy-oriented.

The national goals set for carbon dioxide emissions peak and carbon neutrality bring unprecedented opportunities for clean energy development, create a huge potential market for low carbon and clean services, and allow green energy consumption to become a major player in achieving carbon neutrality. Yet, challenges come with carbon dioxide emissions peak and carbon neutrality. Burdened with the pressure to reach the carbon dioxide emissions peak, local governments may impose additional requirements on carbon emission. As a result, the new or existing power generating units of the Group may face sudden changes in policies that require the revaluation of coal-fired power projects. Carbon emission quota for coal-fired power enterprises in the carbon market will be further reduced inevitably. Although only a few outdated power generating units of the Group need to purchase carbon emission quota to meet the requirements at the moment, all coal-fired power generating units will face a shortage of quota in the future, resulting in a significant increase in the cost of carbon emission.

The Company will continue to monitor the changes in policies, adjust its strategies and exploit investment opportunities as they arise.

Risks and Prevention and Control of COVID-19

In the past year, COVID-19 pandemic became the new and highest risk facing by the globe. Under its impact, the growth of national total electricity consumption throughout China has slowed down in early last year, recording a year-on-year growth of 3.1%.

In terms of operations, as certain coal-fired power plants of the Group are located in Hubei province and Anhui province where the pandemic outbreak was relatively more serious, their electricity sold recorded a similar year-on-year decrease to some extent. Coupled with the delay in progress of varying degrees of the Group's projects in construction under the impact of the pandemic, pressure was posed to the operating revenue of the Group.

During the year under review, the Group formulated emergency measures for pandemic prevention and control in a timely manner. It also established the leadership group for pandemic prevention and control, so as to ensure the proper implementation of all relevant planning, measures and requirements for pandemic containment. This has made positive contributions to pandemic prevention and control as well as resumption of work and production. As of March 2020, most of the projects under construction resumed and were back on schedule. Moreover, all projects commenced operation as planned during the year. With the pandemic gradually brought under control and national total electricity consumption increased in the second half of the year, total electricity sold by the Group for the year grew 5.47% year-on-year. Overall, the pandemic did not have any material adverse impact on the results of the Group.

In addition, the demand and supply, transportation and import business in respect of the fuel market are affected by the pandemic, particularly the import of coal is under strict control. Together with the regional control of varying extents on various areas, transportation of coal is further restricted, thereby posing new challenges to the coal inventory management and safe production of the Group. Leveraging precise market research and decisive judgement, the Group timely adjusted the purchasing strategy during the low season of the market in the first half of the year. It increased its coal reserve at staggered peaks and stored coal in low seasons for consumption in peak seasons. At the same time, it promoted coal blending and mixed burning to reduce average unit fuel cost and hence lowered the fuel costs significantly.

In terms of finances, currently the Group has sufficient available unutilized financing facilities. Furthermore, the counterparties of our electricity sales are mainly regional and provincial power grid companies, which have robust financial strength and good reputation. As such, counterparty default rates of the Group are extremely low despite the pandemic, and we do not expect any risk associated with the cash flow and bad debts of the Group arising therefrom.

According to the latest forecasts, the Board believes that the Group has sufficient capital to fund its working capital and capital expenditure requirements for the next 12 months after the year end. Construction projects are expected to have stable sources of funding. However, with the pandemic still raging, there is still uncertainty as to its impact on the domestic and global economy. It is expected the interest rates and exchange rates would be affected to different degrees accordingly in the future. We will closely monitor and timely control the financing costs.

In terms of staff protection, the Group promptly acquired face masks, protective suits, antiseptic solution and other protective equipment. It designated personnel to track and analyze the stock and consumption of all types of epidemic prevention materials regularly to ensure timely communication and replenishment. In addition, it expanded and connected the procurement channels of epidemic prevention materials at home and abroad, thereby facilitating the two-way flow of supplies. With a focus on local and overseas projects and business units in regions hit heavily by the pandemic, it coordinated and secured the supply of epidemic prevention materials. During the peak of the pandemic outbreak, it strived to support power plants in areas where the pandemic was severe by providing them with protective materials and drugs.

In response to the impact of the sudden pandemic outbreak on the economy and the demand for electricity, the Group has conducted a comprehensive analysis and formulated measures to meet our performance targets so as to focus on efforts such as marketing of electricity and management of coal procurement. Besides, the Group has made timely assessment on the uncertainties arising from the pandemic over the contract performance in relation to the construction projects, actively designed and implemented epidemic prevention and control measures to ensure normal business operation of the Group. Currently, China's epidemic prevention and control measures have proven to be effective. Nevertheless, potential risks related to the pandemic still exist. Looking forward, the Group will continue to strictly implement government requirements on pandemic prevention and control by adjusting its regular disease prevention measures on commuting and travel by staff, external visitors and health declaration.

SOCIAL AND ENVIRONMENTAL GOVERNANCE

Operational Safety

In response to the outbreak of the COVID-19 pandemic, the Group promptly adopted comprehensive measures to enhance protection of the health and safety of its employees. These measures include special work arrangement, such as reducing non-essential office work, implementing work-from-home and flexible working hour arrangements, and moving conferences and business meetings online. These not only ensured effective communication of corporate policies, but also reduced crowd gathering significantly. Meanwhile, we developed mobile apps swiftly to strictly monitor employees' health in all aspects. We also provided necessary protective equipment and hosted online seminars on epidemic prevention for employees. We collected information from staff whose family members were frontline anti-pandemic workers, which were used as the basis for our initiatives relating to staff care. Moreover, catering for the personal needs of its employees and their families, the Group also provided supporting services for their physical and psychological well-being, and expressed love and care to each of its employees through letter of condolences, consolation money, video teleconferences, home visits and other means.

In summer this year, China faced huge pressure on flood control given the exceptionally critical condition of flooding along the Yangtze River. During the flood seasons, Wu Ling Power strengthened its management and control on flooding and established alert mechanism for typhoons, rainstorms and mudslides to closely monitor hazards arising from rainfall, flooding and geological conditions. By taking full advantages of its power system in terms of overall basin organization and dispatch management, it has effectively reduced risks relating to natural disasters and safeguarded the production safety of power plants in the river basins, thus has been effectively fulfilling its social responsibilities and achieving the win-win situation of both flood prevention and power generation at the same time.

During the year under review, the Group continued to improve the conditions for operations in strict compliance with the Production Safety Law of the People's Republic of China and the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases and other laws and regulations relating to safety and hygiene. To enhance the production safety management capability of the management personnel, the Company organized training courses for environmental management and quality control officers, and held safety skills contests and other activities. By offering training to the person-in-charge of the safety, production and engineering departments, the chief safety officers and division managers of all units, the Company strengthened safety management and curbed major risks and potential safety threats at an early stage.

The Quality, Occupational Health and Safety, and Environment (QHSE) "three standards" management system established by the Group maintained a stable operation. In order to further enhance its core competitiveness and promote sustainable development, the Group has carried out annual supervision and review, which ensured the compliance with international standards and played an important role in enhancing management level and promoting transformational development.

In 2020, no material accident in the aspects of employees, facilities and environmental protection occurred in the Group.

During the year under review, all operating power plants over which the Group has operational control complied with the relevant PRC production safety regulations. No fines or charges were imposed on the Group due to violation of regulations.

Human Resources

The Group has put great emphasis on the establishment of the performance appraisal, rewarding and punishment mechanism for all employees. It determines the emoluments of its directors and employees based on their respective performance, working experience, duties of the position, and the remuneration system of the Company's parent companies as well as the prevailing market conditions. The Group has also implemented an incentive policy with performance-linked emoluments.

The Group has also attached importance to the learning and training of employees and to the communication between employees of different positions. It has improved the professional and technical capabilities and overall competence of its employees on an on-going basis, so as to satisfy the needs of its expanding businesses.

As at 31 December 2020, the Group had a total of 10,520 (2019: 10,444) full-time employees.

During the year under review, all business units over which the Group has operational control complied with the local labor laws. No fines or charges were imposed on the Group due to violation of regulations.

Energy Saving

The Group has always been placing a great emphasis on environmental protection from the perspective of sustainable corporate development, vigorously promoting energy saving and emission reduction, conscientiously fulfilling its social responsibilities and actively responding to global climate change.

In 2020, the net coal consumption rate of the Group was 303.31g/kWh, representing a slight increase of 1.49g/kWh as compared with the previous year. The net coal consumption rate remained at a relatively low level. The electricity sales of coal-fired power in 2020 decreased by 2.23% and the output efficiency of coal-fired power generating units decreased, resulting in a slight increase in net coal consumption rate, which was mainly attributable to the impact of the COVID-19 pandemic early last year and the increase in the consumption of clean energy.

Emission Reduction

In active response to the policy of "Action Plan of the Upgrade and Renovation of Energy Saving and Emission Reduction of Coal-fired Units (2014–2020) (煤電節能減排升級與改造 行動計劃(2014–2020年))" and the "Implementation Plan on Setting and Distribution of National Aggregate Carbon Emission Rights Trading Quota 2019-2020 (Power Generation Industry)" (2019-2020年全國碳排放權交易配額總量設定與分配實施方案(發電行業)) promulgated by the PRC government, the Group has strengthened the environmental control and rectification measures for its coal-fired power generating units. Currently, more than 90% of the operating coal-fired power generating units have met the standards of ultra-low-emission.

In 2020, the operational ratio of desulphurization facilities for the coal-fired power generating units of the Group was 100% (2019: 100%), and the efficiency ratio of desulphurization reached 99.23% (2019: 99.30%); while the operational ratio of denitration facilities was 100% (2019: 100%) and the efficiency ratio of denitration reached 88.39% (2019: 89.85%).

During the year under review, the environmental protection indicators for coal-fired power generating units were as follows:

SO_2

EMISSION RATE OF SULPHUR DIOXIDE (SO_2)

0.087 g/kWh

Compared with 2019 ↑ **0.011** g/kWh

NO_x

EMISSION RATE OF NITROGEN OXIDE (NO_x)

0.155 g/kWh

Compared with 2019 ↑ **0.022** g/kWh

FLUE GAS & DUSTS

EMISSION RATE OF FLUE GAS AND DUSTS

0.008 g/kWh

Compared with 2019 ↑ **0.001** g/kWh

Three environmental protection indicators recorded an increase as compared with the previous year, which was mainly attributable to the higher average emission rate resulting from the year-on-year growth of power generation of two 660MW generating units that have not yet met the ultra-low emission standard. The Group has carried out technological research on the ultra-low emission upgrade for these two generating units and launched the optimization projects for all generating units in order to improve the production efficiency. The ultra-low emission upgrade project is at the feasibility study stage. Although the Group's emission rates of sulfur dioxide, nitrogen oxide and flue gas and dusts have all increased, but were still significantly lower than the permitted level of national pollution emission.

While stepping up its efforts in the protection of ecological environment, the Group continued to push forward the investigation and management of ecological and environmental issues in an orderly manner. During the year under review, it commenced the research on generic technical problems of complex environmental issues and completed the study on the treatment of problems arising from ultra-low emission. The enclosed renovation of the coal mines in Yaomeng Power Plant was completed. The technical upgrade projects of replacing liquid ammonia with urea as denitration reducing agents were also accomplished in Wuhu Power Plant and Fuxi Power Plant. The technical upgrade project of CP Shentou is underway as planned.

During the year under review, all the power plants over which the Group has operational control complied with the relevant PRC environmental protection regulations. No fines or charges were imposed on the Group due to violation of regulations.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

We regard customers and suppliers as very important stakeholders. The Group has been maintaining good communication, building a trusting and effective cooperative relationship and establishing contact with them through various platforms. During the year under review, the Group continued to improve communication with customers and suppliers so that we can understand their expectations more comprehensively and achieve sustainability goals with concerted efforts. For the year ended 31 December 2020, there were no significant disputes with customers and suppliers.

In 2020, the COVID-19 pandemic continued to spread across the world. The Company demonstrated its understanding of the prevailing difficulties to its customers and suppliers through various means. Apart from pursuing profitability, the Company also cares about and undertakes social responsibility by showing empathy to customers and suppliers. In response to government's measures, the Company made necessary adjustments and took the initiative to notify customers and suppliers, so that they could make corresponding adjustments as early as possible. This not only protected their interests, but also helped to maintain our ongoing relationship with them for win-win outcomes.

Relationship with customers

The Group is an independent power producer. Because of the special nature of electricity production and sales, its major customers are regional and provincial power grid companies, through which it sells the electricity generated by its power plants to power users and settles the transactions. The Group has been maintaining long-term and good customer relationships with the power grid companies in various locations where its power plants locate. During the year under review, the aggregate turnover attributable to the Group's five largest customers (regional power grid companies) accounted for 71.71% of the Group's total turnover.

The pace of market-oriented reform in the power industry has continued to accelerate in 2020. Adhering to the principle of customer-centered and leveraging opportunities brought by the reform, the Group has established direct connections with power users to develop and provide value-added services. At the same time, the Group has actively participated in market-oriented direct electricity transactions, established and invested in electricity sales and distribution companies and electricity trading centers, and developed integrated intelligent energy and other projects.

Relationship with suppliers

The Group's major suppliers are coal production and sales enterprises, while its coal-fired power plants purchase the majority of coal from neighboring coal production enterprises primarily under long-term contracts. The Group has been maintaining long-term and good relationships with major suppliers in order to ensure efficient coal procurement. During the year under review, the aggregate purchases from the Group's five largest suppliers (for production materials like coal and consumables) accounted for approximately 52.53% of the Group's total purchases. The Group will continue to explore different procurement channels to ensure the stability of coal supply.

The Group strives to establish fair, just and stable mid-to-long-term cooperation with suppliers, strictly fulfills the contractual agreements, respects and treats each supplier equally. It has formulated a stringent and standardized supplier selection and management system, established a supplier review team and conducted strict reviews according to the integrity, quality assurance, punctuality of supply, price reasonableness, etc., so as to select more competent and reputable suppliers to jointly maintain a healthy and orderly market environment. In recent years, the Group has given full play to its scale advantages of centralized procurement with the production equipment and other relevant materials procured centrally by a subsidiary, which will help to establish a stable supply chain.

The Group also incorporates concepts and requirements of social responsibilities in supplier management, and clearly stipulates that materials must meet the relevant national environmental protection laws and standards while signing purchase contracts, in order to prevent pollutants from exceeding the emission standards at source.

OUTLOOK FOR 2021

In 2021, the power industry is facing a new market landscape. In respect of the macro-economy, with the effective control of the COVID-19 pandemic within the PRC and the new development mode of international and domestic "dual circulation" that features mutual promotion and support between both markets, it is expected that the national economy will continue to maintain a solid growth momentum. In terms of energy policy, the Chinese government has published the official schedule of achieving the targets of "Carbon Emission Peak" and "Carbon Neutrality" and promoted the development of a nationwide market for carbon emission rights trading, aiming to lead the trend of clean and low-carbon development in the power industry. In terms of power supply and demand, according to the forecast of The China Electricity Council, the national total electricity consumption is estimated to grow annually by 6% to 7% in 2021. The national power supply and demand would remain generally in balance while certain regions might suffer from insufficient power supply.

Given 2021 is the first year of the PRC government's "14th Five-year Plan", the Group has also commenced the formulation of its own "14th Five-Year" development plan. During the "14th Five-Year" period, the Group will continue to promote the strategy of clean, integrated, intelligent and transnational development with an aim to nurturing technology-based energy segments and further enhancing the Group's comprehensive strengths.

In the next five years, following the Group's clean energy projects under construction being put into operation successively, it is expected that the revenue of the Group and the proportion of clean energy installed capacity will increase significantly. In addition, as the Group has entered into strategic cooperation agreements with various local governments, it is expected that the integrated intelligent energy and high-technology energy business will also develop rapidly. Furthermore, through the management of the Entrusted Companies of CPI Holding and SPIC Overseas, the Company will accumulate more overseas management experience, which will facilitate breakthroughs in international business expansion in the future.

In 2021, the Group will prioritize the following tasks:

Unlocking potentials and enhancing efficiency to improve the overall performance. The Group will normalize its efforts to contain the pandemic and oversee the progress of safe production in strive for enhancing quality and efficiency. Strengthened efforts will be made to increase efficiency of marketing in the electricity market as well as the planning and coordination for maintaining both power generation and electricity tariffs. We will take full advantage of cascade adjusting watershed management of hydropower to realize stable hydropower generation; to promote the consumption of renewable energy and ensure full release of all the potential efficiency of newly-added renewable energy; to improve the operation efficiency of coal-fired power generating units and enhance its ability in terms of securing fuel supply and cost control; and to increase the efficiency of capital use, reduce costs of capital and secure sufficient funds through reasonable use of domestic and international financing markets.

Accelerating transformational development to develop green and low-carbon intelligent energy. Focusing on its principal business of clean energy, the Group will accelerate the increase in reserve and development of renewable energy grid parity projects by pushing forward the construction of Shanxi Datong Zero Carbon Green Energy Base and Liaoning Chaoyang Intelligent and Ecological New Energy Demonstration Base. It will also put greater efforts in the technical upgrade of coal-fired power in a bid to realize the Company's goal for "Carbon Emission Peak" as soon as possible. Emphasis will be placed on management of carbon assets, based on which the Group will scientifically estimate and measure the carbon emission indicators of various departments, and examine the strategies for carbon trading in the future. The Group will also focus its resources on new technologies and new business models so as to actively expand the research and application of new technologies. We will gear up the development of Sichuan Deyang Combustion Engine Technological Innovation Project with a view to realizing the launch of this first national key technology demonstration project of co-generation of electricity and heat soon.

Optimizing asset structure to enhance the risk aversion ability. The Group will continue to increase the proportion of clean energy by means of self-construction, merger and acquisition, and hence increase the revenue and profit contribution from clean energy. It will gradually reduce the proportion of coal-fired power by actively introducing investors such as upstream and downstream enterprises and industrial funds, and reduce the proportion of shareholdings in coal-fired power assets by pushing forward the disposal and divestment of inefficient and non-performing assets. Meanwhile, we will conduct in-depth studies on the pilot scheme of real estate investment trusts (REITs) in the infrastructure sector initiated by the state government level and further optimize our shareholding structure by reducing the gearing ratio of traditional coal-fired power assets.

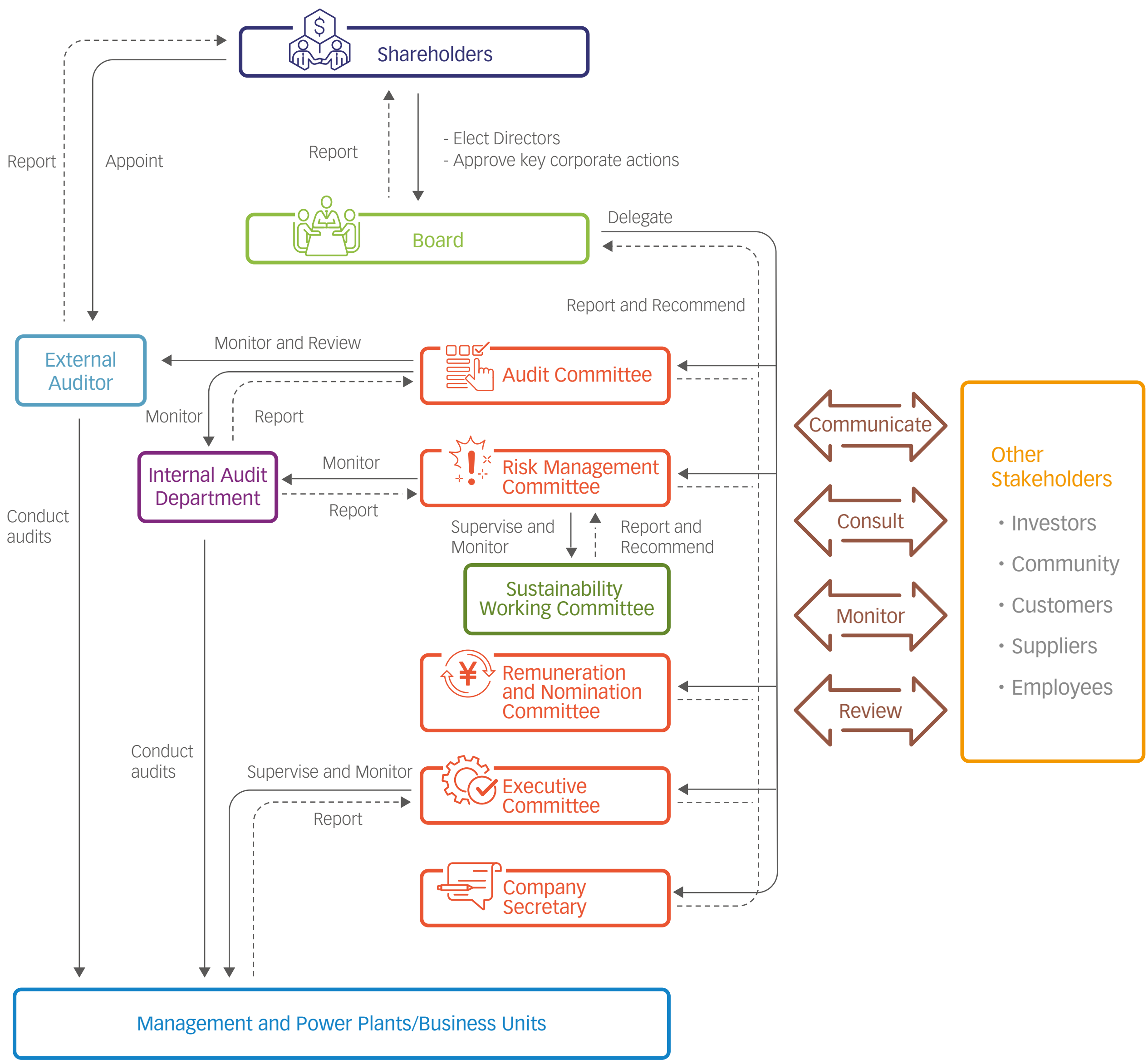
Promoting the reform of systems and mechanisms to bolster motivation for high-quality development. The Group will further promote the development of the management and control system of "Plan-Budget-Appraisal-Incentives", improve the market-oriented operation mechanism, put more efforts in the development of human resources and optimize the incentive mechanism so as to foster corporate vitality. Furthermore, by coordinating its innovative resources, the Group will press ahead with the building of a corporation that embodies technological innovation and professional operation.

CORPORATE GOVERNANCE PRACTICES

China Power is committed to pursuing a high standard of corporate governance. The Board recognizes that good corporate governance is vital to the healthy and sustainable development of the Group. Through continuing exploration and practice, the Company has formed a standardized governance structure and established an effective internal control system. The Board and the management always follow good governance principles to manage the Group's business effectively, treat all shareholders fairly and strive for the long-term, stable and growing return for the shareholders.

The Company has strictly complied with all the code provisions of Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in the Appendix 14 to the Listing Rules throughout the year ended 31 December 2020, save for the CG Code provision of A.2.1.

GOVERNANCE FRAMEWORK



THE BOARD

Board Composition

As at the date of this annual report, the Board comprises a total of seven Directors as follows:

Executive Directors	Non-executive Directors	Independent non-executive Directors
Mr. TIAN Jun *(Chairman of the Board)* Mr. HE Xi *(President)*	Mr. GUAN Qihong Mr. WANG Xianchun	Mr. KWONG Che Keung, Gordon Mr. LI Fang Mr. YAU Ka Chi

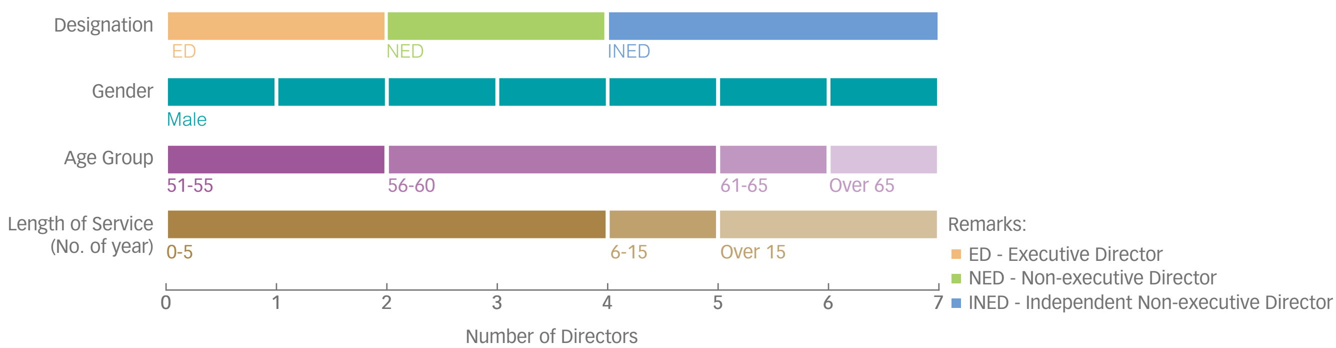
Profiles of the Directors are set out in the section headed "Directors and Senior Management Profiles" of this annual report.

The current Board composition reflects diverse mix of various experience, capabilities, skills and expertise in the following fields that are suitable for and relevant to the Company's businesses.

- Electric Power Technology and Management
- Accountancy, Finance and Legal
- Global Market Experience
- Strategic Planning and Management
- Risk Management

They are well experienced and having progressive thinking in leading the Group. The Diversity mix of the Board is summarized in the following chart:

THE DIVERSITY MIX OF THE BOARD



The non-executive Directors (including the independent non-executive Directors) form the majority of the Board. More than one-third of our Board members are independent non-executive directors who can help the Board to make more effective independent judgment. They are able to make decisions in an objective and professional manner, and to assist the management in formulating the Company's development strategies. They ensure that the preparation of financial and other mandatory reports by the Board are compiled in strict accordance with relevant regulations and standards in order to protect the interests of the shareholders and the Company as a whole.

The Board has received annual written confirmation of independence from each of the independent non-executive Directors and believed that, as at the date of this annual report, they were independent of the Company in accordance with the relevant requirements of the Listing Rules.

Chairman and Chief Executive

The Chairman provides leadership for the Board and is responsible for ensuring that all Directors receive adequate information, which must be complete and reliable, in a timely manner and that Directors are properly briefed on issues arising at the Board meetings. He affirms the Board is working effectively and discharging its responsibilities. He also ensures good corporate governance practices and procedures are established, and appropriate steps are taken to provide effective communication with shareholders and those views of shareholders are communicated to the Board.

The Chairman encourages all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. He encourages Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus. He promotes a culture of openness and debate by facilitating the effective contribution of non-executive Directors in particular and ensuring constructive relations between executive and non-executive Directors.

Under the CG Code provision A.2.1, the role of both the chairman and chief executive should be separated and should not be performed by the same individual. Mr. TIAN Jun served as both the Chairman of the Board and the President (being the chief executive) of the Company until late July 2020.

With effect from 28 July 2020, Mr. TIAN Jun ceased to hold the position of the President of the Company, the same date Mr. HE Xi was appointed as an executive Director and the President of the Company. Mr. TIAN remains to serve as the Chairman of the Board, be responsible for the Company's strategy development and key decision making, and continue to play his core leadership role. Mr. HE, as President of the Company, takes charge of the decision-making matters concerning the Group's daily management and business, and oversees the execution of the Group's business strategies.

Subsequent to the above changes, the Company has been in compliance with the CG Code provision of A.2.1.

Appointment and Re-election of Directors

In accordance with the Company's articles of association, one-third of the Directors (including non-executive Directors with fixed term of three years) shall retire from office by rotation and be re-elected by shareholders at the annual general meetings. In addition, any new appointment to the Board is subject to re-appointment by shareholders at the upcoming general meeting. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

If an independent non-executive Director serves more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders. The documents attached to shareholders accompanying that resolution should include the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent; if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the Board; the perspectives, skills and experience that the individual can bring the Board; and how the individual contributes to diversity of the Board.

The Company has in place a Nomination Policy setting out the selection and recommendation criteria and the appropriate procedures to be adopted when considering nomination and appointment of suitable candidates for directorship to the Board. Please refer to the section headed "Nomination Policy" of this Corporate Governance Report for its details.

Training of Directors, Code of Conduct and Insurance

Every newly appointed Director will receive a comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has a proper understanding of the operations and business of the Company, and he/she is fully aware of his/her responsibilities under Statutes and Common Law, the Listing Rules, applicable rules and other regulatory requirements, and especially the governance policies of the Company.

All Directors are required to disclose to the Company their offices held in public companies or organizations and other significant commitments. Every Director should ensure that he can give sufficient time and attention to the Company's affairs.

All Directors have been given the "Guidelines on Directors' Duties" and "Working Guidelines for the Board" of the Company and various guides for directors published by the Hong Kong Stock Exchange and Securities and Futures Commission. The Company Secretary continuously updates and refreshes the Directors on the latest laws, rules and regulations regarding their duties and responsibilities.

Directors' training is an ongoing process, in order to ensure that their contribution to the Board remains informed and relevant. The Company encourages all Directors to participate in appropriate training programs to develop and refresh their knowledge and skills. During the year under review, all members of the Board have provided their records of training to the Company Secretary for record. Their trainings included attending seminars, webinars and discussion forums, reading briefings and updated materials on current rules and regulations.

The Company has adopted a set of Code of Conduct for Securities Transactions by Directors ("Code of Conduct"), the terms of which are not less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific inquiries to all Directors, all Directors confirmed that they have complied with the Code of Conduct throughout the year 2020.

The Company has arranged appropriate insurance cover on Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Power of and Delegation by the Board

The Board is the highest decision-making and managing body of the Company. Having regard to the best interests of the Company and its shareholders, the Board provides leadership and guidance to the Group's activities. It reviews and approves major matters such as business strategies, policies, business plans, financial budgets, major investments as well as mergers and acquisitions.

The Directors have acknowledged that the principal responsibilities of the Board also include overseeing risk management and internal control systems, corporate governance, environmental and social responsibilities governance, supervising and administrating the operation and financial position of the Company, approving the result announcements and other disclosures as required in accordance with applicable laws and regulatory rules, optimizing corporate governance structure and promoting the communication with our shareholders.

There are currently four committees under the Board, namely Audit Committee, Risk Management Committee, Remuneration and Nomination Committee and Executive Committee to implement internal supervision and control on each relevant aspects of the Group. In addition, there is a Sustainability Working Committee under the Risk Management Committee which specifically formed to assist the Risk Management Committee with regard to policies formulation and practices implementation of sustainability-related matters of the Group.

The Board delegates certain management and operational functions to the Executive Committee and the management, and reviews such arrangements periodically to ensure that they remain appropriate to the Group's needs.

The management has overall responsibility for the Group's daily operations. The Board establishes clear responsibilities and authorities for management to ensure the daily operational efficiency. It acts within the authority approved by the Board to fulfill the day-to-day management responsibilities and makes timely decisions. With regard to matters beyond its authority, the management will report to the Executive Committee or the Board in a timely manner in accordance with the relevant working guidelines.

AUDIT COMMITTEE

The Company established the Audit Committee on 24 August 2004 with written terms of reference in compliance with the Listing Rules and the CG Code provisions. The primary duties and functions of the Audit Committee set out in its terms of reference, inter alia, include the following:

- To communicate with internal auditor and determine annual internal audit plans, discuss internal audit procedures with the internal auditor at least once every six months, review and monitor the internal control system, internal audit functions and effects of annual internal audit plans.
- To make proposals to the Board on the appointment, re-appointment and removal of the external auditor, review and monitor the independence, objectivity and audit effectiveness of the external auditor in accordance with the relevant standards issued by the Hong Kong Institute of Certified Public Accountants, formulate and implement the engagement policy on the provision of non-audit services by the external auditor.
- To review financial information of the Company.
- To supervise the financial reporting system and internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget.
- To conduct any inspection authorized by the Board based on its terms of reference, in that case, the committee is entitled to solicit any necessary information from any employees while who have been instructed to assist the committee to satisfy any of its requirements.

The Audit Committee comprises of three members, namely Mr. KWONG Che Keung, Gordon, Mr. LI Fang and Mr. YAU Ka Chi, all of whom are independent non-executive Directors. The chairman and the secretary of the Audit Committee are served by Mr. KWONG Che Keung, Gordon and the Company Secretary of the Company respectively. For the purpose of reinforcing their independence, all members of the Audit Committee have appropriate professional qualifications, accounting or related financial management experience referred to in the Listing Rules.

The details of the terms of reference of the Audit Committee have been posted on the websites of the Company and the Hong Kong Stock Exchange.

The Audit Committee held two meetings during 2020 (average attendance was 100%). The work performed by the committee during the year including:

- reviewed the annual financial statements and "Corporate Governance Report" for the year ended 31 December 2019 and the interim financial statements for the six months ended 30 June 2020, including the major accounting issues raised by the external auditor;
- reviewed, endorsed and recommended to the Board the appointment of Ernst & Young as the new auditor of the Company upon the retirement of the former auditor in March 2020;
- reviewed and approved the audit plan and audit strategy submitted by the external auditor for the year ended 31 December 2020;
- reviewed the internal control reports prepared by the Company's Internal Audit Department relating to the Company's internal audit plan, internal control system and risk management procedures;
- reviewed the continuing connected transactions of the Company;
- considered and approved the terms of engagement and remuneration of external auditor for its provision of audit and permitted non-audit related services; and
- reviewed the internal and independent audit results and discussed matters relating to audit, internal control system and financial reporting, including the adequacy of resources, staff qualifications and experience of the Company's accounting, internal audit and financial reporting functions, together with the senior management, internal and external auditors of the Company.

RISK MANAGEMENT COMMITTEE

The Company established the Risk Management Committee on 23 March 2016 with written terms of reference in compliance with the Listing Rules and the CG Code provisions. The Company established a Sustainability Working Committee, being a sub-committee of the Risk Management Committee, with a specific aim to assist the Risk Management Committee on sustainability-related matters of the Group. Subsequent to the establishment of the said working committee, the terms of reference of the Risk Management Committee was revised with effect from 1 September 2020. The primary duties and functions of the Risk Management Committee set out in its terms of reference, inter alia, include the following:

- To review and recommend for the Board's approval the Group's overall risk management strategies and risk appetite/ tolerance which shall take into account of the strategic, sustainable development, financial, operational, compliance and all the relevant risks faced by the Group and the prevailing and prospective market and economic conditions at least annually.
- To review and recommend for the Board's approval the Group's sustainable development strategies, objectives, and standards at least annually;
- To review and recommend for the Board's approval the Group's risk management framework, risk management system and corporate governance framework including their appropriateness, effectiveness and independence of risk management functions at least annually.
- To review reports from the management and to make recommendations to the Board on the Group's risk management and sustainable development policies which govern the identification, assessment, monitoring and reporting of the major risks faced by the Group.
- To supervise the Sustainability Working Committee and monitor its works.
- To oversee the implementation of risk management and sustainable development policies and the compliance with the respective statutory rules and regulations.
- To report any significant risk management issues to the Board and suggest solutions.

The Risk Management Committee comprises of four members, namely the three independent non-executive Directors, Mr. KWONG Che Keung, Gordon, Mr. LI Fang and Mr. YAU Ka Chi, and the executive Director and the Chairman of the Board, Mr. TIAN Jun. The chairman and the secretary of the Risk Management Committee are served by Mr. TIAN Jun and the Company Secretary of the Company respectively.

The details of the terms of reference of the Risk Management Committee and its revised version have been posted on the websites of the Company and the Hong Kong Stock Exchange.

The Risk Management Committee held two meetings during 2020 (average attendance was 100%). The work performed by the committee during the year including:

- reviewed and approved the "Risk Management Report" for the year 2019 and the first half of 2020, and the risk management plan for the year 2020 prepared by the Company's Internal Audit Department relating to the Group's risk management framework, effectiveness of the risk management system, the circumstances of specific risk management and the measures adopted for risk control, and risk management policies which govern the identification, assessment, monitoring and reporting of the major risks faced by the Group;
- reviewed and approved the adequacy of resources, qualifications and experience of the staff of the Company's risk management function;
- reviewed, considered and endorsed the establishment of the Sustainability Working Committee under the Risk Management Committee and confirmed its terms of reference, and made recommendations to the Board; and
- reviewed and confirmed the revised terms of reference of the Risk Management Committee and made recommendations to the Board.

The management's annual confirmation on the effectiveness of the Group's risk management and internal control systems was reviewed and endorsed by the Risk Management Committee and the Audit Committee respectively and was reported to the Board.

SUSTAINABILITY WORKING COMMITTEE

On 27 August 2020, the Company resolved to establish a Sustainability Working Committee, being a sub-committee of Risk Management Committee under the Board with written terms of reference and with effect from 1 September 2020. The Sustainability Working Committee shall report directly to the Risk Management Committee and shall assist the Risk Management Committee in providing leadership, direction and oversight with regard to policies formulation and practices implementation of sustainability-related matters of the Group. The primary duties and functions of the Sustainability Working Committee set out in its terms of reference, inter alia, include the following:

- To lead and maintain sustainable growth and manage the sustainability risks and opportunities of the Group. To review and identify the sustainable and sustainability elements affecting or relevant to the Group's business or operations and make recommendations to the Board through the Risk Management Committee for approval.
- To assist formulating the Group's sustainable development strategies, objectives and standards and provide them to the Board through the Risk Management Committee for approval.
- To oversee the Group's implementation of policies, measures, duties and activities on sustainability matters to attain those goals and standards and to review and evaluate their effectiveness at least annually and provide the Board through the Risk Management Committee with confirmations and recommendations for improvement.
- To ensure the adequacy of resources, staff qualifications and experience, training programs and budget for internal implementation of sustainable development function.

The chairman and members of the Sustainability Working Committee shall be appointed by the Board in which the chairman shall be a vice president of the Company and the members shall include but not limited to the general managers or the heads of all the business and functional departments of the Company. The chairman of the Sustainability Working Committee is currently served by Mr. HUANG Yuntao, the vice president of the Company.

The details of the terms of reference of the Sustainability Working Committee have been posted on the websites of the Company and the Hong Kong Stock Exchange.

REMUNERATION AND NOMINATION COMMITTEE

The Company established the Remuneration and Nomination Committee on 24 August 2004 with written terms of reference in compliance with the Listing Rules and the CG Code provisions. The primary duties and functions of the Remuneration and Nomination Committee set out in its terms of reference, inter alia, include the following:

Remuneration

- To make recommendations to the Board on the remuneration policy and structure for all Directors and senior management of the Company, and to make recommendations on the establishment of a formal and transparent procedure for formulating remuneration policy.
- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.
- To make recommendations to the Board on the remuneration packages of individual executive Directors and senior management of the Company with reference to their experience, performance, duties and market conditions. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment.
- To make recommendations to the Board on the remuneration of non-executive Directors.

Nomination

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.
- To identify individuals suitably qualified to become Board members based on a range of diverse perspectives and select or make recommendations to the Board on the selection of individuals nominated for directorships.
- To make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.
- To assess the independence of independent non-executive Directors.

Nomination Policy

A. Selection Criteria

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

(a) Character and integrity.

(b) Qualifications including professional qualifications, skills, knowledge, expertise and experience that are relevant to the Company's business and corporate strategy.

(c) Good records of accomplishments in present and prior positions.

(d) Potential contributions the candidate can bring to the Board in terms of diversity in its all aspects under the Company's Board diversity policy.

(e) Commitment of the candidate to devote sufficient time to effectively carry out his/her duties.

(f) Potential or actual conflicts of interest that may arise if the candidate is selected.

(g) Independence of the candidate.

B. Nomination Procedures and Process

1. Appointment of new Director

(a) Upon receipt of the proposal on appointment of new Director, the Committee identifies or selects candidates, with or without assistance from external agencies or the Company, and evaluate such candidate based on the criteria as set out in this Policy to determine whether such candidate is qualified for directorship.

(b) The Committee may use any process it deems appropriate to evaluate the candidates, which may include personal interviews, background checks, presentations or written submissions by the candidates and third party references.

(c) The Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable, and provide to the Board with all the information required including information set out in the Listing Rules in relation to the candidates.

(d) The Board should deliberate and decide on the appointment based upon the recommendations of the Committee.

2. Re-election of Director

(a) The Committee should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board. In the case of a proposed re-appointment of a retiring independent non-executive Director, also consider the number of years he/she has already served.

(b) The Committee should also review and determine whether the retiring Director continues to meet the criteria as set out in this Policy.

(c) The Committee and/or the Board should then make recommendations to shareholders in respect of the proposed re-election of Director at the general meeting.

Board Diversity Policy

The policy is summarized as follows:

- for identifying suitably qualified candidates to become Board members, it should be based on a number of diverse aspects, including Board members with different background, skills, regional and industry experience, gender and other qualities, that are in balanced and complementary with each other, creating synergy, and enabling the Board to function effectively as a whole.
- when reviewing and assessing the composition of the Board, it should be based on the Company's own business position and management needs from time to time, considering a number of factors including but not limited to the above mentioned background, skills, regional and industry experience, and other factors in order to achieve the Board with a reasonable structure that runs efficiently.

The Remuneration and Nomination Committee has three members, namely Mr. LI Fang, Mr. KWONG Che Keung, Gordon, and Mr. YAU Ka Chi, all of whom are independent non-executive Directors. The chairman and the secretary of the Remuneration and Nomination Committee are served by Mr. LI Fang and the Company Secretary of the Company respectively.

The details of the terms of reference of the Remuneration and Nomination Committee have been posted on the websites of the Company and the Hong Kong Stock Exchange.

The Remuneration and Nomination Committee held two meetings during 2020 (average attendance was 100%). The work performed by the committee during the year including:

- considered and approved the overall remuneration package of the Directors and senior management of the Company in 2019 with reference to the remuneration system of the parent companies;
- reviewed the Company's matters relating to remuneration in 2020 and made recommendations to the Board;
- considered the profile of the Directors who would retire from office by rotation and stand for re-election at the annual general meeting in accordance with the Company's articles of association and made recommendations to the Board; and
- reviewed, considered and confirmed the appointment of Mr. HE Xi as the executive Director, the President of the Company and the member of the Executive Committee under the Board, and made recommendations to the Board.

Pursuant to the CG Code provision B.1.5, the remuneration of the members of the senior management by remuneration band for the year ended 31 December 2020 is set out below:

Remuneration band	**Number of individuals**	
(HK$)	**2020**	2019
0 to 1,000,000	**4**	4
1,000,001 to 1,500,000	**6**	8
1,500,001 to 2,000,000	**1**	–

EXECUTIVE COMMITTEE

The Company established the Executive Committee in 2008. As a committee under the Board, the Executive Committee conducts its work under the guidance of the Board and reports to the Board pursuant to the "Working Guidelines for the Executive Committee" approved by the Board. The chairman of the Executive Committee is served by Mr. TIAN Jun, the executive Director and the Chairman of the Board. The members of the committee include the executive Directors and all the vice presidents of the Company. It has been delegated with the responsibilities to ensure the effective direction and control of the business and to deliver the Group's long-term strategies and goals. It advises the Board in formulating policies in relation to the Group's business operations, monitors the performance and compliance of the business, and supervises the management to implement the Board resolutions.

The Executive Committee acts as a bridge for communication and connection between the Board and the management, and plays a crucial role in enhancing the quality of corporate governance as well as strengthening the management efficiency of the Company. It ensures that the Board can timely hear the voices of the operation and management staff and acts timely in respect of material operation affairs of the Company. It meets on a regular basis to review the Group's activities and discuss management and operational issues.

The Executive Committee held fifteen meetings during 2020. The executive Directors, the vice presidents and the senior management of the Company attended the meetings.

COMPANY SECRETARY

Ms. CHEUNG Siu Lan, secretary of the company, is an employee of the Company, appointed by the Board, and responsible to the Board. The Company Secretary is responsible for ensuring that the activities of the Board conducted efficiently and effectively, and the procedures and all applicable laws and regulations are followed. She also supports and facilitates the training and professional development of Directors.

The Company Secretary reports to the Chairman and the Board, provides advice on corporate governance and corporate transactions, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules. All Directors may call upon her for advice and assistance at any time in respect to their duties and the effective operation of the Board and the Board Committees.

During the year under review, Ms. CHEUNG has attended relevant professional seminars/webinars to update her skills and knowledge. She has complied with the Listing Rules to take no less than 15 hours of relevant professional training in a financial year.

OPERATION OF MEETINGS AND SUPPLY OF AND ACCESS TO INFORMATION

Throughout the year under review, arrangements were in place to ensure all Directors were given an opportunity to include matters in the agenda for regular Board meetings. Notice of at least fourteen days was given of a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice was also given.

Full Board or committee papers were sent to all Directors at least three days before the intended date of a Board meeting or a committee meeting. Management had supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. Management was also invited to join the Board or committee meetings where appropriate.

For meetings of the Board, 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 must 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 shall be present at that Board meeting. Any Director who has a conflict of interest must abstain from voting.

During the year under review, minutes of the Board meetings and meetings of Board Committees were recorded in detail the matters considered and decisions reached at the meetings. Draft and final versions of minutes were sent to all Directors for their comments within a reasonable time after the Board or committee meetings were held. Minutes of the meetings are always kept by our Company Secretary, and the Board and committee members may inspect the documents and minutes of the Board and Board Committees at any reasonable time by giving reasonable notice.

At all time, where necessary, the Directors can seek separate independent professional advice at the Company's expenses so as to discharge his/her duties to the Company. All the Directors are also entitled to have access to timely information in relation to our business and make further enquiries where necessary, and they have separate and independent access to senior management of the Company.

DIRECTORS' ATTENDANCE RECORD

In the year 2020, the attendance records of the Directors at Board meetings, Audit Committee meetings, Risk Management Committee meetings, Remuneration and Nomination Committee meetings and the annual general meeting are as follows:

Directors	Board	Audit Committee	Risk Management Committee	Remuneration and Nomination Committee	Annual General Meeting
Executive Directors:					
TIAN Jun *(Chairman of the Board and the Risk Management Committee)* [(1)]	5/5	–	2/2	–	1/1
HE Xi *(President of the Company)* [(2)]	2/2	–	–	–	–
Non-executive Directors:					
GUAN Qihong	3/5	–	–	–	1/1
WANG Xianchun	5/5	–	–	–	1/1
Independent Non-executive Directors:					
KWONG Che Keung, Gordon *(Chairman of the Audit Committee)*	5/5	2/2	2/2	2/2	1/1
LI Fang *(Chairman of the Remuneration and Nomination Committee)*	5/5	2/2	2/2	2/2	1/1
YAU Ka Chi	5/5	2/2	2/2	2/2	1/1

Notes:

(1) Mr. TIAN Jun ceased to hold the position of the President of the Company with effect from 28 July 2020.

(2) Mr. HE Xi was appointed as an executive Director and the President of the Company with effect from 28 July 2020.

ACCOUNTABILITY AND AUDIT

Financial Reporting

Directors acknowledge their responsibility for preparing the financial statements on a going concern basis, with supporting assumptions or qualifications as necessary. The Company's financial statements are prepared in accordance with the Listing Rules, Hong Kong Companies Ordinance and also the accounting principles and practices generally accepted in Hong Kong. Appropriate accounting policies are selected and applied consistently; judgments and estimates made are prudent and reasonable.

During the year 2020, all Directors have been given on a monthly basis the latest information and briefings about the financial position, changes in the business and the development of the Group. "Letter to the Shareholders" from the Chairman of the Board contained a summary of the Company's performance in this annual report and how the Company will preserve value over the long term and our strategies for delivering the Company's objectives. The Directors ensured a balanced, clear and understandable assessment of the Company's performance, position and prospects in annual reports, interim reports, inside information announcements and other disclosures required under the Listing Rules and other statutory requirements.

Risk Management and Internal Controls

The Board puts particular emphasis on risk management and strengthening internal control system. In respect of organizational structure, the Company has set up the Audit Committee, the Risk Management Committee, the Remuneration and Nomination Committee and the Executive Committee, and there is also a Sustainability Working Committee under the Risk Management Committee. The principles of the internal control framework of the Company are to strengthen the Company's internal monitoring and control in accordance with the requirements of the Hong Kong Stock Exchange, continuously improve the Company's corporate governance structure, build up corporate integrity culture, establish an effective control system, continuously assess the competence of the internal control system and the efficiency of the management through auditing, risk assessments and internal assessments, review identified risk exposures and ensure the effective running of the control system.

The Company has an Internal Audit Department in place and has been ensuring the independence of its organization, staffing and work, which is crucial to the Company's internal controls. In order to actively create a sound internal control environment, the Internal Audit Department provides internal control assessment reports to the management on a regular as well as ad hoc basis. It also reports to the Audit Committee, the Risk Management Committee and the Board at least twice a year on internal control and risk management matters. To minimize risks faced by the Company, the department evaluates and reviews the Company's internal control processes to avoid risks and provide a solid foundation for building up an effective internal control system.

The Company has a comprehensive internal control criterion which includes seven parts, namely "basic framework of the internal control system", "management authorization manual", "staff disciplinary code", "code on conflicts of interests", "operational standards for internal control activities", "assessment standards for internal control system", and "implementation standards for internal audit", details of which are contained in our "Risk Management and Internal Control Specifications".

While taking into full account the risk management framework requirements of The Committee of Sponsoring Organizations of the Treadway Commission (the "COSO"), the promoter of the National Commission on Fraudulent Financial Reporting, and risk management guidelines set out by the Hong Kong Institute of Certified Public Accountants, the internal control system of the Company also learns from the experience of outstanding management companies and takes into consideration our actual situation and business characteristics in formulating the control framework for assessing the efficiency and competence of the internal control system, which provide a reasonable assurance to ensure the effectiveness of the Company's operating activities, reliability of its financial reports and compliance of laws and regulations.

In 2019, the Company established an audit center. With the objectives of standardizing and information-digitalizing internal audit and risk management, the audit center provides systematic support to the internal audit and control team, and provides relevant personnel training for the development of the Group.

The Board through the Audit Committee and the Risk Management Committee has reviewed the efficiency of internal control system of the Group in aspects such as financial controls, operational controls, regulatory compliance and risk management. The Directors believe that the risk management and internal control systems are efficient and adequate, and controls effectively the risks that might have impacts on the Company in achieving its goals.

During the year under review, the Company has strictly complied with the relevant provisions of the CG Code regarding risk management and internal control. Leveraging the internal information sharing platform of the Company and the management effectiveness of the Enterprise Resource Planning ("ERP") system, the Company has driven the transformation and upgrade from traditional auditing to informationized auditing, thereby advancing the auditing works aided with big data in full swing. During the year, the Internal Audit Department commenced tasks including the following:

Containing the epidemic spread without compromising auditing works. The outbreak of the novel coronavirus pandemic since early last year has affected normal gatherings and exchanges. The Company was at the forefront of setting up a "Remote Audit Expert Pool" in February last year in order to commence remote internal audit work, and was able to complete the annual audit for 2019 smoothly according to the stipulated timeframe. Regarding the audit center established in 2019, we have strengthened the audit-related talent team by completing the internal recruitment of appropriate positions for the audit center early last year. The audit center was put into official operation in the first half of last year. The new audit information system has provided remote online access as scheduled, laying the foundation for the transformation and upgrade of internal audit and full audit coverage. Combining comprehensive audit and specialized audit, the Group completed a total of 11 comprehensive audits (which include various power plants, procurement platform companies and research and development companies) and 1 specialized audit for pollution prevention and control during the year. It has also commenced the specialized audit for the Liaoning Chaoyang 500MW photovoltaic grid parity demonstration project.

Implementing various measures at the same time to enhance the management and control over provincial companies and direct subordinate units. We have developed an instant communication and liaison mechanism with each of the Group's provincial companies for the audit management of their construction projects. We have also conducted the audit, continued tracking and follow-up ledger management for a total of 30 construction projects. During the year, we commenced post-evaluation works for various investment projects of our provincial companies, such as the investment projects of Jingmen Power Station, which engages in natural gas power and heat supply, and the Macheng intelligent energy project. Subsequently, we will make full use of the results from the post-evaluation works for the investment projects of our provincial companies and conclude our experience in new energy investment projects, thereby providing the basis for the Group's approval for and control over the investment decisions of our provincial companies in the future.

Properly implementing audit rectification and self-examination and self-correction. With reference to the audit results published by the National Audit Office in the 2019 audit announcement, we were able to apply such information to the daily operation and management of the Group and enhanced the overall management level of the Group. At the same time, the issues identified in the inspection of different areas, including tendering and bidding management, contract management, construction management, assets management, materials management, fuel management, remuneration and benefits management, accounting, auditing and finance management and major risks management, were compiled into case studies according to the results of various audit and internal control assessments in 2019. Through this, the Company supervised all business departments to amend and implement closed-loop management for rectification, thereby ensuring improvement on such issues.

Persisting in implementing full coverage of major risk prevention. In conjunction with the post-pandemic risk management, the Company organized and commenced its efforts in major risks prevention and elimination on monthly basis by reviewing various risk management ledgers. We continued to persist in the concept of incorporating risk management efforts into our corporate strategies and performance management. Major risks were analyzed in detail with responsibilities assigned to individuals. Employees' awareness of personal responsibility was enhanced, and risk prevention response measures were refined, thereby further consolidating the comprehensive risk management system that integrated hierarchical management and control with the "three lines of defence". Meanwhile, the Company has performed in-depth analysis and research on the overall major risks in 2020. The management was responsible for overseeing 5 general major risk checkpoints and 7 core actions. Relevant departments followed up on specific risks and included the targets of major risks prevention and elimination in the letters of responsibilities for the annual goals of each department, while formulating and implementing responsive measures and contingency plans against risks, with an aim to ensure the Company's major risks are controllable and under control in general.

Continuing to strengthen risk management on investment projects. We persisted in incorporating the major decision-making for risk assessment into the prerequisite procedures for project investment. The Company tracked the handling progress of risks involved with investment projects on a monthly basis. In respect of projects with major changes of risks, dynamic studies were performed promptly, so as to assess our risk tolerance in advance. In case of non-compliance with the Company's risk management requirements, the relevant investment project would be terminated immediately. In addition, in order to strengthen the closed-loop management on the risks involved with investment projects, those investment projects tabled on the investment decision meetings have been put under monthly review and assessment. Analysis and tracking were also conducted according to their comprehensive risk assessment reports and risk responses, and risk alerts were issued in due course, so as to strengthen the dynamic risk management on investment projects. During the year, the Internal Audit Department completed risk assessment reports for 21 projects.

Reviewing and inspecting continuing connected transactions. The Internal Audit Department took appropriate measures to review and inspect quarterly the implementation of the Group's existing continuing connected transactions. During the year under review, each of the relevant companies of the Group had strictly monitored the agreed prices and terms of the various continuing connected transactions in the actual course of business operations and these transactions did not exceed the related annual caps as disclosed.

Whistleblowing Policy

For good corporate governance practice, the Board approved launching a "Whistleblowing Policy" in April 2012, for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in secure and confidence manner, with the Internal Audit Department on any possible improprieties in any matter related to the Group, and through the Internal Audit Department reports directly to the Audit Committee.

Inside Information

The Company adopted its own "Inside Information Management Policy" setting out the procedures and internal controls for handling and dissemination of inside information in August 2013 with reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

The Company incorporated the topic on inside information into its annual internal training to its senior management regarding the continuing disclosure obligations under the Securities and Futures Ordinance and the Listing Rules.

External Auditor's and its Remuneration

The Company appointed Ernst & Young, a Registered Public Interest Entity Auditor, as the Company's auditor (the "Auditor") after obtained the approval by our shareholders in the annual general meeting held on 11 June 2020. The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the Auditor, and to approve the remuneration and terms of engagement of the Auditor, and any questions of its resignation or dismissal.

For the year ended 31 December 2020, the Audit Committee reviewed and monitored the Auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards.

For the year ended 31 December 2020, the fees payable by the Company to the Auditor in respect of audit and non-audit services provided were as follows:

	RMB'000
Audit services	6,100
Non-audit services:	
• Interim review	1,320
• Continuing connected transactions	200
• Issuance of super & short-term commercial paper and perpetual medium-term notes	220
• Tax service	671
• Others	2,327

COMMUNICATION WITH SHAREHOLDERS

Apart from reporting to the shareholders and investors on its operations and financial conditions semi-annually and annually, the Company also discloses relevant information such as electricity sold of the Company quarterly so that the investors have a better understanding about the operation of the Company. The Company maintains a corporate website at www.chinapower.hk where important and updated information about the Group's activities and corporate matters such as annual and interim reports, announcements, business development and operations, corporate governance practices and other information are available for review by shareholders and other stakeholders. When announcements are made through the Hong Kong Stock Exchange, the same information is made available on the Company's website simultaneously.

The Company also holds regular press conferences and meetings with financial analysts and investors, during which the Company's management will directly provide relevant information and data to the media, financial analysts, fund managers and investors, as well as answer their enquiries in a prompt, complete and accurate manner. The Company's website is updated continuously, providing up-to-date information regarding every aspect of the Company to investors and the public.

The Company has a Capital Markets & Investor Relations Department, which takes charge of the Company's relationship with investors and shareholders by providing information and services to them, promptly replying to their enquiries, and maintaining channels of active and timely communication with them.

Shareholders Communication Policy

In March 2012, the Board adopted a "Shareholders Communication Policy" of the Company which aims to set out the provisions with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and potential investors to engage actively with the Company. The "Shareholders Communication Policy" of the Company is posted on the Company's website under the "Corporate Governance" section.

The Chairman of the Board attended and chaired the Company's annual general meeting held on 11 June 2020. Other Directors, including three independent non-executive Directors, being the chairman/members of Audit Committee, Risk Management Committee and Remuneration and Nomination Committee together with the external independent auditor attended the annual general meeting and answered questions from the attending shareholders and investors. All resolutions proposed were duly passed by shareholders' voting at the meeting.

Dividend Policy

In January 2019, the Company has adopted a new "Dividend Policy" which aims to set out the provisions with the objective of providing stable dividends to shareholders.

The Company may declare and distribute annual cash dividends to its shareholders in an amount representing not less than 50% of the profit attributable to ordinary shareholders of the Company in any financial year, subject to the criteria set out in the Dividend Policy. In addition to cash, the dividends may be paid up in the form of the Company's shares, by the distribution of specific assets of any kind or by distribution of any form.

A decision to declare or to pay any dividends, and the amount of dividends, will be based on the recommendation of the Board after taking into consideration of, inter alia, the following factors:	
(i)	The financial results and financial condition of the Group;
(ii)	The Group's actual and future operations and liquidity position;
(iii)	The Group's expected working capital requirements, capital expenditure requirements and future expansion plans;
(iv)	The Group's debt-to-equity ratio, return on equity and committed financial covenants;
(v)	The retained earnings and distributable reserves of the Company and each of the members of the Group;
(vi)	The general economic conditions, the national policies for energy and related industries, and other internal or external factors that may have an impact on the business or financial performance and position of the Company;
(vii)	The shareholders' and the investors' expectation and industry's norm; and
(viii)	Any other factors that the Board deems appropriate.

The Company shall prioritize payment of cash dividends to its shareholders. Such declaration and payment of dividends shall be determined at the sole discretion of the Board and subject to all applicable requirements under the Company Ordinance (Chapter 622 of the Laws of Hong Kong) and the articles of association of the Company.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders of the Company (the "Shareholders") to Convene General Meeting

Shareholders are entitled to have right to request the Company to convene a general meeting pursuant to Part 12 of the Hong Kong Companies Ordinance. The procedures are as follows:

1. The Directors are required to call a general meeting if the Company has received requests to do so from the Shareholders representing at least 5% of the total voting rights of all the members having a right to vote at general meetings.
2. A request –
   (a) must state the general nature of the business to be dealt with at the general meeting; and
   (b) may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting.
3. Requests may consist of several documents in like form that –
   (a) may be sent to the Company in hard copy form or in electronic form; and
   (b) must be authenticated by the person or persons making it.
4. Directors must call a general meeting with 21 days after the date on which they become subject to the requirement, and must be held on a date not more than 28 days after the date of the notice convening the general meeting.
5. If the requests received by the Company identify a resolution that may properly be moved and is intended to be moved at the general meeting, the notice of the general meeting must include notice of the resolution.
6. If the resolution is to be proposed as a special resolution, the Directors are to be regarded as not having duly called the general meeting unless the notice of the general meeting includes the text of the resolution and specifies the intention to propose the resolution as a special resolution.

Voting by Poll

Save as provided under the Listing Rules, resolutions put to vote at the general meetings of the Company (other than procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the Shareholders at the commencement of each general meeting, and questions from Shareholders regarding the voting procedures are answered. The poll results are posted on the respective websites of the Company and the Hong Kong Stock Exchange on the same day of the poll.

Procedures for Shareholders Sending Enquiries to the Board

Shareholders should direct their questions about their shareholdings to the Company's registrar and whose details are as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8628
Fax: (852) 2865 0990

The Company Secretary and the Capital Markets & Investor Relations Department of the Company also handle both telephone and written enquiries from Shareholders from time to time. Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the Shareholders' questions. For Shareholders and investors' enquiries, the contact information is set out in the "Useful Information for Investors" section of this annual report.

Other Procedures for Shareholders' Proposals

The details of the following procedures are available at the Company's website www.chinapower.hk under the "Corporate Governance" section for review.

- Procedures for Shareholders making proposals at general meetings
- Procedures for Shareholders to nominate a person to stand for election as a Director

Constitutional Documents

The Company's constitutional documents have been posted on the Company's website www.chinapower.hk under the "Corporate Governance" section. During the year under review, there was no change in the Company's articles of association.

Risk Management Report

RISK MANAGEMENT CONCEPT

In pursuit of sustainable steady business growth, the Board acknowledges that the Group has to maintain a balance between risk management and development. Thus, risk management provides strong support and basic security for the high-quality and sustainable development of the Group. As such, the Board regards risk management as a proactive measure for creating efficiencies and promotes risk management responsibilities to the Board, the management and all staff members as well as its entire business system, thereby identifying risks early for effective risk control. The Board has established a risk management framework with three lines of defence, namely "Business, Supervision and Support, Assurance", for the Group, under which the Group has integrated risk management with its strategic goals and required risk management to be "Comprehensive, Focused, Dynamic and Continuous". The Board regularly studied and clarified the comprehensive risk indicator system in relation to the Group's operation through the Risk Management Committee. It has also taken a dynamic approach to set up key risk checkpoints based on the internal and external changes of the Group, implemented major risk prevention in all aspects and monitored the management's performance in bearing their responsibilities in relation to dynamic monitoring and ongoing risk management and control during daily operating activities. The Board consistently works on building a "Prudent, Aggressive and Responsible" risk culture through proactive risk management activities with a view to ensuring the high-quality and sustainable development of the Group.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee is delegated by the Board with responsibilities to oversee the Group's overall risk management framework and to advise the Board on the Group's risk-related issues. The Risk Management Committee is also responsible for approving the Group's risk management policies and assessing the effectiveness of the Group's risk controls. The details of the terms of reference of the Risk Management Committee have been posted on the websites of the Company and the Hong Kong Stock Exchange.

The Risk Management Committee held two meetings during 2020 and focused on the discussion on the following matters:

- reviewed and approved the "Risk Management Report" for the year 2019 and the first half of 2020 and risk management plan for the year 2020 prepared by the Company's Internal Audit Department in relation to the Group's risk management framework, the effectiveness of the risk management system, specific risk management conditions and the responsive measures adopted for risk control, and risk management policies which govern the identification, assessment, monitoring and reporting of the major risks faced by the Group;

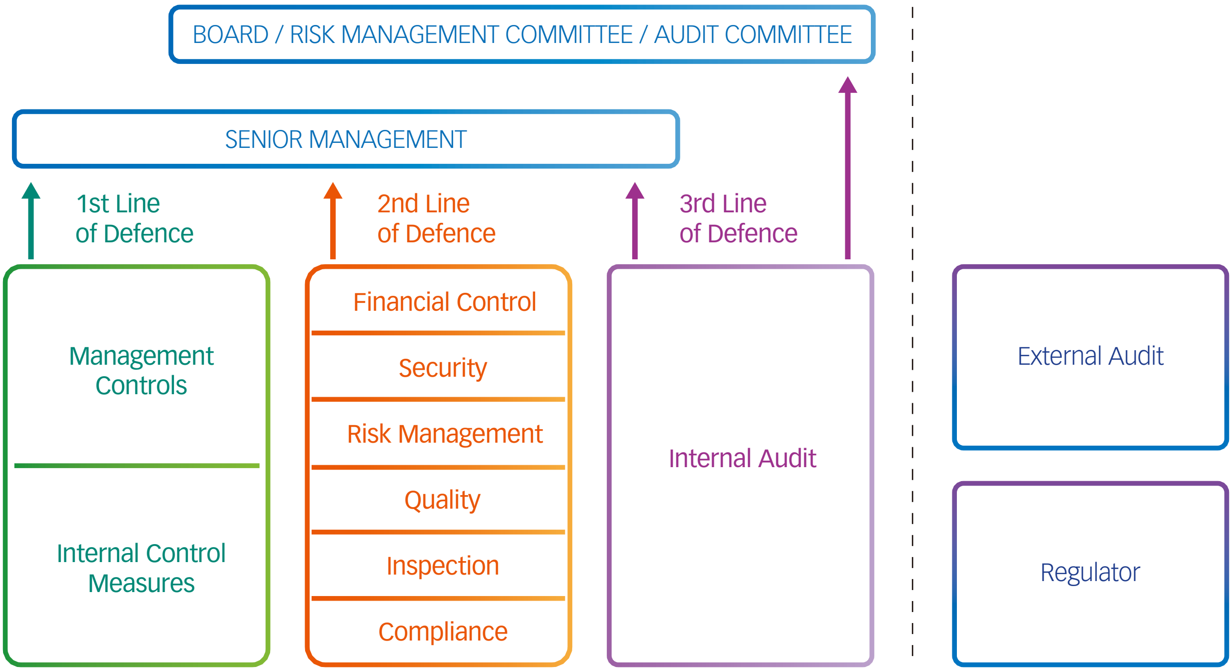
- reviewed and approved the adequacy of resources, staff qualifications and experience in respect of the Company's risk management functions;

- reviewed, considered and approved the establishment of the Sustainability Working Committee under the Risk Management Committee and confirmed its terms of reference which were submitted to the Board for approval; and

- reviewed and confirmed the revised version of the terms of reference of the Risk Management Committee to support the establishment of the Sustainability Working Committee and submitted it to the Board for approval.

RISK MANAGEMENT FRAMEWORK

Pursuant to the standards regarding the risk management framework of the COSO (including standards being updated on an ongoing basis), the Group has established a risk management framework with "three lines of defence":



1st line of defence:	Business risk management – During the course of business activities, each of the functional departments and business units, as well as personnel holding the respective business position, shall be the first response unit for handling matters within their terms of reference for risk identification and management.
2nd line of defence:	Supervision and support for risk management – The Risk Management Committee under the Board and the functional departments for risk management, including the departments responsible for the functions of internal audit, legal affairs, compliance, finance, human resources, safety and environmental protection monitoring, shall assist the front-line business departments to assume joint responsibilities for overseeing, inspecting and evaluating those works relating to the implementation of risk management.
3rd line of defence:	Independent assurance – The Audit Committee under the Board and the Group's Internal Audit Department shall be responsible for auditing the results of the risk management works and issuing an audit report.

In 2020, the Group incorporated post-pandemic risk management to further strengthen the comprehensive risk management system that integrates hierarchical management and control with the "three lines of defence". Working with various business departments, it continued to carry out annual major risks prevention and mitigation works as well as major decision-making for risk assessment, prevention and control regularly, so as to ensure the management of major risks through coordination of joint management and joint prevention. In addition, the audit center established by the Group commenced operation in the first half of the year and the development of risk management and internal control systems was incorporated into the centralized planning of the audit center. By making full use of big data, the Group promoted the standardized development of audit, risk and internal control procedures, thereby realizing risk alert and compliant operation and further optimizing its risk management network.

RISK MANAGEMENT MECHANISMS AND PROCEDURES

Having concluded from the practical experience for a long period, the Group has developed a set of risk management mechanisms and procedures that operates steadily and mainly comprises (i) comprehensive risk management, (ii) risk management targeting major investment projects, and (iii) specific risk management targeting key risk areas.

(I) The procedures of comprehensive risk management are as follows:

Phase 1:	Formulating risk management policies, strategies and risk assessment standards – The Board shall determine risk policies in respect of the Group's governance, culture and development strategies, and shall take these policies into consideration when determining its business targets. The Risk Management Committee shall be entrusted by the Board to determine the risk management strategy of the Group, while the Group's Internal Audit Department shall establish common risk assessment standards and set up the risk score sheet for the Group.
Phase 2:	Comprehensively collecting first-hand information for risk management and risk identification – Each department/business unit shall extensively and continuously collect internal and external information in relation to the risks of the Group and the risk management thereof and identify potential risks that may have an impact on the key processes of their operations.
Phase 3:	Conducting risk assessment and establishing comprehensive risk management ledger – Each department/business unit shall assess and score the risks identified along with their impact on the business and the likelihood of their occurrence. All risks of the Group and its subordinated units shall be recorded in the risk management ledger.
Phase 4:	Risk follow up treatment as well as tracking and update of risk management ledger on a quarterly basis – Based on the assessment, each department/business unit shall propose measures for monitoring and treatment of risk identified and determine the responsible person for the risk. All this information shall be fully recorded in the risk management ledger and updated on a quarterly basis to ensure the risks are controllable.
Phase 5:	Risk reporting and monitoring – Each department/business unit shall monitor their own risk mitigating works and summarize and report the comprehensive risk management condition to the Risk Management Committee bi-annually, so that the Committee can keep abreast of the distribution and changes of comprehensive risks on a continuous basis, evaluate the effectiveness of the risk management works and recommend measures for improvement. The Risk Management Committee submits the "Risk Management Report" and the "Sustainability Report" to the Board annually.

(II) The risk management procedures targeting major investment projects are as follows:

Project Initiation and Feasibility Study Stage:	Business departments and all supporting departments for risk management shall conduct work such as feasibility study and due diligence for their investment projects, so as to fully identify and assess the risks of the investment projects and the risk cost thereof, and put forward strategies and measures against material risks.
Investment Decision Stage:	Before making investment decisions, the relevant departments shall prepare the risk assessment report for specific projects based on the feasibility study and the due diligence report with a view to disclosing the risks of the investment project and the impact of the risk factors, and recommend preventive measures.
Construction Stage:	The relevant departments shall conduct risk analysis on the conditions for commencement of construction, including analysis on compliance risks relating to aspects such as land, environment and energy conservation, technical risks relating to the construction design plan and risks relating to construction management, etc. Construction work will only be commenced after establishing feasible responsive measures and passing the compliance evaluations.
Management through closed-loop tracking:	A closed-loop tracking mechanism will be implemented for the risk analysis and evaluation conclusion for each of the above stages to ensure all risks are controllable and under control.

(III) The specific risk management procedures targeting key risk areas are as follows:

Identification and selection of key risk areas:	The management shall hold regular meetings to identify new, non-traditional and typical risks arising in the course of strategic development of the Company, and commence specific risk assessment on such area.
Commencement of specific risk investigation, research and assessment:	Prior to the assessment, the functional departments shall collect data, determine risk checkpoints, verify and identify risks on-site and discuss with the business management departments (brainstorming). The identified risks shall be quantified and a risk management ledger shall be established according to risk level. Responsive measures shall be formulated against such risks based on the risk strategy.
Compilation of risk assessment report and put forward management advice:	The risks assessed and responsive measures thereof shall be submitted to the relevant business management department for consideration and review. The relevant business management department shall put forward management advice for responsive measures relating to high-and mid-level risks, formulate risk assessment and management report upon discussion with the functional departments, and provide guidance to the responsible business unit to commence its risk management works.
Management through closed-loop tracking:	Risk checkpoints identified through the specific risk assessment shall be included in the risk management ledger. Through the integration of specific monitoring and dynamic monitoring, comprehensive tracking and prevention of risks shall be in place, and various requirements relating to risk management and control shall be incorporated into corporate management and corporate procedures.

Other regular risk management procedures	
Information system security:	The Group shall conduct specific risk assessments in such areas as network security, financial sharing system, and information confidentiality on an ongoing basis and put forward detailed management advice from time to time, thereby ensuring the risks are controllable and under control. Meanwhile, it shall continue to develop the information platform for compliance management. Information technology shall be used to manage the compliance review and assurance procedures for decision-making, contract execution, procurement and capital management.
Risk management responsibility appraisal:	The Group shall require all business units to establish a comprehensive risk management responsibility system and fulfill their risk prevention and mitigation responsibilities. The Group shall incorporate all risk control requirements into its management and operation procedures while including risk management responsibilities as a factor in annual performance appraisal, with the aim of raising the risk prevention awareness of all business units and encouraging them to plan for and implement risk prevention measures proactively.

Pursuant to the risk assessment for 2020, the major risks of the Group are as follows:

No. 1	**Type of Risks**	**Risks relating to policies**
Description of Risks	Target Risk Trend 2020	Key Response Measures
• As the State prioritizes wind power and photovoltaic grid parity projects, the level of tariffs and subsidies of other newly developed clean energy projects may be affected and hence results in a decrease in revenue and profit. • There are still uncertainties as to when the government subsidies for the operating renewable energy projects will be granted, which have an adverse effect on the operation. • The lack of comprehensive ancillary policies for integrated intelligent energy development, coupled with uncertainties in relation to the pricing mechanism and the growth of customer load, pose difficulties to grid connection. • Through more effective policies and measures, China is committed to reaching the carbon emissions peak and carbon neutrality by 2030 and 2060, respectively.	↑	1. Step up efforts in the analysis of policies to make timely adjustments to development strategies. 2. Promote the strategic conversion of wind power and photovoltaic power projects which are in the process of applying government subsidies within the approved effective term into grid parity projects on a voluntary basis. 3. Closely monitor the progress status of policies on tariff subsidies for renewable energy and timely apply for such subsidies. 4. Strengthen the communication with local government authorities, and closely monitor the adjustment of policies, laws and regulations. 5. Accelerate the development of clean and low-carbon energy projects and make dedicated efforts to the building of zero-carbon green base. 6. Actively seek cooperation with other parties in developing existing coal-fired projects and reduce the shareholding in coal-fired power enterprises.

No. 2	Type of Risks	Risks relating to production management
Description of Risks	Target Risk Trend 2020	Key Response Measures
• In order to achieve carbon emissions peak and carbon neutrality, China will impose stricter requirements for carbon emission. Any failure to meet such requirements may result in the shutdown of generating units or suspension of production, and hence increase the risks relating to production management. • Major overhaul maintenance and repairs of power generating units, delay of completion of technical upgrade projects as well as failure to meet the designed standard of inspection and repairs give rise to risks that facilities might be affected and unable to commence production or operation as scheduled.	↑	1. Strictly adhere to the national laws and regulations regarding environmental protection, and perform technical upgrade, inspection and repair of coal-fired power generating units in due course, so as to reduce pollution and greenhouse gas emission for each unit of power generation. Enhance the efficiency of power generating units and reduce the consumption of fossil fuel for each unit of power generation. 2. Increase input in technical research and development to pursue breakthroughs in clean energy and low-carbon emission technology. Develop the intelligent management and control system for safer, more reliable and efficient performance of power generating units. 3. Continue to strengthen the supervision and inspection over preliminary production and ensure that its employees are equipped with the skills required for their positions. Ensure the construction areas are safely isolated when the facilities are put into operation or trial run.

No. 3	Type of Risks	Risks relating to post-investment management and control
Description of Risks	Target Risk Trend 2020	Key Response Measures
• The management and control relation between the newly acquired subsidiaries and the Company remains to be further improved. • There are significant differences between the annual investment plans and their final implementation for certain projects with a larger investment amount. • There is a mismatch between the operational efficiency and the scale of assets for the new energy segment. Many clean energy power plants still rely on the integrated management of traditional coal-fired power plants and their management needs to be refined.	—	1. Formulate the checklist of responsibilities and authorities to specify the Company's systematic management and control policies towards subsidiaries. 2. Establish the segregation of power in the operation model under coordinated control. Strengthen management and control through five mechanisms, which include the "target coordination mechanism, information sharing mechanism, joint management mechanism for specific events, evaluation and overseeing mechanism, and appraisal and incentive mechanism". 3. Enhance implementation of investment plans and formulate such plans with a scientific and reasonable approach. 4. Research on the incorporation of project investment appraisal and evaluation indicators into the "Plan-Budget-Assessment-Incentive" appraisal system. 5. Continue to develop more professional and refined management capability, so as to maintain the competitiveness of the clean energy business.

No. 4	Type of Risks	Market risks
Description of Risks	Target Risk Trend 2020	Key Response Measures
• The acceleration of marketisation reform of the power sector has further reduced the basic power generation and tariffs guaranteed by the government's program, which resulted in the decline of revenue and profit. • Given the excessive installed power generating capacity in certain regions of China and the intense competition in the power market, the Group faces more difficulties in marketing.		1. Analyze the demand and supply profile in the power market, vigorously expand the free trade market for electricity beyond the basic guaranteed power program, and actively devote efforts in relation to direct power supply transactions with major power users. 2. Strengthen the efforts in relation to inter-regional power transactions with a view to increasing the volume of power output. 3. Develop diverse and integrated energy services that can provide various energy services including electricity, heat, cold energy and water for industrial use simultaneously to users, and push forward the intense development of integrated energy application including "coal-fired power, wind power and photovoltaic power storage". 4. Enter into development agreements with various new economic development zones to build gigawatt-level new energy demonstration bases with intelligent ecosystems, and enhance the operation capabilities of various new energy assets through the use of intelligent management platform. 5. Carry out heat supply system renovations for large-scale coal-fired power generating units with a view to expanding into the new market of heat supply. Currently, over half of the coal-fired power plants are capable of co-generation of electricity and heat supply simultaneously. 6. Capitalize on the entrusted management of overseas assets of the parent company to explore opportunities for overseas development.

No. 5	Type of Risks	Risks relating to cash flow
Description of Risks	Target Risk Trend 2020	Key Response Measures
With the increase in working capital requirements due to the construction of new projects, investment in the technical upgrade of power generating units, investment for meeting environmental compliance requirements and repayment of borrowings as and when they fall due, coupled with the relatively narrowed financing channels of certain subsidiaries and the delayed grant of government subsidies for renewable energy projects, the cash flow position may be under greater pressure.		1. Enhance the level of management, diversify the source of revenue, strengthen cost control, and enhance the level of operation of the existing projects. 2. Assessment of investment projects shall give utmost priority to cash flow generation of such project. Projects that fail to meet the profit margin conditions for investment may not be commenced in principle and shall be considered with reference to the capital flow position of the Company. 3. Introduce other strategic investors for projects with substantial capital requirements in order to expand financing channels. 4. In 2020, the Company issued RMB3 billion perpetual medium-term notes and RMB500 million super & short-term commercial paper in China. Wu Ling Power, a subsidiary of the Company, also issued RMB1 billion super & short-term commercial paper to further improve the cash flow. 5. Adopt various measures to further reduce the corporate debt ratio, further enhance the Company's and each of the project company's multi-channel financing ability through various financial products such as supply chain financing, cross-border direct loans and note discounting, while enhancing the management on the working capital budget to reduce funding risks. 6. Take part in the designated asset-backed finance scheme for the subsidized new energy assets to realize the cash flow from these subsidized assets.

No. 6	Type of Risks	Risks relating to project construction and management
Description of Risks	**Target Risk Trend 2020**	**Key Response Measures**
• In respect of the safety of construction projects, there are risks relating to personal injuries, while safety incidents will affect the Group's reputation and cost of the projects. • In respect of the project progress, there are risks that certain construction projects may not be completed on schedule due to the impact of the COVID-19 pandemic. • If the projects' construction in progress fails to meet the requirements in the stage of commissioning and quality acceptance, there will be risks that the timing of commencement of production and operation of the project may be affected.	↓	1. Strengthen the selection of contractors for construction projects to ensure compliance with the stringent tendering process and that the construction quality can meet the government's requirements based on their expertise. 2. Strengthen the training for and management over construction workers to enhance the level of safety management and the prevention and protection skills of the staff. 3. For construction projects that involve more dangerous works, precautionary measures and prearranged plan for emergencies have been formulated. 4. Develop emergency measures for pandemic prevention and control in a timely manner and form the leadership group for pandemic prevention and control to ensure all pandemic prevention measures are implemented properly. Resume the operation of all projects when the pandemic has been brought under control, so that all projects commenced operation as scheduled. 5. Strengthen the tracking and on-site inspection during the construction process to ensure the safety risks of the construction projects are controllable and under control.

No. 7	Type of Risks	Risks relating to compliance management
Description of Risks	**Target Risk Trend 2020**	**Key Response Measures**
Some of the newly acquired subsidiaries still do not have sufficient knowledge on the regulatory and disclosure requirements for listed companies in Hong Kong, and hence may not be able to report material events on a timely basis, thereby leading to the risk relating to the timeliness and accuracy of information disclosure as a listed company.	↓	1. Foster cooperation and communication in relation to continuing connected transactions and internal risk control through the online information-sharing system comprising the financial sharing center and audit center. Establish a standardized and effective management system for statutory information disclosure. 2. Adopt various measures to ensure definite segregation of responsibilities and authorities of each subsidiary of the Company with a checklist of authorities delegated to subsidiaries, specific requirements on benchmarking of management and control and the division of their responsibilities and authorities promulgated, with a view to enhancing their awareness towards compliance and disclosure. 3. Step up efforts in the promotion of the rule of law, systems and policies, and strengthen the training on regulatory rules and systems of statutory information disclosure as a listed company for newly acquired subsidiaries, including training sessions and exchange forums on the review of connected transactions.

Summary of Sustainability Report

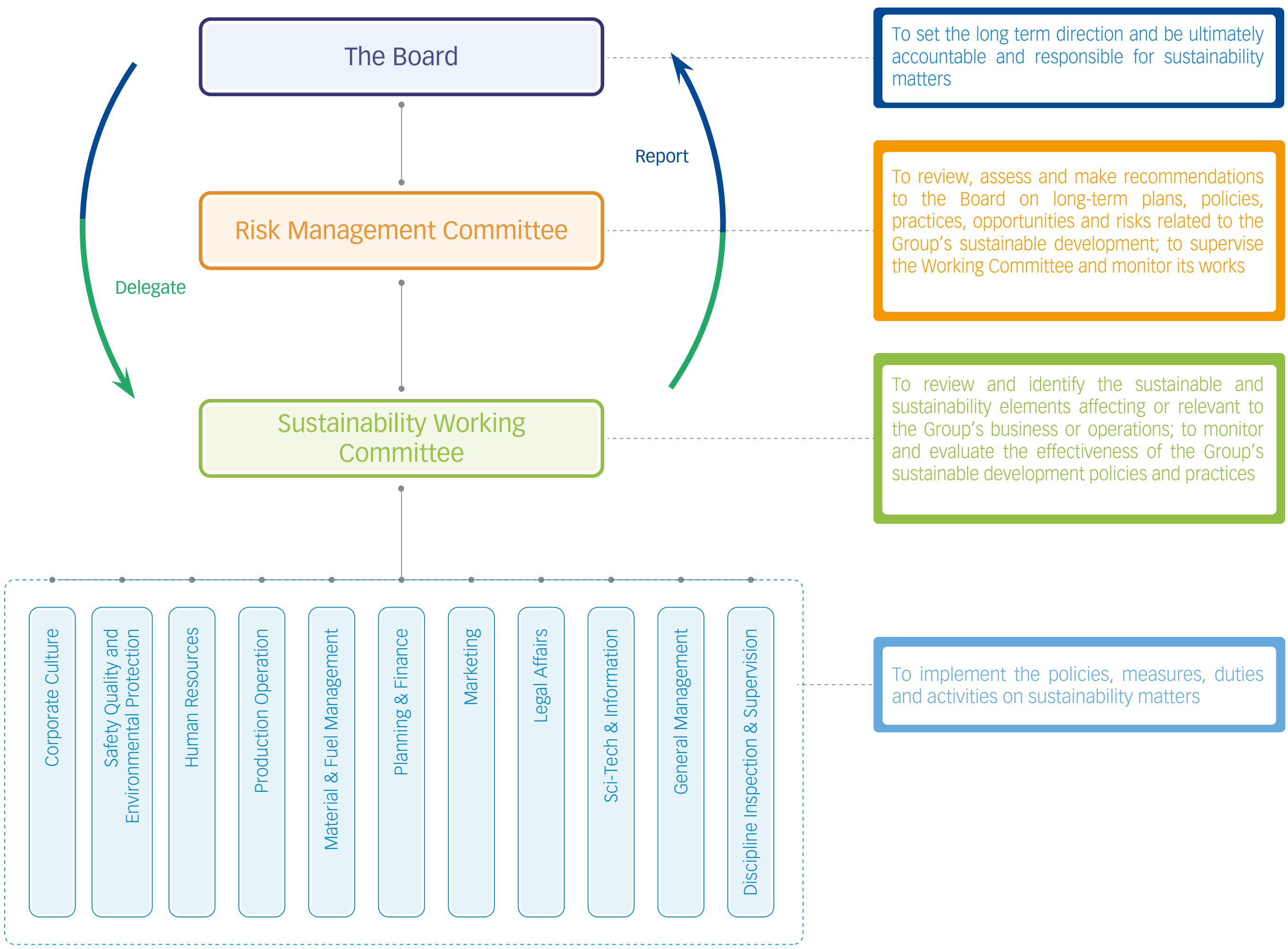
MISSION

Adhering firmly to our core value of "striving for clean development, contributing green energy", the Group has been putting great efforts in exploring and upgrading technologies in relation to energy conservation and emission reduction, pushing forward the development of clean energy and actively promoting sustainable development in social, economic and environmental aspects, with an aim of becoming a resource-saving and environment-friendly enterprise with high proportion of clean energy, low consumption of energy resources, and low discharge of pollutants. While promoting its diversified development, the Group has also been committed to maintaining high-quality development and making steady progress, forging ahead towards the goals of "establishing itself as the world's leading major clean energy enterprise" in full force.

SUSTAINABILITY GOVERNANCE

On 27 August 2020, the Company resolved to establish a Sustainability Working Committee as a sub-committee of Risk Management Committee under the Board, which is fully responsible for the sustainability-related matters of the Group.

Sustainability Governance Structure

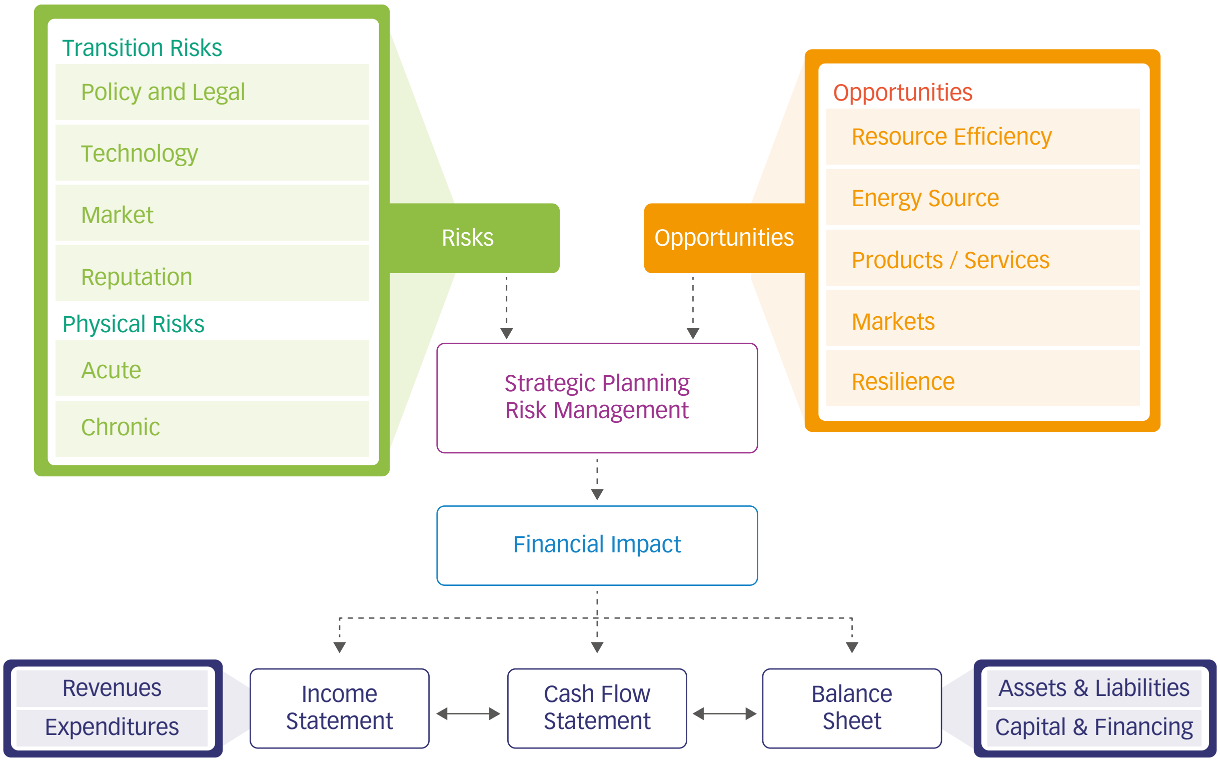


ENVIRONMENTAL PROTECTION

A series of major extreme weather events, such as forest fires and rainstorms happened in 2020, causing tremendous damages to the economy, society and environment of the affected countries. Being an energy and power enterprise, the Company has an important mission in promoting the transformation of the electric power industry and promoting the development of clean energy. The Board is well aware of the importance of understanding climate risks and their impacts on promoting the long-term strategies of the Group.

We have identified and analyzed climate risks posed on the Group based on the "Climate-Related Risks, Opportunities and Financial Impacts" framework proposed by the Task Force on Climate-related Financial Disclosures (TCFD).

Climate-Related Risks, Opportunities, and Financial Impact



1 Climate Change – Coping Strategies and Actions

The PRC government always places strong emphasis on environmental protection. Relevant legislations have been enacted continuously to facilitate the development of renewable energy and a number of environmental protection policies have been promulgated successively with a view to realizing sustainable development of both the economy and the environment. With China officially becoming a party to the Paris Climate Change Agreement in 2016 indicating a serious commitment to tackling climate change, the PRC government issued in the same year the national economic "13th Five-Year" plan for energy and power development, in which the targets for clean energy development up to 2020 were specified.

In 2020, the PRC government published the official schedule for achieving the targets of "Carbon Emission Peak" and "Carbon Neutrality" and officially promoted the development of a nationwide carbon emissions trading market, aiming to lead the power industry towards a clean and low-carbon development. The Ministry of Ecology and Environment of China issued the "Administrative Measures for Carbon Emissions Trading (Trial) (《碳排放權交易管理辦法(試行)》)", which further clarified regulations for the nationwide carbon emissions trading market. The introduction of relevant carbon emission targets and policies will assuredly promote the growth of new energy development and limit the development of coal-fired power, bringing opportunities and challenges to the entire power industry. Despite being confronted with increasing number of more stringent new requirements on environmental protection while fulfilling the Group's social responsibilities, we acknowledge that it is incumbent upon, and obligatory for us to actively cope with global climate change, formulate corresponding strategies and take relevant actions.

1.1 Our Strategies

Aims and Directions for Development

The Group is committed to establishing itself as a clean low-carbon integrated energy enterprise and contributing to the effective responses to global climate change. The Group's directions for development to achieve its existing goals are as follows:

(1) Focus on the development of clean energy: continue to increase the proportion of clean energy by maintaining our leading edge in hydropower generation and making further progress in the development of quality clean energy projects, which are mainly large-scale "grid parity" and "competitive bidding" wind power and photovoltaic power projects, while controlling and slowing down the development of coal-fired power.

(2) Achieve comprehensive purification of the existing coal-fired power: to complete the ultra-low emission technical upgrades for coal-fired power in order to reduce the pollutants and greenhouse gases emission per unit of power generated; to enhance the efficiency of the power generating units in order to reduce the consumption of fossil energy per unit of power generated; to push ahead with the upgrade of heat supply from coal-fired power to enhance the heat supply capability and effectively reduce the consumption of other energy by utilizing waste heat for heat supply.

(3) Reduce investment in coal-fired power: shutdown those coal-fired power generating units with small capacity, low parameters and not feasible to carry out the ultra-low emission technical upgrades; actively seek for cooperation with other enterprises to develop the existing coal-fired power in order to reduce the proportion of shareholding in coal-fired power enterprises.

(4) Promote technological innovation: strive for breakthroughs in the areas of clean energy and low-carbon emission technologies with greater research and development inputs; to develop intelligent management and control systems for enhancement of power generating units in terms of safety, reliability and efficiency.

(5) Explore other types of energy: actively explore new energy segments, and seek to participate in the hydrogen power application demonstration projects of Beijing 2022 Winter Olympic Games by further promoting the development of hydrogen energy projects; study the possibility of developing waste power generation and conduct research on domestic and foreign technologies in order to assure that emission levels are in compliance with international safety standards.

(6) Research on carbon emission rights trading policies: in-depth study of carbon emissions and carbon trading policies, and actively respond to the challenges and opportunities in the carbon emission rights trading market. Formulate carbon trading strategies, carbon emission reduction target plans and implementation plans in accordance with the performance requirements of the national carbon emissions trading market.

Basis of Actions

The actions carried out by the Group are based on:

(1) Policy guidance: commitments made by the PRC government upon entering into the Paris Climate Change Agreement, targets as set out in the national economic "13th Five-Year" plans for energy and power development of the PRC, "Air Pollution Prevention and Control Action Plan (《大氣污染防治行動計劃》)", "Action Plan of the Upgrade and Renovation for Coal-fired Units to Achieve Energy Saving and Emission Reduction (2014–2020) (《煤電節能減排升級與改造行動計劃(2014–2020年)》)", "Implementation Plan on Setting and Distribution of National Carbon Emission Rights Aggregate Trading Quota 2019–2020 (Power Generation Industry) (《2019–2020年全國碳排放權交易配額總量設定與分配實施方案(發電行業)》)", among other policies.

(2) Regulatory standards: "Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)", "Air Pollution Prevention and Control Law of the People's Republic of China (《中華人民共和國大氣污染防治法》)", "Emission Standard of Air Pollutants for Coal-fired Power Plants (《火電廠大氣污染物排放標準》)", "Ambient Air Quality Standards (《環境空氣質量標準》)" and other regulatory standards on environmental protection issued by the central and local governments.

(3) Working guidelines: "Action Plan for Enhancing the Protection of Ecological Environment (《生態環境保護提升行動方案》)" and working guidelines regarding the protection of ecological environment issued by other business units.

Strategic Support

The Group implemented its transformational development strategies and actively promoted the development of clean energy, integration, smart technology and international expansion. In particular, development in modern clean energy was ramped up in a bid to reduce reliance on traditional energies as soon as possible and gradually transform from high carbon into low-carbon generation, which is a major component in the Group's transformational development strategy. The established strategy of the Group strongly supports various initiatives in coping with climate change.

1.2 Our Works

Air pollution

In strict compliance with the "Emission Standard of Air Pollutants for Coal-fired Power Plants (《火電廠大氣污染物排放標準》)", "Ambient Air Quality Standards (《環境空氣質量標準》)" and other pertinent laws and regulations as well as in response to the requirements under "Action Plan of the Upgrade and Renovation for Coal-fired Units to Achieve Energy Saving and Emission Reduction (2014–2020) (《煤電節能減排升級與改造行動計劃(2014–2020年)》)", the Group effectively controlled the emission of airborne pollutants by installing dedusting, desulphurization and denitration facilities and procuring coals with less pollutant contents.

During 2020, Dabieshan Power Plant achieved a significant reduction in the discharge of gravel coal carbon emission from the pulverizing system of the two furnaces through technical renovation. One of its power generating units attained its ultra-low load and oil-free operation in reducing air pollution for the first time.

Emissions

As part of the continuous environmental protection upgrade plan, the Group embarked upon environmental protection upgrade with an aim for ultra-low emission. As of the end of 2020, more than 90% operating coal-fired power generating units of the Group have met the standards of ultra-low emission, among which six power plants have received incentive electricity of approximately 628,000MWh in aggregate for environmental protection from the local governments.

Density of nitrogen oxide, flue gas and dusts and sulphur dioxide emission increased year-on-year, which was mainly attributable to the higher average emission density driven by the increase in power generation from the two 660MW power generating units that have not yet meet the ultra-low emission standard.

Although the emissions of carbon dioxide, nitrogen oxide and sulphur dioxide have risen during the year under review, the Group has significantly reduced the emission of greenhouse gases by developing clean energy projects, effectively curbing such increases. Moreover, the Group has carried out technological research on the ultra-low emission upgrade for these two generating units and launched the optimization projects for all generating units in order to improve the production efficiency. In 2020, the Group's clean energy power generation amounted to 33,903,032MWh, representing a reduction in carbon dioxide emission of 27,003,765 tonnes.

SOCIAL RESPONSIBILITY

The Group is in compliance with the quality, safe, healthy, and environment protection management principle of "Quality Products and Services, People-oriented, Risk Control, Green Operations", pursuing high standards of operations and striving to minimize the adverse impact on the society and the environment. We have raised the proportion of clean production in a continuous basis so as to provide safe, economical and clean products and services to the society and customers. The Group has also strengthened the communication and cooperation with various stakeholders with a view to fostering a win-win society.

Faced with the sudden rapid outbreak of the pandemic, the Group expeditiously formed a Leading Team for Coronavirus Disease Prevention and Control in January 2020 with Mr. Tian Jun, the Chairman of the Board served as the team leader. A series of measures and requirements have been imposed to ensure the normal operation and sufficient power supply of every single business unit of the Group at home and aboard. Early last year, Hubei province was among the most affected places by the pandemic. To ensure safe and stable power supply to the region, the Group swiftly reactivated its power generating units in Dabieshan Power Plant within the same province to provide support for anti-epidemic power consumption to Wuhan.

2 Employment and Labour Practices – A People-Oriented Approach

Our employees are the driving force behind our sustainable development. We have always been committing to the provision of a sound workplace for employees and the protection of employees' lawful rights. Health and safety of the employees are our concern and a wide-ranging platform has been in place for career development of the staff so as to create a corporate culture of loyalty and cohesiveness, promoting the mutual growth of the staff and the corporation.

3 Operational Practices – Safeguarding Stable Development

The Group works diligently to provide safe and reliable power supply for economic and social development and persists in value-sharing with the industry chain, seeking to drive economic development at the places where it operates and share with the community the results of its development. Taking into account the features of the power industry and its own characteristics, the Group incorporates the philosophy of social responsibilities in its management and operation and makes contribution to the sustainable development of the society and the environment, in a bid to constantly enhance its commitment to social responsibilities.

3.1 Supply chain management

The Group persists in developing fair and impartial working relationship with suppliers. Bulk purchases of fuel and other materials are subject to a management regime that separates the three functions of purchase, delivery inspection and acceptance, and supervision with a view to eliminating corruption at source. The Group strives to establish fair, just and stable mid-to-long-term cooperation with its suppliers. Contracts and agreements are performed in stringent compliance with contractual requirements and each supplier is equally treated with respect.

The Group has formulated a stringent and standardized system for the selection and management of suppliers. It has also established a supplier review team, which will conduct strict reviews according to the integrity, quality assurance, punctuality of supply and price reasonableness, etc., to select more competent and reputable suppliers so as to jointly maintain a healthy and orderly marketplace in accordance with the "Implementation Measures for the Management and Evaluation of Fuel Suppliers (《燃料供應商管理與評價實施細則》)", "Management System for Material Suppliers (《物資供應商管理制度》)", "Administrative Measures for Recording the Misconduct of Suppliers (《供應商不良行為記錄管理辦法》)" and other pertinent regulations.

Approval of fuel suppliers is subject to the fulfilment of precedent conditions for cooperation between the relevant parties, which is, in principle, based on the mineral or logistics resources possessed. Suppliers are assessed and examined in a comprehensive manner with reference to their qualifications, skill competences, product qualities, pricing, after-sale services and reputation, and are graded as I, II and III accordingly in accordance with the "Catalogue for Grading and Classification of Materials (《物資等級分類目錄》)". The Group focuses on examining suppliers of Grades I and II and those which are newly added and intended to be eliminated.

While fulfilling its own social responsibility, the Group also incorporates concepts and requirements of social responsibilities in the management of suppliers, and clearly stipulates that materials must meet the relevant national environmental protection laws and standards while signing purchase contracts, in order to prevent pollutants from exceeding the emission standards at source. The Group also verifies suppliers' qualifications on, among others, safety work and staff training, in order to raise suppliers' awareness of social responsibility management. In 2020, the Group assessed a total of 4,435 (2019: 4,386) suppliers of fuels and other materials, and identified 319 unsatisfactory suppliers, 91 of which were blacklisted.

In terms of electricity production and sales, the Group's major customers are regional and provincial power grid companies, through which it sells the electricity generated by its power plants to power users and settles the transactions. The Group has been maintaining long-term and good customer relationship with the power grid companies in various locations where its power plants are located. In 2020, seizing the opportunity directed by the PRC government in opening up the electricity market, the Group has been actively expanding its own customer base by proactively liaising with enterprises of large electricity consumption and building with them long lasting and sustainable partnerships by developing and providing value-added services in order to secure the increased market share in direct power supply.

3.2 Safe production

Regarding safe production as the pre-requisite for maintaining stable power supply and ensuring sustainable development of the Group, the Group firmly adheres to the safety philosophy that "no risks are uncontrollable, no breaches are unpreventable and no accidents are unavoidable" and the safe production directives of "safety as priority, prevention rather than cure, and comprehensive management". No material safety incident related to our employees, facilities or environmental protection occurred in 2020.

4 Community Investment – Promoting Harmony and Development

The Group is actively involving in community building and conducts its business in a responsible manner in the places where it operates, with the aim of driving local economic and social development. In order to effectively fulfil its social responsibilities and contribute to the sustainable development of the communities, the Group, by leveraging its own advantages, actively encourages its employees to participate in volunteering services, supports rescue and relief efforts, donates anti-epidemic supplies, organizes social charity events, science and technology education and other campaigns that contribute to the well-being of local communities based on their practical needs.

In 2020, the pandemic inevitably obstructed the economic development and we responded to the national policy to provide jobs suitable for the Group's needs to the society appropriately and helped stabilize the employment during the pandemic prevention and control period.

Full version of the Sustainability Report:

- Reporting period: From 1 January 2020 to 31 December 2020, part of the content, as appropriate, traced back to the previous years.
- Reporting scope: The Group as a whole.
- Application of reporting principles: Materiality, quantitative, consistency, and balance.
- Board statement: The Board has declared that: (i) material matters related to environmental, social and governance of the Group ("ESG matters") has been reviewed; (ii) a top-down approach has been adopted to identify, evaluate, manage and supervise the ESG matters in a continuous basis; and (iii) has incorporated ESG matters in formulating the strategies of the Group.
- **Date of publication: The full version will be published on the websites of the Company and the Hong Kong Stock Exchange on or before 31 May 2021.**

Investor Relations and Frequently Asked Questions

INVESTOR RELATIONS

The Company, the Board and the management have always prioritized the investor relation activities and well acknowledge that investor relations is a strategic management activity which could enhance understanding between investors and the Company, upgrade the level of corporate governance, transparency and strategic credibility and create values for shareholders. Since the listing of the Company, we have been putting efforts in investor relation work, maintaining sufficient communications with the investors. We are also convinced that reporting to shareholders and establishing a good investor relation are important responsibilities of the Board and the management.

The Company has been proactively organizing and participating in various types of investor relation activities so as to communicate with investors regularly and share with them the strategic plans of the Company. By engaging investors in-depth communications with regard to public information, investors can comprehensively understand the Company's production operation of various business segments, corporate governance, dedication towards environmental protection and fulfillment of social responsibilities. The Chairman of the Board, the Directors and the senior management have participated in a variety of investor relation activities to maintain direct communication with the investors.

In addition, the Company places great emphasis on the feedbacks from the investors, and ensure their feedbacks can reach the Board and the management through effective channels. By this, we continuously improve our operations and management while creating greater value for the shareholders.

Press Conferences for Annual and Interim Results

In March and August 2020, the Company organized online press conferences right after the publications of its 2019 annual results and 2020 interim results. A total number of more than 100 investors and securities analysts attended the press conferences. The Directors and the senior management of the Company actively communicated with the participants to illustrate the operations and the development strategies of the Company in details and garnered investors' support for the future development plans of the Company.

General Meetings

Last year, the Company's annual general meeting was held on 11 June 2020 at Meeting Room S421, Hong Kong Convention and Exhibition Centre, 1 Expo Drive, Wan Chai, Hong Kong. In light of the COVID-19 pandemic, the Company simultaneously arranged online live streaming of the annual general meeting and online inquiry session for all its registered shareholders. The Directors and the senior management together with the external independent auditor attended the annual general meeting and answered enquiries from the shareholders and investors attending the meeting either in person or online. All ordinary resolutions proposed at the meeting were voted and passed by the shareholders.

The annual general meeting for this year has been proposed to be held on 3 June 2021.

Roadshows

In 2020, in compliance with the pandemic prevention and control requirements of the various regions, we launched a number of on-site roadshows in Beijing, Shanghai and Chengdu as well as multiple online roadshows through video or telephone conference to coordinate with the announcing of the results of the Company and to promote strategies and operating results of the Company. The senior management and investor relations team of the Company participated in the roadshows to communicate and exchange opinions effectively with the investors, thereby enhancing the good interactive relationship between the Company and the investors.

In 2020, the Company met with a total number of more than 100 securities analysts and fund managers through roadshows, which effectively promoted communications between the Company and the investors.

Investor Forum

In 2020, the investor relations team participated in The Global Investment Carnival 2020 organized by Gelonghui in Chengdu, at which the Company held a thematic presentation and communicated with dozens of investors, revealing the awards obtained in relation to the Group's excellent performance and corporate governance ability during the year, which received high recognition from the participants.

Regular Meetings with Investors

The Company is pleased to communicate with every investor. Apart from attending major investor activities regularly, the management will make their best efforts to meet with individual investors or investor groups from time to time, and will arrange meetings properly while carefully implementing its pandemic prevention and control measures.

Prizes

In December 2020, the Hong Kong Institute of Certified Public Accountants (HKICPA) released the Judges' Report of the 20th Best Corporate Governance Awards 2020. The Company was shortlisted for the first time and received the Prize of Special Mention for Non-Hang Seng Index Constituent Stocks (Medium Market Capitalization) Category. The Award was based on a comprehensive assessment conducted by HKICPA on corporate governance and other aspects of Hong Kong listed companies using their 2019 annual reports as the source.

Shareholders and Investors Enquiries

The contact information for shareholders and investors enquiries are set out in the section headed "Useful Information for Investors" in this annual report.

FREQUENTLY ASKED QUESTIONS

1. What's the Company's Development Strategy?

As one of the leading advocators for technological innovation and institutional innovation of the power industry, the Group will seize the strategic opportunity of carbon emission peak and carbon neutrality under "China 30 • 60" to consolidate its transformation and development. Meanwhile, through the development of clean energy and integrated intelligent energy on a continuous basis, the Company will vigorously develop renewable energy grid parity projects, striving to establish China Power as a green and low-carbon intelligent energy company.

Meanwhile, the Group will reinforce its technology empowerment. By leveraging and integrating the use of high-and-new technology, it will promote its business operation to be more informationized, digitalized and intellectual. The Group will continue to seek ways of overseas expansion, striving to become the world's leading clean and intelligent energy enterprise.

2. Does the Company have any Plans to Acquire the Assets from its Parent Companies?

In March 2020, pursuant to the entrusted management agreement signed with CPI Holding and SPIC Overseas, the Company undertook to provide planning, operation and management services to certain entrusted companies located in and outside of the PRC, whilst the Company obtained the right of first refusal to acquire the entrusted companies.

In the future, the Company will continue to capitalize on the supports from its parent companies and create more values for its shareholders. Currently, apart from the information already disclosed by the Company, there is no other disclosable information in relation to the acquisitions of the assets from the parent companies.

3. What is the Company's Dividend Plan?

The Company announced its revised dividend policy in January 2019, which increased the amount of dividends from not less than 25% of the profit attributable to ordinary shareholders of the Company to not less than 50% of the profit attributable to ordinary shareholders of the Company. In addition, the Board of the Company reached a consensus to maintain a relatively consistent amount of dividend per share for the three consecutive years starting from 2018. Looking forward, underpinned by its robust business performance, the Company will continue to maintain stable dividend payout.

4. What is the Company's Opinion on Electricity Supply and Demand in 2021?

In 2021, the China Electricity Council anticipated that the growth of the national total electricity consumption will rebound with a year-on-year growth of 6% to 7%. The growth rate of installed capacity of renewable energy power and the power generation are expected to record further increase, while coal-fired electricity will be facing a major transition from traditional baseload power source to regulated power source.

5. What is the Company's Opinion on Coal Supply and Demand in 2021?

From the end of 2020 to early 2021, the total national power consumption increased sharply, resulting in a tight market supply and demand of coal. However, with the support of national control policies and the joint statement on guaranteed supply made by major coal enterprises, the supply-demand imbalance will possibly be relieved.

The coal de-capacity targets under the "13th Five-Year Plan" had been fully achieved. With a view to consolidating our achievements and accelerating the release of high-quality production capacity and railway capacity, coupled with effective control of the pandemic in the PRC and the gradual recovery of the global economy, it is expected that the coal supply and demand will increase in 2021. Taking into account factors such as the increase in concentration of coal resources, control over imported coal, safety supervision and environmental protection, the coal supply and demand is expected to maintain a tight balance as a whole.

6. What is the Company's goal under the "14th Five-Year Plan"?

For the "14th Five-Year" period, the Group will continue to promote the strategy for the development of clean energy, integration, smart technology and multinational expansion, with an aim to develop the energy segment with technology elements and further enhance the Group's comprehensive strengths.

In the next five years, the Group's clean energy projects under construction being put into operation successively, the percentage of installed capacity and revenue from clean energy power generation will increase significantly. In addition, the Group has signed strategic cooperation agreements with various local governments, pursuant to which it is anticipated that the integrated intelligent energy and high technology energy industries will also experience rapid development. On the other hand, through the management of the entrusted companies of CPI Holding and SPIC Overseas, the Company is acquiring more overseas management experience, which will facilitate breakthroughs in international business expansion of the Company.

7. What is the Company's target for "Carbon Emission Peak"?

On 22 September 2020, Chinese President Xi Jinping mentioned in his speech at the 75th Session of The United Nations General Assembly that, "China aims to hit its carbon dioxide (CO2) emissions peak by 2030 and achieve carbon neutrality by 2060". In the future, the Chinese government is expected to provide strong policy support for the realization of the dual targets of "Carbon Emissions Peak" and "Carbon Neutrality". The Group will also take measures to vigorously develop clean energy and strengthen the monitoring and assessment of emission data so as to reach "Carbon Emissions Peak" with its best endeavors as soon as possible.

8. What is the Company's view on participating in carbon emission rights trading?

The development of the national carbon emissions trading market is underway at an accelerated speed. The Ministry of Ecology and Environment has already officially published the "Carbon Emissions Trading Management Measures (Trial)" (《碳排放權交易管理辦法(試行)》) and the "Implementation Plan for Setting and Allocating the Total Quotas for National Carbon Emission Rights Trading for the Period 2019–2020 (Power Generation Industry)" (《2019–2020年全國碳排放權交易配額總量設定與分配實施方案(發電行業)》), and announced the official commencement of the first compliance cycle of the national carbon market, marking a new stage of development of the national carbon market.

The Group has accumulated many years of experience from the pilot regions for carbon emission rights trading, among which Dabieshan Power Plant efficiently completed the procurement for quota shortfall of the carbon trading in Hubei Province last year, and curbed the performance cost at the same time, which set a good example for other members of the Group. Looking forward, the Group will extend the experience gathered from the pilot regions to estimate and calculate the carbon emission data and quota in advance, as well as strengthen management of its carbon assets to effectively participate in carbon market trading. As the majority of the coal-fired power generating units of the Group are highly efficient and large capacity units of 600MW or above, the Group possesses a leading edge in terms of control over net coal consumption rate and carbon emission. Meanwhile, the Group will continue to take measures to control and reduce its carbon dioxide emission.

The Board hereby presents to the shareholders its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "Consolidated Financial Statements").

PRINCIPAL ACTIVITIES

The principal activities of the Group are to develop, construct, own, operate and manage large power plants for generation and sale of electricity in Mainland China, and also engage in investment holdings. Particulars of the Company's principal subsidiaries are shown in Note 50 to the Consolidated Financial Statements.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2020 are set out in the Consolidated Income Statement on page 98. The Board has recommended the payment of a final dividend of RMB0.13 (equivalent to HK$0.1556) per ordinary share for the year ended 31 December 2020, with a total amount of RMB1,274,895,000 (equivalent to HK$1,525,952,000).

BUSINESS REVIEW AND PERFORMANCE

Review of the Group's business and performance for the year ended 31 December 2020 are set out in this annual report as follows:

Aspects	In the section headed	Page
A fair review of the Group's business and analysis of financial position	• Management's Discussion and Analysis	23–38
A description of the principal risks and uncertainties facing the Group	• Risk Management Report • Note 46 to the Consolidated Financial Statements	62–69 187–196
The outlook of the Group's business	• Letter to Shareholders • Management's Discussion and Analysis	15–16 44–45
The Group's environmental policies and performance and compliance with the relevant laws and regulations that have a significant impact on the Group	• Summary of Sustainability Report • Management's Discussion and Analysis	70–75 41–43
An account of the Group's key relationships with its stakeholders that have a significant impact on the Group	• Management's Discussion and Analysis • Summary of Sustainability Report • Investor Relations and Frequently Asked Questions	43–44 74–75 76–77

CORPORATE GOVERNANCE

The principles and practices of the Group's corporate governance are set out in the section headed "Corporate Governance Report" of this annual report.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out in the section headed "Five-Year Financial and Operations Summary" of this annual report.

PROPERTY, PLANT AND EQUIPMENT

During the year, the additions and transfer from prepayment for property, plant and equipment of the Group amounted to RMB19,750,707,000, mainly representing general power assets. Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in Note 15 to the Consolidated Financial Statements.

SHARE CAPITAL

There was no change in the share capital of the Company during the year.

COMMERCIAL PAPERS AND NOTES ISSUED

In May 2020, the Company issued the second tranche of RMB500 million 270 day-super & short-term commercial paper in the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) (the "NAFMII"). The Company obtained approval from NAFMII to issue super & short-term commercial paper for an aggregate amount of RMB1 billion with an effective registration period of two years in August 2019.

In July 2020, Wu Ling Power (a 63%-owned subsidiary of the Company) obtained approval from the NAFMII to issue super & short-term commercial paper for an aggregate amount of RMB2 billion with an effective registration period of two years. The first tranche of RMB1 billion 270 day-super & short-term commercial paper was issued in August 2020.

In October 2020, the Company obtained approval from the NAFMII to issue perpetual medium-term notes (the "PMTN") for an aggregate amount of RMB3 billion with an effective registration period of two years. The first and second tranches PMTN of RMB1.5 billion each were issued in November 2020.

Details of the commercial papers and notes of the Group and the Company during the year are set out in Notes 34 and 38 to the Consolidated Financial Statements.

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2020, the Company did not enter into any equity-linked agreement.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in Notes 35 and 52 to the Consolidated Financial Statements respectively.

DISTRIBUTABLE RESERVE

As calculated in accordance with Sections 297 and 298 of the Hong Kong Companies Ordinance, as at 31 December 2020, the distributable reserve of the Company amounted to RMB4,504,190,000 (2019: RMB4,823,295,000).

DIRECTORS

As at the date of this annual report, the Directors of the Company are set out in the section headed "Corporate Information" of this annual report. Biographical details of each of the Directors are set out in the section headed "Directors and Senior Management Profiles" of this annual report, and details of Directors' emoluments are set out in Note 14 to the Consolidated Financial Statements.

Mr. HE Xi was appointed as an executive Director on 28 July 2020.

In accordance with Articles 81 and 82 of the Company's articles of association and the Listing Rules, Mr. HE Xi, Mr. TIAN Jun and Mr. KWONG Che Keung, Gordon will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. If the above Directors are re-elected, they will not enter into service contracts with the Company or any of its subsidiaries which are not determinable by the employing company within one year without payment of compensation other than statutory compensation.

As at 31 December 2020, none of the Directors had a service contract with the Company or any of its subsidiaries which was not determinable by the employing company within one year without payment of compensation other than statutory compensation.

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

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company during the year ended 31 December 2020 or during the period from 1 January 2021 to the date of this annual report are available on the Company's website at www.chinapower.hk.

PERMITTED INDEMNITY

Pursuant to the Company's articles of association, subject to the Statutes, every Director of the Company shall be indemnified against any liability incurred by him in the execution and discharge of his duties or in relation thereto. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

SHARE OPTION SCHEME

At present, the Company has no share option scheme.

DIRECTORS' INTEREST IN CONTRACTS

During the year ended 31 December 2020, there was no transaction, arrangement or contract of significance in which the Company, its subsidiaries, its holding companies, fellow subsidiaries, associates and joint ventures was a party, and in which the Director had any material interest.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

Name of the Director	Position(s) within the Company	Other Interests
TIAN Jun	Chairman of the Board and Executive Director	Director of CPI Holding(1)
HE Xi	Executive Director and the President	Chief engineer of new energy of SPIC
GUAN Qihong	Non-executive Director	Chief capital market officer of SPIC and director of CPI Holding(2)
WANG Xianchun	Non-executive Director	Special duty director and supervisor of SPIC, director of CPI Holding(3), director of Shanghai Power and chief supervisor of Jilin Electric

Notes:

(1) Mr. TIAN was appointed as a director of CPI Holding on 25 March 2020.

(2) Mr. GUAN resigned as a director of CPI Holding on 25 March 2020.

(3) Mr. WANG resigned as a director of CPI Holding on 25 March 2020.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2020, none of the Directors or the chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO") which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2020, save as disclosed below, no person, not being a Director nor chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which should be recorded in the register kept under Section 336 of the SFO.

Name	Capacity	Number of shares in which interested other than under equity derivatives[4]	Percentage of issued share capital of the Company (%)	Long/Short position
SPIC International Finance (Hong Kong) Company Limited ("SPIC Finance HK")	Beneficial owner	392,275,453	4.00	Long
CPDL	Beneficial owner	2,662,000,000	27.14	Long
Seth Holdings[1]	Interest of a controlled corporation	2,662,000,000	27.14	Long
CPI Holding[2]	Interest of a controlled corporation	2,662,000,000	27.14	Long
	Beneficial owner	2,833,518,060	28.89	Long
SPIC[3]	Interest of controlled corporations	5,887,793,513	60.04	Long

Notes:

(1) On 28 December 2017, CPDL had made an issue of non-voting convertible preferred shares to Seth Holdings pursuant to an agreement entered into between Seth Holdings, CPI Holding and CPDL. If those non-voting convertible preferred shares were fully converted into ordinary shares, Seth Holdings would hold approximately 33.48% of the voting rights in CPDL. As a result of the agreement, Seth Holdings became a beneficial owner of CPDL and therefore Seth Holdings is deemed to be interested in the shares of the Company owned by CPDL for the purposes of the SFO.

(2) CPI Holding is the beneficial owner of CPDL and therefore CPI Holding is deemed to be interested in the shares of the Company owned by CPDL for the purposes of the SFO.

(3) SPIC is the beneficial owner of CPI Holding and SPIC Finance HK and therefore SPIC is deemed to be interested in the shares of the Company owned by CPI Holding and SPIC Finance HK for the purposes of the SFO.

(4) Save as disclosed above, SPIC, CPI Holding, Seth Holdings, CPDL and SPIC Finance HK do not have any interest in the equity derivatives of the Company.

CONNECTED TRANSACTIONS ENTERED BY THE GROUP

Connected Transactions

(A) EPC Contracting Agreement

Date:	1 June 2020
Parties:	(i) Pingwei Power Plant (ii) Yuanda Waterworks (as the Contractor)
Total consideration:	RMB41,500,000

The Contractor has agreed to act as the main contractor and provide designing, procurement, construction and installation, and commissioning and training services for the Pingwei Upgrade Project. The contracting fees are payable by installments.

As the Contractor is an indirect subsidiary of SPIC and SPIC is the ultimate controlling shareholder of the Company, the EPC Contracting Agreement thus constituted a connected transaction of the Company under the Listing Rules.

(B) Formation of a Joint Venture

On 30 June 2020, Guangxi Company entered into a Joint Venture Agreement with Jilin Electric, CEC and Sinohydro B11, pursuant to which the parties agreed to form a Joint Venture in Nanning, Guangxi Zhuang Autonomous Region of the PRC.

Pursuant to the Joint Venture Agreement, the registered capital of the Joint Venture is RMB1,300,000,000 which shall be contributed by Guangxi Company, Jilin Electric, CEC and Sinohydro B11 for the amounts of RMB520,000,000, RMB455,000,000, RMB260,000,000, and RMB65,000,000 respectively, representing 40%, 35%, 20% and 5% of their respective equity interest in the Joint Venture.

Guangxi Company had made contribution to the Joint Venture by way of Asset Injection (its 100% equity interest in Lingchuan Wind Power, 55% equity interest in Lingshan Wind Power and 35.35% equity interest in Jinzishan Wind Power) and cash.

As CEC is a wholly-owned subsidiary of SPIC and SPIC is the ultimate controlling shareholder of the Company, the formation of the Joint Venture thus constituted a connected transaction of the Company under the Listing Rules.

(C) Equity Transfer Agreements

1. *45% Equity Interest in Lingshan Wind Power*

Date:	29 July 2020
Parties:	(i) Changzhou Hydropower (as the Transferor) (ii) Guangxi Overseas (as the Transferee)
Total consideration:	RMB89,000,000

Pursuant to the Equity Transfer Agreement, Changzhou Hydropower agreed to sell, and Guangxi Overseas agreed to acquire, 45% of the equity interest of Lingshan Wind Power. The final consideration of the Equity Transfer was based on the valuation report of Lingshan Wind Power as at the valuation benchmark date as of 31 December 2019 using the assets open market value approach and adjusted with the change in net asset value of Lingshan Wind Power from the valuation benchmark date up to the last day of the calendar month immediately prior to completion of the Equity Transfer (i.e. 30 June 2020).

The consideration of the Equity Transfer was payable by the Transferee in a lump sum through bank remittance to a designated bank account of the Transferor within 90 days after the conditions precedent of the Equity Transfer Agreement have been fulfilled.

As Guangxi Overseas is a 30%-controlled company (an associate) of SPIC and SPIC is an ultimate controlling shareholder of the Company, the Equity Transfer Agreement thus constituted a connected transaction of the Company under the Listing Rules.

2. *41.18% Equity Interests in Yuanjiang Company*

Date:	29 October 2020
Parties:	(i) Huabao Trust (as the Transferor) (ii) ABC Financial (as the Transferor) (iii) Wu Ling Power (as the Transferee)
Total consideration:	RMB3,000,000,000

Wu Ling Power signed the Equity Transfer Confirmation on exercise of the Original Shareholder's Option to buy back the Yuanjiang Equity Interests held by Huabao Trust and ABC Financial.

The consideration of the Equity Transfer was payable in cash by Wu Ling Power through bank remittance to the designated bank accounts of Huabao Trust and ABC Financial of RMB2,500 million and RMB500 million respectively. The above consideration had been satisfied by lending from SPIC through SPIC Financial by way of entrusted loan.

As ABC Financial is a substantial shareholder of SPIC Changzhou, a subsidiary of the Company, it is therefore a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the Equity Transfer also constituted a connected transaction of the Company under the Listing Rules.

Continuing Connected Transactions

(A) Property Lease Agreement

The Company has been leasing a premises owned by CPI Holding since 2006 and was renewed with the following terms:

Date:	30 August 2018
Parties:	(i) The Company (as the lessee) (ii) CPI Holding (as the lessor)
Address:	Premises on the 6th to 13th Floors, East Building, Hui Huang Shi Dai Plaza, 56 North West Fourth Ring Road, Haidian District, Beijing, the PRC
Area:	10,200 square metres
Annual rent:	RMB26,805,600 or RMB7.2 per square metre per day
Term:	1 September 2018 to 31 August 2021

The premises being rented is used as an office of the Company. The rent was determined after arm's length negotiations with reference to the prevailing market rent of other similar premises in the nearby locations.

CPI Holding is the controlling company of the Company, the Beijing Property Lease Agreement constituted a continuing connected transaction of the Company under the Listing Rules.

(B) Purchase Agreements

Renewal of Material Purchase Framework Agreements

Prior Agreement

Date:	7 August 2018
Parties:	(i) The Company (representing its subsidiaries, individually the "Purchaser" or collectively the "Purchasers") (ii) CPI Holding (representing its subsidiaries, individually the "Supplier" or collectively the "Suppliers")
Term:	1 July 2018 to 31 December 2020
Proposed annual cap:	For each of the six months and the two financial years ended 31 December 2018, 2019 and 2020, is RMB24,550,000, RMB49,100,000 and RMB49,100,000 respectively
Payment terms:	Settlement by cash on a monthly basis

Renewed Agreement

Date:	24 December 2020
Parties:	(i) The Company (representing its subsidiaries, individually the "Purchaser" or collectively the "Purchasers") (ii) CPI Holding (representing its subsidiaries, individually the "Supplier" or collectively the "Suppliers")
Term:	1 January 2021 to 31 December 2022
Proposed annual cap:	For the two financial years ended 31 December 2021 and 2022 are RMB51,900,000 and RMB90,300,000 respectively
Payment terms:	Settlement by cash on a monthly basis

Pursuant to the above two Material Purchase Framework Agreements, the parties agreed that the Purchasers will purchase from the Suppliers the limestone powder for desulphurization (the "Materials") of the Company's coal-fired power plants. The purchase prices of the Materials shall be determined by reference to, among others, the prevailing local market transactions of similar Materials from the other independent suppliers in the nearby locations where our power plants are located (not less than three latest comparable transactions).

As the Suppliers are subsidiaries of CPI Holding and CPI Holding is the controlling company of the Company, the transactions contemplated under the Material Purchase Framework Agreements constituted continuing connected transactions of the Company under the Listing Rules.

(C) Service Agreements

1. *Renewal of Turnkey Service Framework Agreement*

Prior Agreement

Date:	29 August 2018
Parties:	(i) The Company (representing its subsidiaries, individually the "Purchaser" or collectively the "Purchasers") (ii) SPIC (Materials) (as the Service Provider)
Term:	From the date of signing of the Framework Agreement and ending 31 December 2020
Proposed annual cap:	For each of the period and the two financial years ended 31 December 2018, 2019 and 2020, is RMB450,000,000, RMB650,000,000 and RMB650,000,000 respectively
Payment terms:	Settlement by cash and by instalments or such other payments terms and timelines as both parties will negotiate and agree from time to time in contracts

Renewed Agreement

Date:	31 December 2020
Parties:	(i) The Company (representing its subsidiaries, individually the "Purchaser" or collectively the "Purchasers") (ii) SPIC (Materials) (as the Service Provider)
Term:	1 January 2021 to 31 December 2023
Proposed annual cap:	For each of the three financial years ended 31 December 2021, 2022 and 2023, is RMB600,000,000, RMB550,000,000 and RMB600,000,000 respectively
Payment terms:	Settlement by cash or such other payments terms and timelines as both parties will negotiate and agree from time to time in contracts

Pursuant to the above two Turnkey Service Framework Agreements, SPIC (Materials) will provide the Purchasers with the facilities and equipment, materials, power cables, spare parts and components, and the related supporting services required for power plants or stations and heat supply system for the development, construction and continuing operation of the Group's existing and new renewable energy power plants or stations. The total consideration payable shall be determined, among others, with reference to the relevant tendering and bidding laws and regulations of the PRC and internal tendering policies of the Purchasers (not less than two quotations from independent third parties).

As SPIC (Materials) is a branch company of SPIC, and SPIC is the ultimate controlling shareholder of the Company, the transactions contemplated under the Turnkey Service Framework Agreements constituted continuing connected transactions of the Company under the Listing Rules.

2. *Renewal of Composite Services Framework Agreement*

Prior Agreement

Date:	28 June 2019
Parties:	(i) The Company (representing its subsidiaries, individually the "Employer" or collectively the "Employers") (ii) CPI Holding (representing its subsidiaries, as the previous service provider) (iii) SPIC (representing its subsidiaries, individually the "Service Provider" or collectively the "Service Providers")
Term:	From the date of signing the Supplemental Agreement and ending 31 December 2020
Proposed annual cap:	For the two financial years ended 31 December 2019 and 2020 are RMB221,000,000 and RMB258,000,000 respectively
Payment terms:	Basic management fee is payable on a monthly basis, assessment deposit and incentive reward are payable annually or upon expiry of each management year

Renewed Agreement

Date:	4 January 2021
Parties:	(i) The Company (representing its subsidiaries, individually the "Employer" or collectively the "Employers") (ii) SPIC (representing its subsidiaries, individually the "Service Provider" or collectively the "Service Providers")
Term:	1 January 2021 to 31 December 2023
Proposed annual cap:	For the three financial years ended 31 December 2021, 2022 and 2023 are RMB280,000,000, RMB315,000,000 and RMB325,000,000 respectively
Payment terms:	The Employers shall settle the service fees by cash and according to the timelines as both parties shall negotiate and agree in contracts.

Pursuant to the above two Composite Services Framework Agreements, the Services Providers will provide the Employers various services with respect to technical repair and maintenance and management for the power generating units and related power generation facilities, as well as daily operational supports for power plants and offices. The service fee payable shall be agreed by mutual agreement between the relevant Service Provider and Employer, among others, with reference to the latest market quotations or tenders (at least two comparable transactions) for provision of the similar services from independent third parties with similar experience and service quality akin to that of the Service Providers in the same region.

As the Service Providers are subsidiaries of SPIC, and SPIC is the ultimate controlling shareholder of the Company, the transactions contemplated under the Composite Services Framework Agreements thus constituted continuing connected transactions of the Company under the Listing Rules.

(D) Coal Supply Framework Agreement

Date:	31 December 2019
Parties:	(i) The Company (representing its subsidiaries, collectively the "Purchasers") (ii) Huainan Mining
Term:	1 January 2020 to 31 December 2022
Proposed annual cap:	For each of the three financial years ended 31 December 2020, 2021 and 2022, is RMB5,743,000,000, RMB5,849,000,000 and RMB6,055,000,000 respectively
Payment terms:	Settlement on a monthly basis or such other payments terms as both parties will agree from time to time in contracts

Pursuant to the Coal Supply Framework Agreement, Huainan Mining will supply coal to the Purchasers. The purchase price of coal shall be determined, among others, with reference to the current transacted coal prices of the local coal exchange or market in the PRC (two or more latest comparable transactions of independent third parties).

As Huainan Mining is a substantial shareholder of Pingwei I, Pingwei II, Pingwei III and Dabieshan Power Plant, subsidiaries of the Company, the transactions contemplated under the Coal Supply Framework Agreements constituted continuing connected transactions of the Company under the Listing Rules.

(E) Financial Services Framework Agreement

1. *SPIC Financial*

Date:	30 April 2019
Parties:	(i) The Company (ii) SPIC Financial
Term:	For a term of three years commencing from 7 June 2019 and ending 6 June 2022
Proposed daily deposit cap:	The maximum daily balance of deposit (including accrued interest) placed by the Group with SPIC Financial shall not exceed RMB4.2 billion

Pursuant to the Financial Services Framework Agreement, SPIC Financial will provide the Group with deposit services on a non-exclusive basis. The interest rate applicable to the Group for its deposits with SPIC Financial during the same period shall not be lower than (i) the benchmark interest rate specified by the PBOC of the same type of deposits; (ii) the interest rate of same type of deposits obtained from other major commercial banks in the PRC to the Group (at least two quotes obtained); and (iii) the interest rate of same type of deposits provided to other members of the SPIC Group with SPIC Financial.

In addition, the applicable interest rate for the amount of the Group's deposit in current account(s) that exceeds RMB100,000, the applicable interest rate to the Group will be 20% higher than, and adjusted according to, the benchmark interest rate for agreements deposits (協定存款基準利率) as published by the PBOC from time to time.

As SPIC Financial is a subsidiary of SPIC and SPIC is the ultimate controlling shareholder of the Company. As such, the transactions in relation to the deposit services contemplated under the Financial Services Framework Agreement constituted continuing connected transactions of the Company under the Listing Rules.

2. *ICBC Group and ABC Group*

On 26 April 2019, upon completion of the Changzhou Capital Injection, SPIC Changzhou (a subsidiary of the Company) is held as to 23.38% equity interest by ICBC Financial and 11.69% equity interest by ABC Financial respectively. Each of ICBC Financial and ABC Financial and their respective associates has become a connected person at the subsidiary level of the Company since then.

ICBC Group and ABC Group are the Group's principal banking partners prior to completion of the Changzhou Capital Injection, the Group had entered into various financial services transactions with members of each of ICBC Group and ABC Group in relation to deposit, loan, finance lease, settlement and other services. As the Group is engaging ICBC Group and ABC Group to provide the same services on a continuing and recurring basis, such transactions became continuing connected transactions of the Company following the completion of the Changzhou Capital Injection pursuant to Rule 14A.60 of the Listing Rules.

Parties:	(i) The Company and/or any member(s) of the Group (ii) Any member(s) of ICBC Group or ABC Group (as the case may be)
Effective period:	A fixed period ranging from overnight to 25 years
Proposed aggregated daily deposit cap:	The maximum daily balance of deposit services (including accrued interests) of the Group with ICBC Group and ABC Group for the three financial years ended 31 December 2019, 2020 and 2021 are RMB6.8 billion, RMB7.5 billion and RMB8.2 billion respectively
Proposed aggregated maximum new contract amount of loan services:	The maximum new contract amount of loan services (including loans, finance leases, factoring and any other forms of borrowing, and accrued interests) of the Group with ICBC Group and ABC Group involving the provision of security by the Group for the three financial years ending 31 December 2019, 2020 and 2021 are RMB13.8 billion, RMB14.3 billion and RMB14.6 billion respectively

The pricing for any financial services provided by ICBC Group or ABC Group pursuant to the terms and conditions of the relevant service agreements therein, the Group would refer to at least two comparable transactions of a same type with, or quotes obtained from at least two other commercial banks (which are independent third parties) during the same period.

(F) Entrusted Management Agreement

Date:	31 March 2020
Parties:	(i) CPI Holding and SPICOI (as the Entrusting Parties) (ii) The Company (as the Managing Party)
Term:	1 April 2020 to 31 March 2023
Proposed annual cap:	For each of the nine months and two financial years ended 31 December 2020, 2021 and 2022, and the three months ended 31 March 2023, is RMB89,320,000, RMB142,580,000, RMB150,220,000 and RMB37,550,000 respectively
Payment terms:	The management costs and fixed premium are payable quarterly within 10 working days after the end of each quarter. The assessment bonus is payable based on the annual evaluation of performance of the Managing Party (which is done within the first quarter of each calendar year) but no later than 90 days after the end of each calendar year.

The management fees were negotiated on arm's length basis between the parties. The Company has taken into account of (i) the estimated additional personnel and resources required to be deployed and the costs to be incurred by the Company to provide the required services, (ii) the scale and quality of the Entrusted Companies, (iii) the overall management fees chargeable which is comprised of the management costs, fixed premium and assessment bonus, and (iv) the potential benefits that are expected to bring to the Group.

As CPI Holding and SPICOI are subsidiaries of SPIC, and SPIC is the ultimate controlling shareholder of the Company, the transactions contemplated under the Entrusted Management Agreement constituted continuing connected transactions of the Company under the Listing Rules.

The Company confirmed that all the above continuing connected transactions have been conducted in accordance with the specific pricing policies and guidelines of the aforesaid agreements as disclosed during the year under review.

RELATED PARTIES TRANSACTIONS

During the year 2020, those related party transactions listed under Note 49 to the Consolidated Financial Statements which were connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules include:

- (a)(iii) Income from provision of other services (entrusted management services) to CPI Holding and companies controlled by SPIC
- (b)(i) Purchase of coal, coal by-products and spare parts from companies controlled by SPIC, fellow subsidiaries and non-controlling shareholders
- (b)(ii) Construction costs and other services fees to companies controlled by SPIC, fellow subsidiaries and non-controlling shareholders

In the opinion of the Directors, the Company has complied with the disclosure requirements in accordance with the relevant Listing Rules.

REVIEW BY AUDIT COMMITTEE MEMBERS AND AUDITOR

The independent non-executive Directors have reviewed the above continuing connected transactions during the year and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms and no less favourable than those available to or from independent third parties; and

(3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

The Company has complied with the requirements set out in Chapter 14A of the Listing Rules.

Save as disclosed above, no contracts of significance to which the Company, its subsidiaries, its holding companies, associates or joint ventures was a party subsisted at any time during the year or at the end of the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2020.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for approximately 52.53% of the Group's total purchases and purchases attributable to the Group's largest supplier accounted for approximately 33.92% of the Group's total purchases.

For the year ended 31 December 2020, the aggregate amount of turnover attributable to the Group's five largest customers accounted for approximately 71.71% of the Group's total turnover and turnover attributable to the Group's largest customer accounted for approximately 20.24% of the Group's total turnover.

At no time during the year did a Director, an associate of a Director and a shareholder of the Company (which to the knowledge of the Directors owned more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

PUBLIC FLOAT

As at the date of this annual report, based on public information available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, being no less than 25% of the issued share capital of the Company as required under the Listing Rules.

AUDITOR

The Consolidated Financial Statements have been audited by Ernst & Young who will retire and, being eligible, offered themselves for re-appointment.

On behalf of the Board
China Power International Development Limited

TIAN Jun
Chairman

Hong Kong, 18 March 2021

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

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To the members of China Power International Development Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Power International Development Limited (the "Company") and its subsidiaries (the "Group") set out on pages 98 to 219, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated statement of 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment considerations of property, plant and equipment, goodwill and assets classified as held for sale	
As at 31 December 2020, the Group's property, plant and equipment ("PPE") and goodwill amounted to RMB112,955 million, and RMB1,103 million, respectively. As disclosed in Notes 2.11, 3(i), 15 and 18 to the consolidated financial statements, the Group reviews PPE for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, while goodwill impairment assessments are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. As a result of current year impairment testing, impairment losses of RMB116 million (including impairment charged for a PPE item included in assets classified as held for sale) were recognized in respect of PPE and goodwill. As at 31 December 2020, the Group's net assets classified as held for sale was RMB1,263 million. As disclosed in Notes 2.6, 3(i) and 32 to the consolidated financial statements, assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amounts and fair value less costs to sell. When the fair value less costs to sell is lower than carrying amount, impairment provision is provided. As a result of current year impairment testing, impairment losses of RMB587 million was recognized in respect of assets classified as held for sale. The Group engaged professional valuer as management's expert for the purpose of impairment assessment for assets classified as held for sale. Management performed the impairment testing by comparing the recoverable amount of the cash generating units ("CGUs") or group of CGUs that the PPE, goodwill and assets classified as held for sale are allocated to the carrying amount of the CGUs or group of CGUs. Estimation of recoverable amounts of CGUs involves estimation of the future cash flows which required significant management judgement and estimates. Auditing management's impairment assessment was complex due to the significant estimates and judgements involved in the projection of future cash flows, including the future sales volumes, expected tariff rates, fuel costs (if applicable), staff costs, growth rates and discount rates applied to these forecasted future cash flows. These estimates and judgements may be affected by unexpected changes in the future market or economic conditions.	Among other audit procedures performed, we compared the methodology used by the Group, that is, recoverable amount calculation based on future discounted cash flows, to industry practice and tested the underlying data used in the projections. We have evaluated the appropriateness of the classification of CGUs or group of CGUs. We also assessed the significant assumptions used in the calculations, which included, among others, the future sales volumes, expected tariff rates, fuel costs (if applicable), staff costs, growth rates and discount rates applied to these forecasted future cash flows, by comparing them to external industry outlook reports and analysing the historical accuracy of management's estimates. We have also assessed the competence and objectivity of management's expert. In addition, we involved our valuation specialists to assist us with the assessment of the valuation methodologies and the discount rates adopted. We evaluated the sensitivity of the significant assumptions described above by assessing the changes to the recoverable amounts of the CGUs resulting from changes in these assumptions, both individually and in aggregate. In addition, we also assessed the adequacy of the Group's disclosures included in Notes 2.6, 2.11, 3(i), 15, 18 and 32 to the consolidated financial statements regarding the impairment and recoverable amount.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Valuation of the provisions for compensation for inundation	
As at 31 December 2020, the Group recognized provisions for compensation for inundation caused by the construction of certain hydropower plants amounting to RMB1,972 million, with interest expense related to the provisions amounting to RMB104 million for the year then ended. As disclosed in Notes 2.19, 3(ii) and 40 to the consolidated financial statements, provisions for inundation compensation is measured at the present value of the expenditure expected to be required to settle the compensation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the compensation. Management adopts highly subjective assumptions and judgements in the calculation of such provision. Auditing management's assessment of provisions for inundation compensation was complex due to the significant estimates and judgements involved in the calculation of such provision, including estimating the timing and duration of the compensation payments, the compensation per unit of area and growth rate of compensation, the expected useful lives of hydropower plants, as well as discount rate applied to account for time value of money and the risks specific to the compensation. These estimates and judgements may be affected by unexpected changes in economic conditions.	Among other audit procedures performed, we compared the calculation method used by the Group, that is, calculating present value of the expenditure expected to be required to settle the compensation, to industry practice and tested the underlying data used in the calculation. We also assessed the significant assumptions used in the calculations, which included, the timing and duration of the compensation payments, the compensation per unit of area and growth rate of compensation, the expected useful lives of hydropower plants, as well as discount rate applied to account for time value of money and the risks specific to the compensation, by comparing forecasts prepared by management in prior years with actual payment, comparing growth rate assumptions with external macro-economic outlook, and checking compensation per unit of area to latest local regulations. In addition, we involved our valuation specialists to assist us with the assessment of the calculation method and the discount rates adopted. We evaluated the sensitivity of the significant assumptions described above by assessing the changes to the provision to be recognized resulting from changes in these assumptions, both individually and in aggregate. We also assessed the adequacy of the Group's disclosures included in Notes 2.19, 3(ii) and 40 to the consolidated financial statements regarding calculation of provisions for inundation compensation.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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 the consolidated financial statements.

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

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

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

- 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.

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, actions taken to eliminate threats or safeguards applied.

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
18 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	4	**28,427,721**	27,763,287
Other income	5	**284,102**	278,707
Fuel costs		**(10,876,072)**	(11,658,028)
Depreciation		**(5,321,494)**	(4,817,832)
Staff costs	6	**(2,943,297)**	(2,454,040)
Repairs and maintenance		**(777,669)**	(764,128)
Consumables		**(347,277)**	(373,255)
Other gains and losses, net	7	**53,502**	6,903
Other operating expenses	8	**(2,127,656)**	(2,500,275)
Operating profit	9	**6,371,860**	5,481,339
Finance income	10	**330,352**	148,526
Finance costs	10	**(3,203,698)**	(3,165,881)
Share of results of associates		**283,952**	224,704
Share of results of joint ventures		**43,661**	25,475
Profit before taxation		**3,826,127**	2,714,163
Income tax expense	11	**(900,576)**	(513,013)
Profit for the year		**2,925,551**	2,201,150
Attributable to:			
Equity holders of the Company		**1,708,305**	1,284,381
Non-controlling interests		**1,217,246**	916,769
		2,925,551	2,201,150
Earnings per share for profit attributable to ordinary shareholders of the Company (expressed in RMB per share)			
– Basic and diluted	12	**0.17**	0.13

Details of the dividends to ordinary shareholders of the Company attributable to the profit for the year are set out in Note 13.

The notes on pages 105 to 219 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit for the year	**2,925,551**	2,201,150
Other comprehensive income:		
Item that will not be reclassified to profit or loss:		
Fair value (loss)/gain on equity instruments at fair value through other comprehensive income ("FVTOCI"), net of tax	**(240,003)**	58,435
Item that may be reclassified subsequently to profit or loss:		
Fair value (loss)/gain on debt instruments at FVTOCI, net of tax	**(5,090)**	733
Other comprehensive (expense)/income for the year, net of tax	**(245,093)**	59,168
Total comprehensive income for the year	**2,680,458**	2,260,318
Attributable to:		
Equity holders of the Company	**1,461,954**	1,321,616
Non-controlling interests	**1,218,504**	938,702
Total comprehensive income for the year	**2,680,458**	2,260,318

The notes on pages 105 to 219 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
		As at 31 December	
ASSETS			
Non-current assets			
Property, plant and equipment	15	**112,954,766**	99,044,926
Right-of-use assets	16	**6,260,964**	6,685,104
Prepayments for construction of power plants	17	**3,373,851**	5,155,703
Goodwill	18	**1,102,615**	1,187,214
Other intangible assets	19	**989,673**	1,054,130
Interests in associates	20	**3,205,222**	2,780,410
Interests in joint ventures	21	**1,027,782**	550,774
Equity instruments at FVTOCI	22	**3,061,952**	3,362,808
Deferred income tax assets	23	**874,210**	719,142
Restricted deposits	30	**9,257**	11,800
Other non-current assets	24	**4,982,454**	6,758,646
		137,842,746	127,310,657
Current assets			
Inventories	25	**697,615**	689,862
Accounts receivable	26	**7,285,981**	3,412,791
Prepayments, deposits and other receivables	27	**2,562,193**	2,282,625
Amounts due from related parties	28	**1,739,484**	506,557
Tax recoverable		**64,651**	82,283
Debt instruments at FVTOCI	29	**428,856**	112,418
Restricted deposits	30	**26,136**	27,250
Cash and cash equivalents	31	**1,316,351**	1,238,290
		14,121,267	8,352,076
Assets associated with disposal groups classified as held for sale	32	**3,984,658**	4,626,965
Total assets		**155,948,671**	140,289,698
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	33	**17,268,192**	17,268,192
Other equity instruments	34	**3,015,740**	–
Reserves	35	**13,113,875**	13,051,883
		33,397,807	30,320,075
Non-controlling interests	50	**12,392,110**	14,813,134
Total equity		**45,789,917**	45,133,209

	Notes	As at 31 December 2020 RMB'000	2019 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		**64,586**	70,722
Bank borrowings	36	**45,359,108**	22,547,366
Borrowings from related parties	37	**12,122,460**	26,444,744
Other borrowings	38	**2,100,000**	4,000,000
Lease liabilities	39	**3,337,342**	3,740,809
Deferred income tax liabilities	23	**1,916,206**	1,743,183
Provisions for other long-term liabilities	40	**1,868,610**	1,074,477
Other non-current liabilities	41	**112,575**	–
		66,880,887	59,621,301
Current liabilities			
Accounts and bills payables	42	**993,897**	874,076
Construction costs payable		**6,777,670**	6,172,925
Other payables and accrued charges	43	**2,109,049**	1,678,192
Amounts due to related parties	28	**1,874,152**	1,680,820
Bank borrowings	36	**21,212,428**	11,333,147
Borrowings from related parties	37	**2,827,210**	9,292,725
Other borrowings	38	**3,930,000**	528,000
Lease liabilities	39	**543,387**	681,477
Tax payable		**288,401**	195,600
		40,556,194	32,436,962
Liabilities associated with disposal groups classified as held for sale	32	**2,721,673**	3,098,226
Total liabilities		**110,158,754**	95,156,489
Total equity and liabilities		**155,948,671**	140,289,698
Net current liabilities		**25,171,942**	22,556,147
Total assets less current liabilities		**112,670,804**	104,754,510

The consolidated financial statements on pages 98 to 219 were approved and authorized for issue by the Board on 18 March 2021 and are signed on its behalf by:

TIAN Jun
Director

HE Xi
Director

The notes on pages 105 to 219 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to equity holders of the Company						
	Share capital (Note 33) RMB'000	Other reserves (Note 35) RMB'000	Other equity instruments (Note 34) RMB'000	Retained earnings (Note 35) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	17,268,192	5,562,012	–	7,489,871	30,320,075	14,813,134	45,133,209
Profit for the year	–	–	–	1,708,305	1,708,305	1,217,246	2,925,551
Profit attributable to holders of other equity instruments	–	–	18,140	(18,140)	–	–	–
Other comprehensive income for the year:							
Fair value (loss)/gain on equity instruments at FVTOCI, net of tax	–	(242,127)	–	–	(242,127)	2,124	(240,003)
Fair value loss on debt instruments at FVTOCI, net of tax	–	(5,847)	–	–	(5,847)	(1,163)	(7,010)
Release on derecognition of debt instruments at FVTOCI, net of tax	–	1,623	–	–	1,623	297	1,920
Total comprehensive (expense)/income for the year	–	(246,351)	18,140	1,690,165	1,461,954	1,218,504	2,680,458
Transfer to statutory reserves	–	295,072	–	(295,072)	–	–	–
Issuance of perpetual medium-term notes (Note 34)	–	–	2,997,600	–	2,997,600	–	2,997,600
Capital injections from non-controlling shareholders of subsidiaries	–	–	–	–	–	491,680	491,680
Acquisitions of subsidiaries (Note 48)	–	–	–	–	–	95,615	95,615
Acquisition of non-controlling interests	–	(106,927)	–	–	(106,927)	(2,969,866)	(3,076,793)
Disposals of interests in subsidiaries (Note 47)	–	–	–	–	–	(303,728)	(303,728)
Dividends paid to non-controlling interests	–	–	–	–	–	(953,229)	(953,229)
2019 final dividend (Note 13)	–	–	–	(1,274,895)	(1,274,895)	–	(1,274,895)
Total transactions recognized directly in equity	–	188,145	2,997,600	(1,569,967)	1,615,778	(3,639,528)	(2,023,750)
At 31 December 2020	17,268,192	5,503,806	3,015,740	7,610,069	33,397,807	12,392,110	45,789,917

	Attributable to equity holders of the Company					
	Share capital (Note 33) RMB'000	Other reserves (Note 35) RMB'000	Retained earnings (Note 35) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	17,268,192	5,254,065	7,427,661	29,949,918	12,899,114	42,849,032
Profit for the year	–	–	1,284,381	1,284,381	916,769	2,201,150
Other comprehensive income for the year:						
Fair value gain on equity instruments at FVTOCI, net of tax	–	36,700	–	36,700	21,735	58,435
Fair value loss on debt instruments at FVTOCI, net of tax	–	(1,623)	–	(1,623)	(297)	(1,920)
Release on derecognition of debt instruments at FVTOCI, net of tax	–	2,158	–	2,158	495	2,653
Total comprehensive income for the year	–	37,235	1,284,381	1,321,616	938,702	2,260,318
Transfer to statutory reserves	–	143,414	(143,414)	–	–	–
Capital injections from non-controlling shareholders of subsidiaries	–	–	–	–	966,650	966,650
Acquisitions of subsidiaries	–	–	–	–	146,840	146,840
Disposal of interests in subsidiaries without loss of control	–	127,349	–	127,349	403,717	531,066
Dividends paid to non-controlling interests	–	–	–	–	(529,583)	(529,583)
2018 final dividend (Note 13)	–	–	(1,078,757)	(1,078,757)	–	(1,078,757)
Others	–	(51)	–	(51)	(12,306)	(12,357)
Total transactions recognized directly in equity	–	270,712	(1,222,171)	(951,459)	975,318	23,859
At 31 December 2019	17,268,192	5,562,012	7,489,871	30,320,075	14,813,134	45,133,209

The notes on pages 105 to 219 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Net cash generated from operating activities	44(a)	**5,501,876**	5,158,172
Cash flows from investing activities			
Payments for property, plant and equipment and prepayments for construction of power plants		**(16,168,221)**	(15,200,682)
Payments for right-of-use assets		**(90,072)**	(386,454)
Proceeds from disposal of property, plant and equipment and right-of-use assets		**285,794**	168,238
Net cash inflow/(outflow) on acquisitions of subsidiaries	48	**146,941**	(753,275)
Net cash inflow on disposal of subsidiaries	47	**5,653**	–
Proceeds from disposal of a joint venture		**8,013**	–
Acquisition of an associate		**(38,456)**	–
Acquisition of a joint venture		**(32,246)**	(55,340)
Capital injections to associates, a joint venture and equity instruments at FVTOCI		**(199,710)**	(248,000)
Repayment from related parties		**–**	250,350
Dividends received		**272,204**	275,108
Interest received		**47,988**	148,526
Increase in restricted deposits		**(12,944)**	(25,215)
Decrease in restricted deposits		**6,601**	9,857
Net cash used in investing activities		**(15,768,455)**	(15,816,887)
Cash flows from financing activities			
Drawdown of bank borrowings	44(b)	**23,950,312**	18,845,076
Drawdown of borrowings from related parties	44(b)	**26,023,327**	30,267,255
Drawdown of other borrowings	44(b)	**2,030,000**	2,503,000
Capital injections from non-controlling shareholders of subsidiaries		**491,680**	966,650
Acquisition of non-controlling interests		**(3,000,000)**	–
Issuance of perpetual medium-term notes		**3,000,000**	–
Proceeds from disposal of interests in subsidiaries without loss of control		**–**	531,066
Repayment of bank borrowings	44(b)	**(18,111,858)**	(16,366,591)
Repayment of borrowings from related parties	44(b)	**(19,386,788)**	(20,916,656)
Repayment of other borrowings	44(b)	**(528,000)**	(1,000,000)
Payments for lease liabilities	44(b)	**(1,962,727)**	(3,178,842)
Dividend paid		**(1,271,921)**	(1,079,241)
Dividends paid to non-controlling interests		**(887,170)**	(523,935)
Net cash generated from financing activities		**10,346,855**	10,047,782
Net increase/(decrease) in cash and cash equivalents		**80,276**	(610,933)
Cash and cash equivalents at 1 January		**1,239,057**	1,855,235
Exchange losses, net		**(1,002)**	(5,245)
Cash and cash equivalents at 31 December	31	**1,318,331**	1,239,057

The notes on pages 105 to 219 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

China Power International Development Limited (the "Company") was incorporated in Hong Kong on 24 March 2004 as a limited liability company under the Hong Kong Companies Ordinance. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (together referred to as the "Group") are principally engaged in investment holdings, generation and sales of electricity and the development of power plants in the People's Republic of China (the "PRC").

The Group is controlled by China Power International Holding Limited ("CPI Holding"), an intermediate holding company which directly holds the Company's shares and also indirectly holds through China Power Development Limited ("CPDL"), a wholly-owned subsidiary of CPI Holding.

The directors of the Company (the "Directors") regarded State Power Investment Corporation Limited (國家電力投資集團有限公司) ("SPIC"), a wholly state-owned enterprise established in the PRC which is the beneficial owner of CPI Holding, as the ultimate holding company.

The consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated, and have been approved by the board of Directors (the "Board") on 18 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention except that equity instruments and debt instruments are measured at fair value. Disposal groups held for sale are measured at the lower of their carrying amounts and fair value less costs to sell as further explained in Note 2.6.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

The consolidated financial statements are prepared on a going concern basis, details of which are set out in Note 46.2(e).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

(a) Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of consolidated financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any significant impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The Group has early adopted and assessed the impact of this amendment and concluded that it did not have any material impact on the financial position and performance of the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not early applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 17	Insurance Contracts[3, 6]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3, 5]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards *(Continued)*

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

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when a RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

As at 31 December 2020, the Group had certain interest-bearing bank and other borrowings denominated in RMB and foreign currencies based on various Interbank Offered Rates or the Loan Prime Rate announced by the People's Bank of China ("PBOC"). If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards *(Continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognized as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards *(Continued)*

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 Consolidation

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at acquisition date, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

(i) Business combinations (Continued)

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree 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 measured at either fair value or the present ownership interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. All other components of non-controlling interests are measured at their fair values at acquisition date, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss or other comprehensive income, as appropriate.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value at acquisition date of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Consolidation *(Continued)*

(a) Subsidiaries *(Continued)*

(ii) Changes in ownership interests in existing subsidiaries

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to equity holders of the Company.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as associates, joint ventures or financial assets. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the equity holders of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(iv) Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at their respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

(b) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Consolidation *(Continued)*

(b) Associates *(Continued)*

The Group's share of post-acquisition profit or loss is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated income statement. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interests in associates are recognized in the consolidated income statement.

(c) Joint ventures

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The principal activities of the Group are mainly transacted in RMB and accordingly the consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance costs". All other exchange gains and losses are presented in the consolidated income statement within "other gains and losses, net".

Translation differences on non-monetary financial assets such as equity instruments are included in the fair value through other comprehensive income ("FVTOCI") reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

2.6 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Non-current assets held for sale *(Continued)*

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of HKFRS 9, which continue to be measured in accordance with the accounting policies as set out in respective sections.

2.7 Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and subsequent impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the period in which they are incurred.

Depreciation of property, plant and equipment (other than construction in progress) is calculated using the straight-line method to allocate their costs less accumulated impairment losses over their estimated useful lives to their residual values.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11(a)). Such impairment losses are recognized in the consolidated income statement.

Gains or losses on disposals are determined by comparing the net sales proceeds with the carrying amount of the relevant assets and are recognized in the consolidated income statement.

2.8 Construction in progress and prepayments for construction of power plants

Construction in progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery, direct labour costs and overheads and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to the appropriate categories of property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.7 above.

Prepayments for construction of power plants represent advance payments made to contractors in connection with the construction of the Group's power plants including payments for equipment and machineries pending delivery to the relevant power plants for installation. Such prepayments are stated at cost less accumulated impairment losses, if any.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair values at the acquisition date (which is regarded as their costs). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, being their fair values at the date of the revaluation less subsequent accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over expected beneficial period. The expected beneficial period and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognized 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 recognized in profit or loss when the asset is derecognized.

The Group's other intangible assets represent favourable tariff contracts as disclosed in Note 19.

2.10 Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of offices and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis or another systematic basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Leases *(Continued)*

The Group as a lessee *(Continued)*

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing an underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

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

Lease liabilities

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

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, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Leases *(Continued)*

The Group as a lessee *(Continued)*

Lease liabilities (Continued)

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional leases or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Leases *(Continued)*

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognizes any gain or loss that relates to the rights transferred to the buyer-lessor only. For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee accounts for the transfer proceeds as borrowings within the scope of HKFRS 9.

2.11 Impairment of non-financial assets

(a) Non-financial assets other than goodwill

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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

The recoverable amount is the higher of an asset's 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 (or a CGU) for which the estimates of future cash flows have not been adjusted.

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

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of non-financial assets *(Continued)*

(a) Non-financial assets other than goodwill *(Continued)*

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

(b) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment assessment, goodwill acquired in a business combination is allocated to each of the CGUs or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at CGU level or groups of CGUs level within the operating segment.

Goodwill impairment assessments are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2.12 Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets *(Continued)*

Classification and subsequent measurement of financial assets *(Continued)*

A financial asset is held for trading if:

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

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

(a) *Amortized cost and interest income*

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

(b) *Debt instruments classified as at FVTOCI*

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI are recognized in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowance are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(c) *Equity instruments designated as at FVTOCI*

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets *(Continued)*

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable, note receivables, other receivables, deposits, amounts due from related parties, debt instruments at FVTOCI, restricted deposits and cash and cash equivalents) which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognizes lifetime ECL for accounts receivable other than accounts receivable with significant financing components which is included in other non-current assets. The ECL on these assets are assessed individually.

For accounts receivable with significant financing component and all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition or the financial instrument is not determined to have low credit risk at the reporting date, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Significant increase in credit risk (Continued)

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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

Definition of default

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

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

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets *(Continued)*

Impairment of financial assets *(Continued)*

Write-off policy

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

Measurement and recognition of ECL

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

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

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

- Nature of financial instruments (i.e. the Group's other receivables are assessed as a separate group. Amounts due from related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

Except for debt instruments that are measured at FVTOCI, the Group recognizes an impairment loss or reversal in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable where the corresponding adjustment is recognized through a loss allowance account. For debt instruments that are measured at FVTOCI, the loss allowance is recognized in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial assets *(Continued)*

Derecognition of financial assets

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

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

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

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

2.13 Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Perpetual securities

Perpetual securities are classified as equity if they are non-redeemable, or redeemable only at the issuer's option, and any interest and distributions are discretionary. Interest and distributions on perpetual securities classified as equity are recognized as distributions within equity.

The perpetual notes issued by the Company are recognized as "Other equity instruments".

Financial liabilities

All financial liabilities including bank borrowings, borrowings from related parties, other borrowings, lease liabilities, amounts due to related parties, accounts and bills payables, construction costs payable and other payables and accrued charge are subsequently measured at amortized cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and with other financial institutions and other short-term highly liquid investments with original maturities of three months or less. Restricted deposits are separately disclosed from cash and cash equivalents.

2.15 Inventories

Inventories comprise coal, oil, consumable supplies and spare parts held for consumption and usage and are stated at the lower of cost and net realizable value after provision for obsolete items, and are expensed to fuel costs or repairs and maintenance expense when used/consumed, or capitalized to property, plant and equipment when installed, as appropriate using weighted average method. Cost comprises purchase price and other costs incurred in bringing the inventories to their present location and condition and excludes borrowing costs.

2.16 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

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

2.17 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the places where the Company and its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax *(Continued)*

(a) Current income tax *(Continued)*

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

(b) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profits or losses. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference that deferred income tax liability is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profits available against which the temporary difference can be utilized.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax *(Continued)*

(c) Offsetting

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

2.18 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the Mandatory Provident Fund Scheme established under the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed as incurred. Both the Group and its employees in Hong Kong are required to contribute 5% of each individual's relevant income with a maximum amount of Hong Kong dollars ("HK$") 1,500 per month as a mandatory contribution. Employees may also elect to contribute more than the minimum as a voluntary contribution. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers. The Group has no future payment obligation once the contributions have been paid.

For employees in Mainland China, the Group contributes on a monthly basis to various defined contribution plans organized by the relevant municipal and provincial governments in the PRC based on certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further constructive obligation for any post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

All contributions to pension plans are fully and immediately vested and the Group had no unvested benefits available to reduce its future contributions.

(b) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.19 Provisions

Provisions (including provisions for inundation compensation) are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Provisions *(Continued)*

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

2.20 Government grants

Grants and subsidies from the government are recognized at their fair values for monetary asset where there is a reasonable assurance that the grant or subsidy will be received and the Group will comply with all attached conditions.

Government grants and subsidies relating to costs are deferred and recognized in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants and subsidies relating to property, plant and equipment and other environmental improvement projects are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets and projects.

Non-monetary assets transferred from the government are recognized at nominal amount.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive Directors and certain senior managements that make strategic decisions.

2.22 Revenue from contracts with customers

The Group recognizes revenue from sales of electricity to regional and provincial power grid companies and provision of power generation. The revenue is recognized at a point in time generally when the power is transmitted to the power grid.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue from contracts with customers *(Continued)*

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

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

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

Existence of significant financing component

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

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognizes interest income during the period between the payment from customers and the transfer of the associated goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue from the sale of unused power production quota, heat, trading of coal, coal by-products and parts are recognized when the control is transferred to the customers.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors as appropriate.

2.25 Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has a significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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; (If the Group is itself a plan) and the sponsoring employers of the post-employment benefit plan;
- (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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements used in preparing the consolidated financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment. Property, plant and equipment, right-of-use assets and other intangible assets (favourable tariff contracts) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group also re-measures the assets and disposal groups classified as held for sale annually to see if impairment provision is needed. The recoverable amounts of property, plant and equipment and right-of-use assets have been determined based on higher of value in use calculations, which is measured at the net present value of future cash flows which are estimated based upon the continued use of the asset in the business, and fair value less costs of disposal. The recoverable amounts of other intangible assets (favourable tariff contracts) have been determined based on the discounted cash flow of tariff difference (Note 19) during the expected beneficial period. Assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to disposal. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment and fair value assessment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU or group of CGUs to which the asset belongs. Changing the assumptions selected by management in assessing impairment, including the discount rates, growth rate or the beneficial period for the favourable tariff contracts assumptions in the cash flow projections, could materially affect the net present value used in the impairment assessment and as a result affect the Group’s financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

For the year ended 31 December 2020, management has performed impairment assessments based on value in use calculation by measuring the recoverable amount of certain CGUs or group of CGUs associated with goodwill and certain property, plant and equipment, included in "Coal-fired electricity" segment, "Hydropower electricity" segment and "Photovoltaic power electricity" segment. The Group has also re-measured assets classified as held for sale to their fair value less cost to sale.

As at 31 December 2020, the carrying amounts of property, plant and equipment, goodwill, right-of-use assets and other intangible assets (favourable tariff contracts) were RMB112,954,766,000, RMB1,102,615,000, RMB6,260,964,000 and RMB989,673,000 (2019: RMB99,044,926,000, RMB1,187,214,000, RMB6,685,104,000 and RMB1,054,130,000) respectively, after taking into account the impairment of RMB31,350,000 and RMB84,599,000 (2019: RMB426,399,000 and Nil) in respect of property, plant and equipment and goodwill respectively recognized for the year then ended. As at 31 December 2020, the carrying amount of net assets classified as held for sale was RMB1,262,985,000 (2019: RMB1,528,739,000), after taking into account the impairment of RMB587,327,000 (2019: RMB85,521,000) recognized for the year then ended. Details of the impairment of property, plant and equipment and goodwill are disclosed in Notes 15(e) and 18. Details of the impairment of assets classified as held for sale are disclosed in Note 32.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(ii) Valuation of the provisions for compensation for inundation

The Group made provisions in relation to compensations for inundation caused by the construction of certain hydropower plants of the Group ("Inundation Compensation"). The provisions are measured at the present value of the expenditure expected to be required to settle the compensation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the compensation.

In determining the best estimate of the provisions for the Inundation Compensation, management is required to make subjective assumptions and judgements, including estimating the timing and duration of the compensation payments, the compensation per unit of area and growth rate of compensation as well as the pre-tax discount rate applied to account for time value of money and the risks specific to the compensation. Any change in assumptions or judgements applied would result in different provision amounts that would potentially affect the profit or loss and financial position of the Group significantly.

As at 31 December 2020, the provisions for Inundation Compensation were RMB1,971,834,000 (2019: RMB1,173,786,000). For the year ended 31 December 2020, management has reviewed and performed assessment on such provisions to reflect the current best estimate and additional provisions of RMB775,305,000 (2019: RMB53,726,000) were added to the cost of property, plant and equipment in the consolidated statement of financial position (Notes 15(d) and 40).

(iii) Current and deferred income tax expenses

The Group is subject to income taxes in various locations within PRC. Judgement is required in determining the provision for income taxes in each of these locations. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation amount in the period in which such estimate is changed.

(iv) Useful lives, residual values and depreciation charges of property, plant and equipment

The Group's management determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment, other than construction in progress. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. It could change significantly as a result of technological advancement and innovations in the power industry. Management will adjust the depreciation charge where useful lives or residual values vary with previously estimated, or it will write-off or write down technically obsolete. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation charges in the future periods. As at 31 December 2020, the carrying amount of property, plant and equipment, other than construction in progress, was RMB97,753,246,000 (2019: RMB87,256,598,000).

4. TURNOVER, REVENUE AND SEGMENT INFORMATION

Revenue, representing turnover net of sales related taxes, recognized during the year is as follows:

	2020 **RMB'000**	2019 RMB'000
Types of goods:		
Sales of electricity to regional and provincial power grid companies (note (a))	**28,330,944**	27,682,003
Provision of power generation (note (b))	**96,777**	81,284
	28,427,721	27,763,287
Timing of revenue recognition:		
At a point in time	**28,427,721**	27,763,287

Notes:

(a) Pursuant to the power purchase agreements entered into between the Group and the respective regional and provincial power grid companies, the Group's sales of electricity were made to these power grid companies at the tariff rates agreed with the respective regional and provincial power grid companies as approved by the relevant government authorities in the PRC, and some of these tariff rates followed the market-oriented price mechanism.

(b) Provision of power generation represents income from the provision of power generation to other companies in the PRC which is calculated based on mutually agreed terms.

Segment information

The chief operating decision maker has been identified as the executive Directors and certain senior management (collectively referred to as the "CODM") who make strategic decisions. The CODM reviews the internal reporting of the Company and its subsidiaries in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM assesses the performance of the operating segments based on a measure of profit/loss before taxation, excluding dividends from equity instruments at FVTOCI. Other information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

Segment assets exclude equity instruments at FVTOCI, deferred income tax assets and corporate assets, which are managed on a central basis.

Segment liabilities exclude deferred income tax liabilities, tax payable and corporate liabilities, which are managed on a central basis.

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information *(Continued)*

	Year ended 31 December 2020						
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Wind power electricity RMB'000	Photovoltaic power electricity RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue							
Sales of electricity	17,659,169	5,960,123	2,013,996	2,697,656	28,330,944	–	28,330,944
Provision of power generation	49,261	12,311	–	35,205	96,777	–	96,777
	17,708,430	5,972,434	2,013,996	2,732,861	28,427,721	–	28,427,721
Segment results	1,610,253	2,912,828	1,055,645	1,165,410	6,744,136	–	6,744,136
Unallocated income	–	–	–	–	–	196,864	196,864
Unallocated expenses	–	–	–	–	–	(569,140)	(569,140)
Operating profit/(loss)	1,610,253	2,912,828	1,055,645	1,165,410	6,744,136	(372,276)	6,371,860
Finance income	10,903	1,087	60,804	199,472	272,266	58,086	330,352
Finance costs	(1,055,942)	(901,032)	(406,044)	(783,676)	(3,146,694)	(57,004)	(3,203,698)
Share of results of associates	213,528	–	1,387	18,066	232,981	50,971	283,952
Share of results of joint ventures	38,111	–	7,169	(2,081)	43,199	462	43,661
Profit/(loss) before taxation	816,853	2,012,883	718,961	597,191	4,145,888	(319,761)	3,826,127
Income tax expense	(294,084)	(468,441)	(43,231)	(56,648)	(862,404)	(38,172)	(900,576)
Profit/(loss) for the year	522,769	1,544,442	675,730	540,543	3,283,484	(357,933)	2,925,551
Other segment information							
Amounts included in the measure of segment profit or loss or segment assets:							
Capital expenditure							
– Property, plant and equipment, right-of-use assets and prepayments for construction of power plants	3,902,112	1,747,182	6,902,048	5,486,785	18,038,127	231,133	18,269,260
Depreciation of property, plant and equipment	1,881,220	1,529,490	686,351	778,156	4,875,217	59,939	4,935,156
Depreciation of right-of-use assets	130,876	37,766	13,992	164,744	347,378	38,960	386,338
Amortization of other intangible assets	–	–	–	55,050	55,050	–	55,050
(Gain)/loss on disposal of property, plant and equipment, net	(1,716)	(596)	5,580	(10,695)	(7,427)	5,313	(2,114)
Impairment of property, plant and equipment	27,309	2,327	1,714	–	31,350	–	31,350
Impairment of goodwill	–	84,599	–	–	84,599	–	84,599
Impairment of a disposal group classified as held for sale	587,327	–	–	–	587,327	–	587,327
Reversal of impairment of other receivables	(3,243)	–	–	–	(3,243)	–	(3,243)

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information *(Continued)*

	As at 31 December 2020						
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Wind power electricity RMB'000	Photovoltaic power electricity RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets							
Other segment assets	41,898,139	38,246,694	28,572,751	30,650,832	139,368,416	–	139,368,416
Assets associated with disposal groups classified as held for sale	3,855,304	129,354	–	–	3,984,658	–	3,984,658
Goodwill	67,712	788,266	–	246,637	1,102,615	–	1,102,615
Interests in associates	2,271,342	12,000	97,889	160,124	2,541,355	663,867	3,205,222
Interests in joint ventures	421,766	–	527,169	–	948,935	78,847	1,027,782
	48,514,263	39,176,314	29,197,809	31,057,593	147,945,979	742,714	148,688,693
Equity instruments at FVTOCI	–	–	–	–	–	3,061,952	3,061,952
Deferred income tax assets	–	–	–	–	–	874,210	874,210
Other unallocated assets	–	–	–	–	–	3,323,816	3,323,816
Total assets per consolidated statement of financial position	48,514,263	39,176,314	29,197,809	31,057,593	147,945,979	8,002,692	155,948,671
Segment liabilities							
Other segment liabilities	(4,893,083)	(4,524,373)	(2,676,620)	(4,457,855)	(16,551,931)	–	(16,551,931)
Liabilities associated with disposal groups classified as held for sale	(2,717,787)	(3,886)	–	–	(2,721,673)	–	(2,721,673)
Borrowings	(25,054,902)	(29,442,542)	(14,425,168)	(11,366,615)	(80,289,227)	(7,261,979)	(87,551,206)
	(32,665,772)	(33,970,801)	(17,101,788)	(15,824,470)	(99,562,831)	(7,261,979)	(106,824,810)
Deferred income tax liabilities	–	–	–	–	–	(1,916,206)	(1,916,206)
Tax payable	–	–	–	–	–	(288,401)	(288,401)
Other unallocated liabilities	–	–	–	–	–	(1,129,337)	(1,129,337)
Total liabilities per consolidated statement of financial position	(32,665,772)	(33,970,801)	(17,101,788)	(15,824,470)	(99,562,831)	(10,595,923)	(110,158,754)

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information *(Continued)*

	Year ended 31 December 2019						
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Wind power electricity RMB'000	Photovoltaic power electricity RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue							
Sales of electricity	18,380,670	5,668,352	1,595,328	2,037,653	27,682,003	–	27,682,003
Provision of power generation	25,890	17,766	–	37,628	81,284	–	81,284
	18,406,560	5,686,118	1,595,328	2,075,281	27,763,287	–	27,763,287
Segment results	1,870,409	1,995,817	816,065	1,109,298	5,791,589	–	5,791,589
Unallocated income	–	–	–	–	–	203,831	203,831
Unallocated expenses	–	–	–	–	–	(514,081)	(514,081)
Operating profit/(loss)	1,870,409	1,995,817	816,065	1,109,298	5,791,589	(310,250)	5,481,339
Finance income	9,747	18,264	20,290	65,367	113,668	34,858	148,526
Finance costs	(1,243,476)	(998,136)	(326,576)	(564,045)	(3,132,233)	(33,648)	(3,165,881)
Share of results of associates	161,719	–	–	18,682	180,401	44,303	224,704
Share of results of joint ventures	19,723	–	–	15	19,738	5,737	25,475
Profit/(loss) before taxation	818,122	1,015,945	509,779	629,317	2,973,163	(259,000)	2,714,163
Income tax (expense)/credit	(264,502)	(316,238)	4,791	(12,003)	(587,952)	74,939	(513,013)
Profit/(loss) for the year	553,620	699,707	514,570	617,314	2,385,211	(184,061)	2,201,150
Other segment information							
Amounts included in the measure of segment profit or loss or segment assets:							
Capital expenditure							
– Property, plant and equipment, right-of-use assets and prepayments for construction of power plants	3,791,184	1,358,937	7,280,571	3,296,806	15,727,498	145,825	15,873,323
Depreciation of property, plant and equipment	1,869,215	1,446,198	595,864	540,272	4,451,549	20,643	4,472,192
Depreciation of right-of-use assets	127,611	6,503	13,204	164,626	311,944	33,696	345,640
Amortization of other intangible assets	–	–	–	50,884	50,884	–	50,884
Loss/(gain) on disposal of property, plant and equipment, net	60,764	(6,590)	17,800	–	71,974	194	72,168
Impairment of property, plant and equipment	–	393,989	18,410	14,000	426,399	–	426,399
Impairment of a disposal group/assets classified as held for sale	85,521	80,920	–	–	166,441	–	166,441
(Reversal)/provision of Impairment of other receivables	(5,418)	14,531	2,041	1,543	12,697	16,409	29,106
Impairment of an amount due from a joint venture	–	261,300	–	–	261,300	–	261,300

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information *(Continued)*

	As at 31 December 2019						
	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Wind power electricity RMB'000	Photovoltaic power electricity RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets							
Other segment assets	39,779,154	38,663,618	23,527,396	23,100,487	125,070,655	–	125,070,655
Assets associated with disposal groups classified as held for sale	4,626,965	–	–	–	4,626,965	–	4,626,965
Goodwill	67,712	872,865	–	246,637	1,187,214	–	1,187,214
Interests in associates	2,194,187	12,000	–	137,012	2,343,199	437,211	2,780,410
Interests in joint ventures	410,092	–	–	55,477	465,569	85,205	550,774
	47,078,110	39,548,483	23,527,396	23,539,613	133,693,602	522,416	134,216,018
Equity instruments at FVTOCI	–	–	–	–	–	3,362,808	3,362,808
Deferred income tax assets	–	–	–	–	–	719,142	719,142
Other unallocated assets	–	–	–	–	–	1,991,730	1,991,730
Total assets per consolidated statement of financial position	47,078,110	39,548,483	23,527,396	23,539,613	133,693,602	6,596,096	140,289,698
Segment liabilities							
Other segment liabilities	(4,718,299)	(3,426,553)	(3,213,380)	(4,014,102)	(15,372,334)	–	(15,372,334)
Liabilities associated with disposal groups classified as held for sale	(3,098,226)	–	–	–	(3,098,226)	–	(3,098,226)
Borrowings	(24,259,123)	(24,588,153)	(10,273,821)	(9,643,166)	(68,764,263)	(5,381,719)	(74,145,982)
	(32,075,648)	(28,014,706)	(13,487,201)	(13,657,268)	(87,234,823)	(5,381,719)	(92,616,542)
Deferred income tax liabilities	–	–	–	–	–	(1,743,183)	(1,743,183)
Tax payable	–	–	–	–	–	(195,600)	(195,600)
Other unallocated liabilities	–	–	–	–	–	(601,164)	(601,164)
Total liabilities per consolidated statement of financial position	(32,075,648)	(28,014,706)	(13,487,201)	(13,657,268)	(87,234,823)	(7,921,666)	(95,156,489)

4. TURNOVER, REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment information *(Continued)*

All revenue from external customers is generated from the PRC.

As at 31 December 2020, except for cash and bank balances equivalent to RMB257,287,000 (2019: RMB227,041,000), which were deposited with certain banks in Hong Kong, substantially all of the Group's assets, liabilities and capital expenditure were located or utilized in the PRC.

The Group's major customers are regional and provincial power grid companies. For the year ended 31 December 2020, the Group's external revenue amounting to RMB14,764,865,000 (2019: RMB17,690,517,000) was generated from three (2019: four) major customers, each of which accounted for 10% or more of the Group's external revenue.

For the year ended 31 December 2020, major customers who accounted for 10% or more of the Group's external revenue are as follows:

Major customers	Proportion in approximate	Segments
Customer A	20%	Hydropower electricity, Wind power electricity and Photovoltaic power electricity
Customer B	19%	Coal-fired electricity
Customer C	13%	Coal-fired electricity and Photovoltaic power electricity

5. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Rental income	5,528	7,289
Hotel operations income	4,864	23,943
Income from provision of repairs and maintenance services	91,133	78,077
Dividend income (Note 49 (a)(ii))	47,228	124,745
Income from provision of IT and other services	130,433	27,892
Compensation income	–	12,572
Others	4,916	4,189
	284,102	278,707

6. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 RMB'000	2019 RMB'000
Wages, salaries and bonuses	2,089,567	1,632,304
Staff welfare	644,735	537,354
Pension costs – defined contribution plans	208,995	284,382
	2,943,297	2,454,040

7. OTHER GAINS AND LOSSES, NET

	2020 RMB'000	2019 RMB'000
Amortization of deferred income	**21,643**	5,977
Government subsidies	**18,546**	15,361
Gain/(loss) on disposal of property, plant and equipment, net	**2,114**	(72,168)
Gain on disposal of subsidiaries (pre-tax)	**29,343**	51
Sales of unused power production quota	**202,279**	333,806
Gain on disposal of a joint venture	**1,192**	–
Profits on sales of heat, trading of coal, coal by-products, spare parts and others	**351,631**	209,902
Gain on previously held equity interest remeasured at acquisition date fair value	**17,227**	–
Impairment of property, plant and equipment (Notes 15 and 32)	**(31,350)**	(426,399)
Impairment of a disposal group/assets as held for sale (Note)	**(587,327)**	(166,441)
Profits on trading of electricity	**36,817**	68,196
Gain on bargain purchase	**–**	24,305
Impairment of goodwill (Note 18)	**(84,599)**	–
Others	**75,986**	14,313
	53,502	6,903

Note:

For the year ended 31 December 2020, the amount included the impairment of RMB587,327,000 (2019: RMB85,521,000) for China Power Shentou Power Generating Company Limited ("CP Shentou") as disclosed in Note 32. Comparative figure also included an impairment of RMB80,920,000 in relation to certain electricity transmission assets classified as held for sale before the completion of the disposal for the year ended 31 December 2019.

8. OTHER OPERATING EXPENSES

	2020 RMB'000	2019 RMB'000
Amortization of other intangible assets	**55,050**	50,884
Research and development expenses	**108,541**	77,729
Lease expenses	**37,343**	22,371
Separation and transfer expenses on water/power/gas supply and property management (Note)	**67,200**	209,882
(Reversal)/provision of impairment of an amount due from a joint venture and other receivables (Notes 46.2(d)(ii) and (iii))	**(3,243)**	290,406
Reservoir maintenance and usage fees	**84,200**	135,241
Power and heat generation costs	**793,646**	595,922
Cost of purchase of unused power production quota	**13,594**	74,690
Administrative and selling related expenses	**414,919**	561,197
Taxes and surcharges	**345,252**	316,761
Others	**211,154**	165,192
	2,127,656	2,500,275

8. OTHER OPERATING EXPENSES (CONTINUED)

Note:

In accordance with the Notice of the Office of the State Council on the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance Regarding the Guidelines Related to the Separation and Transfer of "Water/Power/Gas Supply and Property Management" in the Employee Living Areas of the State-owned Enterprises (Guo Ban Fa 2016 No. 45) (《國務院辦公廳轉發國務院國資委、財政部關於國有企業職工家屬區「三供一業」分離移交工作指導意見的通知》(國辦發[2016]45號)), the Group separated its functions of water, power and heat (gas) supply and property management in the employee living areas of the Group and transferred to professional enterprise or institution for socialized management. The expenses arising from the separation and transfer of "water/power/gas supply and property management" of the Group amounting to RMB67,200,000 (2019: RMB209,882,000) were charged to profit and loss.

9. OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	2020 **RMB'000**	2019 RMB'000
Amortization of other intangible assets (Note 19)	**55,050**	50,884
Auditor's remuneration	**6,962**	8,217
Research and development expenses	**108,541**	77,729
Depreciation		
– property, plant and equipment (Note 15)	**4,935,156**	4,472,192
– right-of-use assets (Note 16)	**386,338**	345,640
Lease expenses:		
– equipment	**12,049**	3,588
– leasehold land and buildings	**25,294**	18,783
Separation and transfer expenses on water/power/gas supply and property management	**67,200**	209,882
(Reversal)/provision of impairment of an amount due from a joint venture and other receivables	**(3,243)**	290,406
Reservoir maintenance and usage fees	**84,200**	135,241
Cost of purchase of unused power production quota	**13,594**	74,690

10. FINANCE INCOME AND FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Finance income		
Interest income from bank deposits	14,826	15,526
Interest income from related parties (Note 49(a)(i))	33,162	36,247
Interest income from discounting effect on clean energy power price premium receivable (Note 26(b))	282,364	96,753
	330,352	148,526
Finance costs		
Interest expense on		
– bank borrowings	1,810,077	1,469,160
– borrowings from related parties (Note 49(b)(iii))	1,648,610	1,513,267
– other borrowings	214,508	125,573
– amounts due to related parties (Note 49(b)(iii))	6,867	3,812
– lease liabilities	178,577	291,155
– provisions for other long-term liabilities (Note 40)	103,969	91,809
	3,962,608	3,494,776
Less: amounts capitalized to property, plant and equipment	(570,148)	(394,012)
	3,392,460	3,100,764
Exchange (gain)/loss, net	(188,762)	65,117
	3,203,698	3,165,881

The weighted average interest rate on capitalized borrowings is approximately 4.34% (2019: 4.37%) per annum.

11. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided for as the Group did not have any estimated assessable profits arising in Hong Kong for the year ended 31 December 2020 (2019: Nil).

The provision for PRC current income tax is calculated based on the statutory tax rate of 25% (2019: 25%) on the estimated assessable profits for the year except that certain subsidiaries are either exempted from PRC Enterprise Income Tax or entitled to the preferential tax rates of 7.5%, 12.5% or 15% (2019: 7.5%, 12.5% or 15%).

11. INCOME TAX EXPENSE (CONTINUED)

The amount of income tax recognized in the consolidated income statement represents:

	2020 RMB'000	2019 RMB'000
PRC current income tax		
Charge for the year	**736,179**	631,877
(Over)/under provision in prior years	**(32,401)**	4,160
	703,778	636,037
Deferred income tax		
Charge/(credit) for the year (Note 23)	**196,798**	(123,024)
	900,576	513,013

The income tax expense on the Group's profit before taxation differs from the theoretical amount that would arise using the income tax rate of the PRC as follows:

	2020 RMB'000	2019 RMB'000
Profit before taxation	**3,826,127**	2,714,163
Less: Share of results of associates	**(283,952)**	(224,704)
Share of results of joint ventures	**(43,661)**	(25,475)
	3,498,514	2,463,984
Calculated at the PRC statutory tax rate of 25% (2019: 25%)	**874,629**	615,996
Effect on tax concession	**(252,626)**	(295,055)
Income not subject to taxation	**(15,131)**	(36,039)
Expenses not deductible for taxation purpose	**9,513**	47,564
Tax losses with no deferred income tax assets recognized (Note 23)	**202,799**	193,806
Deductible temporary differences with no deferred income tax assets recognized (Note 23)	**72,442**	158,012
Utilization of tax losses previously not recognized (Note 23)	**(15,160)**	(7,107)
Utilization of deductible temporary differences previously not recognized (Note 23)	**(3,031)**	(68,214)
Recognition of deferred income tax assets on tax losses previously not recognized (Note 23)	**59,542**	(100,110)
(Over)/under provision in prior years	**(32,401)**	4,160
Income tax expense	**900,576**	513,013

Share of income taxation charge attributable to associates and joint ventures for the year ended 31 December 2020 of RMB77,609,000 (2019: RMB64,621,000) and RMB7,980,000 (2019: RMB5,579,000) respectively were included in the Group's share of results of associates and joint ventures respectively.

12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of the Company by the weighted average number of shares in issue during the year.

	2020	2019
Profit for the year attributable to equity holders of the Company (RMB'000)	**1,708,305**	1,284,381
Profit for the year attributable to holders of other equity instruments (RMB'000)	**(18,140)**	–
Profit for the year attributable to ordinary shareholders of the Company used in the basic earnings per share calculation (RMB'000)	**1,690,165**	1,284,381
Weighted average number of shares in issue (shares in thousands)	**9,806,886**	9,806,886
Basic and diluted earnings per share (RMB) (note)	**0.17**	0.13

Note:

The Group had no potentially dilutive ordinary shares outstanding during the year ended 31 December 2020 (2019: Nil).

13. DIVIDENDS

	2020 **RMB'000**	2019 RMB'000
Final, proposed, dividend of RMB0.13 (2019: RMB0.13) per ordinary share	**1,274,895**	1,274,895
2019 final dividend paid – RMB0.13 (equivalent to HK$0.1426) per ordinary share	**1,274,895**	–
2018 final dividend paid – RMB0.11 (equivalent to HK$0.1292) per ordinary share	–	1,078,757
	1,274,895	1,078,757

At the Board meeting held on 18 March 2021, the Board recommended the payment of a final dividend for the year ended 31 December 2020 of RMB0.13 (equivalent to HK$0.1556 at the exchange rate announced by PBOC on 18 March 2021) per ordinary share (2019: RMB0.13 (equivalent to HK$0.1426) per ordinary share), totalling RMB1,274,895,000 (equivalent to HK$1,525,952,000) (2019: RMB1,274,895,000 (equivalent to HK$1,398,462,000)), which is based on 9,806,886,321 shares (2019: 9,806,886,321 shares) in issue on 18 March 2021 (2019: 26 March 2020).

This proposed dividend is not reflected as dividend payable in the consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2021.

14. EMOLUMENTS FOR DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION

(a) Directors' emoluments

Name of Director	Fees RMB'000	Basic salary, housing allowance, other allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2020					
Executive Directors					
Mr. TIAN Jun[1]	–	791	466	121	1,378
Mr. HE Xi[2]	–	237	–	30	267
Non-executive Directors					
Mr. GUAN Qihong[3]	–	–	–	–	–
Mr. WANG Xianchun[4]	–	–	–	–	–
Independent non-executive Directors					
Mr. KWONG Che Keung, Gordon	177	89	–	–	266
Mr. LI Fang	177	89	–	–	266
Mr. YAU Ka Chi	177	89	–	–	266
	531	1,295	466	151	2,443

14. EMOLUMENTS FOR DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION (CONTINUED)

(a) Directors' emoluments *(Continued)*

Name of Director	Fees RMB'000	Basic salary, housing allowance, other allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Employer's contribution to pension plans RMB'000	Total RMB'000
Year ended 31 December 2019					
Executive Director					
Mr. TIAN Jun(1)	–	516	631	104	1,251
Non-executive Directors					
Mr. GUAN Qihong(3)	–	–	–	–	–
Mr. WANG Xianchun(4)	–	–	–	–	–
Independent non-executive Directors					
Mr. KWONG Che Keung, Gordon	178	106	–	–	284
Mr. LI Fang	178	106	–	–	284
Mr. YAU Ka Chi	178	106	–	–	284
	534	834	631	104	2,103

(1) Mr. TIAN Jun, the current chairman of the board of directors, no longer served as the president of the Company concurrently from 28 July 2020.

(2) Mr. HE Xi was appointed as an executive Director and the president of the Company with effect from 28 July 2020.

(3) Mr. GUAN Qihong had agreed to waive his director fees during his directorship with the Company.

(4) Mr. WANG Xianchun had agreed to waive his director fees during his directorship with the Company.

The executive Directors' emoluments shown above were for their services in connection with the management of the affairs of the Group. The non-executive Directors' and independent non-executive Directors' emoluments shown above were for their services as Directors of the Company.

14. EMOLUMENTS FOR DIRECTORS, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2019: one) director. The emoluments payable to the remaining four (2019: four) individuals during the year are as follows:

	2020 **RMB'000**	2019 RMB'000
Basic salaries, housing allowance, other allowances and benefits in kind	**2,831**	1,919
Discretionary bonuses	**966**	1,866
Employer's contribution to pension plans	**348**	386
	4,145	4,171

Their emoluments fell within the following bands:

	Number of individuals	
	2020	2019
HK$1,000,000 to HK$1,500,000 (equivalent to RMB842,000 to RMB1,262,000 (2019: RMB896,000 to RMB1,344,000))	**4**	4

During both years, no emoluments have been paid by the Group to the Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Senior management remuneration by band

Senior management is defined as the same persons whose biographical details are disclosed in the "Directors and Senior Management Profiles" section in the annual report. Their emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Nil to HK$1,000,000 (equivalent to RMB842,000 (2019: RMB896,000))	**4**	4
HK$1,000,001 to HK$1,500,000 (equivalent to RMB842,001 to RMB1,262,000 (2019: RMB896,001 to RMB1,344,000))	**6**	8
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,262,001 to RMB1,683,000 (2019: RMB1,344,001 to RMB1,792,000))	**1**	–

15. PROPERTY, PLANT AND EQUIPMENT

	Dam RMB'000	Buildings and leasehold improvements RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Furniture and fixtures, tools and other equipment RMB'000	Transportation facilities RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2020	25,882,962	24,454,409	54,930,331	8,562,914	5,538,390	543,438	11,865,353	131,777,797
Additions and transfer from prepayments (note (d))	775,305	125,169	18,022	15,690	58,183	13,791	18,744,547	19,750,707
Acquired on acquisitions of subsidiaries (Note 48)	–	–	–	–	312	249	779,551	780,112
Disposals	–	(47,933)	(865,857)	(49,621)	(158,268)	(51,632)	–	(1,173,311)
Disposal of subsidiaries	–	(128,547)	(1,228,602)	(61,394)	(15,756)	(8,137)	(1,741,524)	(3,183,960)
Reclassified from right-of use-assets (Note 16)	–	49,238	970,743	–	–	–	732,000	1,751,981
Transfer between categories	7,327	3,454,056	8,915,495	1,309,929	1,356,682	12,695	(15,056,184)	–
Reclassified to a disposal group classified as held for sale (Note 32)	(262,420)	–	(77)	–	(504)	(458)	(28,249)	(291,708)
At 31 December 2020	26,403,174	27,906,392	62,740,055	9,777,518	6,779,039	509,946	15,295,494	149,411,618
Accumulated depreciation and impairment losses								
At 1 January 2020	4,231,296	7,152,875	15,372,405	3,110,124	2,429,895	359,251	77,025	32,732,871
Depreciation charge for the year	819,229	853,600	2,543,664	376,011	299,471	43,181	–	4,935,156
Impairment loss recognized for the year (note (e))	–	–	(366)	–	–	–	25,641	25,275
Disposals (note (f))	–	(12,734)	(728,324)	(33,008)	(100,546)	(44,484)	–	(919,096)
Disposal of subsidiaries (note (f))	–	(13,532)	(92,703)	(5,401)	(8,087)	(7,455)	(8,692)	(135,870)
Reclassified to a disposal group classified as held for sale (Note 32)	(180,931)	–	(1)	–	(106)	(446)	–	(181,484)
At 31 December 2020	4,869,594	7,980,209	17,094,675	3,447,726	2,620,627	350,047	93,974	36,456,852
Net book value								
At 31 December 2020	21,533,580	19,926,183	45,645,380	6,329,792	4,158,412	159,899	15,201,520	112,954,766

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Dam RMB'000	Buildings and leasehold improvements RMB'000	Power generators and equipment RMB'000	Electricity supply equipment RMB'000	Furniture and fixtures, tools and other equipment RMB'000	Transportation facilities RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2019	24,292,357	23,272,283	46,044,945	8,693,511	4,917,850	536,442	10,923,843	118,681,231
Additions and transfer from prepayments	53,726	5,980	13,088	11,236	37,314	15,265	11,841,069	11,977,678
Acquired on acquisitions of subsidiaries	–	21,245	615,146	66,473	8,597	1,046	1,789	714,296
Disposals	–	(25,765)	(350,110)	(883,106)	(90,026)	(13,757)	(129,018)	(1,491,782)
Reclassified from right-of use-assets (Note 16)	–	–	1,878,490	–	–	–	17,884	1,896,374
Transfer between categories	1,536,879	1,180,666	6,728,772	674,800	664,655	4,442	(10,790,214)	–
At 31 December 2019	25,882,962	24,454,409	54,930,331	8,562,914	5,538,390	543,438	11,865,353	131,777,797
Accumulated depreciation and impairment losses								
At 1 January 2019	3,325,832	6,280,041	13,360,886	3,094,485	2,206,660	321,923	–	28,589,827
Depreciation charge for the year	601,132	858,841	2,281,573	371,201	310,949	48,496	–	4,472,192
Impairment loss recognized for the year	304,332	34,850	6,710	2,253	1,145	84	77,025	426,399
Disposals	–	(20,857)	(276,764)	(357,815)	(88,859)	(11,252)	–	(755,547)
At 31 December 2019	4,231,296	7,152,875	15,372,405	3,110,124	2,429,895	359,251	77,025	32,732,871
Net book value								
At 31 December 2019	21,651,666	17,301,534	39,557,926	5,452,790	3,108,495	184,187	11,788,328	99,044,926

Notes:

The analysis below includes those classified as part of the disposal groups classified as held for sale.

(a) Depreciation of property, plant and equipment (other than construction in progress) is calculated, using the straight-line method to allocate their costs less accumulated impairment losses over their estimated useful lives to their residual values, as follows:

Dam	30 – 50 years
Buildings	8 – 45 years
Leasehold improvements	Shorter of 5 years and over the lease term
Power generators and equipment	9 – 28 years
Electricity supply equipment	13 – 30 years
Furniture and fixtures	3 – 5 years
Tools and other equipment	3 – 18 years
Transportation facilities	2 – 12 years

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: *(Continued)*

(b) As at 31 December 2020, the legal title of certain properties of the Group with a net book value of RMB3,839,734,000 (2019: RMB4,345,468,000) have not been transferred to the Group. However, the Directors are of the opinion that the risks and rewards of using these assets have been transferred to the Group.

In addition, certain of the Group's property, plant and equipment are situated on right-of-use assets (leasehold land) in the PRC which was granted, free of charge, for the use by the relevant government authorities to the relevant subsidiaries of the Group with no specific terms of usage.

(c) As at 31 December 2020, certain property, plant and equipment of the Group with a net book value of RMB262,915,000 (2019: RMB392,981,000) were pledged as security for certain long-term bank borrowings (Note 36(d)) (2019: certain long-term borrowings from Agricultural Bank of China ("ABC")).

(d) For the year ended 31 December 2020, additions of dam represented a recognition of provisions for inundation compensation caused by the construction of certain hydropower plants of the Group. Management has reviewed and performed assessment on such provisions to reflect the current best estimate by reassessing the inputs used in the net present value model based on the current charges per unit of area and the growth rate of compensation, as well as the pre-tax discount rate applied to account for the time value of money and the risks specific to the compensations. As a result, an additional provision of RMB775,305,000 (2019: RMB53,726,000) (Note 40) was made to the cost of dam for the year ended 31 December 2020.

(e) For the year ended 31 December 2020, management has performed impairment assessment on certain property, plant and equipment with impairment indication included in "Coal-fired electricity", "Hydropower electricity" and "Wind power electricity" segments.

The recoverable amounts of the associated CGUs had been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment assessment covering a five-year period. Annual cash flows beyond the five-year period are expected to be similar to that of the fifth year based on the current production capacity, taking into account of the expected remaining useful lives of the relevant underlying operating assets.

Management prepared the financial budgets taking into account of the actual and prior years' performance and market development expectations. For certain CGUs in "Coal-fired electricity" segment, the growth rates in electricity sold (including sales of power generation quota) and pre-tax discount rates used for value in use calculations range from 1% to 12% (2019: 0% to 12%) and from 7.5% to 8.0% (2019: 8.1% to 8.6%) respectively. For certain CGUs in "Hydropower electricity" segment, the growth rates in electricity sold and pre-tax discount rates used for value in use calculations range from 0% to 2% (2019: 0% to 2%) and at 8.5% (2019: 8.5%) respectively. Management estimates the growth rates in electricity sold by reference to the expected demand for electricity in the regions where the power plants are located. In addition, management estimates the discount rates using pre-tax rate that reflects market assessments of the time value of money and the specific risks relating to the CGUs. Other key assumptions applied in the impairment assessment include the expected tariff rates, fuel costs (if applicable) and staff costs. Based on the result of these assessment, management determined that all respective recoverable amounts are higher than their respective carrying amounts as at 31 December 2020. As at 31 December 2019, the recoverable amounts of certain CGUs included in the "Hydropower electricity" segment are lower than their respective carrying amounts as a result of a much-lower-than-expected operating performance, an impairment of RMB294,275,000, which was based on the value in use calculation and the allocation, has been recognized against the carrying amount of property, plant and equipment for the year ended 31 December 2019.

In addition, it was identified that the likelihood of obtaining necessary approval to continue construction in certain projects in "Coal-fired electricity" segment, "Hydropower electricity" segment and "Wind power electricity" segment (2019: "Hydropower electricity" segment, "Photovoltaic power electricity" segment and "Wind power electricity" segment) of the Group was remote as at 31 December 2020, as a result, the carrying amounts of property, plant and equipment in these projects of RMB25,275,000 (2019: RMB61,203,000) was fully provided for as impairment.

During the year ended 31 December 2019, one power plant included in "Hydropower electricity" segment ceased operation. As a result, the carrying amount of such power plant of RMB70,921,000 was fully impaired as at 31 December 2019.

For the year ended 31 December 2020, above-mentioned impairments aggregated to RMB25,275,000 (2019: RMB426,399,000) (Note 7).

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Notes: *(Continued)*

(f) During the year ended 31 December 2020, disposals of the Group's property, plant and equipment and that through disposal of subsidiaries included impairment losses of RMB162,552,000 (2019: RMB218,998,000) and RMB8,692,000 (2019: Nil) respectively, which were written off upon the disposal of corresponding property, plant and equipment. As at 31 December 2020 the accumulated impairment losses of property, plant and equipment amounted to RMB497,657,000 (2019: RMB643,626,000).

16. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Buildings RMB'000	Equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost					
At 1 January 2020	2,413,552	267,558	2,828,107	1,326,235	6,835,452
Additions	87,586	33,638	173,782	634,887	929,893
Acquired on acquisitions of subsidiaries (Note 48)	–	–	813,751	–	813,751
Reclassified to property, plant and equipment (Note 15)	–	(58,603)	(1,122,975)	(732,000)	(1,913,578)
Disposal of subsidiaries	(24,884)	(3,299)	(10,151)	–	(38,334)
Transfer between categories	–	–	445,100	(445,100)	–
At 31 December 2020	2,476,254	239,294	3,127,614	784,022	6,627,184
Accumulated depreciation					
At 1 January 2020	73,796	44,386	32,166	–	150,348
Depreciation charge for the year	74,455	37,461	274,422	–	386,338
Reclassified to property, plant and equipment (Note 15)	–	(9,365)	(152,232)	–	(161,597)
Disposal of subsidiaries	(3,757)	(655)	(4,457)	–	(8,869)
At 31 December 2020	144,494	71,827	149,899	–	366,220
Net book value					
At 31 December 2020	2,331,760	167,467	2,977,715	784,022	6,260,964
For the year ended 31 December 2020					
Expenses relating to short-term leases and other leases with lease terms end within 12 months from the date of initial application of HKFRS 16	–	24,691	11,326	–	36,017
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	–	603	723	–	1,326
Additions to right-of-use assets	87,586	33,638	987,533	634,887	1,743,644

16. RIGHT-OF-USE ASSETS (CONTINUED)

	Leasehold land RMB'000	Buildings RMB'000	Equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost					
At 1 January 2019	1,478,958	200,245	3,527,792	1,920,414	7,127,409
Additions	826,269	67,313	110,492	251,000	1,255,074
Acquired on acquisitions of subsidiaries	108,325	–	436,310	–	544,635
Reclassified to property, plant and equipment (Note 15)	–	–	(2,073,782)	(17,884)	(2,091,666)
Transfer between categories	–	–	827,295	(827,295)	–
At 31 December 2019	2,413,552	267,558	2,828,107	1,326,235	6,835,452
Accumulated depreciation					
At 1 January 2019	–	–	–	–	–
Depreciation charge for the year	73,796	44,386	227,458	–	345,640
Reclassified to property, plant and equipment (Note 15)	–	–	(195,292)	–	(195,292)
At 31 December 2019	73,796	44,386	32,166	–	150,348
Net book value					
At 31 December 2019	2,339,756	223,172	2,795,941	1,326,235	6,685,104
For the year ended 31 December 2019					
Expenses relating to short-term leases and other leases with lease terms end within 12 months from the date of initial application of HKFRS 16	–	18,227	3,450	–	21,677
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	–	555	139	–	694
Additions to right-of-use assets	934,594	67,313	546,802	251,000	1,799,709

16. RIGHT-OF-USE ASSETS (CONTINUED)

Note:

For both years, the Group leases leasehold land, buildings, equipment and components of power generators included in construction in progress for its operations. Lease contracts are entered into for fixed term of 2 to 20 years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for equipment. As at 31 December 2020, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term lease expense was recognized and as disclosed in Note 9.

The total cash outflow for leases is disclosed in Note 44(b).

Extension options

The Group has extension options in a number of leases for leasehold land. The majority of extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. Based on the assessment, the extension option of leasehold land lease was reasonably certain to be exercised so that the extension period was included in lease period.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2020 and 2019, there is no such triggering event.

Sale and leaseback transactions – seller – lessee

To better manage the Group's capital structure and financing needs, the Group sometimes enters into sale and leaseback arrangements in relation to machinery. These legal transfers do not satisfy the requirements of HKFRS 15 to be accounted for as sales of the machinery. During the year ended 31 December 2020 and 2019, the Group did not enter into any sale and leaseback transactions.

17. PREPAYMENTS FOR CONSTRUCTION OF POWER PLANTS

Prepayments for construction of power plants represent advance payments made to contractors in connection with the construction of the Group's power plants including payments for equipment and machinery pending delivery to the relevant power plants for installation.

On 31 December 2020, the balance of prepayments for construction of power plants includes an amount of RMB72,464,000 (2019: RMB481,717,000), which was prepayments to related parties (companies controlled by SPIC other than SPIC Financial Company Limited ("SPIC Financial") for construction of power plants .

18. GOODWILL

	2020 RMB'000	2019 RMB'000
Cost		
At 1 January	1,354,153	1,118,170
Arising on acquisitions of subsidiaries	–	235,983
At 31 December	1,354,153	1,354,153
Accumulated impairment losses		
At 1 January	166,939	166,939
Impairment loss recognized for the year (Note 7)	84,599	–
At 31 December	251,538	166,939
Net book value		
At 1 January	1,187,214	951,231
At 31 December	1,102,615	1,187,214

Goodwill is allocated to the Group's CGU or groups of CGUs identified according to operating arrangement. The accumulated impairment losses relate to "Coal-fired electricity" segment and "Hydropower electricity" segment.

A segment-level summary of the goodwill allocation at cost before impairment and at net book value is presented below:

	Coal-fired electricity RMB'000	Hydropower electricity RMB'000	Photovoltaic power electricity RMB'000	Total RMB'000
Cost				
At 31 December 2019 and 2020	234,651	872,865	246,637	1,354,153
Net book value				
At 31 December 2019	67,712	872,865	246,637	1,187,214
At 31 December 2020	67,712	788,266	246,637	1,102,615

18. GOODWILL (CONTINUED)

Notes:

(a) For the purpose of impairment assessment, the recoverable amount of each CGU or group of CGUs is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management for the purposes of impairment assessment covering a five-year period. Annual cash flows beyond the five-year period are expected to be similar to that of the fifth year based on the then production capacity, taking into account of the expected remaining useful lives of the relevant underlying operating assets.

(b) Management prepared the financial budgets taking into account of the actual and prior years' performance and market development expectations. For a CGU in "Coal-fired electricity" segment, the growth rates in electricity sold and pre-tax discount rates used for value in use calculations are at 0% (2019: 0%) and at 8.6% (2019: 8.6%) respectively. For certain CGUs in "Hydropower electricity" segment, the growth rates in electricity sold and pre-tax discount rates used for value in use calculations range from 0% to 2% (2019: 0% to 2%) and at 8.5% (2019: ranged from 8% to 8.5%) respectively. For certain CGUs in "Photovoltaic power electricity" segment, the growth rates in electricity sold and pre-tax discount rates used for value in use calculations range from 0% to 7.2% (2019: 0% to 7.2%) and at 9.3% (2019: 9.3%) respectively. Management estimates the growth rates in electricity sold by reference to the expected demand for electricity in the regions where the power plants are located. And management estimates the discount rates using pre-tax rate that reflects market assessments of the time value of money and the specific risks relating to the CGUs. Other key assumptions applied in the impairment assessment include the expected tariff rates and staff costs.

(c) Based on the result of the assessment, management of the Group determined that the recoverable amounts of certain CGUs included in the "Hydropower electricity" segment are lower than their respective carrying amounts as a result of lower than expected operating performance. Based on the value in use calculation and the allocation, an impairment of RMB84,599,000 (2019: Nil) has been recognized against the carrying amount of goodwill as other loss in "Other gains and losses, net" for the year ended 31 December 2020.

19. OTHER INTANGIBLE ASSETS

	2020 **RMB'000**	2019 RMB'000
Cost		
At 1 January	**1,108,100**	900,100
Acquired on acquisitions of subsidiaries	–	208,000
Disposal of a subsidiary	**(10,500)**	–
At 31 December	**1,097,600**	1,108,100
Accumulated amortization		
At 1 January	**53,970**	3,086
Amortization charge for the year	**55,050**	50,884
Disposal of a subsidiary	**(1,093)**	–
At 31 December	**107,927**	53,970
Net book value		
At 1 January	**1,054,130**	897,014
At 31 December	**989,673**	1,054,130

19. OTHER INTANGIBLE ASSETS (CONTINUED)

Other intangible assets represent the carrying amount of the favourable tariff contracts acquired on the acquisitions of certain photovoltaic power companies. These intangible assets have finite useful lives and are amortized on a straight-line basis over the period of 17 to 20 years (2019: 17 to 20 years).

Such favourable tariff contracts arising from the tariff difference between the original tariffs granted to such solar power plants acquired in their respective power purchase contracts and the market prevailing tariffs at their respective acquisition dates. The latter were lower as a result of recent market trend in PRC's solar power industry. The Directors are of the opinion that these solar power CGUs within those acquired solar power plants which have successfully secured the original tariffs based on contractual/legal rights, will maintain the expected future cash flows and returns despite the fair value of the solar panels included in their property, plant and equipment at their respective acquisition dates had recorded a decline over their carrying amounts.

20. INTERESTS IN ASSOCIATES

	2020 **RMB'000**	2019 RMB'000
Cost of investment in associates	**2,751,651**	2,412,254
Share of undistributed post-acquisition reserves	**453,571**	368,156
	3,205,222	2,780,410

As at 31 December 2020, interests in associates include goodwill of RMB158,732,000 (2019: RMB158,732,000).

There are no contingent liabilities relating to the Group's interests in associates and these associates did not have any material contingent liabilities as at 31 December 2020 and 2019.

Dividends from associates for the year ended 31 December 2020 amounted to RMB198,537,000 (2019: RMB145,661,000).

20. INTERESTS IN ASSOCIATES (CONTINUED)

The following are the details of the associates as at 31 December 2020:

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by subsidiaries	Type of legal entity	Principal activities
Sichuan Energy Investment Development Co., Ltd. ("Sichuan Energy Investment") (四川能投發展股份有限公司)	The PRC	RMB1,074,358,000	9.13% (note)	–	Joint stock, limited liability company with its H-shares listed on the Stock Exchange	Energy investment
Jiangsu Changshu Electric Power Generating Company Limited ("Changshu Power Plant") (江蘇常熟發電有限公司)	The PRC	RMB2,685,000,000	50%	–	Sino-foreign equity joint venture	Generation and sale of electricity
^Guizhou Pu'an Diguapo Coal Industry Co., Ltd. (貴州普安地瓜坡煤業有限公司)	The PRC	RMB630,000,000/ RMB94,500,000	35%	–	Sino-foreign equity joint venture	Coal management and consultancy service
Hunan China Resources Power Liyujiang Company Limited (湖南華潤電力鯉魚江有限公司)	The PRC	RMB573,660,000	–	40%	Sino-foreign equity joint venture	Generation and sale of electricity
Hunan Nuclear Power Company Limited (湖南核電有限公司)	The PRC	RMB389,600,000/ RMB369,480,000	–	20%	Limited liability company	Generation and sale of electricity
Jiangsu Changdian Environmental Technology Company Limited (江蘇常電環保科技有限公司)	The PRC	RMB8,000,000	–	50%	Limited liability company	Sale of electricity generation by-products
Gui'an New District Power Distribution and Sales Company Limited ("Gui'an New District") (貴安新區配售電有限公司)	The PRC	RMB1,500,000,000/ RMB814,712,651	8% (note)	–	Sino-foreign equity joint venture	Distribution and sale of electricity
Sujin Energy Holding Company Limited ("Sujin Energy") (蘇晉能源控股有限公司)	The PRC	RMB6,000,000,000/ RMB4,574,372,701	–	9.5% (note)	Limited liability company	Generation and sale of electricity
Yibin Fuxi Fly Ash Development Co., Ltd. (宜賓福溪粉煤灰開發有限公司)	The PRC	RMB5,800,000	–	39%	Limited liability company	Sale of coal by-products
^Shangdianpingnan New Energy Company Limited (上電平南新能源有限公司)	The PRC	RMB97,182,000	–	40%	Limited liability company	Generation and sale of electricity
Shandong Green Energy Investment Co., Ltd. (山東綠色能源投資有限公司)	The PRC	RMB1,200,000,000/ RMB644,000,000	–	30%	Limited liability company	Energy investment
#SPIC Anhui Hailuo Electricity Power Sales Co., Ltd. ("Hailuo Power Sales") (國家電投集團安徽海螺售電有限公司)	The PRC	RMB200,000,000/ RMB2,000,000	–	50%	Limited liability company	Generation and sale of electricity
#SPIC Guangxi Jinzishan Wind Power Ltd ("Jinzishan Wind Power") (國家電投集團廣西金紫山風電有限公司)	The PRC	RMB523,012,295	–	15.22% (note)	Limited liability company	Generation and sale of electricity
#^Hubei Liefeng Energy Co., Ltd. (湖北獵風能源有限公司)	The PRC	RMB128,180,000/ RMB38,454,000	–	30%	Limited liability company	Generation and sale of electricity

^ These associates have not commenced operation yet.
# These associates were newly set up or acquired in 2020.

20. INTERESTS IN ASSOCIATES (CONTINUED)

Note:

The Group could exercise significant influence over Sichuan Energy Investment, Gui'an New District, Sujin Energy and Jinzishan Wind Power through its representative on their boards of directors, and therefore classified these four companies as associates. For Sujin Energy, according to the capital contribution agreement, the Company has agreed to make contribution by way of cash and assets injections, eventually owning 9.5% equity interest in Sujin Energy.

Summarized unaudited financial information of a material associate

In the opinion of the Directors, Changshu Power Plant and its subsidiary (collectively referred to as "Changshu Group") is a material associate to the Group and its summarized unaudited financial information is set out below:

Summarized consolidated statement of financial position

	Changshu Group	
	2020	2019
	RMB'000	RMB'000
Non-current assets	**7,677,865**	8,223,957
Current assets	**1,063,244**	807,618
Non-current liabilities	**(2,756,971)**	(3,744,929)
Current liabilities	**(2,045,591)**	(1,514,046)
Net assets	**3,938,547**	3,772,600

Summarized consolidated income statement and consolidated statement of comprehensive income

	Changshu Group	
	2020	2019
	RMB'000	RMB'000
Revenue	**5,162,475**	5,012,142
Profit and total comprehensive income for the year	**436,709**	345,794
Dividend received from the associate	**135,381**	127,544

20. INTERESTS IN ASSOCIATES (CONTINUED)

Reconciliation of summarized unaudited financial information

Reconciliation of summarized unaudited financial information presented above to the carrying amount of interest in Changshu Group is as follows:

	Changshu Group	
	2020	2019
	RMB'000	RMB'000
Opening net assets	**3,772,600**	3,681,894
Profit and total comprehensive income for the year	**436,709**	345,794
Dividend paid	**(270,762)**	(255,088)
Closing net assets	**3,938,547**	3,772,600
Interest in associate (at 50%) – At carrying amount	**1,969,274**	1,886,300

Aggregate information of associates that are not individually material

	2020	2019
	RMB'000	RMB'000
The Group's share of results and total comprehensive income for the year	**65,598**	51,807
Aggregate carrying amount of the Group's interests	**1,235,948**	894,110

21. INTERESTS IN JOINT VENTURES

	2020	2019
	RMB'000	RMB'000
Unlisted investments, at cost	**1,146,644**	689,984
Share of undistributed post-acquisition reserves	**37,508**	17,160
Less: Accumulated impairment (Note)	**(156,370)**	(156,370)
	1,027,782	550,774

Note: It represents the full impairment on the carrying amount of the Group's interest in Chuanjing Coal (as defined below) provided in 2015.

21. INTERESTS IN JOINT VENTURES (CONTINUED)

The following are the details of the joint ventures as at 31 December 2020:

Name of companies	Place of Establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Held by subsidiaries	Type of legal entity	Principal activities
Sichuan Guangwang Group Chuanjing Coal Industry Company Limited ("Chuanjing Coal") (四川廣旺集團船景煤業有限責任公司)	The PRC	RMB472,000,000/ RMB329,182,000	49%	–	Sino-foreign equity joint venture	Coal mining
Guangzhou China Power Lixin Industry Company Limited (廣州中電荔新電力實業有限公司)	The PRC	RMB604,000,000	50%	–	Sino-foreign equity joint venture	Generation and sale of electricity
Henan Zhongping Coal & Electricity Co., Ltd. (河南中平煤電有限責任公司)	The PRC	RMB131,880,000	50%	–	Sino-foreign equity joint venture	Coal transportation and selling
SPIC Guangxi Beibu Gulf (Qinzhou) Thermal Power Co., Ltd. ("Beibu Gulf Thermal Power") (國家電投集團廣西北部灣(欽州)熱電有限公司)	The PRC	RMB125,470,588	–	51% (note)	Limited liability company	Generation and sale of electricity
#Guangxi SPIC Overseas Energy Investment Co., Ltd. ("Guangxi Overseas") (廣西國電投海外能源投資有限公司)	The PRC	RMB2,000,000,000/ RMB1,720,000,000	–	40%	Limited liability company	Energy investment

This joint venture was set up in 2020.

Note:

In accordance with the articles of Beibu Gulf Thermal Power, decisions on business and investment plan, annual financial budget plan, profit distribution and loss recovery plans should be approved by more than 2/3 voting rights. Thus the minimum decision-making voting rights could not be achieved by the Group alone and the relevant activities require the unanimous consent of the two shareholders. Therefore, the Group recognizes this equity investment as an interest in a joint venture.

None of the joint ventures was individually material.

There were no contingent liabilities relating to the Group's interests in the joint ventures and the joint ventures did not have any material contingent liabilities as at 31 December 2020 and 2019.

Dividend from a joint venture for the year ended 31 December 2020 amounted to RMB26,436,000 (2019: RMB4,702,000).

22. EQUITY INSTRUMENTS AT FVTOCI

	2020 RMB'000	2019 RMB'000
Unlisted equity investments in the PRC (note (a))	475,312	438,306
Listed equity securities in the PRC		
– Shanghai Electric Power Co., Ltd. ("Shanghai Power") (note (b))	2,586,640	2,924,502
	3,061,952	3,362,808

Notes:

(a) Unlisted equity investments mainly represent interests in certain unlisted companies which are principally engaged in financial services, coal production, water supply and electricity trading services respectively. The Directors have elected to designate these investments as equity instruments at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

(b) Details of the equity securities listed in the PRC held directly by the Company as at 31 December 2020 and 2019 are as follows:

Name of company	Place of establishment and operation	Registered and paid up capital	Equity interest attributable to the Company	Type of legal entity	Principal activity
#Shanghai Power	The PRC	RMB2,617,164,197	13.88%	Joint stock, limited liability company with its A-share listed on the Shanghai Stock Exchange	Investment holdings and generation and sale of electricity

\# Shanghai Power is a subsidiary of SPIC.

These equity securities are not held for trading; instead, they are held for long-term strategic purposes. The Directors have elected to designate these equity securities as equity instruments at FVTOCI as they believe that recognizing short-term fluctuations in these equity securities' fair value in profit or loss would not be consistent with the Group's strategy of holding these equity securities for long-term purposes and realizing their performance potential in the long run.

23. DEFERRED INCOME TAXES

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the end of reporting period.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	2020 RMB'000	2019 RMB'000
Deferred income tax assets	**874,210**	719,142
Deferred income tax liabilities	**(1,916,206)**	(1,743,183)
Net deferred income tax liabilities	**(1,041,996)**	(1,024,041)

Notes:

The analysis below includes those classified as part of the disposal groups classified as held for sale.

(a) The net movements in the deferred income tax assets/(liabilities) during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated tax depreciation RMB'000	Decelerated tax depreciation RMB'000	Changes in fair value (note (b)) RMB'000	Provisions RMB'000	Tax losses RMB'000	Right-of-use assets/ lease liabilities RMB'000	Others RMB'000	Before divided to held for sale RMB'000	Held for sale RMB'000	After divided to held for sale RMB'000
At 1 January 2020	**(1,595,884)**	**359,787**	**(426,899)**	**218,456**	**461,367**	**2,579**	**53,437**	**(927,157)**	**(96,884)**	**(1,024,041)**
(Charged)/credited to profit or loss (Note 11)	**(130,621)**	**(75,000)**	**–**	**130,179**	**(153,208)**	**(657)**	**32,509**	**(196,798)**	**97,149**	**(99,649)**
Charged to other comprehensive income	**–**	**–**	**81,694**	**–**	**–**	**–**	**–**	**81,694**	**–**	**81,694**
At 31 December 2020	**(1,726,505)**	**284,787**	**(345,205)**	**348,635**	**308,159**	**1,922**	**85,946**	**(1,042,261)**	**265**	**(1,041,996)**
At 1 January 2019	(1,545,495)	239,672	(407,177)	249,547	323,726	–	(7,868)	(1,147,595)	–	(1,147,595)
Acquired on acquisitions of subsidiaries	(2,437)	119,573	–	–	–	–	–	117,136	–	117,136
(Charged)/credited to profit or loss (Note 11)	(47,952)	542	–	(31,091)	137,641	2,579	61,305	123,024	(96,884)	26,140
Credited to other comprehensive income	–	–	(19,722)	–	–	–	–	(19,722)	–	(19,722)
At 31 December 2019	(1,595,884)	359,787	(426,899)	218,456	461,367	2,579	53,437	(927,157)	(96,884)	(1,024,041)

23. DEFERRED INCOME TAXES (CONTINUED)

Notes: *(Continued)*

(b) These were deferred income tax on fair value changes of equity instruments at FVTOCI and debt instruments at FVTOCI and release of deferred income tax on derecognition of debt instruments at FVTOCI.

(c) Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. As at 31 December 2020, the Group had unrecognized tax losses to be carried forward against future taxable profits amounting to RMB2,751,800,000 (2019: RMB1,763,076,000), which will expire within 5 years.

(d) As at 31 December 2020, the Group had deductible temporary differences of RMB803,197,000 (2019: RMB525,553,000), which mainly relates to the impairment losses of the Group's property, plant equipment and interest in a joint venture. No deferred income tax assets had been recognized in relation to such deductible temporary difference as it is not probable that taxable profits will be available against which the deductible temporary differences can be utilized.

(e) As the Company is a deemed PRC Tax Resident Enterprise, the Company is exempted from the withholding tax charged on the dividends remitted to the Company by the subsidiaries, associates or joint ventures. As such, no deferred income tax liabilities on unremitted earnings of subsidiaries, associates or joint ventures would be recognized.

24. OTHER NON-CURRENT ASSETS

	2020 **RMB'000**	2019 RMB'000
Deductible value-added tax ("VAT") and other taxes	**3,554,211**	2,588,910
Accounts receivable (Note 26)	**1,217,308**	3,996,742
Amounts due from related parties (Note 28)	**–**	100,000
Others (Note)	**210,935**	72,994
	4,982,454	6,758,646

As at 31 December 2020, balance included the other non-current assets recognized by the Group in respect of the transferred assets to the extent of its continuing involvement of RMB112,575,000 (2019: Nil). Details are disclosed in Note 41.

25. INVENTORIES

	2020 **RMB'000**	2019 RMB'000
Coal and oil	**556,320**	543,087
Spare parts and consumables	**141,295**	146,775
	697,615	689,862

26. ACCOUNTS RECEIVABLE

	2020 RMB'000	2019 RMB'000
Accounts receivable from regional and provincial power grid companies (note (b))	**8,309,429**	7,378,774
Accounts receivable from other companies (note (b))	**14,691**	16,866
	8,324,120	7,395,640
Notes receivable (note (d))	**179,169**	13,893
	8,503,289	7,409,533
Analyzed for reporting purpose as:		
– Non-current (included in other non-current assets (Note 24) (note (b))	**1,217,308**	3,996,742
– Current	**7,285,981**	3,412,791
	8,503,289	7,409,533

Notes:

The analysis below includes those accounts receivable as part of the disposal groups classified as held for sale of RMB117,141,000 (2019: RMB152,005,000) (Note 32).

(a) To measure the ECL of accounts receivable, accounts and notes receivables have been assessed individually upon the application of HKFRS 9. The loss allowance of the accounts receivable as at 31 December 2020 and 2019 was insignificant.

(b) The ageing analysis of the accounts receivable presented which based on invoice date is as follows:

	2020 RMB'000	2019 RMB'000
Unbilled	**1,217,308**	4,419,540
1 to 3 months	**7,223,953**	3,128,105
	8,441,261	7,547,645

The accounts receivable that are neither past due nor impaired has been assessed by reference to the historical information about counterparty default rates. The existing counterparties did not have significant default in the past.

As at 31 December 2020, accounts receivable from regional and provincial power grid companies include clean energy power price premium receivable of RMB1,217,308,000, which is unbilled and is stated after discounting.

The clean energy power price premium, which is a component of the government-approved on-grid tariff for wind and photovoltaic power generation, is recognized as revenue from sales of electricity in the consolidated income statement of the Group for its wind and photovoltaic power projects.

26. ACCOUNTS RECEIVABLE (CONTINUED)

Notes: *(Continued)*

(b) *(Continued)*

The financial resource for the clean energy power price premium is the national renewable energy fund that accumulated through a special levy on the consumption of electricity. Pursuant to Caijian [2012] No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance (the "MOF"), the National Development and Reform Commission (the "NDRC") and the National Energy Administration (the "NEA") in March 2012, the standardized application and approval procedures on a project by project basis for the settlement of the tariff premium came into force since 2012, and such applications are accepted and approved batch by batch jointly by the MOF, the NDRC and the NEA at intervals in form of announcing renewable energy subsidy catalogues (the "Subsidy Catalogue").

In February 2020, the MOF, the NDRC and the NEA jointly issued new guidelines and notices, i.e., Caijian [2020] No. 4 Guidelines on the Stable Development of Non-Water Renewable Energy Generation (關於促進非水可再生能源發電健康發展的若干意見) and Caijian [2020] No. 5 Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加資金管理辦法) (collectively referred to as the "New Guidelines"). Pursuant to the New Guidelines, the quota of new subsidies are decided based on the scale of subsidy funds, there will not be any new Subsidy Catalogue to be published for tariff premium and as an alternative, power grid companies will publish lists of renewable energy projects qualified for tariff premium (the "Subsidy List") periodically after the renewable energy generators have gone through certain approval and information publicity process.

Based on the above New Guidelines and their past experience, the Directors estimate that there are no foreseeable obstacles that would lead to the application not being approved before entering into either the Subsidy Catalogue or the Subsidy List. It is expected that the Group's wind and photovoltaic power projects will be listed as qualified projects for tariff premium after 31 December 2021 (2019: obtained after 31 December 2020) and the corresponding premium receivables are estimated to be recovered after twelve months from the reporting date. Therefore, the Directors consider the renewable energy electricity sales contract for projects before entering into the Subsidy Catalogue or the Subsidy List contains a significant financing component. For the year ended 31 December 2020, the respective clean energy power price premiums were adjusted for this financing component based on an effective interest rate of 4.75% (2019: 4.75%) per annum, and the Group's revenue was adjusted by RMB42,668,000 (2019: RMB259,392,000) and interest income amounting to RMB282,364,000 (2019: RMB96,753,000) (Note 10) was recognized.

(c) In December 2020, accounts receivable amounting to RMB950,000,000 has been transferred to a single asset management plan (the "Asset Management Plan") by Shenwan Hongyuan Securities Co., Ltd ("Shenwan Hongyuan"). The Directors consider that the Group neither transferred nor retained substantially all the risks and rewards of ownership of the accounts receivable and retained control of the underlying assets. As at 31 December 2020, the Group recognized the transferred assets to the extent of its continuing involvement amounting to RMB112,575,000 (2019: Nil) as other non-current assets and the associated liabilities in other non-current liabilities. Details are disclosed in Note 41.

(d) As at 31 December 2020, notes receivable were bank acceptance notes issued by third parties and were normally with a maturity period of 360 days (2019: 360 days).

(e) As at 31 December 2020, certain bank borrowings, long-term borrowings from related parties, and certain lease liabilities (Notes 36(d), 37(b) and 39) were secured by the rights on certain accounts receivable. The accounts receivable pledged under these debts as at 31 December 2020 amounted to RMB2,476,191,000 (2019: RMB3,760,170,000).

(f) Apart from certain clean energy power price premium receivables of RMB1,217,308,000 (2019: RMB3,996,742,000) which is stated after discounting, the fair values of the remaining accounts and notes receivables approximate their carrying amounts as the impact of discounting is not significant. All accounts and notes receivable are denominated in RMB.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables mainly represent current portion of deductible VAT, prepayments for purchasing inventories and materials, deposits and other receivables.

	2020 RMB'000	2019 RMB'000
Deposits and other receivables	883,143	1,044,735
Prepayments	555,884	308,355
Deductible VAT	1,223,293	1,032,905
Provision under ECL	(100,127)	(103,370)
	2,562,193	2,282,625

As at 31 December 2020, prepayments, deposits and other receivables included prepayments to non-controlling shareholders of subsidiaries of RMB21,270,000 (2019: RMB76,793,000).

28. AMOUNTS DUE FROM/TO RELATED PARTIES

	2020 RMB'000	2019 RMB'000
Amounts due from related parties		
Amounts due from CPDL	14,120	7,912
Amounts due from CPI Holding	62,285	99
Amounts due from SPIC Financial	2,420	23
Amounts due from companies controlled by SPIC other than CPI Holding and SPIC Financial	597,811	421,151
Amounts due from associates (note (a))	334,121	160,893
Amounts due from joint ventures (note (b))	654,745	448
Amounts due from non-controlling shareholders of subsidiaries	73,982	16,031
	1,739,484	606,557
Less: Amount that is expected to realize after 12 months shown under non-current assets (Note 24)	–	(100,000)
Amount that is expected to realize within 12 months shown under current assets	1,739,484	506,557

28. AMOUNTS DUE FROM/TO RELATED PARTIES (CONTINUED)

	2020 RMB'000	2019 RMB'000
Amounts due to related parties		
Amounts due to CPI Holding (note (c))	**127,946**	113,777
Amounts due to SPIC Financial	**357,605**	429,428
Amounts due to companies controlled by SPIC other than CPI Holding and SPIC Financial	**708,687**	703,904
Amounts due to SPIC	**72,438**	78,758
Amounts due to associates	**54,466**	17,573
Amounts due to joint ventures	**20**	3
Amounts due to non-controlling shareholders of subsidiaries (note (d))	**552,990**	207,589
Amounts due to Industrial and Commercial Bank of China ("ICBC") and ABC	**–**	129,788
	1,874,152	1,680,820

Notes:

The analysis below includes those classified as part of the disposal groups classified as held for sale.

(a) The amounts due from associates are unsecured. Except for a balance of RMB55,080,000 (2019: RMB55,080,000) which is interest bearing at 1.75% (2019: 1.75%) per annum, a balance of RMB80,000,000 (2019: Nil) which is interest bearing at 3.75% (2019: Nil) per annum and a balance of RMB100,000,000 (2019: Nil) which is interest bearing at 4.34% (2019:Nil) per annum and repayable within one year, the remaining balances are interest free and repayable on demand.

(b) The amounts due from joint ventures are unsecured, interest free and repayable on demand, except for the amount due from Beibu Gulf Thermal Power of RMB261,300,000 (2019: RMB261,300,000) which is interest bearing at 5.66% (2019: 5.66%) per annum and repayable within one year. In 2019, Beibu Gulf Thermal Power ceased operation as a result of an unforeseeable adverse change in the operating environment of its thermal power project and a loss allowance for the amount due from such joint venture of RMB261,300,000 has been fully recognized in 2019 based on the impairment assessment under lifetime ECL, as the Group considers that the joint venture is in severe financial difficulty and it has no realistic prospect of recovery. Details of impairment assessment are set out in Note 46.2(d).

(c) The amounts due to CPI Holding are unsecured. Except for a balance of RMB106,440,000 (2019: RMB106,440,000) which is interest bearing at 1.75% (2019: 1.75%) per annum and repayable within one year, the remaining balances are interest free and repayable on demand.

(d) The amounts due to non-controlling shareholders of subsidiaries included dividend payable of RMB55,708,000 (2019: RMB39,086,000).

(e) Balances with related parties, other than those disclosed in notes (a) to (d) above, are unsecured, interest free and repayable on demand.

(f) The fair values of these balances approximate their carrying amounts as the impact of discounting is not significant.

29. DEBT INSTRUMENTS AT FVTOCI

The analysis below includes those classified as part of the disposal groups classified as held for sale.

As at 31 December 2020, debt instruments at FVTOCI represent certain notes receivable issued by third parties and related parties, and were normally with maturity period within 360 days (2019: 360 days). Notes receivable discounted and endorsed to banks, suppliers and related parties of RMB926,496,000, RMB492,359,000 and RMB439,490,000 respectively (2019: RMB594,314,000, RMB821,661,000 and RMB347,917,000 respectively) are derecognized by the Group (the "Derecognized Notes"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Notes 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 Derecognized Notes. Accordingly, it has derecognized the full carrying amounts of the Derecognized Notes and the associated trade payables and amounts due to related parties. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Notes and the undiscounted cash flows to repurchase these Derecognized Notes equal to their derecognized amounts. In the opinion of the Directors, the fair value of the Group's Continuing Involvement in the Derecognized Notes is not significant.

Details of impairment assessment are set out in Note 46.4(b).

30. RESTRICTED DEPOSITS

Restricted deposits are all restricted cash deposits. As at 31 December 2020, the restricted deposits of the Group are interest bearing from 0.30% to 0.35% (2019: 0.30% to 2.25%) per annum.

The restricted cash deposits mainly represent cash deposits held in the "joint control account" under the names of certain subsidiaries of the Group for the co-development of wind power plants with local government. The deposits are operated with the approvals from both parties and will be released upon the completion of power plant construction.

31. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash at banks and in hand (note (a))	792,599	496,265
Deposits at SPIC Financial (note (b))	523,752	671,095
Deposits at ICBC and ABC (note (c))	–	70,930
	1,316,351	1,238,290
Denominated in:		
RMB	1,287,282	1,173,922
United States Dollar ("USD")	7,406	4,391
HK$	21,663	59,977
	1,316,351	1,238,290

Notes:

The analysis below includes those classified as part of the disposal groups classified as held for sale.

	2020 RMB'000	2019 RMB'000
Analyzed for reporting purpose as:		
Cash and cash equivalents (excluding those classified as part of the disposal groups classified as held for sale)	1,316,351	1,238,290
Cash and cash equivalents included as part of the disposal groups classified as held for sale (Note 32)	1,980	767
	1,318,331	1,239,057

(a) The Group's cash at banks are interest bearing from 0.30% to 0.35% (2019: 0.30% to 2.03%) per annum.

(b) The Group's deposits at SPIC Financial are interest bearing at 1.38% (2019: 1.38%) per annum.

(c) ICBC and ABC are no longer considered as the related parties of the Group from December 2020 due to the Group and a related party acquired all their interests in the Group's subsidiaries (Note 49).

(d) The Group's cash and cash equivalents denominated in RMB of RMB1,059,042,000 (2019: RMB1,011,215,000) are deposited at banks and SPIC Financial in mainland China. The conversion of these RMB denominated balances into foreign currencies and the remittance of funds out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

32. ASSETS AND LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

CP Shentou

During the year ended 31 December 2018, Shanxi Shentou Power Generating Company Limited ("Shanxi Shentou"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement to form Sujin Energy, an associate of the Group, in Shanxi Province of the PRC. And the Company would use its 80% equity interest in CP Shentou as part of the capital contribution to Sujin Energy. Accordingly, the assets and liabilities attributable to CP Shentou had been classified as a disposal group held for sale and were separately presented in the consolidated statement of financial position as at 31 December 2018.

During the year ended 31 December 2019 and 2020, the abovementioned capital contribution has not yet completed due to certain events which are beyond the Group's control, including the outbreak of novel coronavirus (COVID-19). There have been epidemic preventive measures going on throughout Mainland China to cope with COVID-19 during the current year. Because the Group remains committed to the sale of CP Shentou, timely actions necessary to response to the unexpected conditions have been taken, a favourable resolution of the delaying factors is expected, and the transaction is highly probable to be completed within one year, the assets and liabilities attributable to CP Shentou continued to be classified as a disposal group held for sale and were separately presented in the consolidated statement of financial position. An impairment of RMB587,327,000 (2019: RMB85,521,000) is recognized as other losses in the consolidated income statement, being the difference of CP Shentou's fair value less costs to sell and its carrying amount as at 31 December 2020 (2019: 31 December 2019).

The fair value of CP Shentou assets had been determined based on pre-tax cash flow projections. Management prepared the cash flow projections into account of the actual and prior years' performance and market development expectations. The growth rates in electricity sold and pre-tax discount rate used are 0%–1.26% and 8.16% respectively. Management estimates the growth rates in electricity sold by reference to the expected demand for electricity in the region. In addition, management estimates the discount rate using pre-tax rate that reflects market assessments of the time value of money and the specific risks relating to CP Shentou. Other key assumptions applied in the impairment assessment include the expected tariff rates, fuel costs and staff costs.

Sichuan Xingtie Electrical Equipment Co., Ltd. ("Sichuan Xingtie")

In December 2020, Wu Ling Power Corporation ("Wu Ling Power"), a subsidiary of the Company, entered into a transfer agreement, pursuant to which Wu Ling Power transferred its 70% equity interest in Sichuan Xingtie to Beijing Guangyao Chunxi Enterprise Management Consulting Partnership (limited partnership), a third party. The abovementioned transaction is highly probable to complete within one year, and therefore, the assets and liabilities attributable to Sichuan Xingtie are classified as a disposal group held for sale and are separately presented in the consolidated statement of financial position as at 31 December 2020.

In both years ended 31 December 2020 and 2019, the operation of CP Shentou was included in the Group's "Coal-fired electricity" segment for segment reporting.

In the year ended 31 December 2020, the operation of Sichuan Xingtie was included in the Group's "Hydropower electricity" segment for segment reporting.

32. ASSETS AND LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE (CONTINUED)

Major classes of assets and liabilities of CP Shentou and Sichuan Xingtie as at 31 December 2020 and 31 December 2019 are as follows:

	2020 **RMB'000**	2019 RMB'000
Property, plant and equipment (note (a))	**4,246,775**	4,136,331
Right-of-use assets	**152,216**	149,730
Equity instruments at FVTOCI – unlisted equity investments in PRC	**17,877**	17,479
Deferred income tax assets	**–**	96,884
Accounts receivable (Note 26)	**117,141**	152,005
Prepayments, deposits and other receivables	**18,329**	33,986
Amounts due from related parties (Note 28)	**14,322**	21,598
Debt instruments at FVTOCI (Note 29)	**56,654**	73,018
Cash and cash equivalents	**1,980**	767
Other assets	**32,212**	30,688
Impairment of assets classified as held for sale	**(672,848)**	(85,521)
Total assets associated with disposal groups classified as held for sale	**3,984,658**	4,626,965
Deferred income	**20,160**	21,560
Long-term bank borrowings (Note 36) (note (b))	**928,435**	1,009,075
Long-term borrowings from SPIC (Note 37(a)) (note (b))	**200,000**	700,000
Long-term borrowings from ABC (Note 37(c)) (note (b))	**–**	292,000
Deferred tax liability	**265**	–
Accounts payables (Note 42)	**73,738**	110,283
Construction costs payable	**83,906**	79,924
Other payables and accrued charges	**97,004**	64,804
Taxation payable	**115**	–
Amounts due to related parties (Note 28)	**18,750**	35,580
Short-term bank borrowings (Note 36)	**699,300**	285,000
Short-term borrowings from SPIC (Note 37(d))	**600,000**	200,000
Short-term borrowings from ABC	**–**	300,000
Total liabilities associated with disposal groups classified as held for sale	**2,721,673**	3,098,226

Notes:

(a) During the current year, an impairment of RMB6,075,000 (2019: Nil) (Note 7) was provided for an asset no longer in use.

(b) Current portion of long-term bank borrowings and long-term borrowings from SPIC and ABC amounted to RMB290,000,000 (2019: RMB470,640,000), Nil (2019: RMB100,000,000) and Nil (2019: RMB292,000,000) respectively.

33. SHARE CAPITAL

(a) Share capital

	Number of shares	RMB'000
Ordinary shares, issued and fully paid:		
At 31 December 2020 and 2019	9,806,886,321	17,268,192

Note:

The total number of shares of the Company amounted to 9,806,886,321. There are no movements in the number of shares of the Company from 31 December 2018 to 31 December 2020.

(b) Share option scheme

There were no outstanding share options as at 31 December 2020 and 2019.

34. OTHER EQUITY INSTRUMENTS

On 5 November 2020, the Company issued the first tranche of RMB1,500,000,000 perpetual medium-term note ("the First Perpetual Medium-term Note") at an initial interest rate of 4.35% per annum. The proceeds from the issuance of the First Perpetual Medium-term Note after deducting the issuance cost were approximately RMB1,498,800,000. Coupon interest payments of 4.35% are paid annually in arrears on 5 November of each year starting from 2021, and may be deferred at the discretion of the Company. The first call date is 5 November 2023.

On 18 November 2020, the Company issued the second tranche of RMB1,500,000,000 perpetual medium-term note ("the Second Perpetual Medium-term Note") at an initial interest rate of 4.60% per annum. The proceeds from the issuance of the Second Perpetual Medium-term Note after deducting the issuance cost were approximately RMB1,498,800,000. Coupon interest payments of 4.60% are paid annually in arrears on 18 November of each year starting from 2021, and may be deferred at the discretion of the Company. The first call date is 18 November 2023.

35. RESERVES

	Merger reserve (note (a)) RMB'000	Capital reserve (note (b)) RMB'000	FVTOCI Reserve RMB'000	Statutory reserves (note (c)) RMB'000	Others RMB'000	Other reserves sub-total RMB'000	Retained earnings (note (d)) RMB'000	Total RMB'000
At 1 January 2020	306,548	2,406,069	1,150,111	1,309,998	389,286	5,562,012	7,489,871	13,051,883
Profit for the year	–	–	–	–	–	–	1,708,305	1,708,305
Profit attributable to holders of other equity instruments	–	–	–	–	–	–	(18,140)	(18,140)
Fair value loss on equity instruments at FVTOCI, net of tax	–	–	(242,127)	–	–	(242,127)	–	(242,127)
Fair value loss on debt instruments at FVTOCI, net of tax	–	–	(5,847)	–	–	(5,847)	–	(5,847)
Release on derecognition of debt instruments at FVTOCI, net of tax	–	–	1,623	–	–	1,623	–	1,623
Acquisition of non-controlling interests of subsidiaries (Note 50)	–	(106,927)	–	–	–	(106,927)	–	(106,927)
Transfer to statutory reserves	–	–	–	295,072	–	295,072	(295,072)	–
2019 final dividend (Note 13)	–	–	–	–	–	–	(1,274,895)	(1,274,895)
At 31 December 2020	306,548	2,299,142	903,760	1,605,070	389,286	5,503,806	7,610,069	13,113,875
At 1 January 2019	306,548	2,406,069	1,112,876	1,166,584	261,988	5,254,065	7,427,661	12,681,726
Profit for the year	–	–	–	–	–	–	1,284,381	1,284,381
Fair value gain on equity instruments at FVTOCI, net of tax	–	–	36,700	–	–	36,700	–	36,700
Fair value loss on debt instruments at FVTOCI, net of tax	–	–	(1,623)	–	–	(1,623)	–	(1,623)
Release on derecognition of debt instruments at FVTOCI, net of tax	–	–	2,158	–	–	2,158	–	2,158
Disposal of interests in subsidiaries without loss of control	–	–	–	–	127,349	127,349	–	127,349
Others	–	–	–	–	(51)	(51)	–	(51)
Transfer to statutory reserves	–	–	–	143,414	–	143,414	(143,414)	–
2018 final dividend (Note 13)	–	–	–	–	–	–	(1,078,757)	(1,078,757)
At 31 December 2019	306,548	2,406,069	1,150,111	1,309,998	389,286	5,562,012	7,489,871	13,051,883

Notes:

(a) Merger reserve

The merger reserve of the Group represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the registered capital of the subsidiaries transferred to the Company pursuant to the reorganization of the Group which took place in 2004.

(b) Capital reserve

Capital reserve represents the difference between the fair value of the net assets injected by the then owner of the relevant companies of the Group and the registered capital of these companies upon their establishment.

(c) Statutory reserves

Statutory reserves are non-distributable and the transfers to these funds are determined by the boards of directors of the relevant PRC subsidiaries in accordance with the relevant laws and regulations in the PRC.

35. RESERVES (CONTINUED)

Notes: *(Continued)*

(d) Retained earnings

Accumulated profits retained by the Group, its joint ventures included impairment losses on property, plant and equipment of certain joint ventures which have been accounted for in the Group's consolidated income statement in prior years. In the local statutory financial statements of the relevant subsidiaries and joint ventures, these impairment losses have been dealt with in the respective company's capital reserves in accordance with the relevant local accounting rules and regulations. Profit distributions made by these companies were based on the distributable reserves as reported in the statutory financial statements of the respective companies.

36. BANK BORROWINGS

Bank borrowings are analyzed as follows:

	2020 RMB'000	2019 RMB'000
Non-current		
Long-term bank borrowings		
– secured (note (d))	17,008,281	10,777,320
– unsecured (note (e))	38,066,320	15,597,216
	55,074,601	26,374,536
Less: Current portion of long-term bank borrowings	(9,715,493)	(3,827,170)
	45,359,108	22,547,366
Current		
Short-term bank borrowings		
– secured	848,777	–
– unsecured	10,648,158	7,505,977
Current portion of long-term bank borrowings	9,715,493	3,827,170
	21,212,428	11,333,147
	66,571,536	33,880,513

Notes:

The analysis below includes those classified as part of the disposal groups classified as held for sale.

(a) The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	2020 RMB'000	2019 RMB'000
RMB	65,160,890	31,802,815
USD	2,707,834	2,989,555
Japanese Yen ("JPY")	330,547	382,218
	68,199,271	35,174,588

36. BANK BORROWINGS (CONTINUED)

Notes: *(Continued)*

(b) The repayment terms of the long-term bank borrowings are analyzed as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**10,005,493**	4,297,810
Between one and two years	**4,153,258**	8,413,066
Between two and five years	**10,206,927**	6,411,291
Over five years	**31,637,358**	8,261,444
	56,003,036	27,383,611

(c) The effective interest rates per annum of the Group's bank borrowings are as follows:

	2020	2019
Short-term bank borrowings	**3.58%**	4.13%
Long-term bank borrowings (including current portion)	**4.30%**	4.36%

As at 31 December 2020 and 2019, the bank borrowings of the Group in fixed and floating rates are as follows:

	2020 RMB'000	2019 RMB'000
Fixed-rate borrowings	**22,864,186**	10,556,798
Floating-rate borrowings	**45,335,085**	24,617,790
	68,199,271	35,174,588

(d) As at 31 December 2020 and 2019, the bank borrowings of the Group are secured as follows:

	2020 RMB'000	2019 RMB'000
Secured by the equity of a non-controlling shareholder of a subsidiary	**202,500**	–
Secured by certain property, plant and equipment (Note15(c))	**129,620**	–
Secured by the rights on certain accounts receivable (Note 26(e))	**17,962,063**	11,122,075

(e) As at 31 December 2020, bank borrowings of RMB330,547,000 (2019: RMB353,621,000) were guaranteed by Hunan Provincial Finance Bureau.

(f) As at 31 December 2020, the Group had available unutilized banking facilities amounting to RMB39,288,347,000 (2019: RMB15,362,832,000).

(g) The fair values of short-term bank borrowings approximate their carrying amounts as the impact of discounting is not significant. The fair values of long-term bank borrowings at floating interest rates approximate their carrying amounts.

As at 31 December 2020, the carrying amounts and fair values of long-term bank borrowings at fixed interest rates amount to RMB15,961,321,000 (2019: RMB6,213,863,000) and RMB15,754,061,000 (2019: RMB6,162,393,000) respectively. The fair values are calculated using cash flows discount rates from 1% to 5.15% (2019: 1% to 4.7%) and are within level 3 of the fair value hierarchy.

37. BORROWINGS FROM RELATED PARTIES

	2020 RMB'000	2019 RMB'000
Non-current		
Long-term borrowings from SPIC (note (a))	**8,758,020**	5,380,000
Long-term borrowings from SPIC Financial (note (b))	**3,759,840**	3,328,000
Long-term borrowings from ICBC and ABC (note (c))	–	21,615,279
Long-term borrowings from other related parties (note (d))	**584,600**	50,000
	13,102,460	30,373,279
Less: Current portion of long-term borrowings from SPIC	**(500,000)**	(1,180,000)
Less: Current portion of long-term borrowings from SPIC Financial	**(480,000)**	(796,800)
Less: Current portion of long-term borrowings from ICBC and ABC	–	(1,951,735)
	12,122,460	26,444,744
Current		
Short-term borrowings from SPIC (note (e))	**900,000**	1,100,000
Short-term borrowings from CPI Holding	–	550,000
Short-term borrowings from SPIC Financial (note (f))	**300,000**	550,000
Short-term borrowings from ICBC and ABC (note (g))	–	2,654,794
Short-term borrowings from other related parties (note (h))	**647,210**	509,396
Current portion of long-term borrowings from SPIC (note (a))	**500,000**	1,180,000
Current portion of long-term borrowings from SPIC Financial (note (b))	**480,000**	796,800
Current portion of long-term borrowings from ICBC and ABC (note (c))	–	1,951,735
	2,827,210	9,292,725
	14,949,670	35,737,469

37. BORROWINGS FROM RELATED PARTIES (CONTINUED)

Notes:

The analysis below includes those classified as part of the disposal groups classified as held for sale.

(a) The long-term borrowings from SPIC are unsecured, interest bearing from 3.45% to 5.15% (2019: 2.94% to 5.15%) per annum and are wholly repayable within five years.

These borrowings are repayable as follows:

	2020 **RMB'000**	2019 RMB'000
Within one year	**500,000**	1,280,000
Between one and two years	**3,900,000**	550,000
Between two and five years	**1,600,000**	4,250,000
Over five years	**2,958,020**	–
	8,958,020	6,080,000

(b) The long-term borrowings from SPIC Financial of RMB50,000,000 (2019: RMB7,000,000) are secured against the rights on accounts receivable of a subsidiary (Note 26(e)), interest bearing at 4.51% (2019: 4.41%) per annum. The remaining balances are unsecured and interest bearing from 3.50% to 5.23% (2019: 4.28% to 5.23%) per annum.

The repayment terms of these borrowings are analyzed as follows:

	2020 **RMB'000**	2019 RMB'000
Within one year	**480,000**	796,800
Between one and two years	**1,360,000**	1,060,800
Between two and five years	**1,144,840**	802,400
Over five years	**775,000**	668,000
	3,759,840	3,328,000

As at 31 December 2020 and 2019, the long-term borrowings from SPIC Financial in fixed and floating rate are as follows:

	2020 **RMB'000**	2019 RMB'000
Fixed-rate borrowings	**1,715,000**	1,425,000
Floating-rate borrowings	**2,044,840**	1,903,000
	3,759,840	3,328,000

37. BORROWINGS FROM RELATED PARTIES (CONTINUED)

Notes: *(Continued)*

(c) As at 31 December 2020, ICBC and ABC ceased to be the related parties of the Group due to their disposals of the equity interests of certain subsidiaries of the Group in 2020 (Note 49), and the Group's borrowings from ICBC and ABC were included in bank borrowings (Note 36). As at 31 December 2019, RMB7,618,642,000 were secured against the rights on accounts receivable of certain subsidiaries, interest bearing from 4.41% to 4.90% per annum, RMB216,400,000 was guaranteed by a non-controlling shareholder of a subsidiary, interest bearing at 4.90% per annum and RMB196,820,000 was secured against property, plant and equipment of certain subsidiaries, interest bearing from 4.41% to 4.90% per annum. The remaining balances were unsecured and interest bearing from 4.28% to 4.90% per annum.

(d) As at 31 December 2020, the balance represents long-term borrowings from China Kangfu International Leasing Co., Ltd. ("Kangfu Leasing"), a company controlled by SPIC, which is unsecured and interest bearing from 4.66% to 5.95%.

(e) The short-term borrowings from SPIC as at 31 December 2020 are unsecured, interest bearing from 1.85% to 2.20% (2019: 2.20%) per annum and repayable within one year.

(f) The short-term fixed-rate borrowings from SPIC Financial as at 31 December 2020 are unsecured, interest bearing from 3.92% to 4.34% (2019: 3.92% to 4.34%) per annum and repayable within one year.

(g) As at 31 December 2020, ICBC and ABC ceased to be the related parties of the Group, and the Group's borrowings from ICBC and ABC were included in bank borrowings. As at 31 December 2019, the short-term borrowings were unsecured, interest bearing from 3.91% to 5.50% per annum and repayable within one year.

(h) The short-term borrowings from other related parties as at 31 December 2020 are unsecured, interest bearing from 3.47% to 3.75% (2019: 4.13% to 4.35%) per annum and repayable within one year.

(i) As at 31 December 2020, the Group had available unutilized facilities from SPIC Financial (2019: from SPIC Financial, ICBC and ABC) amounting to RMB10,100,000,000 (2019: RMB17,275,470,000).

(j) The fair values of short-term borrowings from related parties approximate their carrying amounts as the impact of discounting is not significant.

The fair values of long-term borrowings from related parties at floating interest rates approximate their carrying amounts.

As at 31 December 2020, the carrying amounts and fair values of long-term borrowings from related parties at fixed interest rates amounted to RMB8,257,620,000 (2019: RMB7,625,000,000) and RMB8,185,802,000 (2019: RMB7,067,046,000) respectively. The fair values are calculated using cash flows with discount rates from 3.55% to 5.15% (2019: 4.35% to 4.75%) and are within level 3 of the fair value hierarchy.

38. OTHER BORROWINGS

	2020 RMB'000	2019 RMB'000
Non-current		
Medium-term notes issued by the Company (note (a))	4,000,000	4,000,000
Long-term other borrowing from a third party (note (b))	100,000	–
	4,100,000	4,000,000
Less: Current portion of medium-term notes issued by the Company	(2,000,000)	–
	2,100,000	4,000,000
Current		
Super & short-term commercial paper issued by a subsidiary (note (c))	1,000,000	–
Super & short-term commercial paper issued by the Company (note (d))	500,000	500,000
Short-term other borrowings from third parties (note (e))	430,000	28,000
Current portion of medium-term notes issued by the Company (note (a))	2,000,000	–
	3,930,000	528,000
	6,030,000	4,528,000

Notes:

(a) The balance represents two unsecured RMB denominated medium-term notes, each of RMB2,000,000,000 issued by the Company in October 2018 and September 2019 respectively, for a term of three years, which are interest bearing at 4.15% and 3.55% per annum respectively. As at 31 December 2020, the medium-term note issued in October 2018 was classified and presented as current.

As at 31 December 2020, the fair value of the medium-term note amounted to RMB4,021,495,000 (2019: RMB4,067,258,000), which was the quoted prices in active market for identical liabilities and was within level 2 of fair value hierarchy.

As at 31 December 2020, the Company had available unutilized medium-term note facilities, amounting to RMB2,000,000,000 (2019: RMB2,000,000,000).

(b) As at 31 December 2020, the balance is unsecured and interest bearing at 4.45%. The fair value of the long-term other borrowing from a third party approximates its carrying amount as the impact of discounting is not significant.

(c) As at 31 December 2020, the balance represented the unsecured RMB denominated super & short-term commercial paper issued by Wu Ling Power in August 2020 for a term of 270 days which was interest bearing at 2.50% per annum.

(d) The balance represents an unsecured RMB denominated super & short-term commercial paper of RMB500,000,000 (2019: RMB500,000,000) issued by the Company in May 2020 (2019: September 2019) for a term of 270 days, which is interest bearing at 2.00% (2019: 2.80%) per annum.

As at 31 December 2020, the Company had available unutilized short-term note facilities, amounting to RMB500,000,000 (2019: RMB500,000,000).

(e) The balance is unsecured, interest bearing from 3.92% to 4.35% (2019: 3.92% to 4.35%) per annum and denominated in RMB. The fair value of the short-term other borrowing from a third party approximates its carrying amount as the impact of discounting is not significant.

39. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Lease liabilities payable:		
Within one year	543,387	681,477
Between one and two years	630,940	1,013,890
Between two and five years	859,475	1,268,913
Over five years	1,846,927	1,458,006
	3,880,729	4,422,286
Less: Amounts payable within 12 months shown under current liabilities	(543,387)	(681,477)
Amounts payable after 12 months shown under non-current liabilities	3,337,342	3,740,809

The balance as at 31 December 2020 includes certain lease agreements entered into with related parties, namely CPI Ronghe Financial Leasing Co., Ltd. and Kangfu Leasing for the use of property, plant and equipment for 1 to 16 years amounting to RMB1,616,156,000, of which RMB1,533,944,000 (2019: RMB1,386,688,000) are secured against the rights on accounts receivable of certain subsidiaries (Note 26(e)) with interest rates ranging from 4.01% to 7% (2019: 4.51% to 8%) per annum. Interest rates for the remaining balances are ranging from 4.01% to 7% (2019: 4.41% to 8%) per annum.

In 2020, SPIC Gushi New Energy Co., Ltd. ("Gushi New Energy"), a subsidiary of the Group, entered into a fifteen-year lease with Kangfu Leasing in respect of certain power generators and equipment and recognized right-of-use assets and lease liabilities respectively of RMB539,996,000 each.

Except for short-term leases and low value leases in which the Group applied recognition exemption, the Group has recognized additions of right-of-use assets and lease liabilities of RMB1,743,644,000 (2019: RMB1,799,709,000) (Note 16) and RMB1,245,529,000 (2019: RMB1,697,336,000) respectively.

40. PROVISIONS FOR OTHER LONG-TERM LIABILITIES

Provisions for other long-term liabilities represent provisions for inundation compensation caused by the construction of certain hydropower plants of the Group, namely the Baishi Power Plant, Tuokou Power Plant and Changzhou Hydropower Plant in accordance with the rules and regulations of inundation compensation.

The provisions are measured at the present value of the expenditures expected to be required to settle the compensations, based on the latest rules and regulations as set out by the relevant local government authorities in the PRC, compensation per unit of area, growth rate of compensation, and the expected useful lives of these hydropower plants, using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the compensations. The increase in the provisions due to the passage of time had been recognized as interest expense.

40. PROVISIONS FOR OTHER LONG-TERM LIABILITIES (CONTINUED)

Analysis of the provisions for inundation compensation as at 31 December 2020 and 2019 is as follows:

	2020 RMB'000	2019 RMB'000
Non-current liabilities	**1,868,610**	1,074,477
Current liabilities (included in other payables and accrued charges) (Note 43)	**103,224**	99,309
	1,971,834	1,173,786

The movements of the provisions for inundation compensation for the years ended 31 December 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	**1,173,786**	1,141,901
Recognition during the year (Note 15(d))	**775,305**	53,726
Interest expense (Note 10)	**103,969**	91,809
Payment	**(81,226)**	(113,650)
At 31 December	**1,971,834**	1,173,786

41. OTHER NON-CURRENT LIABILITIES

In December 2020, certain subsidiaries entered into several agreements in respect of the Asset Management Plan with Shenwan Hongyuan and transfer an aggregate amount of RMB950,000,000 of clean energy power price premium receivable (Note 26(c)) to the Asset Management Plan. Meanwhile, SPIC acts as the authorized agent of these subsidiaries to sign and execute all agreements in relation to the Asset Management Plan. SPIC has also committed that should any incident occur that disqualifies any receivables from the Asset Management Plan, SPIC will be solely responsible to purchase them.Under the Asset Management Plan, the Group neither transferred nor retained substantially all the risks and rewards of ownership of the accounts receivables and retained control of the underlying assets. And the Group recognized the transferred assets to the extent of its continuing involvement amounting to RMB112,575,000 as other non-current assets and the associated liabilities amounting to RMB112,575,000 as other non-current liabilities, which approximate the maximum exposure to losses from its continuing involvement in the underlying assets.

42. ACCOUNTS AND BILLS PAYABLES

	2020 RMB'000	2019 RMB'000
Accounts payable (note (a))	**657,443**	710,675
Bills payable (note (b))	**336,454**	163,401
	993,897	874,076

42. ACCOUNTS AND BILLS PAYABLES (CONTINUED)

Notes:

The analysis below includes those accounts and bills payable as part of the disposal groups classified as held for sale of RMB73,738,000 (2019: RMB110,283,000) (Note 32).

(a) The normal credit period for accounts payable generally ranges from 60 to 180 days. The ageing analysis of the accounts payable presented based on invoice date is as follows:

	2020 RMB'000	2019 RMB'000
1 to 6 months	678,832	763,627
7 to 12 months	74	1,544
Over 1 year	52,275	55,787
	731,181	820,958

(b) As at 31 December 2020, bills payable are bills of exchange with maturity period ranged from 3 to 12 months (2019: ranged from 3 to 12 months).

(c) The fair values of accounts and bills payables approximate their carrying amounts as the impact of discounting is not significant. All accounts and bills payables are denominated in RMB.

43. OTHER PAYABLES AND ACCRUED CHARGES

	2020 RMB'000	2019 RMB'000
Salaries and staff welfare payable	185,811	158,707
VAT payable	217,943	170,395
Other taxes payable	320,828	268,921
Repairs and maintenance expense payable	50,332	48,990
Insurance expense payable	4,461	10,202
Reservoir maintenance and usage fees payables	22,598	16,118
Interest payable	416,747	254,382
Current portion of provisions for other long-term liabilities (Note 40)	103,224	99,309
Consideration payable for acquisition of subsidiaries	15,366	143,718
Dividends payable to non-controlling shareholders of subsidiaries	71,684	5,625
Other payables and accrued operating expenses	700,055	501,825
	2,109,049	1,678,192

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to cash generated from operating activities

The figures includes those classified as part of the disposal groups classified as held for sale.

	2020 **RMB'000**	2019 RMB'000
Profit before taxation	**3,826,127**	2,714,163
Share of results of associates	**(283,952)**	(224,704)
Share of results of joint ventures	**(43,661)**	(25,475)
Finance income	**(330,352)**	(148,526)
Finance costs	**3,203,698**	3,165,881
Dividend income	**(47,228)**	(124,745)
Depreciation of property, plant and equipment	**4,935,156**	4,472,192
Depreciation of right of use assets	**386,338**	345,640
(Reversal)/provision of impairment of other receivables	**(3,243)**	29,106
Impairment of property plant and equipment	**31,350**	426,399
Impairment of assets classified as held for sale	**587,327**	166,441
Impairment of amount due from a joint venture	**–**	261,300
Impairment of goodwill	**84,599**	–
Amortization of other intangible assets	**55,050**	50,884
Amortization of deferred income	**(21,643)**	(5,977)
(Gain)/loss on disposal of property, plant and equipment	**(2,114)**	72,168
Gain on disposal of subsidiaries (pre-tax)	**(29,343)**	(51)
Gain on bargain purchase	**–**	(24,305)
Gain on previously held equity interest remeasured at acquisition date fair value	**(17,227)**	–
Gain on disposal of a joint venture	**(1,192)**	–
Operating cash flows before working capital changes	**12,329,690**	11,150,391
(Increase)/decrease in inventories	**(7,753)**	13,578
Increase in accounts receivable	**(1,858,283)**	(3,584,886)
(Increase)/decrease in prepayments, deposits and other receivables	**(125,863)**	214,090
(Increase)/decrease in amounts due from related parties	**(1,278,610)**	58,407
(Increase)/decrease in debt instruments at FVTOCI	**(334,659)**	94,372
Increase in accounts and bills payables	**119,821**	935,099
Increase in other payables and accrued charges	**101,308**	108,330
Increase/(decrease) in amounts due to related parties	**652,000**	(157,005)
Increase in deferred income	**15,507**	80
Cash generated from operations	**9,613,158**	8,832,456
Interest paid	**(3,559,967)**	(3,044,401)
Tax paid	**(551,315)**	(629,883)
Net cash generated from operating activities	**5,501,876**	5,158,172

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Analysis of changes in financing during the year

The figures includes those classified as part of the disposal groups classified as held for sale.

	Bank borrowings and other borrowings RMB'000	Borrowings from related parties RMB'000	Lease liabilities RMB'000	Non-controlling interests RMB'000
At 1 January 2020	39,702,588	37,229,469	4,422,286	14,813,134
Drawdown of bank borrowings	23,950,312	–	–	–
Repayment of bank borrowings	(18,111,858)	–	–	–
Drawdown of other borrowings	2,030,000	–	–	–
Repayment of other borrowings	(528,000)	–	–	–
Drawdown of borrowings from related parties	–	26,023,327	–	–
Repayment of borrowings from related parties	–	(19,386,788)	–	–
Payments for lease liabilities	–	–	(1,962,727)	–
Interest expense on lease liabilities (Note 10)	–	–	178,577	–
New finance leases (note (c)(ii))	–	–	842,307	–
Capital injections from non-controlling shareholders of subsidiaries	–	–	–	491,680
Acquisitions of subsidiaries (Note 48)	–	840,932	403,222	95,615
Profit for the year attributable to non-controlling interests	–	–	–	1,217,246
Dividends recognized as distributions to non-controlling interests	–	–	–	(953,229)
Reclassification of ABC and ICBC	27,973,511	(27,973,511)	–	–
Fair value gain on financial instruments at FVTOCI attributable to non-controlling interests	–	–	–	1,258
Acquisition of non-controlling interests	–	–	–	(2,969,866)
Disposal of subsidiaries	(600,491)	(983,759)	(2,936)	(303,728)
Exchange gain, net	(186,791)	–	–	–
At 31 December 2020	74,229,271	15,749,670	3,880,729	12,392,110

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Analysis of changes in financing during the year *(Continued)*

	Bank borrowings and other borrowings RMB'000	Borrowings from related parties RMB'000	Lease liabilities RMB'000	Non-controlling interests RMB'000
At 1 January 2019	35,661,674	27,386,295	5,612,637	12,899,114
Drawdown of bank borrowings	18,845,076	–	–	–
Repayment of bank borrowings	(16,366,591)	–	–	–
Drawdown of other borrowings	2,503,000	–	–	–
Repayment of other borrowings	(1,000,000)	–	–	–
Interest element for corporate bonds	41	–	–	–
Drawdown of borrowings from related parties	–	30,267,255	–	–
Repayment of borrowings from related parties	–	(20,916,656)	–	–
Payments for lease liabilities	–	–	(3,178,842)	–
Interest expense on lease liabilities (Note 10)	–	–	291,155	–
New finance leases (note (c)(ii))	–	–	882,255	–
Capital injections from non-controlling shareholders of subsidiaries	–	–	–	966,650
Acquisitions of subsidiaries	–	492,575	815,081	146,840
Profit for the year attributable to non-controlling interests	–	–	–	916,769
Dividends recognized as distributions to non-controlling interests	–	–	–	(529,583)
Fair value gain on financial instruments at FVTOCI attributable to non-controlling interests	–	–	–	21,933
Disposal of interests in subsidiaries without loss of control	–	–	–	403,717
Others	–	–	–	(12,306)
Exchange loss, net	59,388	–	–	–
At 31 December 2019	39,702,588	37,229,469	4,422,286	14,813,134

44. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Major non-cash transactions

The figures includes those classified as part of the disposal groups classified as held for sale.

(i) For the year ended 31 December 2020, accounts payable and amounts due to related parties of RMB492,359,000 (2019: RMB821,661,000) and RMB439,490,000 (2019: RMB347,917,000) (Note 29) respectively have been settled through endorsement of notes receivables.

(ii) During the year ended 31 December 2020, the Group entered into new lease agreements for the use of power generator equipment, leasehold land and buildings from 2 to 20 years. Upon the lease commencement, the Group recognized right-of-use assets of RMB842,307,000 (2019: RMB882,255,000) and lease liabilities of RMB842,307,000 (2019: RMB882,255,000). In addition, the Group acquired right-of-use assets of RMB813,751,000 (2019: RMB544,635,000) and lease liabilities of RMB403,222,000 (2019: RMB815,081,000) through acquisitions of certain subsidiaries (Note 48).

(iii) As at 30 June 2020, the Group acquired 40% interest in Guangxi Overseas, a joint venture, by contributing the cost of the equity interests in three subsidiaries of SPIC Guangxi Power Company Limited ("Guangxi Company") and RMB27,646,000 in cash (Note 47(a)).

45. CAPITAL COMMITMENTS

The analysis below includes those classified as part of the disposal groups classified as held for sale.

	2020 **RMB'000**	2019 RMB'000
Contracted but not provided for in respect of		
– property, plant and equipment	**11,049,244**	21,300,790
– capital contribution to associates	**1,624,833**	971,653
	12,674,077	22,272,443

46. FINANCIAL INSTRUMENTS

46.1.Categories of financial instruments

The analysis below includes those classified as part of the disposal groups classified as held for sale.

	2020 **RMB'000**	2019 RMB'000
Financial assets		
Equity investment at FVTOCI	**3,079,829**	3,380,287
Financial assets at amortized cost	**12,403,503**	10,499,538
Debt instruments at FVTOCI	**485,510**	185,436
	15,968,842	14,065,261
Financial liabilities		
Amortized cost	**105,887,836**	87,126,184

46.2 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The analysis below includes those classified as part of the disposal groups classified as held for sale, unless otherwise stated.

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk primarily with respect to JPY, HK$ and USD.

The Group's assets and liabilities, and transactions arising from its operations primarily do not expose to material foreign exchange risk. Other than certain bank borrowings, and certain cash and cash equivalents, the Group's assets and liabilities are primarily denominated in RMB. The Group generates RMB from sales in the PRC to meet its liabilities denominated in RMB.

As at 31 December 2020, the Group was exposed to foreign exchange risk primarily with respect to certain bank borrowings which were denominated in USD and JPY, and certain cash and cash equivalents which were denominated in USD and HK$, details of which have been disclosed in Notes 36 and 31 respectively.

The Group manages its foreign currency risk by closely monitoring the movements in the foreign currency rates.

RMB experienced certain appreciation against USD, JPY and HK$ during the year which is the major reason for the exchange gain recognized by the Group for the year. Further exchange rate fluctuation of USD, JPY and HK$ against RMB will affect the Group's financial position and results of operations.

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.2 Financial risk management objectives and policies *(Continued)*

(a) Foreign exchange risk *(Continued)*

As at 31 December 2020, if RMB had weakened/strengthened by 5% (2019: 5%) against JPY, with all other variables held constant, the Group's post-tax profit for the year would have been RMB12,396,000 lower/higher (2019: RMB14,333,000 lower/higher), mainly as a result of foreign exchange differences on translation of JPY denominated borrowings.

As at 31 December 2020, if RMB had weakened/strengthened by 5% (2019: 5%) against USD, with all other variables held constant, the Group's post-tax profit for the year would have been RMB101,266,000 lower/higher (2019: RMB149,258,000 lower/higher), mainly as a result of net foreign exchange differences on translation of USD denominated borrowings and bank deposits.

As at 31 December 2020, if RMB had weakened/strengthened by 5% (2019: 5%) against HK$, with all other variables held constant, the Group's post-tax profit for the year would have been RMB1,621,000 higher/lower (2019: RMB2,912,000 higher/lower), mainly as a result of foreign exchange differences on translation of HK$ denominated bank deposits.

In the Group management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(b) Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-bearing assets mainly include amounts due from an associate and a joint venture, cash at banks and deposits at SPIC Financial, details of which have been disclosed in Notes 28 and 31. The Group's exposure to changes in interest rates is mainly attributable to its borrowings and lease liabilities, details of which have been disclosed in Notes 36 to 39. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas borrowings and lease liability carried at fixed rates expose the Group to fair value interest rate risk, details of which have been disclosed in Notes 36 to 39. The Group has not used any specific interest rate swap contracts to hedge its exposure to interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of PBOC interest rate arising from the Group's RMB denominated floating rate bank borrowings.

As at 31 December 2020, if the interest rates on bank borrowings and borrowings from related parties had been 50 basis points (2019: 50 basis points) higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the year (net of interest capitalized) would have been RMB293,162,000 lower/higher (2019: RMB223,580,000 lower/higher) mainly as a result of higher/lower interest expense on floating rate bank borrowings and borrowings from related parties.

As at 31 December 2020, if the interest rates on cash at banks and deposits at SPIC Financial (2019: at SPIC Financial, ICBC and ABC) had been 50 basis points (2019: 50 basis points) higher/lower than the prevailing interest rates, with all other variables held constant, post-tax profit for the year would have been RMB4,794,000 higher/lower (2019: RMB4,655,000 higher/lower) mainly as a result of higher/lower interest income on floating rate cash at banks and deposits at SPIC Financial (2019: at SPIC Financial, ICBC and ABC).

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.2 Financial risk management objectives and policies *(Continued)*

(b) Interest rate risks *(Continued)*

Total interest income from financial assets that are measured at amortized cost is as follows:

	2020 RMB'000	2019 RMB'000
Interest income		
Restricted deposits	**155**	189
Cash and cash equivalents	**14,671**	15,337
Amounts due from related parties	**33,162**	36,247
Discounting effect on clean energy power price premium receivable	**282,364**	96,753
Total interest income	**330,352**	148,526

Interest expense on financial liabilities not measured at FVTPL:

	2020 RMB'000	2019 RMB'000
Interest expense on financial liabilities at amortized cost	**3,288,491**	3,100,764

(c) Price risk

The Group is exposed to equity securities price risk in respect of investments held by the Group which are classified as equity instruments at FVTOCI. Most of the Group's equity instruments at FVTOCI are publicly traded. However, the Group does not trade these investments as such investments are held for strategic rather than trading purpose. The stock market is relatively more volatile in recent years. As at 31 December 2020, if the quoted market price of the listed equity investments held by the Group had increased/decreased by 10% to 30% (2019: 10% to 30%), with all other variables held constant, the results of the Group would have been unaffected as these investments are classified as equity instruments at FVTOCI; and equity would have been RMB193,998,000 to RMB581,994,000 (2019: RMB219,338,000 to RMB658,013,000) higher/lower, mainly as a result of the changes in fair value of equity instruments at FVTOCI.

In addition, the Group also invested in certain unquoted equity securities for investees operating in financial services, coal production, water supply and electricity trading services industry sectors for long term strategic purposes which had been designated as at FVTOCI. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The Group is also exposed to commodity price risk mainly in relation to the coal price. The Group manages such risk by entering into certain bulk purchase agreements with coal suppliers.

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.2 Financial risk management objectives and policies *(Continued)*

(d) Credit risk and impairment test

The Group's credit risk primarily arises from accounts receivable (Note 26), deposits and other receivables (Note 27), amounts due from related parties (Note 28), debt instruments at FVTOCI (Note 29), restricted deposits (Note 30), and cash and cash equivalents (Note 31). The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Accounts receivable arising from contracts with customers (including those under other non-current assets)

The Group is exposed to significant concentration of credit risk in terms of electricity sales as a majority of the Group's sales of electricity were made to regional and provincial power grid companies. The Group normally grants credit terms ranged from 15 to 90 days to these power grid companies except for the clean energy power price premium. The collection of such clean energy power price premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relatively long time for settlement. The Group only accepts bills issued or guaranteed by reputable PRC banks if accounts receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed or discounted bills is insignificant. The Group normally does not require collaterals from trade debtors. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on accounts receivable individually. Ageing analysis of the Group's accounts receivable is disclosed in Note 26 and management does not expect any losses from non-performance by these counterparties.

Deposits, other receivables and amounts due from related parties

The counterparties of the Group's deposits, other receivables and amounts due from related parties are mainly large state-owned enterprises with good credit quality and subsidiaries of SPIC. Under ECL model upon application of HKFRS 9, management makes periodic collective assessment as well as individual assessment on the recoverability of all loans and receivables, based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the relevant debtors. The Group's historical experience in collection of loans and receivables falls within the recorded allowances and the Directors are of the opinion that adequate provision for uncollectible receivables has been made.

Restricted deposits and cash and cash equivalents

Substantially all of the Group's cash and deposits are held in major financial institutions and SPIC Financial, which management believes are of high credit quality. Therefore, the Group performs impairment assessment under 12m ECL model upon application of HKFRS 9 on restricted deposits and cash and cash equivalents on collective basis. Management does not expect any losses from non-performance by these counterparties.

Debt instruments at FVTOCI

The Group's debt instruments at FVTOCI are Group's certain notes receivable which were considered as within the hold to collect contractual cash flows and to sell business model. The notes which have been classified as debt instruments at FVTOCI are issued by major financial institutions with high credit quality and therefore are considered to be low credit risk investments. Therefore, the Group performs impairment assessment under 12m ECL model upon application of HKFRS 9 on debt instruments at FVTOCI on individual basis. For the year ended 31 December 2020, no ECL on debt instruments at FVTOCI has been recognized.

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.2 Financial risk management objectives and policies *(Continued)*

(d) Credit risk and impairment test *(Continued)*

Debt instruments at FVTOCI (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, including accounts receivable, deposits and other receivables, amounts due from related parties, other non-current assets, debt instruments at FVTOCI, restricted deposits and cash and cash equivalents, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount	
					2020	2019
					RMB'000	RMB'000
Debt instruments at FVTOCI	29 and 32	A1	Note (i)	12m ECL	**485,510**	185,436
Financial assets at amortized cost:						
Amounts due from related parties	24, 28 and 32	N/A	Note (ii)	12m ECL	**1,753,806**	628,155
				Lifetime ECL (credit impaired)	**261,300**	261,300
Restricted deposits	30	A1	Note (i)	12m ECL	**35,393**	39,050
Cash and cash equivalents	31 and 32	A1	Note (i)	12m ECL	**1,318,331**	1,239,057
Deposits and other receivables	27 and 32	N/A	Note (iii)	12m ECL	**854,712**	1,031,738
				Lifetime ECL (credit impaired)	**34,982**	39,679
Accounts receivable	26 and 32	A1	Note (iv)	Lifetime ECL (not credit impaired)	**7,044,784**	3,550,903
Notes receivable	26	A1	Note (iv)	12m ECL	**179,169**	13,893
Other non-current assets	24	A1	Note (v)	12m ECL	**1,217,308**	3,996,742

Notes:

(i) Debt instruments at FVTOCI, restricted deposits and cash and cash equivalents:

At the end of the reporting period, the Directors have performed impairment assessment under 12m ECL model for debt instruments at FVTOCI, restricted deposit and cash and cash equivalents, and concluded that there has been no significant increase in credit risk since initial recognition. Since the counterparties are in major financial institutions with high credit ratings assigned by international credit-rating agencies, the probability of defaults of the counterparties are insignificant and accordingly, no allowance for credit losses is provided for these financial assets.

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.2 Financial risk management objectives and policies *(Continued)*

(d) Credit risk and impairment test *(Continued)*

Debt instruments at FVTOCI (Continued)

Notes: *(Continued)*

(ii) Amounts due from related parties:

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. The management assessed no past due situation based on historical payment, therefore concluded that these receivables have low credit risk and remote possibility of default.

	Past due RMB'000	Not past due/ No fixed repayment terms RMB'000	Total RMB'000
2020	**261,300**	**1,753,806**	**2,015,106**
2019	–	889,455	889,455

For all amounts due from related parties, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition or the financial instrument is not determined to have low credit risk at the reporting date, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue costs or effort.

(iii) Deposits and other receivables:

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Deposits and other receivables
A	The counterparties can honor the terms of the contracts. There is no reason to doubt their ability to fulfill the payment on a timely basis.	12m ECL
B	The counterparties frequently repay after due dates but usually settle after due date.	12m ECL
C	The counterparties cannot repay in full and there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
D	There is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.2 Financial risk management objectives and policies *(Continued)*

(d) Credit risk and impairment test *(Continued)*

Debt instruments at FVTOCI (Continued)

Notes: *(Continued)*

(iii) Deposits and other receivables: *(Continued)*

	Past due RMB'000	Not past due/ No fixed repayment terms RMB'000	Total RMB'000
2020	**183,643**	**706,051**	**889,694**
2019	183,643	887,774	1,071,417

For the year ended 31 December 2020, the Group reversed RMB3,243,000 (2019: recognized RMB29,106,000) impairment allowance based on the provision matrix for other receivables arising from revenue and incomes other than sales of electricity. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

Provision matrix-internal credit rating

	2020		2019	
Internal credit rating	**Average loss rate**	**Deposits and other receivables RMB'000**	Average loss rate	Deposits and other receivables RMB'000
A	**–**	**407,595**	–	594,561
B	**14.57%**	**447,117**	14.57%	437,177
D	**100.00%**	**34,982**	100.00%	39,679
		889,694		1,071,417

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.2 Financial risk management objectives and policies *(Continued)*

(d) Credit risk and impairment test *(Continued)*

Debt instruments at FVTOCI (Continued)

Notes: *(Continued)*

(iii) Deposits and other receivables: *(Continued)*

Provisional matrix-internal credit rating *(Continued)*

The following table shows reconciliation of loss allowances that have been recognized for other receivables:

	12m ECL RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019	34,585	39,679	74,264
– Impairment losses recognized	29,106	–	29,106
As at 31 December 2019	63,691	39,679	103,370
– Impairment losses recognized/(reversed)	**1,454**	**(4,697)**	**(3,243)**
As at 31 December 2020	**65,145**	**34,982**	**100,127**

(iv) Accounts receivable:

As a majority of the Group's sales of electricity were made to regional and provincial power grid companies, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL individually for accounts receivable. At the end of the reporting period, the Directors have performed impairment assessment for accounts receivable based on external credit rating and corresponding default rate issued by international credit-rating agencies, and concluded that the credit losses of the accounts receivable as at 31 December 2020 were insignificant and therefore no allowance is provided for accounts receivable.

(v) Other non-current assets

For the year ended 31 December 2020, other non-current assets include clean energy power price premium of RMB1,217,308,000 (2019: RMB3,996,742,000). The collection of such clean energy power price premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relatively longer time for settlement. The Group periodically makes credit assessment of the counterparties, which are regional and provincial power grid companies by reference to external ratios to evaluate the 12m ECL.

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.2 Financial risk management objectives and policies *(Continued)*

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of credit facilities.

The Group's primary cash requirements have been for construction of power plants, additions of and upgrades on property, plant and equipment, payment on related debts and payment for purchases and operating expenses. The Group finances its working capital requirements through a combination of internal resources, borrowings from related parties, and short-term and long-term bank and other borrowings and perpetual securities.

As at 31 December 2020, the net current liabilities of the Group amounted to RMB25,171,942,000 (including assets and liabilities classified as held for sale). Management monitors regularly the Group's current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of facilities to meet its working capital requirements. As at 31 December 2020, the Group had available unutilized facilities in writing from banks and from related parties amounted to approximately RMB12,500,000,000 as well as other bank committed facilities amounted to approximately RMB39,388,347,000, totalling approximately RMB51,888,347,000 as disclosed in Notes 36(f), 37(i), 38(a) and 38(d) respectively, and will refinance and/or restructure certain short-term loans into long-term loans or consider alternative sources of financing, where applicable.

The table below analyzes the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash outflows by maturity and its carrying amounts. (The table below excludes those classified as part of the disposal groups classified as held for sale.)

	Within one year RMB'000	Between one and two years RMB'000	Between two and five years RMB'000	Over five years RMB'000	Total contractual undiscounted cash outflows RMB'000	Total Carrying amount RMB'000
At 31 December 2020						
Payables and accrued charges	**9,238,621**	**–**	**–**	**–**	**9,238,621**	**9,238,621**
Amounts due to related parties	**1,876,015**	**–**	**–**	**–**	**1,876,015**	**1,874,152**
Bank borrowings	**22,124,492**	**4,510,411**	**11,523,519**	**36,330,325**	**74,488,747**	**66,571,536**
Borrowings from related parties	**3,019,603**	**5,568,879**	**3,328,915**	**4,662,230**	**16,579,627**	**14,949,670**
Other borrowings	**4,098,977**	**2,280,586**	**–**	**–**	**6,379,563**	**6,030,000**
Lease liabilities	**547,129**	**649,237**	**887,477**	**2,701,687**	**4,785,530**	**3,880,729**
At 31 December 2019						
Payables and accrued charges	8,230,154	–	–	–	8,230,154	8,230,154
Amounts due to related parties	1,682,683	–	–	–	1,682,683	1,680,820
Bank borrowings	12,430,418	9,202,573	8,193,912	13,154,895	42,981,798	33,880,513
Borrowings from related parties	10,455,430	4,314,355	13,384,860	17,199,599	45,354,244	35,737,469
Other borrowings	611,807	2,065,718	2,000,000	–	4,677,525	4,528,000
Lease liabilities	689,844	1,033,730	1,312,646	2,202,645	5,238,865	4,422,286

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in light of changes in economic condition. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, issue new shares, and sell assets to reduce debt or to obtain bank and other borrowings.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total debts (including current and non-current borrowings as well as lease liabilities as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated statement of financial position, plus net debt.

The table below analyzes the Group's capital structure (the figures include those classified as part of the disposal groups classified as held for sale).

	2020 **RMB'000**	2019 RMB'000
Bank borrowings (Notes 32 and 36)	**68,199,271**	35,174,588
Borrowings from related parties (Notes 32 and 37)	**15,749,670**	37,229,469
Other borrowings (Note 38)	**6,030,000**	4,528,000
Lease liabilities (Note 39)	**3,880,729**	4,422,286
Less: Cash and cash equivalents (Notes 31 and 32)	**(1,318,331)**	(1,239,057)
Net debt	**92,541,339**	80,115,286
Total equity	**45,789,917**	45,133,209
Total capital	**138,331,256**	125,248,495
Gearing ratio	**67%**	64%

46.4 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into 3 levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.4 Fair value estimation *(Continued)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the year. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise listed equity investments classified as equity instruments at FVTOCI.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The figures below includes those classified as part of the disposal groups classified as held for sale.

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis:

Financial assets	Fair value 2020 RMB'000	Fair value 2019 RMB'000	Fair value hierarchy	Valuation technique and key inputs
Equity instruments at FVTOCI – Shanghai Power	**2,586,640**	2,924,502	Level 1	Quoted market prices at the end of reporting period (current bid price).
Equity instruments at FVTOCI – Unlisted equity investments in the PRC	**493,189**	455,785	Level 3	Market approach – Fair value of such equity instruments is estimated by calculating the appropriate value ratio based on market multiples derived from a set of comparable listed companies in the same or similar industries. Key inputs are market value of the equity interest, price-to-book ratio (0.43-2.96) of comparable companies and the marketability discount (25.60%-30.78%). The fair value measurement is positively correlated to the above ratios and negatively correlated to the discount for lack of marketability.
Debt instruments at FVTOCI	**485,510**	185,436	Level 3	Discounted cash flow at a comparable discount rate of 4.75%.

46. FINANCIAL INSTRUMENTS (CONTINUED)

46.4 Fair value estimation *(Continued)*

(b) Reconciliation of level 3 fair value measurements – Financial assets at FVTOCI:

	2020 **RMB'000**	2019 RMB'000
At 1 January	**641,221**	438,538
Additions	**2,172,913**	1,869,520
Derecognition (Note 29)	**(1,858,345)**	(1,763,892)
Total gains in other comprehensive income	**22,910**	97,055
At 31 December	**978,699**	641,221

Included in other comprehensive income is a gain of RMB24,853,000 (2019: RMB97,055,000) relating to equity instruments at FVTOCI–unlisted equity investments in the PRC and debt instruments at FVTOCI held at the end of the current reporting period and, which is reported as changes of FVTOCI reserve.

47. LOSS OF CONTROL OVER SUBSIDIARIES

(a) Formation of a joint venture

On 30 June 2020, Guangxi Company, a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "Joint Venture Agreement") with Jilin Electric Power Co., Ltd., China Power Complete Equipment Co., Ltd. ("CEC") and Sinohydro Bureau 11 Co., Ltd., pursuant to which the parties agreed to form Guangxi Overseas, a joint venture in Nanning, Guangxi Zhuang Autonomous Region of the PRC.

Pursuant to the Joint Venture Agreement, the contribution by Guangxi Company included RMB27,646,000 through cash directly and 100% equity interests in SPIC Guangxi Lingchuan Wind Power Ltd, 55% equity interests in Guangxi Lingshan Dahuaishan New Energy Ltd ("Lingshan Wind Power") and 35.35% equity interests in Jinzishan Wind Power (subsidiaries of Guangxi Company). The value of the equity interests in these three subsidiaries was RMB492,354,000, which was determined by the joint venture parties after arm's length negotiation and taking into account the valuation reports prepared by an independent valuer, its assumption bases and valuation methods, and the net asset value of the above three subsidiaries.

47. LOSS OF CONTROL OVER SUBSIDIARIES (CONTINUED)

(a) Formation of a joint venture *(Continued)*

As at 30 June 2020, the Group completed the transfer of the equity interests in these three subsidiaries and they ceased to be the subsidiaries of Guangxi Company; instead, the investments retained in the former subsidiaries of Lingshan Wind Power (45%) and Jinzishan Wind Power (15.22%) were accounted for as investments in associates at their fair values at the date when control is lost. Besides, after the contribution by cash and equity interests in those three subsidiaries, the Group owns 40% interest in Guangxi Overseas which was accounted for as investment in a joint venture. The Group recorded a disposal gain (pre-tax) of RMB32,017,000 (Note 49(a)(iv)).

CEC is a wholly-owned subsidiary of SPIC. SPIC is the ultimate controlling shareholder of the Company, which is interested in approximately 60.04% of the issued share capital of the Company. As such, CEC is a related party and a connected person of the Company as defined in the Listing Rules. Accordingly, the formation of Guangxi Overseas constitutes a connected transaction of the Company under the Listing Rules.

On 29 July 2020, SPIC Guangxi Changzhou Hydropower Development Co., Ltd. ("Changzhou Hydropower"), a subsidiary of the Company, entered into an equity transfer agreement with Guangxi Overseas, pursuant to which Changzhou Hydropower has agreed to sell, and Guangxi Overseas has agreed to acquire the 45% equity interests of Lingshan Wind Power at a consideration of RMB93,618,000. The Group did not recognize any gain or loss on the disposal as the consideration approximated the carrying amount of Lingshan Wind Power at the transaction date.

(b) Loss of control in other subsidiaries

On 21 January 2020, the Group disposed of its 65% equity interests in a subsidiary, Xinlongxida Hydroelectricity Development Company Limited (新龍縣西達水電開發有限公司) at a consideration of RMB8,000,000 and recorded a disposal gain (pre-tax) of RMB715,000.

On the 18 March 2020 meeting, the shareholders of Hailuo Power Sales, a then subsidiary of the Group, resolved a change of articles of association that the Group can appoint 2 directors in the 5-member board of directors, whereas the other shareholder can appoint 3 directors. Accordingly, the Group could not exercise control on Hailuo Power Sales after the reassignment of board seating and Hailuo Power Sales is accounted for as an associate since then.

On 15 December 2020, SPIC Anhui New Energy Development Co., Ltd. (國家電力投資集團安徽新能源有限公司)("Anhui Company"), a wholly-owned subsidiary of the Group disposed of its 51% equity interests in Huaibei Guohuai New Energy Co., Ltd (淮北國淮新能源有限公司) ("Huaibei Guohuai"), a then subsidiary of the Group, to CPI Holding at a consideration of RMB11,130,400 and recorded a disposal loss (pre-tax) of RMB3,389,000 (Note 49(a)(iv)).

Upon loss of control over these subsidiaries, the Group recognized a disposal gain (pre-tax) amounting to RMB29,343,000 (Note 7), derecognized non-controlling interests of RMB303,728,000 and resulted in net cash inflows of RMB5,653,000 during the year ended 31 December 2020.

48. ACQUISITIONS OF SUBSIDIARIES

During the year ended 31 December 2020, the Company and SPIC Hubeilvdong New Energy Co., Ltd. ("Hubei Company"), a subsidiary of the Company, acquired certain equity interests in nine entities (collectively referred to as "Acquired Entities"). These acquisitions have been accounted for using the acquisition method when being acquired. The Acquired Entities were all individually not material. No goodwill or newly identified assets arose as a result of these acquisitions.

Consideration transferred

	2020 RMB'000
Cash	152,477

Assets and liabilities recognized at the date of acquisition

	2020 RMB'000
Current assets	
Cash and cash equivalents	299,418
Accounts receivable	7,547
Prepayments, deposits and other receivables	167,501
Non-current assets	
Property, plant and equipment	780,112
Right-of-use assets	813,751
Other non-current assets	215,055
Current liabilities	
Accounts and bills payables	(616,436)
Other payables and accrued charges	(120,602)
Borrowings from related parties	(840,932)
Lease liabilities	(403,222)
Net identifiable assets acquired	302,192

48. ACQUISITIONS OF SUBSIDIARIES (CONTINUED)

Non-controlling interest

The non-controlling interests in Acquired Entities recognized at the acquisition date were measured by reference to the proportionate share of recognized amounts of net assets of the Acquired Entities and amounts to RMB95,615,000.

Goodwill arising on acquisition

	2020 RMB'000
Consideration transferred	152,477
Add: Non-controlling interests	95,615
Add: Joint venture transfer to subsidiary	54,100
Less: Net identifiable assets acquired	(302,192)
	–

Net cash inflows arising on acquisition

	2020 RMB'000
Consideration paid in cash	(152,477)
Less: Cash and cash equivalents acquired	299,418
	146,941

49. RELATED PARTY TRANSACTIONS

The Group is controlled by CPI Holding, an intermediate holding company which directly holds approximately 28.9% (2019: 28.9%) of the Company's shares, and indirectly holds approximately 27.1% (2019: 27.1%) of the Company's shares through CPDL. As at 31 December 2020, CPI Holding owned approximately 56.0% (2019: 56.0%) equity interest of the Company in aggregate. In addition, SPIC International Finance (Hong Kong) Company Limited, a wholly-owned subsidiary of SPIC and also a fellow subsidiary of the Company, held 4.0% (2019: Nil) of the Company's shares as at 31 December 2020. The Directors regard SPIC, a wholly state-owned enterprise established in the PRC, which is the beneficial owner of CPI Holding, as the ultimate holding company.

SPIC is controlled by the PRC government which also owns a significant portion of the productive assets in the PRC. In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include SPIC, its subsidiaries, joint ventures and associates (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and SPIC as well as their close family members.

For the purpose of the related party transactions disclosures, the Directors believe that it is also meaningful to disclose the related party transactions with SPIC companies for the interests of financial statements users. The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements. Some of the related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

During the year of 2018, ABC Financial Asset Investment Co., Ltd. ("ABC Financial"), a subsidiary of ABC, and ICBC Financial Asset Investment Co., Ltd. ("ICBC Financial"), a subsidiary of ICBC, have respectively become non-controlling shareholders of Huaihua Yuanjiang Power Development Co., Ltd. ("Yuanjiang Power") and Changzhou Hydropower, both being significant subsidiaries of the Group. ABC and its subsidiaries (collectively the "ABC Group") and ICBC and its subsidiaries (collectively the "ICBC Group") could exercise significant influence through these subsidiaries and were identified as related parties to the Group accordingly. On 29 October 2020, Wu Ling Power re-purchased all 6.86% and 34.32% equity interests of Yuanjiang Power from ABC Financial and ICBC Financial respectively by a cash consideration of RMB3,000,000,000. In December 2020, Guangxi Overseas (a joint venture of the Group) acquired all 11.69% and 23.38% equity interests of Changzhou Hydropower from ABC Financial and ICBC Financial respectively. Upon completion of these transactions, ABC Financial and ICBC Financial ceased to hold any equity interest in the Group's subsidiaries and ceased to be recognized as related parties of the Group.

49. RELATED PARTY TRANSACTIONS (CONTINUED)

The following is a summary of significant related party transactions which, in the opinion of the Directors, are entered into in the ordinary course of the Group's business in addition to the related party information shown elsewhere in the consolidated financial statements.

(a) Income

	Notes	2020 RMB'000	2019 RMB'000
Interest income from:	(i)		
– SPIC Financial		**17,668**	10,110
– ICBC and ABC		**3,224**	1,274
– associates		**10,675**	8,628
– a joint venture		**–**	16,235
– non-controlling interests		**1,595**	–
Dividend income from:	(ii)		
– Shanghai Power		**47,228**	119,885
– SPIC Financial		**–**	4,860
Rental income from:	(iii)		
– joint ventures		**1,558**	513
Income from provision of repairs and maintenance services to:	(iii)		
– SPIC		**142**	189
– companies controlled by SPIC other than CPI Holding and SPIC Financial		**5,338**	10,877
– an associate		**8,437**	6,382
Income from provision of IT and other services to:	(iii)		
– CPI Holding		**47,208**	106
– companies controlled by SPIC other than CPI Holding and SPIC Financial		**34,188**	14,554
– associates		**11,193**	5,526
Sales of coal, coal by-products and spare parts to:	(iii)		
– companies controlled by SPIC other than CPI Holding and SPIC Financial		**3,399**	12,017
– associates		**172,535**	135,998
Provision of power generation to:	(iii)		
– companies controlled by SPIC other than CPI Holding and SPIC Financial		**–**	2,476
Sales of heat to:	(iii)		
– non-controlling interests		**35,752**	22,036
– a joint venture		**–**	1,447
Sales of unused power production quota to companies controlled by SPIC other than CPI Holding and SPIC Financial	(iii)	**9,270**	66,353
Gain on disposal of subsidiaries, net (pre-tax)	(iv)	**28,628**	–

Notes:

(i) Interest income from these related parties are charged at interest rates from 0.30% to 5.66% (2019: 0.35% to 5.66%) per annum.

(ii) Dividend income from Shanghai Power and SPIC Financial was recognized based on dividends declared by the respective boards of directors in proportion to the Group's interests in these companies.

(iii) These incomes were charged in accordance with the terms of the relevant agreements.

(iv) As disclosed in Note 47(a), the Group contributed cash and equity interests of certain subsidiaries to Guangxi Overseas and recognized a disposal gain (pre-tax) of RMB32,017,000. As disclosed in Note 47(b), the Group disposed of 51% equity interests in Huaibei Guohuai to CPI Holding and recognized a disposal loss (pre-tax) of RMB3,389,000.

49. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Expenses

	Notes	2020 RMB'000	2019 RMB'000
Purchases of coal, coal by-products and spare parts from:	(i)		
– companies controlled by SPIC other than CPI Holding and SPIC Financial		**350,973**	492,994
– a joint venture		**27,888**	30,083
– non-controlling interests		**4,414,143**	5,625,332
Construction costs and other services fees to:	(ii)		
– companies controlled by SPIC other than CPI Holding and SPIC Financial		**1,093,457**	1,189,399
– non-controlling interests		**1,901,147**	502,792
Interest expenses to:	(iii)		
– SPIC		**258,777**	283,791
– CPI Holding		**21,834**	52,414
– SPIC Financial		**373,896**	213,949
– ICBC and ABC		**970,369**	948,949
– an associate		**952**	504
– companies controlled by SPIC other than CPI Holding and SPIC Financial		**29,649**	17,472
– companies controlled by SPIC other than CPI Holding and SPIC Financial on lease liabilities		**87,291**	193,983

Notes:

(i) Purchases of coal, coal by-products and spare parts were charged in accordance with the terms of the relevant agreements.

(ii) Construction costs and other services fees were mainly related to construction services, repairs and maintenance services, transportation services and other services which were charged based on mutually agreed prices.

(iii) Interest expenses to these related parties are charged at interest rates ranged from 1.64% to 7% (2019: ranged from 1.38% to 8%) per annum.

49. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Financial assistance provided by a related party

As disclosed in Note 41, SPIC has provided financial assistance to the Group related to the Asset Management Plan.

(d) Year-end balances with related parties

Year-end balances with related parties are disclosed in Notes 17, 24, 27, 28, 31, 32 and 37.

(e) Lease arrangements with related parties

Details of lease arrangements with related parties are disclosed in Note 39.

(f) For the years ended 31 December 2020 and 2019, the Group's significant transactions and balances with entities that were controlled, jointly-controlled or significantly influenced by the PRC government mainly include:

(i) bank deposits in state-owned banks and the related interest income

(ii) bank borrowings from state-owned banks and the related interest expenses

(iii) sales of electricity to provincial power grid companies owned by the PRC government and the related receivables

(iv) purchases of coal from state-owned enterprises and the related payables

(v) reservoir maintenance and usage fees to the PRC government

(vi) service fees to state-owned enterprises

(vii) compensation for inundation to the PRC government

The prices and terms of these transactions are set out in the relevant agreements governing these transactions or as mutually agreed.

(g) Key management personnel compensation

	2020 **RMB'000**	2019 RMB'000
Fees, basic salaries, housing allowance, other allowances and benefits in kind, discretionary bonuses and other benefits	**9,210**	10,467
Employer's contribution to pension plans	**814**	992

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries as at 31 December 2020 and 2019:

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by subsidiaries	Type of legal entity	Principal activities
Anhui Huainan Pingwei Electric Power Generation Company Limited (安徽淮南平圩發電有限責任公司)	The PRC	RMB841,600,000	60%	–	Sino-foreign equity joint venture	Generation and sale of electricity
Huainan Pingwei No. 2 Electric Power Generation Co., Ltd. (淮南平圩第二發電有限責任公司)	The PRC	USD104,153,000	60%	–	Sino-foreign equity joint venture	Generation and sale of electricity
Huainan Pingwei No. 3 Electric Power Generation Co., Ltd. (淮南平圩第三發電有限責任公司)	The PRC	RMB1,571,800,000/ RMB1,460,079,000	60%	–	Sino-foreign equity joint venture	Generation and sale of electricity
Huanggang Dabieshan Power Generation Company Limited (黃岡大別山發電有限責任公司)	The PRC	RMB1,667,486,000/ RMB1,565,325,000	51%	–	Sino-foreign equity joint venture	Generation and sale of electricity
Pingdingshan Yaomeng Power Company Limited (平頂山姚孟發電有限責任公司)	The PRC	RMB1,702,336,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Wu Ling Power (五凌電力有限公司)	The PRC	RMB8,529,140,000	63%	–	Sino-foreign equity joint venture	Generation and sale of electricity
Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)	The PRC	RMB968,000,000	51%	–	Sino-foreign equity joint venture	Generation and sale of electricity
China Power Guorui Logistics Company Limited (中電國瑞物流有限公司)	The PRC	RMB302,655,000	100%	–	Wholly foreign-owned enterprise	Provision of logistics services
CP Shentou (中電神頭發電有限責任公司)	The PRC	RMB1,000,000,000/ RMB900,309,000	80%	–	Sino-foreign equity joint venture	Generation and sale of electricity
Wuhu Electric Power Generating Company Limited (蕪湖發電有限責任公司)	The PRC	USD142,500,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
China Power (Pu'an) Power Generating Company Limited (中電(普安)發電有限責任公司)	The PRC	RMB999,120,000/ RMB940,023,000	95%	–	Sino-foreign equity joint venture	Generation and sale of electricity
#Shanxi China Power Shentou No.2 Power Generating Company Limited (山西中電神頭第二發電有限責任公司)	The PRC	RMB2,385,317,000/ RMB705,526,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by subsidiaries	Type of legal entity	Principal activities
Huainan China Power Jiaoganghu Photovoltaic Power Generating Company Limited (淮南中電焦崗湖光伏發電有限責任公司)	The PRC	RMB123,012,000/ RMB101,000,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Datong China Power Photovoltaic Power Generating Company Limited (大同中電光伏發電有限公司)	The PRC	RMB680,430,000/ RMB635,490,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
China Power (Jiangmen) Comprehensive Energy Company Limited (中電(江門)綜合能源有限公司)	The PRC	RMB204,000,000/ RMB193,000,000	100%	–	Wholly foreign-owned enterprise	Investment on new energy power resources
Hubei China Power Zhiguang New Energy Company Limited (湖北中電智光新能源有限公司)	The PRC	RMB140,000,000/ RMB112,500,000	–	100%	Limited liability company	Generation and sale of electricity
China Power (Shangqiu) Thermal Power Company Limited (中電(商丘)熱電有限公司)	The PRC	RMB1,435,522,900/ RMB1,111,629,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Ruicheng China Power Photovoltaic Power Generating Co., Ltd. (芮城中電光伏發電有限公司)	The PRC	RMB200,000,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Huainan China Power Shijiahu Photovoltaic Power Generating Company Limited (淮南中電施家湖光伏發電有限責任公司)	The PRC	RMB220,260,000/ RMB189,120,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Zhongdian Zhihui Comprehensive Energy Limited (中電智慧綜合能源有限公司)	The PRC	RMB200,000,000/ RMB47,248,000	100%	–	Wholly foreign-owned enterprise	Investment on new energy power resources
China Power (Pu'an) New Energy Company Limited (中電(普安)新能源有限責任公司)	The PRC	RMB287,540,000/ RMB237,080,000	–	100%	Limited liability company	Generation and sale of electricity
Shanxi Shentou (山西神頭發電有限責任公司)	The PRC	RMB1,162,631,200/ RMB558,681,000	86.6%	13.4%	Sino-foreign equity joint venture	Generation and sale of electricity
Guizhou Qingshuijiang Hydropower Co., Ltd. (貴州清水江水電有限公司)	The PRC	RMB3,400,000,000/ RMB3,285,000,000	–	95%	Limited liability company	Generation and sale of electricity

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by subsidiaries	Type of legal entity	Principal activities
Yuanjiang Power (懷化沅江電力開發有限責任公司)	The PRC	RMB6,460,387,600	–	100%	Limited liability company	Generation and sale of electricity
Sichuan Jiuyuan Electric Power Development Company Limited (四川九源電力開發有限責任公司)	The PRC	RMB320,000,000	–	100%	Limited liability company	Generation and sale of electricity
Wuling Toksun Electric Power Co., Ltd. (五凌托克遜電力有限公司)	The PRC	RMB142,000,000	–	100%	Limited liability company	Generation and sale of electricity
Wuling Rucheng Electric Power Co., Ltd. (五凌汝城電力有限公司)	The PRC	RMB168,000,000	–	100%	Limited liability company	Generation and sale of electricity
Wuling Shanshan Electric Power Co., Ltd. (五凌鄯善電力有限公司)	The PRC	RMB274,000,000	–	100%	Limited liability company	Generation and sale of electricity
Wuling Linxiang Electric Power Co., Ltd. (五凌臨湘電力有限公司)	The PRC	RMB279,000,000	–	100%	Limited liability company	Generation and sale of electricity
Wuling Xinshao Electric Power Co., Ltd. (五凌新邵電力有限公司)	The PRC	RMB183,000,000	–	100%	Limited liability company	Generation and sale of electricity
Gulangxian Yonghe New Energy Investment Co., Ltd. (古浪縣雍和新能源投資有限責任公司)	The PRC	RMB140,000,000	–	70%	Limited liability company	Generation and sale of electricity
#Hunan Province Hongzhao Wind Power Co., Ltd. (湖南省鴻兆風力發電有限公司)	The PRC	RMB85,000,000	–	70%	Limited liability company	Generation and sale of electricity
Wuling Electric Hunan Energy Sales Co., Ltd. (五凌電力湖南能源銷售有限公司)	The PRC	RMB210,000,000	–	100%	Limited liability company	Sales of energy
Wuling Jiangyong Electric Power Co., Ltd. (五凌江永電力有限公司)	The PRC	RMB100,000,000	–	70%	Limited liability company	Generation and sale of electricity
Wuling Shuangfeng Electric Power Co., Ltd. (五凌雙峰電力有限公司)	The PRC	RMB80,000,000	–	70%	Limited liability company	Generation and sale of electricity
Xinping Wind Power Fengzhizi Wind Electric Power Co., Ltd. (新平風能風之子風電有限公司)	The PRC	RMB80,000,000/ RMB16,000,000	–	51%	Limited liability company	Generation and sale of electricity

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Held by subsidiaries	Type of legal entity	Principal activities
#Zhangzi Langqing Wind Electric Power Co., Ltd. (長子縣朗晴協合風電有限公司)	The PRC	RMB164,000,000	–	70%	Limited liability company	Generation and sale of electricity
Guangxi Company (國家電投集團廣西電力有限公司)	The PRC	RMB1,474,000,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Changzhou Hydropower (國家電投集團廣西長洲水電開發有限公司)	The PRC	RMB2,072,098,580	–	79%	Limited liability company	Generation and sale of electricity
SPIC Guangxi Xing'an Wind Power Co., Ltd (國家電投集團廣西興安風電有限公司)	The PRC	RMB776,610,526/ RMB1,152,391,526	–	95%	Limited liability company	Generation and sale of electricity
SPIC Shandong Energy Development Co., Ltd. (國家電投集團山東能源發展有限公司)	The PRC	RMB820,000,000/ RMB613,950,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Anqiu Hengtai New Energy Technology Co. Ltd (安丘恒泰新能源科技有限公司)	The PRC	RMB240,000,000/ RMB325,644,781	–	51%	Limited liability company	Generation and sale of electricity
Anhui Company (國家電力投資集團安徽新能源有限公司)	The PRC	RMB503,000,000/ RMB419,800,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
SPIC Huainan New Energy Co. Ltd (淮南市國家電投新能源有限公司)	The PRC	RMB300,000,000/ RMB235,600,000	–	100%	Limited liability company	Generation and sale of electricity
Hubei Company (國家電投集團湖北綠動新能源有限公司)	The PRC	RMB720,000,000/ RMB555,602,000	100%	–	Wholly foreign-owned enterprise	Investment on new energy power resources
Shayang Green Power Photovoltaic Power Generating Company Limited (沙洋綠動光伏發電有限公司)	The PRC	RMB77,560,000/ RMB107,560,000	–	100%	Limited liability company	Generation and sale of electricity
Zhongning Longji (中寧縣隆基光伏新能源有限公司)	The PRC	RMB300,000,000	–	70%	Limited liability company	Generation and sale of electricity
Huiqing New Energy Company Limited (大慶市輝慶新能源有限公司)	The PRC	RMB132,460,000	–	70%	Limited liability company	Generation and sale of electricity

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Held by subsidiaries	Type of legal entity	Principal activities
Zhaozhou Longhui New Energy Co., Ltd (肇州縣隆輝新能源有限公司)	The PRC	RMB118,410,000	–	70%	Limited liability company	Generation and sale of electricity
Zuoyun China Power Photovoltaic Power Generating Co., Ltd (左雲中電光伏發電有限公司)	The PRC	RMB186,062,000/ RMB167,460,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Hunyuan China Power Photovoltaic Power Generating Co., Ltd (渾源中電光伏發電有限公司)	The PRC	RMB178,815,700/ RMB174,648,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
China Power Chaoyang New Energy Co., Ltd (中電(朝陽)新能源有限公司)	The PRC	RMB960,000,000/ RMB750,000,000	100%	–	Wholly foreign-owned enterprise	Generation and sale of electricity
Xinan GCL Photovoltaic Power Co., Ltd. (新安縣協鑫光伏電力有限公司)	The PRC	RMB183,170,000	–	55%	Limited liability company	Generation and sale of electricity
Ruzhou GCL Photovoltaic Power Co., Ltd. (汝州協鑫光伏電力有限公司)	The PRC	RMB184,240,000	–	55%	Limited liability company	Generation and sale of electricity
Jiangling GCL Photovoltaic Power Co., Ltd. (江陵縣協鑫光伏電力有限公司)	The PRC	RMB230,000,000	–	55%	Limited liability company	Generation and sale of electricity
Daqing Meiyangda Energy Technology Development Co., Ltd (大慶美陽達新能源科技開發有限公司)	The PRC	RMB101,570,000/ RMB84,079,000	–	100%	Wholly foreign-owned enterprise	Provision of Comprehensive energy services
Pingluo Atesijiayang New Energy Co., Ltd. (平羅縣阿特斯佳陽新能源有限公司)	The PRC	RMB165,300,000	–	51%	Limited liability company	Generation and sale of electricity
#Yangshan jinshunli Power Generation Co., Ltd. (陽山縣金順力發電有限公司)	The PRC	RMB205,000,000	–	51%	Limited liability company	Generation and sale of electricity
#Daixian Xinhuaneng Energy Development Co., Ltd. (代縣新華能能源開發有限公司)	The PRC	RMB270,000,000	–	51%	Limited liability company	Provision of technical services in relation to generation of electricity
#Jingle Xinfeng Energy Development Co., Ltd. (靜樂縣新風能源發展有限公司)	The PRC	RMB180,000,000	–	70%	Limited liability company	Provision of technical services in relation to generation of electricity
#Jingle Hongyi Energy Development Co., Ltd. (靜樂弘義能源開發有限公司)	The PRC	RMB360,000,000	–	70%	Limited liability company	Provision of technical services in relation to generation of electricity

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Held by subsidiaries	Type of legal entity	Principal activities
#Shenchi Jinyuan Xinfeng Energy Development Co., Ltd. (神池晉源新風能源開發有限公司)	The PRC	RMB180,000,000	–	70%	Limited liability company	Provision of technical services in relation to generation of electricity
#Gushi New Energy (國家電投固始新能源有限公司)	The PRC	RMB200,000,000/ RMB168,013,000	–	100%	Limited liability company	Provision of technical services in relation to generation of electricity
SPIC Jingmen Lvdong Energy Company Limited (國家電投集團荊門綠動能源有限公司)	The PRC	RMB200,000,000/ RMB123,000,000	–	90%	Limited liability company	Generation and sale of electricity
Dezhou Tianrui Wind Power Co., Ltd. (德州天瑞風力發電有限公司)	The PRC	RMB86,000,000/ RMB80,848,000	–	98.73%	Limited liability company	Generation and sale of electricity
Shandong Tianrui New Energy Co., Ltd. (山東天瑞新能源有限公司)	The PRC	RMB169,100,000/ RMB160,420,000	–	70%	Limited liability company	Generation and sale of electricity
Ningjin Guorui Power Investment New Energy Co., Ltd. (寧津國瑞電投新能源有限公司)	The PRC	RMB175,000,000/ RMB79,759,000	–	66%	Limited liability company	Generation and sale of electricity
Shanghe Guorui Power Investment Wind Power Co., Ltd. (商河國瑞電投風力發電有限公司)	The PRC	RMB332,000,000/ RMB150,798,000	–	66%	Limited liability company	Generation and sale of electricity
#Qingyun Guorui Power Investment New Energy Co., Ltd. (慶雲國瑞電投新能源有限公司)	The PRC	RMB172,000,000/ RMB108,508,354	–	66%	Limited liability company	Generation and sale of electricity
Zhongwei Tiande New Energy Technology Development Co., Ltd. (中衛天得新能源科技發展有限公司)	The PRC	RMB156,600,000	–	100%	Limited liability company	Generation and sale of electricity
#Zhongning Jiayang New Energy Co., Ltd. (中寧縣佳陽新能源有限公司)	The PRC	RMB145,010,000	–	100%	Limited liability company	Generation and sale of electricity
Fengyang SPIC New Energy Co., Ltd. (鳳陽國家電投新能源有限公司)	The PRC	RMB60,000,000/ RMB35,000,000	–	100%	Limited liability company	Generation and sale of electricity

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of companies	Place of establishment and operation	Registered/ paid up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by subsidiaries	Type of legal entity	Principal activities
Xintai Zhongdian Photovoltaic Power Co., Ltd. (新泰中電光伏發電有限公司)	The PRC	RMB272,000,000/ RMB265,000,000	100%	–	Limited liability company	Generation and sale of electricity
Ruicheng Lvlong Clean Energy Co., Ltd. (芮城縣綠隆清潔能源有限公司)	The PRC	RMB192,000,000/ RMB93,450,000	–	70%	Limited liability company	Generation and sale of electricity
Hanchuan Shenghe New Energy Development Co., Ltd. (漢川盛和新能源開發有限公司)	The PRC	RMB66,600,000	–	100%	Limited liability company	Generation and sale of electricity
# SPIC Huangmeilvdong Wind Power Co., Ltd. (國家電投黃梅綠動風電有限公司)	The PRC	RMB85,000,000/ RMB70,000,000	–	100%	Limited liability company	Generation and sale of electricity
# SPIC Shouxian New Energy Development Co., Ltd. (國家電力投資集團壽縣新能源有限公司)	The PRC	RMB298,000,000/ RMB5,300,000	100%	–	Limited liability company	Generation and sale of electricity
# SPIC Haiyang Offshore Wind Power Co., Ltd (國家電投集團海陽海上風電有限公司)	The PRC	RMB400,000,000/ RMB52,350,000	–	100%	Limited liability company	Generation and sale of electricity

The power plant is under development.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

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 subsidiaries	Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income allocated to non-controlling interests		Non-controlling interests	
		2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Wu Ling Power and its subsidiaries (collectively known as "Wu Ling Group")	The PRC	**37%**	37%	**493,772**	309,228	**5,419,936**	5,118,048
Changzhou Hydropower	The PRC	**35.07%**	35.07%	**83,898**	37,148	**1,323,660**	1,353,219
Yuanjiang Power (Note)	The PRC	**–**	41.18%	**–**	123,518	**–**	2,986,205
Subsidiaries with individually immaterial non-controlling interests						**5,648,514**	5,355,662
						12,392,110	14,813,134

Note:

On 29 October 2020, Wu Ling Power re-purchased all 6.86% and 34.32% equity interests of Yuanjiang Power from ABC Financial and ICBC Financial respectively at cash consideration of RMB3,000,000,000, which is considered as an equity transaction and the difference between the consideration paid and the non-controlling interests acquired of RMB106,927,000 has been recognized as capital reserve and non-controlling interests is decreased by RMB2,893,073,000.

The non-controlling interests in respect of the rest of entities with non-controlling interests were individually not material. Set out below are the summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests.

(1) Wu Ling Group

Summarized consolidated statement of financial position

	Wu Ling Group	
	2020 RMB'000	2019 RMB'000
Non-current assets	**56,287,714**	49,824,324
Current assets	**2,735,912**	1,399,992
Non-current liabilities	**(28,991,582)**	(20,595,142)
Current liabilities	**(13,698,277)**	(12,367,278)
Total equity	**16,333,767**	18,261,896
Non-controlling interests within Wu Ling Group	**(1,685,290)**	(4,429,335)
Equity attributable to equity holders of Wu Ling Power	**14,648,477**	13,832,561
Non-controlling interests of Wu Ling Power (at 37%)	**5,419,936**	5,118,048

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Material non-controlling interests *(Continued)*

(1) Wu Ling Group *(Continued)*

Summarized consolidated income statement and consolidated statement of comprehensive income

	Wu Ling Group 2020 RMB'000	2019 RMB'000
Revenue	**6,602,231**	5,970,701
Profit for the year	**1,564,736**	932,771
Profit attributable to the non-controlling interests of Wu Ling Group's subsidiaries	**(233,318)**	(157,297)
Profit attributable to the equity holders of Wu Ling Power	**1,331,418**	775,474
Profit attributable to the non-controlling interests of Wu Ling Power (at 37%)	**492,625**	286,925
Other comprehensive income for the year	**3,055**	60,270
Other comprehensive expense attributable to the non-controlling interests of Wu Ling Group's subsidiaries	**45**	8
Other comprehensive income attributable to the equity holders of Wu Ling Power	**3,100**	60,278
Other comprehensive income attributable to the non-controlling interests of Wu Ling Power (at 37%)	**1,147**	22,303
Total comprehensive income for the year	**1,567,791**	993,041
Total comprehensive income attributable to the non-controlling interests of Wu Ling Group's subsidiaries	**(233,273)**	(157,289)
Total comprehensive income attributable to the equity holders of Wu Ling Power	**1,334,518**	835,752
Total comprehensive income attributable to the non-controlling interests of Wu Ling Power (at 37%)	**493,772**	309,228

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Material non-controlling interests *(Continued)*

(1) Wu Ling Group *(Continued)*

Summarized consolidated statement of cash flows

	Wu Ling Group	
	2020	2019
	RMB'000	RMB'000
Dividends paid	**(219,791)**	(565,439)
Dividends paid to non-controlling interests	**(423,325)**	(115,127)
Net cash inflow from operating activities	**4,829,451**	3,051,127
Net cash outflow from investing activities	**(8,762,474)**	(7,032,357)
Net cash inflow from financing activities	**4,577,082**	4,645,031
Net increase/(decrease) in cash and cash equivalents	**943**	(16,765)
Cash and cash equivalents at 1 January	**67,496**	84,261
Cash and cash equivalents at 31 December	**68,439**	67,496

The financial information presented above is before inter-company eliminations.

(2) Changzhou Hydropower

Summarized statement of financial position

	Changzhou Hydropower	
	2020	2019
	RMB'000	RMB'000
Non-current assets	**4,892,130**	5,017,410
Current assets	**2,061,465**	1,888,427
Non-current liabilities	**(2,163,682)**	(2,218,917)
Current liabilities	**(852,698)**	(665,420)
Total equity	**3,937,215**	4,021,500
Non-controlling interests of Changzhou Hydropower (at 35.07%)	**1,323,660**	1,353,219

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Material non-controlling interests *(Continued)*

(2) Changzhou Hydropower *(Continued)*

Summarized income statement and statement of comprehensive income

	Changzhou Hydropower	
	2020	2019
	RMB'000	RMB'000
Revenue	**865,195**	891,489
Profit and total comprehensive income for the year	**239,230**	105,925
Total comprehensive income attributable to the equity holders of Changzhou Hydropower	**239,230**	105,925
Total comprehensive income attributable to the non-controlling interests of Changzhou Hydropower (at 35.07%)	**83,898**	37,148

Summarized statement of cash flows

	Changzhou Hydropower	
	2020	2019
	RMB'000	RMB'000
Dividends paid	**(210,060)**	(188,849)
Dividends paid to non-controlling interests	**(113,458)**	(102,000)
Net cash (outflow)/inflow from operating activities	**(25,431)**	202,849
Net cash inflow/(outflow) from investing activities	**504,658**	(119,584)
Net cash (outflow)/inflow from financing activities	**(157,780)**	204,642
Net decrease in cash and cash equivalents	**(2,071)**	(2,942)
Cash and cash equivalents at 1 January	**3,724**	6,666
Cash and cash equivalents at 31 December	**1,653**	3,724

The financial information presented above is before inter-company eliminations.

51. CONTINGENT LIABILITIES

As at 31 December 2020, a subsidiary of the Group was the defendant in certain legal disputes in relation to relocation compensations. At the end of the reporting period, the above legal proceedings were in progress and the final outcomes cannot be determined at present. The Directors considered that the outcome of these outstanding disputes will not result in significant adverse effect on the consolidated statement of financial position and operating results of the Group.

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**22,151**	20,163
Right-of-use assets	**41,779**	39,638
Investments in subsidiaries	**23,603,891**	22,092,896
Interests in associates	**1,654,072**	1,654,072
Interests in joint ventures	**372,504**	427,844
Equity instruments at FVTOCI	**2,586,640**	2,924,502
Other non-current assets	**14,367**	129,254
Loans to subsidiaries	**3,740,000**	3,800,000
	32,035,404	31,088,369
Current assets		
Loans to subsidiaries	**6,484,360**	4,403,360
Prepayments, deposits and other receivables	**119,425**	104,694
Amounts due from related parties	**291,473**	64,342
Amounts due from subsidiaries	**442,501**	270,920
Dividends receivable	**192,240**	137,846
Cash and cash equivalents	**588,547**	639,433
	8,118,546	5,620,595
Total assets	**40,153,950**	36,708,964
EQUITY		
Share capital (Note 33)	**17,268,192**	17,268,192
Other equity instruments (Note 34)	**3,015,740**	–
Reserves (Note)	**5,507,449**	6,090,131
Total equity	**25,791,381**	23,358,323

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
LIABILITIES		
Non-current liabilities		
Bank borrowings	**–**	5,860,242
Other borrowings	**2,000,000**	4,000,000
Lease liabilities	**5,137**	14,444
Deferred income tax liabilities	**334,767**	409,911
	2,339,904	10,284,597
Current liabilities		
Other payables and accrued charges	**212,316**	205,202
Amounts due to related parties	**305,321**	125,307
Amounts due to subsidiaries	**1,052,940**	652,184
Bank borrowings	**7,916,834**	1,558,300
Other borrowings	**2,500,000**	500,000
Lease liabilities	**35,254**	25,051
	12,022,665	3,066,044
Total liabilities	**14,362,569**	13,350,641
Total equity and liabilities	**40,153,950**	36,708,964
Net current (liabilities)/assets	**(3,904,119)**	2,554,551
Total assets less current liabilities	**28,131,285**	33,642,920

The statement of financial position was approved and authorized for issue by the Board on 18 March 2021 and is signed on its behalf by:

TIAN Jun
Director

HE Xi
Director

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Note:

MOVEMENTS IN THE COMPANY'S RESERVES

	FVTOCI reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2020	**1,266,836**	**4,823,295**	**6,090,131**
Profit for the year	**–**	**973,930**	**973,930**
Profit attributable to holders of other equity instruments	**–**	**(18,140)**	**(18,140)**
Fair value loss on equity instruments at FVTOCI, net of tax	**(263,577)**	**–**	**(263,577)**
2019 final dividend	**–**	**(1,274,895)**	**(1,274,895)**
At 31 December 2020	**1,003,259**	**4,504,190**	**5,507,449**
At 1 January 2019	1,280,460	5,144,033	6,424,493
Profit for the year	–	758,019	758,019
Fair value loss on equity instruments at FVTOCI, net of tax	(13,624)	–	(13,624)
2018 final dividend	–	(1,078,757)	(1,078,757)
At 31 December 2019	1,266,836	4,823,295	6,090,131

The profit for the year attributable to ordinary shareholders of the Company is dealt with in the financial statements of the Company to the extent of RMB955,790,000 (2019: RMB758,019,000).

Five-Year Financial and Operations Summary

	2020 RMB million	2019 RMB million	2018 RMB million (restated)	2017 RMB million	2016 RMB million
Revenue	**28,427.7**	27,763.3	23,175.6	19,966.8	18,866.2
Profit before taxation	**3,826.1**	2,714.2	2,069.9	1,560.6	3,994.1
Income tax expense	**(900.5)**	(513.0)	(432.7)	(279.9)	(738.6)
Profit for the year	**2,925.6**	2,201.2	1,637.2	1,280.7	3,255.5
Attributable to:					
Equity holders of the Company	**1,708.3**	1,284.4	1,098.4	795.3	2,365.9
Non-controlling interests	**1,217.3**	916.8	538.8	485.4	889.6
Basic earnings per share (RMB) (note)	**0.17**	0.13	0.11	0.10	0.30
Dividend per share (RMB)	**0.130**	0.130	0.110	0.081	0.160
Total non-current assets	**137,842.8**	127,310.7	111,723.9	88,706.7	84,343.7
Total current assets	**18,105.9**	12,979.0	13,232.8	9,319.9	6,843.4
Total assets	**155,948.7**	140,289.7	124,956.7	98,026.6	91,187.1
Total current liabilities	**43,277.9**	35,535.2	29,721.1	28,821.5	22,271.1
Total non-current liabilities	**66,880.9**	59,621.3	52,386.6	32,010.6	34,321.2
Net assets	**45,789.9**	45,133.2	42,849.0	37,194.5	34,594.8
Equity attributable to equity holders of the Company	**33,397.8**	30,320.1	29,949.9	29,801.9	27,267.0
Non-controlling interests	**12,392.1**	14,813.1	12,899.1	7,392.6	7,327.8
Total equity	**45,789.9**	45,133.2	42,849.0	37,194.5	34,594.8
Attributable installed capacity (MW)	**23,878.2**	21,113.2	19,731.6	17,051.6	16,728.6
Gross power generation (MWh)	**91,902,510**	87,134,871	74,101,429	66,683,402	63,403,445
Total electricity sold (MWh)	**88,255,525**	83,558,993	70,964,796	64,053,714	60,760,318
Net coal consumption rate (g/kWh)	**303.31**	301.82	302.41	304.23	304.93

Note: Basic earnings per share for 2016 has been restated to reflect the effect of rights issue of the Company in 2017.

"ABC Financial"	ABC Financial Asset Investment Co., Ltd* (農銀金融資產投資有限公司)
"ASEAN"	Association of Southeast Asian Nations
"attributable installed capacity"	the proportionate amount of installed capacities of a power plant attributable to a company based on the percentage of equity interest held by the company in that power plant
"average utilization hours"	for a specified period, the amount of electricity (MWh) produced in such period divided by the average installed capacity (MW) in such period
"Belt and Road Initiative"	a global infrastructure development strategy initiated by China that seeks to connect Asia with Africa and Europe through land and maritime networks with the aim of improving regional integration, increasing trade and stimulating economic growth
"Board"	the board of Directors of the Company
"CEC"	China Power Complete Equipment Co., Ltd.* (中國電能成套設備有限公司)
"Changshu Power Plant"	Jiangsu Changshu Electric Power Generating Company Limited (江蘇常熟發電有限公司)
"Changzhou Hydropower" or "SPIC Changzhou"	SPIC Guangxi Changzhou Hydropower Development Co., Ltd.* (國家電投集團廣西長洲水電開發有限公司)
"Chaoyang Photovoltaic Power Station" or "Liaoning Chaoyang"	China Power Chaoyang New Energy Company Limited (中電(朝陽)新能源有限公司)
"China Power" or "Company"	China Power International Development Limited
"CP Shentou"	China Power Shentou Power Generating Company Limited* (中電神頭發電有限責任公司)
"CP Zhihui"	Zhongdian Zhihui Comprehensive Energy Limited* (中電智慧綜合能源有限公司)
"CPDL"	China Power Development Limited (中國電力發展有限公司*)
"CPI Holding"	China Power International Holding Limited (中國電力國際有限公司)
"CPIC"	China Power Investment Corporation* (中國電力投資集團公司)
"Dabieshan Power Plant"	Huanggang Dabieshan Power Company Limited* (黃岡大別山發電有限責任公司)
"date of this annual report"	18 March 2021
"Director(s)"	director(s) of the Company
"Fuxi Power Plant"	Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)
"Group" or "We"	the Company and its subsidiaries from time to time

"Guangxi Company"	SPIC Guangxi Power Company Limited* (國家電投集團廣西電力有限公司)
"Guangxi Overseas"	Guangxi SPIC Overseas Energy Investment Co., Ltd.* (廣西國電投海外能源投資有限公司)
"GW"	gigawatt, that is, one billion watts
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	Companies Ordinance, Chapter 622 of the Laws of Hong Kong (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huabao Trust"	Huabao Trust Company Limited* (華寶信託有限責任公司)
"Huainan Mining"	Huainan Mining Industry (Group) Company Limited* (淮南礦業(集團)有限責任公司)
"ICBC Financial"	ICBC Financial Asset Investment Co., Ltd.* (工銀金融資產投資有限公司)
"installed capacity"	the manufacturers' rated power output of a generating unit or a power plant, usually denominated in MW
"Jilin Electric"	Jilin Electric Power Co., Ltd.* (吉林電力股份有限公司)
"Jingmen Power Station" or "Jingmen Lvdong"	SPIC Jingmen Lvdong Energy Company Limited* (國家電投集團荊門綠動能源有限公司)
"Jinzishan Wind Power"	SPIC Guangxi Jinzishan Wind Power Ltd* (國家電投集團廣西金紫山風電有限公司)
"kWh"	kilowatt-hour, a standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"Lingchuan Wind Power"	SPIC Guangxi Lingchuan Wind Power Ltd* (國家電投廣西靈川風電有限公司)
"Lingshan Wind Power"	Guangxi Lingshan Dahuaishan New Energy Ltd* (廣西靈山大懷山新能源有限公司)
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"market-power"	electricity buy and sell in the open market
"MW"	megawatt, that is, one million watts. The installed capacity of a power plant is generally expressed in MW
"MWh"	megawatt-hour, which is equal to one thousand kWh
"net coal consumption rate"	average consumption of standard coal for supplying 1 kWh power (deducting self-used power)

"PBOC"	People's Bank of China* (中國人民銀行)
"Pingwei Power Plant"	Anhui Huainan Pingwei Electric Power Company Limited (安徽淮南平圩發電有限責任公司)
"PRC" or "China" or "State"	the People's Republic of China (for the purpose of this annual report excluding the Hong Kong, Special Administrative Region of Macau of the PRC and Taiwan)
"RMB"	Renminbi, the lawful currency of the PRC
"Seth Holdings"	Seth Holdings Corporation Limited* (賽斯控股有限公司)
"Shanghai Power"	Shanghai Electric Power Co., Ltd.* (上海電力股份有限公司)
"Sichuan Energy Investment"	Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司)
"Sinohydro B11"	Sinohydro Bureau 11 Co., Ltd* (中國水利水電第十一工程局有限公司)
"SPIC"	State Power Investment Corporation Limited* (國家電力投資集團有限公司)
"SPIC Finance HK"	SPIC International Finance (Hong Kong) Company Limited (國家電投香港財資管理有限公司)
"SPIC Financial"	SPIC Financial Company Limited* (國家電投集團財務有限公司)
"SPIC (Materials)"	State Power Investment Corporation Limited Materials and Equipment Branch* (國家電力投資集團有限公司物資裝備分公司)
"SPICOI"	SPIC Overseas Investment Limited* (國家電力投資集團海外投資有限公司)
"standard coal"	coal with an energy content of 7,000 kilocalories per kilogram
"Sujin Energy"	Sujin Energy Holding Company Limited* (蘇晉能源控股有限公司)
"Wu Ling Power"	Wu Ling Power Corporation* (五凌電力有限公司)
"Wuhu Power Plant"	Wuhu Electric Power Generating Company Limited* (蕪湖發電有限責任公司)
"Yaomeng Power Plant"	Pingdingshan Yaomeng Power Company Limited (平頂山姚孟發電有限責任公司)
"Yuanda Waterworks"	SPIC Yuanda Waterworks Company Limited* (國家電投集團遠達水務有限公司)
"Yuanjiang Company" or "Yuanjiang Power"	Huaihua Yuanjiang Power Development Co., Ltd.* (懷化沅江電力開發有限責任公司)

* *For identification purpose only*

Useful Information for Investors

ANNUAL REPORT

This annual report has been posted on our website at www.chinapower.hk on 21 April 2021. The reports are sent to the shareholders of the Company who have selected to receive the printed version of corporate communication by 28 April 2021.

ANNUAL GENERAL MEETING (AGM)

The Company's AGM will be held on 3 June 2021. Information regarding the business to be considered in the AGM is set out in the circular to the shareholders of the Company dated 28 April 2021 together with a proxy form.

INVESTOR CALENDAR

Closure of register of members for determining shareholders' eligibility to attend and vote at the AGM	31 May 2021 to 3 June 2021 (both days inclusive)
AGM date	3 June 2021
Ex-dividend date	7 June 2021
Closure of register of members for determining shareholders' entitlement to 2020 Final Dividend	9 June 2021 to 11 June 2021 (both days inclusive)
Record date for 2020 Final Dividend	11 June 2021
Proposed 2020 Final Dividend payable* ***RMB0.13 (equivalent to HK$0.1556) per ordinary share***	30 June 2021

* Subject to approval by shareholders of the Company at the AGM to be held on 3 June 2021.

INVESTOR ENQUIRIES

For enquiries about share transfer and registration, please contact the share registrar of the Company:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Tel.: (852) 2862 8628
Fax: (852) 2865 0990
Email: chinapower.ecom@computershare.com.hk

For enquiries from investors and securities analysts, please contact:

Capital Markets & Investor Relations Department
China Power International Development Limited
Suite 6301, 63/F, Central Plaza
18 Harbour Road
Wanchai, Hong Kong
Tel.: (852) 2802 3861
Fax: (852) 2802 3922
Email: ir@chinapower.hk
Website: www.chinapower.hk

China Power International Development Limited
中國電力國際發展有限公司

Hong Kong Office:
Suite 6301, 63/F, Central Plaza,
18 Harbour Road,
Wanchai, Hong Kong
Tel: (852) 2802 3861
Fax: (852) 2802 3922

Beijing Office:
East Building, Hui Huang Shi Dai Plaza,
56 North West Fourth Ring Road, Haidian District,
Beijing, China
Tel: (86-10) 6260 1888
Fax: (86-10) 6260 1777

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