北京能源國際控股有限公司
Beijing Energy International Holding Co., Ltd.

京能集团

(Incorporated in Bermuda with limited liability)
Stock Code: 686

ANNUAL REPORT
2020

CONTENTS

COMPANY PROFILE

Beijing Energy International Holding Co., Ltd. (listed on the main board of the Stock Exchange) is striving to be a leading global eco-development solutions provider, which mainly engaged in the development, investment, operation and management of solar power plants and other renewable energy projects. As of 31 December 2020, the Group owned 61 solar power plants with aggregate installed capacity of approximately 2,070.4MW, and have generated approximately 2,795,834MWh of green electricity for the entire 2020. Our power plant network covers various provinces/autonomous regions including Inner Mongolia, Ningxia, Qinghai, Shanxi, Xinjiang and Guangdong, etc.

Under the rapid growth of the renewable energy industry, the Company has attracted many strong investors, including BEH (an integrated energy service enterprise of Beijing City), CMNEG under CMG, China Huarong (one of the four major asset management companies in China), QCCI (a state-owned enterprise) and ORIX (an international large-scale group providing integrated financial services).

The Group aims at building the most efficient and advanced renewable energy operation and maintenance platform, and establishing a green ecosphere by employing a low-carbon and sustainable development model, so as to bring clean energy into millions of families.

In the future, the Company will seize the opportunities emerging from the transformational changes in international energy industry. By adhering to the development concept of “focusing on main business, national layout, developing worldwide” and with rapid quality development as the core, the Company will accelerate the construction of clean energy industrial ecosystem based on green energy and complemented with other energy sources and realize collaboration with intelligent technology, in order to become a first-class international clean energy ecological investment operator and strive to maximize the value of the Company and the interests of Shareholders.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Ping *(Chairman)*
Mr. Lu Zhenwei
Mr. Xu Jianjun

Non-Executive Directors

Mr. Sui Xiaofeng
Mr. Zhao Bing
Mr. Li Hao
Ms. Xie Yi

Independent Non-Executive Directors

Mr. Kwan Kai Cheong
Mr. Yen Yuen Ho, Tony
Mr. Chen Hongsheng
Ms. Jin Xinbin

BOARD COMMITTEES

Audit Committee

Mr. Kwan Kai Cheong *(chairman)*
Mr. Sui Xiaofeng
Mr. Yen Yuen Ho, Tony

Remuneration Committee

Mr. Yen Yuen Ho, Tony *(chairman)*
Mr. Kwan Kai Cheong
Mr. Zhao Bing

Nomination Committee

Mr. Zhang Ping *(chairman)*
Mr. Kwan Kai Cheong
Mr. Yen Yuen Ho, Tony

Risk Control Committee

Mr. Zhang Ping *(chairman)*
Mr. Lu Zhenwei
Mr. Sui Xiaofeng
Mr. Zhao Bing
Mr. Li Hao
Mr. Kwan Kai Cheong

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

SOLICITORS

Bermuda

Conyers Dill & Pearman

Hong Kong

Ashurst Hong Kong

Mainland China

The Shanghai Operation of Dacheng Law Offices
(Dacheng Shanghai)

PRINCIPAL BANKERS

Bangkok Bank Public Company Limited
Bank of Beijing
Bank of China (Hong Kong) Limited
China CITIC Bank International Limited
China Construction Bank Corporation
China Development Bank
China Everbright Bank Co., Ltd.
China Minsheng Banking Corp., Ltd.
Hua Xia Bank Co., Limited
Industrial and Commercial Bank of China Limited
Shanghai Pudong Development Bank Co., Ltd.
The Export-Import Bank of China
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Ocorian Management (Bermuda) Limited

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Union Registrars Limited

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1012, 10th Floor, West Tower, Shun Tak Centre
168-200 Connaught Road Central, Hong Kong

WEBSITE

http://www.bjei.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

2020 is definitely an unusual year, but also a tough and memorable one in which we fought, with unremitting effort, against the difficulties. The outbreak of COVID-19 pandemic at the beginning of year forced everything to stop for that moment and brought unprecedented challenges and tests to the whole society. However, the Group is steadily advancing to its medium-long term goal of "becoming one of the best international clean energy and ecological investment operators" by uniting as one to prevail over the COVID-19 pandemic and obstacles.

In 2020, the Group recorded revenue of approximately RMB2,149 million and profit of approximately RMB344 million, with an aggregated installed capacity of clean energy of approximately 2,070.4MW, and green electricity for the entire 2020 reached approximately 2,795,834MWh. I hereby express my sincere gratitude to all Shareholders on behalf of the Board for their long-term trust and support, which is essential to our good performance.

1. EMBARKING ON A MAGNIFICENT NEW ERA WITH PROMISING AND BRIGHT FUTURE

Clean energy and low-carbon development conform to the concept of harmonious co-existence between human beings and nature. Promoting the green energy production and consumption and accelerating the transforming to the clean energy and non-fossil energy to greatly reduce the CO_2 emission and pollutant discharges under the guidance of energy development dominated by clean and low-carbon energy will be core to building a beautiful China.

Mr. Xi Jinping, the president of the PRC expressed at the United Nations General Assembly on 22 September 2020 that, "China aims to reach CO_2 emissions peak before 2030 and achieve carbon neutrality before 2060".

On 12 December 2020, Mr. Xi Jinping, the president of the PRC further announced at the Climate Ambition Summit that, "China will bring its total installed capacity of wind and solar power to over 1,200GW by 2030".

The objectives of hitting "carbon peak" and achieving "carbon neutrality" indicate that transforming from fossil energy driven development era to a non-fossil energy-driven magnificent new era has commenced, which will affect the development of the energy industry deeply. Low carbon or even zero carbon will become common goals and value pursued by China and the whole world.

According to the statistics from National Energy Administration of China, new energy dominated by photovoltaic power and wind power will continue its high-speed development. By the end of 2020, the cumulative installed capacity of China's renewable energy power generation reached 934GW, representing a year-on-year increase of approximately 17.5%. Among these, the total installed capacities of wind power generation reached 281.53GW with an increase of installed capacity of 71.67GW, representing a year-on-year increase of approximately 34.6%; the total installed capacities of photovoltaic power generation reached 253.43GW with an increase of installed capacity of 48.2GW, representing a year-on-year increase of approximately 24.1%.

CHAIRMAN'S STATEMENT

During such an era of accelerating energy transformation, the Company has the great honour to be an important carrier for investment in the clean energy industry ecosystem and a pioneer in market-oriented system and mechanism innovation of BEH. BJEI will strive to focus on high-quality development, speed up the scale expansion and intensive development of new energies including wind power and photovoltaic power generation by giving full play to the market mechanism and overseas financing advantages as a Hong Kong-listed company. With an aim of enhancing Shareholders' benefits, BJEI will also improve the corporate governance system, and strengthen its risk control, provide full life cycle service for global energy users through value creation, and actively expand the overseas clean energy market. To fulfill the objective of geometric growth of the installed capacity during the "14th Five-year Plan" at a high level of quality, BJEI will build a clean energy ecosystem dominated by green energy, complemented by multiple energy sources and characterised by smart collaboration and create its unique core competitiveness by exploring the integrated development of energy storage and renewable energy, which is also the mission and undertaking of, and powerful motivation for, BJEI.

2. FOCUSING ON THE PRIMARY BUSINESS AND ACCELERATING THE OVERALL BUSINESS EXPANSION THROUGH CONSOLIDATING FOUNDATIONS AND ACCUMULATING ADVANTAGES

In 2020, the Group continued with healthy and stable business development. With new management in place, the Company simultaneously took several measures to solve left-over problems, reconstruct strategic development, accelerate the domestic and overseas business expansion, enhance the mechanism and system reform and strengthen the production and operation management so as to reducing the costs and improving efficiency. As a result, the production and operation level of the Company have been further enhanced.

We grasped development opportunities to greatly expand the business scale. We established strategic cooperation relations with Powerchina Jiangxi Electric Power Construction, CRRC Zhuzhou Institute, CSIC Haizhuang, LONGI Clean Energy, SINENG Electric, Jinko Power and TBEA, with a view of securing preliminary development resources.

We broadened the businesses to enrich the production structure. We explored energy storage, charging stations, building integrated photovoltaic technology and smart microgrid technology in Beijing-Tianjin-Hebei Region, the Yangtze River Delta and the Greater Bay Area. We won the bid of 10MW rooftop distributed photovoltaic project of the Institute of High Energy Physics of the Chinese Academy of Sciences in Huairou, Beijing and secured Longji Jiaxing 17MW building integrated photovoltaic project. We put more efforts in expanding the market of the integrated energy and electric energy trading business, and sped up preparations for the establishment of integrated smart energy companies.

We strengthened process control to facilitate the resumption of projects in progress. We exerted great endeavour to promote three infrastructure projects, which are Guangdong Yangjiang 75MW photovoltaic project, Guangdong Heyuan 40MW photovoltaic project and Guangxi Guigang 20MW photovoltaic project, to meet the standard and put into operation.

CHAIRMAN'S STATEMENT

We reorganised our management structure with precise positioning and clear functions. We sorted out and improved the organisational structure by reducing management levels, establishing 8 regional companies, known as "Seven Inside Plus One Outside", and clarifying the "4+1" (strategy promotion, business operation, profit creation, performance optimization and market-oriented reform pilot) functions of the headquarter and the "3+1" (cost control, production and operation, safety management and regional business expansion) functions of regional companies.

With the support of our largest Shareholder, BEH, we expanded the financing channels and innovate financing methods in various ways.

We took various measures to broaden the sources of income continuously. We strengthened the analysis on key indicators for production and operation, controlled data in a dynamic manner, strengthened marketing to seize more power generation, strived for subsidies for renewable energy, and actively carried out the declaration of the eighth batch of national subsidies. In 2020, our 12 projects were included in the subsidy list, with annual renewable energy subsidies of RMB1.294 billion obtained.

We enhanced market competition and comprehensively improved the quality of our team. We established management modes such as contractualised management, differentiated remuneration and market-oriented exit for professional managers, and standardised and completed the recruitment of professional managers and selection of middle management. We dismissed all management of regional companies and fulfilled such vacancies through open recruitment, and conducted internal two-way selection for 142 positions and market-oriented recruitment for 108 positions in batches.

3. MAINTAINING HARMONY WITH ECOLOGY, COMBATING PANDEMIC AND ALLEVIATING POVERTY AS A RESPONSIBLE ENTERPRISE

As a green energy supply enterprise, BJEI has been committed to the construction of ecological and social civilisation, with sharing the development achievements of clean energy technology for mutual growth with the communities which it operated in, and thus promoting sustainable development of the society, economy and ecology.

In Tibet, Sichuan, Shanxi and Qinghai, it's common to see BJEI's people against the pandemic and help the poor. Within as short as one day, merely 26 Party members and masses of Zangneng Company, subordinate to BJEI, raised RMB10,000, all of which were donated to Hubei Charity Federation to fight against the pandemic in Wuhan. Luhuo Power Station in Southwest China, subordinate to BJEI, immediately purchased a batch of scarce medicals through coordination with several parties overnight, and donated them to Ganzi Prefecture to support the local prevention and control of pandemic. In response to the appeal of the local governments for poverty alleviation, BJEI Datong Panda Power Station, subordinate to BJEI, formulated an assistance plan for poverty alleviation recipients. Through "photovoltaic sheep", it provided clean energy for the local area and made the recipients get rid of poverty and become rich. All the 18 employees of Gonghe Power Station in Qinghai, subordinate to BJEI, were engaged in the power generation and desertification control, turning the badlands in the past into an oasis.

CHAIRMAN'S STATEMENT

4. FORGING AHEAD TOWARDS THE ANNUAL DEVELOPMENT OBJECTIVE THROUGH OUR PREEMINENT VALUE CREATION

Greatly affected by the COVID-19 pandemic, the global economic recovery is faced with obvious uncertainties in 2021. The super-large-scale market advantages and domestic demand potential brought forth by the "dual circulation" new development pattern will be released in a rapid manner. Central enterprises, large-scale state-owned enterprises in local regions and industrial leaders will enter the new energy market, further intensifying the market competition. The reform of electric power system will enter the acceleration period, the internet will have rapider and deeper integration with energy production, transport, storage and consumption, and integrated smart energy technology including stored energy, distributed energy, multi-energy complementation and smart microgrid will achieve unexpected breakthroughs.

Challenges and opportunities always coexist. After one year's business layout and resources reserve, BJEI has determined new strategy direction, and actively realised external expansion and internal enhancement, poised for further development.

In terms of business development, it has formed a "base-centered, regional and international" development concept. Firstly, it will mainly promote the development of large-scale clean energy base with wind power, solar and stored energy in Xinjiang, Northern Shaanxi, Inner Mongolia, Northeast China and Southwest China etc. on the basis of extra-high voltage channels under construction and in planning in 2021; increase the resources acquisition in the surrounding areas of existing power stations in Hebei, Shandong and Guangdong etc., and realise partial scale expansion. Secondly, it will make innovations in the business model in the load-concentrated regions such as the Beijing-Tianjin-Hebei Region, Yangtze River Delta, Pearl River Delta and Chengdu-Chongqing Economic Belt etc. by taking advantage of the better load consumption and higher electricity prices in the economically advanced regions, provide comprehensive energy business for users, and create new profit growth points. Thirdly, it will strengthen the study and judgment on other countries, consolidate and deepen the cooperation model of "seeking overseas exploration by forging business alliances with other partners", stably promote the development of the existing photovoltaic power and wind power projects in Australia, actively develop markets in countries in Europe and along the Belt and Road Initiative, focusing on 3-5 regions and countries, and initially establish the overseas presence of clean energy business.

CHAIRMAN'S STATEMENT

In terms of corporate governance, it will emphasise on the talent and result orientation, accelerate and improve the standardised management system, realise the organic integration of system development and business development, and promote the business compliance and management upgrading. Following the function positioning of "refining headquarters, consolidating regions and optimizing power stations", it will deepen the adjustment of the organisation structure and hierarchy reduction, improve the "asset and management" double-framework platform, optimise the benchmarking indexes and system, straighten the rights and obligations, and form resultant force; strengthen the talent team building, optimize the talent structure, build a comprehensive evaluation system integrating quantified goals, capabilities and qualities, and emphasize the value creation; constantly optimize the debt structure, expand market financing channels, accelerate the financing for convertible bonds, debt to equity swaps and industry funds, and actively explore innovative financial products such as green asset-backed notes, asset securitization of receivable tariff adjustment of renewable energy sources and overseas green syndicated loans, thereby providing financial support for the business development.

In terms of investor relations, through its diversified communication platforms, the Company systematically displays its internal value and development potential, conducts more adequate and effective information disclosure according to investors' demands for information based on securities compliance, establishes a prompt and effective bilateral communication mechanism with investors, so as to conduct investor relations management in an all-round and three-dimensional manner, with an aim to continue to boost investors' confidence and strive to maximize the value of the Company and Shareholders' interests. The Company continues to strengthen communication and liaison with its Shareholders and partners, and to consolidate their strategic partnerships, so as to safeguard Shareholders' rights and interests, and to build a long-term community with common interests.

5. MAKING LONG-TERM PLANS ON THE BASIS OF PREVIOUS SUCCESS FOR PROSPEROUS DEVELOPMENT IN THE "14TH FIVE-YEAR PLAN" PERIOD

With the digital transformation of energy and its in-depth integration with the Internet, the future energy supply will feature multi-energy complementation and intelligent integration rather than from one single source. We believe that the future energy system will must be a mixed one featuring clean energy and equipped with hydrogen energy and stored energy ancillary. Macrogrids serve to achieve the balance and stability of the entire energy system through clean energy base + extra-high voltage + hydrogen energy and stored energy, while numerous independent microgrids serve to achieve local consumption and absorption through distributed energy + stored energy. The two systems cannot only operate independently, but also support and back up each other.

In such a new era with huge energy reform, new momentums and new values continue to emerge, collide, disintegrate, and integrate, bursting out incredible sparks, and energy enterprises will also gradually transform from the pure production pattern with maximum energy quantity to the market transaction pattern with maximum energy value. It can be imagined that the future energy enterprises will become energy asset management companies, which can manage the production and transport of multiple energies by intelligent and digital means, match and predict users' demands for energy. Only by effective integration of the industry chain can the Company realise its own value in the future energy market.

CHAIRMAN'S STATEMENT

It is not impossible to imagine that the energy industry will certainly have a rapid development in the "14th Five-Year Plan" period and BJEI will forge ahead and make innovations with firm beliefs on the new path with infinite possibilities.

We will continue to develop large-scale new energy projects at the source side and increase investment intensity in green power so as to enhance our revenue. We will actively develop derivative service during the shift of green power from the power side to the user side through the power spot market and the quota of renewable energy such as green electricity certificate and carbon trading. We will also expand the market in terms of comprehensive energy and electric energy trading business, focusing on the comprehensive energy service and energy internet business with big data as the core, and enhance the customer loyalty and values by providing integrated energy solutions for users in the load concentrated areas, and value-added services such as electric energy replacement, energy conservation, energy diagnosis and demand-side response. In the process of energy circulation, we will speed up the integration of information technology and energy, and realize the best linkage between energy transmission and allotment by digital and intelligent means.

The new low-carbon era offers us a platform for full display. We firmly believe that "BJEI" as a brand will pursue for its dream and create resplendence on this platform.

The year of 2021 marks the first year for the "14th Five-year Plan" period of China, and it is also the first year for China to accelerate the construction of a new power system based on new energy. Standing on a new beginning, BJEI will further forge ahead with the original aspiration, reinforce the scale development of renewable energy such as wind power and photovoltaic energy etc., strengthen the exploration into newly emerging energy technologies such as advanced technology of stored energy and energy internet etc., accelerate the formation of core competitiveness, better satisfy customers' demands, and make contributions to the carbon neutrality objective of China and the global campaign in response to climate changes.

With the advent of a new year, looking ahead to 2021, I am fully confident in the future.

Finally, I hereby extend our gratitude to all the esteemed Shareholders and everyone that once offered support and help to BJEI.

I wish you all a flourishing future!

Zhang Ping
Chairman of the Board

March 30, 2021

2020 HIGHLIGHTS

JANUARY

- Redemption of outstanding US$350,000,000 8.25% senior notes due 2020.
- Issuance of US$260,000,000 8% guaranteed senior notes due 2022.

FEBRUARY

- BEH officially became the largest Shareholder of the Company.
- BJEI has changed Directors and senior management.

JUNE

- The Company entered into the Memorandum of Cooperation with the local government of Manasi County, Xinjiang, through which the Company would focus on the business development in Xinjiang, and realize the comprehensive transformation and development of the Company.

2020 HIGHLIGHTS

SEPTEMBER

- The Company was renamed as Beijing Energy International Holding Co., Ltd. and its stock short name is "BJ ENERGY INTL". By taking this opportunity, the Company forged ahead in an innovative and enterprising manner, promoted work in various fields as a whole, so as to demonstrate its new connotation, new elegant demeanor and new height in building a world-class international clean energy and ecological investment operator.
- The Company completed the recruitment and selection of professional managers. In combination with its characteristics, the Company established the professional manager system featuring contractual management, differentiated remuneration and institutional withdrawal, striving to build a world-class clean energy and ecological investment operator through the recruitment and selection of professional managers.

OCTOBER

- BJEI has signed the acquisition agreement for 90MW solar power plants project.
- BJEI has made caring donation to the poverty students.
- The Company won the InnoESG Prize 2020 in Hong Kong, which recognised the Company's active contribution to the implementation of the sustainable development measures.

DECEMBER

- BJEI has signed the acquisition agreement for 300MW solar power plants project.
- BJEI has signed the acquisition agreement for 50MW solar power plants project.

GREEN ENERGY

Green future promoting low-carbon clean energy and responding to global climate change

1,864
Thousands
Households' Electricity Consumption in a Year

855.5
Thousands Tons
Saved Standard Coal

128,030
Thousands
Trees Planted

The total electricity generation volume for 2020 is **2,795,834**MWh equivalent to:

1,398
Tons
Reduced Emission of Soot

2,340
Thousands Tons
Reduced Emission of Carbon Dioxide

83.9
Thousands Tons
Reduced Emission of Sulphur Dioxide

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zhang Ping, aged 53, was appointed as the executive Director and the Chairman of the Board of the Company on 21 February 2020. He is also the chairmen of the Nomination Committee and the Risk Control Committee of the Company. Mr. Zhang also serves as the assistant to the general manager of Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司), which is a controlling Shareholder of the Company. Mr. Zhang served as the deputy director of the party-masses work department, the director of the general manager work department, the assistant to the general manager, the secretary of the discipline inspection committee, the chairman of the labor union of Inner Mongolia Daihai Electric Power Generation Co., Ltd.* (內蒙古岱海發電有限責任公司); the manager of the comprehensive management department and the vice president of Beijing Jingneng International Power Co., Ltd.* (北京京能國際能源股份有限公司); the secretary of the party committee and the general manager of Inner Mongolia Daihai Electric Power Generation Co., Ltd.* (內蒙古岱海發電有限責任公司); the general manager of Beijing Jingneng Thermal Power Co., Ltd.* (北京京能熱電股份有限公司); the deputy chairman, the secretary of the party general branch and the general manager of Beijing Jingneng Power Co., Ltd.* (北京京能電力股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600578); the executive director and the general manager of Beijing Jingneng Coal-fired Power Asset Management Co., Ltd.* (北京京能煤電資產管理有限公司); the chairman and general manager of Beijing Jingneng International Power Co., Ltd.* (北京京能國際能源股份有限公司); the secretary to the board of directors and group office director of Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司); and the non-executive director of Datang International Power Generation Co., Ltd., the shares of which are listed on the main board of the Stock Exchange (stock code: 991) and the Shanghai Stock Exchange (stock code: 601991). Mr. Zhang has over 30 years of extensive experience in the energy industry. Mr. Zhang obtained a master's degree in business administration from Fudan University and a doctorate degree in management from North China Electric Power University.

Mr. Lu Zhenwei, aged 50, was appointed as an executive Director of the Company on 10 June 2013 and is a member of the Risk Control Committee of the Company. Mr. Lu is also a director and the chairman of the board of directors of each of China Merchants New Energy Group Limited and China Merchants Technology Holdings Company Limited, the deputy general manager of China Merchants Innovation Investment Management Limited* (招商局創新投資管理有限責任公司), the general manager of Shenzhen China Merchants Yinke Investment Management Ltd.* (深圳市招商局銀科投資管理有限公司), and the director of New Energy Exchange Limited. Mr. Lu previously served as a director of Beijing Huahuan Electronics Co., Ltd.* (北京華環電子股份有限公司) and China KZ High Technology Co., Ltd.* (中國科招高技術有限公司). From May 2003 to May 2008, Mr. Lu served as a director of Shenzhen GuoHua Network Security Technology Co., Ltd.* (深圳國華網安科技股份有限公司) (formerly known as Shenzhen CAU Technology Co., Ltd.* (深圳中國農大科技股份有限公司)), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000004). Mr. Lu possesses profound understanding and unique insights in project financing and business operation and has more than ten years' experience in financial management, business management and project investment. Mr. Lu obtained a Bachelor's degree in economics from Shanghai Maritime University and a Master's degree in finance from Zhongnan University of Economics and Law.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu Jianjun, aged 49, was appointed as an executive Director of the Company on 27 June 2019. Mr. Xu has served as deputy party secretary, general manager and director of Qingdao Industrial Investment (Group) Co., Ltd.* (青島城投實業投資（集團）有限公司), which is a holding subsidiary of the Company's substantial Shareholder, Qingdao City Construction Investment (Group) Co., Ltd., since December 2016, where he is responsible for overseeing the daily operation and management of the company. Mr. Xu has also served as an executive director of Qingdao City Construction New Energy Investment Co., Ltd.* (青島城投新能源投資有限公司) since May 2018. From April 2016 to December 2016, Mr. Xu acted as the deputy general manager of Sheng Yuan Investment Co., Ltd.* (盛源投資有限公司). Mr. Xu further acted as deputy manager of the securities investment and equity management department of Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd. * (青島華通國有資本運營（集團）有限公司) from June 2015 to April 2016. From May 2008 to June 2015, Mr. Xu was the office manager of Qingdao Financing Guarantee Centre Co., Ltd.* (青島擔保中心有限公司). Therefore, Mr. Xu has expertise in the equity financing and investment industry. Mr. Xu was awarded a Bachelor's degree of Arts from the Shandong University of Art & Design in 1996.

NON-EXECUTIVE DIRECTORS

Mr. Sui Xiaofeng, aged 40, was appointed as a non-executive Director of the Company on 29 June 2020. He is also the members of the Audit Committee and the Risk Control Committee of the Company. Mr. Sui also serves as the head of strategic development department of Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司) and a director and general manager of Beijing Energy Investment Holding (Hong Kong) Co., Limited* (北京能源投資集團（香港）有限公司), both companies of which are controlling Shareholders of the Company. Mr. Sui served as the general manager and deputy general manager of Beijing Yuanshen Energy Saving Technology Co., Ltd.* (北京源深節能技術有限責任公司) successively from March 2012 to April 2018; an assistant to general manager of Beijing Jingneng Clean Energy Co., Limited* (北京京能清潔能源電力股份有限公司), the shares of which are listed on the main board of the Stock Exchange (Stock Code: 579), from July 2010 to March 2012; a project manager and department manager and deputy manager of Beijing Jingneng Energy Technology Investment Co., Ltd.* (北京京能能源科技投資有限公司) successively from January 2005 to June 2010. Mr. Sui has extensive experience in the energy industry. Mr. Sui is a professorate senior engineer in thermal power engineering technology. He obtained a bachelor's degree and a master's degree in power engineering and engineering thermophysics from Tsinghua University.

Mr. Zhao Bing, aged 43, was appointed as a non-executive Director of the Company on 29 January 2021. He is also the members of the Remuneration Committee and the Risk Control Committee of the Company. Mr. Zhao also serves as the head of finance department of Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司), which is a controlling Shareholder of the Company, the chairman and the general manager of Beijing Jingneng International Power Co., Ltd.* (北京京能國際能源股份有限公司), a director of Bank of Beijing Co., Ltd. * (北京銀行股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601169) and a director of Beijing Haohua Energy Resource Co., Ltd.* (北京昊華能源股份有限公司) ("Haohua Energy"), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601101). Mr. Zhao served as the deputy general manager and the chief accountant of Beijing Jingneng Power Co., Ltd.* (北京京能電力股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600578), successively from March 2018 to July 2020; the financial controller and the director of Haohua Energy successively from March 2017 to May 2018; the head of strategic investment department of Beijing Jingmei Group Co., Ltd.* (北京京煤集團有限責任公司) from June 2016 to March 2017; the head of securities department of Haohua Energy from June 2013 to June 2016; the deputy general manager and the financial controller of Erdos Haohua Clean Coal Co., Ltd.* (鄂爾多斯市昊華精煤有限責任公司) successively from June 2009 to June 2013; the deputy head of finance department of Haohua Energy from November 2007 to June 2009. Mr. Zhao has extensive experience in finance and management. Mr. Zhao is a senior accountant who graduated from Heilongjiang University of Science and Technology with a bachelor's degree in management, and received a master's degree in finance from Queen's University in Canada.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Hao, aged 39, was appointed as a non-executive Director of the Company on 20 March 2017, and is a member of the Risk Control Committee of the Company. Mr. Li is concurrently the Operating Officer, the Deputy Head of East Asia Business Headquarters as well as the Managing Director of Greater China Group at ORIX Corporation, a diversified financial services company and whose shares are listed on the Tokyo Stock Exchange (securities code: 8591) and on the New York Stock Exchange (trading symbol: IX). Mr. Li has been with ORIX Corporation since October 2007. He is also the director and president of both ORIX Asia Capital Limited and ORIX (China) Investment Corporation* (歐力士(中國)投資有限公司), which are wholly-owned subsidiaries of ORIX Corporation. Mr. Li has been serving as a non-executive director of Haichang Ocean Park Holdings Ltd., since 27 August 2018, whose shares are listed on the Stock Exchange (stock code: 2255) and a non-executive director of Shoucheng Holdings Limited, since 27 September 2018, whose shares are listed on the Stock Exchange (stock code: 697). Mr. Li graduated from the Graduate School of Finance, Accounting and Law at Waseda University in Japan with a Master's degree in business administration for finance. He has more than 13 years of experience in the fields of investment banking and finance.

Ms. Xie Yi, aged 34, was appointed as a non-executive Director of the Company on 22 January 2019. Ms. Xie is concurrently the director of the institutional business department of China Galaxy International Securities (Hong Kong) Co., Limited, and has extensive experience in financial investments and corporate sales of financial institutions. Previously, Ms. Xie was the co-director of the private equity department of CLSA Limited and worked in Hua Lian New Energy Technology Limited, Guotai Junan International Holdings Limited, whose shares are listed on the Stock Exchange (stock code: 1788), Sinolink Securities Co., Ltd.* (國金證券股份有限公司), whose shares are listed on the Shanghai Stock Exchange (stock code: 600109), and its investment consulting branch in Shanghai. Ms. Xie received a Bachelor's degree in economics from Durham University and a Master's degree in business administration from China Europe International Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kwan Kai Cheong, aged 71, was appointed as an independent non-executive Director of the Company on 1 April 2011. He is also the chairman of the Audit Committee and members of the Remuneration Committee, the Nomination Committee and the Risk Control Committee of the Company. Mr. Kwan is concurrently the managing director of Morrison & Company Limited, a business consultancy firm, and the chairman of the board of G.T. Land Holdings Limited, a commercial property company in China. Since 1 February 2007, Mr. Kwan has served as a non-executive director of China Properties Group Limited, a company listed on the Main Board of the Stock Exchange. He also serves as an independent non-executive director of Henderson Sunlight Asset Management Limited (as manager of Sunlight Real Estate Investment Trust), and each of HK Electric Investments Limited, HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments), Win Hanverky Holdings Limited, Greenland Hong Kong Holdings Limited, and CK Life Sciences Int'l., (Holdings) Inc., all of whose shares are listed on the Main Board of the Stock Exchange. Mr. Kwan was previously the president and chief operating officer for Merrill Lynch & Co., Inc. (Asia Pacific region), and an independent non-executive director of Dynagreen Environmental Protection Group Co., Ltd. from 22 January 2014 to 26 February 2018, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Kwan obtained a Bachelor's degree in Accounting from the National University of Singapore in 1973, qualified as a chartered accountant in Australia in 1979 and has been a member of the Hong Kong Institute of Certified Public Accountants since 1982. Mr. Kwan completed Stanford Executive Programme in 1992.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yen Yuen Ho, Tony, aged 73, was appointed as an independent non-executive Director of the Company on 6 April 2011. He is also the chairman of the Remuneration Committee of the Company, and the members of the Audit Committee and the Nomination Committee of the Company. Mr. Yen is also an independent non-executive director of Jinchuan Group International Resources Co. Ltd and Alltronics Holdings Limited, both of whose shares are listed on the Main Board of the Stock Exchange, and an independent director of China Minsheng Jiaye Investment Co., Ltd.* (中民嘉業投資有限公司) and Utopa Limited, a commercial property operating company in China and since 16 December 2016 served as an independent non-executive director of WWPKG Holdings Company Limited, whose shares are listed on GEM of the Stock Exchange. Mr. Yen also served as an independent non-executive director of Link Holdings Limited from 20 June 2014 to 16 October 2014, whose shares are listed on GEM of the Stock Exchange. Mr. Yen was previously a senior civil servant; from April 1994 to March 2007, he was the law draftsman of the Department of Justice, where he was responsible for drafting Hong Kong legislation and a member of The Law Reform Commission of Hong Kong. Mr. Yen is an adjunct professor at the Hong Kong Shue Yan University and the Beijing Normal University, an honorary court member of The Hong Kong University of Science and Technology and an honorary fellow of the Faculty of Education, The University of Hong Kong. He is the director of two secondary schools, the chairman of the executive committee of the Neighborhood Advice-Action Council and a legal advisor of Heep Hong Society's Executive Council. Mr. Yen is an honorary adviser to the Pok Oi Hospital and the Hong Kong Academy of Nursing, a managing director and legal advisor to the Shanghai Fraternity Association and an honorary legal advisor to the Friends of Scouting, Scout Association of Hong Kong. He also serves as a director of the Hong Kong Institute for Public Administration. From April 2009 to April 2015, Mr. Yen served as the vice chairman of the Lump Sum Grant Independent Complaints Handling Committee of the Social Welfare Department appointed by the Hong Kong SAR Government. He also served as a panel member of Review Board on School Complaints of the Education Bureau of HKSAR from January 2013 to January 2018. Mr. Yen is a solicitor in Australia, Hong Kong and the United Kingdom and a barrister of Australia.

Mr. Chen Hongsheng, aged 71, was appointed as an independent non-executive Director of the Company on 21 January 2019. Mr. Chen was the committee member of the 12th National Committee of the Chinese People's Political Consultative Conference. From 1993 to 2014, Mr. Chen held some important positions in China Poly Group Corporation Limited* (中國保利集團有限公司) ("Poly Group") and its subsidiaries. Among others, Mr. Chen served as the chairman of Poly Group from January 2010 to May 2013, as an executive director of Poly Property Group Co., Limited (formerly known as Poly (Hong Kong) Investments Limited) ("Poly Property"), whose shares are listed on the Stock Exchange (stock code: 119), from January 2004 to June 2014, and as the chairman and an executive director of Poly Culture Group Corporation Limited ("Poly Culture"), whose shares are listed on the Stock Exchange (stock code: 3636), from December 2010 to November 2014. Poly Group is the holding company of Poly Property and Poly Culture. Mr. Chen obtained his bachelor's equivalent degree in Radio Remote Control & Telemetry from Beihang University (formerly Beijing Institute of Aeronautics) in December 1975. Mr. Chen was granted with the qualification of senior economist from State Bureau of Metallurgical Industry, the PRC, in August 2000.

Ms. Jin Xinbin, aged 67, was appointed as an independent non-executive Director of the Company on 31 December 2020. Ms. Jin served as the general manager of Huaneng Energy & Communications Holding Co., Ltd.* (華能能源交通產業控股有限公司); the chairman of the board, general manager and deputy general manager of China Huaneng International Economic Trading Company* (中國華能國際經濟貿易公司); the general manager of Hebei branch of China Huaneng Group Co., Ltd.* (中國華能集團有限公司); the deputy general manager of Huaneng Raw Materials Company* (華能原材料公司); the vice president of Hebei Product Enterprise (Group) Company* (河北物產企業(集團)公司). Ms. Jin also served as an external director of Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司), which is a controlling Shareholder of the Company, from March 2015 to March 2019. Ms. Jin has extensive experience in management and the energy industry. Ms. Jin is a professor-level senior engineer. She obtained a bachelor's degree in metallurgical machinery and equipment from Northeastern University and a master's degree in economics from Hebei University.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

CHIEF EXECUTIVE OFFICER

Mr. Zhu Jun, aged 53, was appointed as the Chief Executive Officer of the Company on 18 September 2020. He is also a president of the Group and a director of certain subsidiaries of the Group. Mr. Zhu joined the Group in March 2020. Prior to joining the Group, Mr. Zhu served as a manager of equipment maintenance department, an assistant to general manager and the secretary of party branch of Shanxi Zhangshan Electric Power Co., Ltd.* (山西漳山發電有限責任公司) ("Shanxi Zhangshan EP") successively from April 2003 to December 2004; a chief engineer and deputy general manager of Shanxi Zhangshan EP successively from December 2004 to March 2009; a deputy general manager of Guodian Power Dalian Zhuanghe Power Generation Co., Ltd.* (國電電力大連莊河發電有限責任公司) from March 2009 to March 2010; the secretary of the party committee, executive director and general manager of Beijing Jingfeng Gas Fired Power Co., Ltd. * (北京京豐燃氣發電有限責任公司) and an executive director and general manager of Beijing Jingfeng Thermal Power Co., Ltd.* (北京京豐熱電有限責任公司) successively from March 2010 to June 2018; a deputy general manager of Beijing Jingneng Clean Energy Co., Limited* (北京京能清潔能源電力股份有限公司) ("Jingneng Clean Energy"), the shares of which are listed on the main board of the Stock Exchange (Stock Code: 579) from June 2018 to February 2020, and served as an executive director of Jingneng Clean Energy from June 2019 to May 2020. Mr. Zhu has extensive experience in the energy industry. Mr. Zhu is a senior engineer in power engineering technology. He graduated from Electric Power Division of Shanxi Taiyuan University of Industry* (山西太原工業大學電力分院) with a bachelor's degree in power plant thermal power and received a master's degree in engineering from School of Power and Mechanical Engineering from Wuhan University in industrial engineering.

CHIEF FINANCIAL OFFICER

Mr. Huang Hui, aged 48, was appointed as the Chief Financial Officer of the Company on 21 February 2020. He is also a vice president of the Group. Mr. Huang served as a deputy head of management division of finance department and head of price control division of Inner Mongolia Power (Group) Co., Ltd.* (內蒙古電力(集團)有限責任公司); a deputy manager of financial department of Beijing Jingneng International Power Co., Ltd.* (北京京能國際能源股份有限公司); a chief accountant and a secretary to the board of directors of Beijing Jingneng Power Co., Ltd.* (北京京能電力股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600578); a chief accountant of Beijing Jingneng Clean Energy Co., Ltd.* (北京京能清潔能源電力股份有限公司), the shares of which are listed on the main board of the Stock Exchange (stock code: 579), a chief accountant of its Beijing branch and a supervisor; a deputy department head of financial management department of Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司), which is an indirect controlling Shareholder of the Company; a director and deputy general manager of Beijing Energy Investment (Hong Kong) Co., Limited (北京能源投資集團(香港)有限公司), which is a direct controlling Shareholder of the Company; and a director of Jingneng Group Finance Co., Ltd.* (京能集團財務有限公司). Mr. Huang has extensive experience in finance and management. Mr. Huang graduated from the Department of Finance of Inner Mongolia University of Finance and Economics with a bachelor's degree in economics majored in monetary banking, and received a master's degree in business administration from North China Electric Power University.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Diversification of Investment Locations and Portfolios

The Group, striving to be a leading global eco-development solutions provider, is principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects.

Solar Power Plant Projects

During the Year, the Group focused its resources on managing its existing solar power business. As at 31 December 2020, the Group had 61 solar power plants (31 December 2019: 57 solar power plants) with aggregate installed capacity of approximately 2,070.4MW (31 December 2019: approximately 1,895.4MW). As at 31 December 2020, all of the solar power plants were located in the PRC. The Group has well-diversified its solar power plants in 17 different regions during the Year (31 December 2019: 17).

Almost all the solar power plants owned and controlled by the Group are ground-mounted, with a small portion of them being roof-top type. The Group strategically develops, constructs and acquires solar power plants to achieve predetermined minimal rate of return and selects its solar power plants based on a combination of factors, including solar irradiation of the site, applicable FITs, government subsidies, conditions for local grid connection, electricity transmission infrastructure and demand for electricity.

Other Renewable Energy Projects

The Group owned development rights mainly in hydropower with an expected capacity of over 5GW. The Company indirectly holds 75% of the equity interest in the project companies while the remaining 25% is indirectly held by the People's Government of Tibet Autonomous Region. The Group is waiting for the planning of the Chinese government's ecological red line before the construction of any hydropower plants.

In the short run, the Group will focus on the development of solar and wind power businesses, while diversifying its renewable energy portfolios in order to supplement the multi-type energy supply in the long run.

Electricity Generation

During the Year, the total electricity generated by the power plants from the continuing operations of the Group has slightly increased from approximately 2,752,231MWh in 2019 to approximately 2,795,834MWh, or by approximately 1.58%. All these power plants are grid-connected and are generating electricity steadily.

Table 1: Summary of Power Plants from the Continuing Operations

	For the year ended 31 December							
	2020				2019			
	Number of power plants	Aggregate installed capacity (MW)	Electricity generation (MWh)	Weighted average utilisation hours (Hours)	Number of power plants	Aggregate installed capacity (MW)	Electricity generation (MWh)	Weighted average utilisation hours (Hours)
Subsidiaries								
Solar power plants	61	2,070.4	2,795,834	1,311	57	1,895.4	2,686,470	1,401
Wind power plant (Note)	–	–	–	N/A	–	–	65,761	N/A
	61	2,070.4	2,795,834		57	1,895.4	2,752,231	

Note: The wind power plant was disposed during the year ended 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

The details of the electricity generated from each region for the Year are set out as below. For accounting purpose, the volume of electricity generated by the newly acquired or constructed solar power plants during the Year was only recorded starting from their respective completion dates of acquisition or construction, as the case may be.

Table 2: Power Plants Information by Resource Zone – Continuing Operations

Location	As at 31 December 2020 Number of solar power plants	As at 31 December 2020 Aggregate installed capacity (MW)	For the year ended 31 December 2020 Electricity generation (MWh)	For the year ended 31 December 2020 Revenue (RMB'million)	For the year ended 31 December 2020 Average tariff per kWh (net of VAT) (RMB)
Subsidiaries					
(i) Zone 1					
Inner Mongolia, PRC	10	380.0	622,831	474	0.76
Ningxia, PRC	1	200.0	289,381	215	0.74
Gansu, PRC	1	100.0	151,874	109	0.72
Zone 1 sub-total	12	680.0	1,064,086	798	0.75
(ii) Zone 2					
Qinghai, PRC	4	200.0	289,517	233	0.81
Shanxi, PRC	2	150.0	233,872	173	0.74
Shandong, PRC	3	50.0	68,981	40	0.58
Xinjiang, PRC	7	120.2	181,888	143	0.79
Inner Mongolia, PRC	1	60.0	97,208	76	0.79
Yunnan, PRC	3	57.1	85,152	60	0.70
Hebei, PRC	2	37.3	53,210	42	0.78
Sichuan, PRC	3	50.0	85,833	57	0.67
Zone 2 sub-total	25	724.6	1,095,661	824	0.75
(iii) Zone 3					
Hubei, PRC	1	100.0	111,036	100	0.90
Shandong, PRC	2	60.0	55,024	49	0.89
Guangxi, PRC	1	60.0	63,179	54	0.86
Hunan, PRC	6	120.0	102,918	88	0.85
Guangdong, PRC	5	97.8	71,687	57	0.80
Zhejiang, PRC	1	3.0	2,971	3	0.84
Hebei, PRC	1	30.0	1,597	1	0.89
Anhui, PRC	1	100.0	113,842	75	0.66
Zone 3 sub-total	18	570.8	522,254	427	0.82
(iv) Others					
Tibet, PRC	6	95.0	113,833	100	0.88
Others sub-total	6	95.0	113,833	100	0.88
Total	**61**	**2,070.4**	**2,795,834**	**2,149**	**0.77**

Financing

The power generation business is capital intensive in nature. The Group has been exploring various financing channels to enhance its financing capability and reduce its finance costs. During the Year, the Group has raised funds by means of equity financing and debt financing. As at 31 December 2020, the effective interest rate for bank and other borrowings was approximately 4.70% (31 December 2019: approximately 5.43%).

MANAGEMENT DISCUSSION AND ANALYSIS

Impact of Coronavirus Disease 2019 ("COVID-19") to the Group

In January 2020, the outbreak of COVID-19 pandemic spread throughout the PRC. Under the effective measures by the Chinese government, the COVID-19 pandemic was gradually under control in the PRC and the economy recovered much sooner than expected. The Chinese economy became the only major economy in the world to achieve a positive economic growth during the Year.

The COVID-19 pandemic has certain impacts on the business operations of the Group in particular power generation and power plant construction in the PRC. However, the degree of the impact is considered insignificant to the Group due to the effective pandemic preventive measures imposed by Chinese government and the safety measures adopted by the Group. Apart from maintaining the power generation, the Group took responsible steps to protect the safety and health of the employees in various offices and power plants, including face masks distribution, temperature check, COVID-19 tests and flexible working arrangement where applicable.

Although the COVID-19 pandemic has been effectively controlled, there is still the risk of imported cases and localised outbreaks in the PRC, which may have certain impacts on the business operations of the Group. The Group will strictly implement COVID-19 precautionary and control measures and emergency plans as part of its normal operations in order to ensure that potential risks in relation to power generation and power plant construction are controllable and under control. For the benefit of the Group and all its stakeholders, the Group will also continue to assess and react actively to the impacts of COVID-19 pandemic on the business operations and the financial position of the Group by closely monitoring the COVID-19 situation in the PRC.

FINANCIAL REVIEW

During the Year, the Group recorded a net profit of approximately RMB262 million (31 December 2019: net loss of approximately RMB3,495 million).

Revenue and EBITDA

During the Year, the revenue and EBITDA from the continuing operations were approximately RMB2,149 million and RMB1,967 million respectively (31 December 2019: approximately RMB2,168 million and RMB1,920 million respectively). The average tariff per kWh (net of VAT) for the Year was approximately RMB0.77. Table 2 summarises the details of the breakdown of revenue generated by each resource zone and provincial region.

Finance Costs

The total finance costs have dropped from approximately RMB1,239 million in 2019 to approximately RMB1,110 million during the Year, or a decrease of approximately 10.4%. The decrease was mainly attributable to the support from credit enhancement from our new single largest shareholder, BEH. The Group has also taken various new financing or re-financing activities during the Year and has successfully lowered certain finance costs.

Share-Based Payment Expenses

Share-based payment expenses were relevant to the amortisation of the fair value of share options granted under the Company's share option scheme. The decrease in the share-based payment expenses was attributable to the Group's revised estimate of the number of options that were expected to vest based on the non-market vesting and service condition, as certain directors and staff of the Group had resigned during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment Charge on Development Rights

The Group recognised development rights in relation to hydropower projects with an expected capacity of approximately 5.2GW in Tibet and Sichuan Province, the PRC, and 60MW solar power projects in 2017.

In June 2019, the People's Government of Tibet Autonomous Region further published the "Notice of the People's Government of the Tibet Autonomous Region on Lowering the Prices of Residential Electricity and Industrial and Commercial Electricity" (《西藏自治區人民政府關於降低居民生活用電和工商業用電價格的通知》, "Tibet Notice 2"). The FIT of the Group's hydropower projects has been subsequently reduced from RMB0.35/kWh to RMB0.341/kWh. Such policy is on temporary trial since 1 July 2019 until further notice.

The management of the Company (the "Management") performed impairment assessment to determine the recoverable amount of the development rights based on fair value less costs of disposal. In this connection, Management prepared cash flow forecasts for the hydropower projects, taking into account of factors, including but not limited to, the above revision of government policies, probability as well as the estimated extent of the revision of FITs after 2020, construction costs and development plans. The Group engaged an external independent valuer to assess the recoverable amount of development rights. As a result of the impairment assessment, no impairment charge on development rights was recognised for the Year (31 December 2019: impairment charge of approximately RMB831 million).

Impairment Charge on Concession Rights

As at 31 December 2019, the Group had concession rights from a vendor to develop and operate various solar power plant projects which were due to expire by November 2020. Majority of these solar power plants projects under the concession rights, particularly those located in Shanxi, Hunan and Anhui, had been experiencing regional electricity curtailment due to low industry and household consumption in these provinces. It was speculated that this market condition may continue and may result in an adverse effect on the future revenue generated by such solar power plants.

Management performed impairment assessment in 2019 to determine the recoverable amount of the concession rights based on fair value less costs of disposal. In this connection, Management prepared cash flow forecasts of each of the concession rights taking into account of factors, including but not limited to, the revision of government policy, operational status of the solar power plants planned to be acquired and the probability to exercise the concession rights before its expiry. The Group engaged an external independent valuer to assess the recoverable amount of concession rights. As a result of the impairment assessment, an impairment charge of approximately RMB531 million on concession rights was recognised during the year ended 31 December 2019. There was no such impairment charge recorded during the Year. As the concession rights were due to expire by November 2020 and had been fully impaired as at 31 December 2019, Management wrote off the costs against the accumulated impairment during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment Charge on Property, Plant and Equipment

As at 31 December 2020, the Group had 61 solar power plants (31 December 2019: 57 solar power plants) with an aggregated installed capacity of approximately 2,070.4MW (31 December 2019: approximately 1,895.4MW). Majority of these solar power plants are located in provinces in the northwestern part of the PRC. Certain of these plants, particularly those located in Gansu, Qinghai, Xinjiang and Ningxia, have been experiencing prolonged period of regional curtailment of renewable energy due to low industry and household consumption in these provinces whereby the actual sales of electricity output to the State Grid are persistently less than the output capacity of the Group's power plants. While the Central Government has implemented measures to alleviate the national-wide curtailment rate of renewable energy, Management considers that this market condition may continue in the short to medium term and may result in an adverse effect on the future revenue to be generated by certain solar power plants of the Group.

Management performed impairment assessment on property, plant and equipment with impairment indicator as at 31 December 2020 and had reflected the latest market conditions and other relevant parameters in the assessment. The Group engaged an external independent valuer to assess the recoverable amount of property, plant and equipment and right-of-use assets. As a result of the impairment assessment, the Group recognised an impairment charge on property, plant and equipment of approximately RMB3 million (31 December 2019: property, plant and equipment of approximately RMB958 million (including construction-in-progress) and right-of-use assets of approximately RMB18 million) for the Year.

Write-back/(Write-off) on Other Receivables, Net

The Group assessed the recoverable amounts of its financial assets. During the Year, the Group recognised a write-back of approximately RMB5 million (31 December 2019: Nil) for a recovered receivable. Management was not optimistic about the recovery of certain financial assets and recognised a write-off of approximately RMB4 million (31 December 2019: approximately RMB39 million) during the Year.

Impairment Loss of Financial Assets

The Group had placed certain deposits and other receivables in 2017 to independent parties in order to secure potential projects in the future. There was no progress on project acquisitions to utilise the deposits over the past years. Management was uncertain about the progress of the project acquisitions or the ability of refund from these parties if the relevant projects would not proceed. The Group has started legal procedures in order to recover the loss from these parties, including issuing legal letters to these parties. In May 2020, the Company has formed an independent investigation committee to investigate the fund flows underlying such prepayment of deposits. Details of the investigation can be referred to the Company's announcements dated 19 July 2020, 31 July 2020 and 28 September 2020 and the section titled "Information Update on the Incidents" below. Though Management has taken proactive actions to recover the amounts from these parties, full recovery of the relevant amounts from these parties was uncertain and hence Management was not optimistic on the recoverability. As a result, an impairment loss of approximately RMB1,094 million was recognised for the year ended 31 December 2019.

Apart from this, Management performed impairment assessment on other deposits and other receivables not related to the above incidents and recognised an impairment loss of approximately RMB1 million for the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Loss on Disposal of Subsidiaries

During the Year, the Group recognised a loss on disposal of subsidiaries of approximately RMB1 million mainly in relation to the deregistered subsidiaries without holding any power plants. During the year ended 31 December 2019, the Group completed the disposal of certain subsidiaries, including a subsidiary which owned wind power plants with aggregate installed capacity of 96MW in the PRC, and two subsidiaries which had investments in joint ventures holding solar power plants with aggregate installed capacity of 270MW in the PRC. The losses were mainly arising from the reversal of a non-cash purchase price allocation adjustments recognised at the time of acquisitions on the Group's level.

Income Tax

During the Year, the Group's operations in the PRC are subject to the PRC Corporate Income Tax. The statutory PRC Corporate Income Tax rate is 25%. Certain subsidiaries of renewable energy projects are entitled to preferential tax concession. Income tax on profits assessable outside the PRC has been provided at rates prevailing in the respective jurisdictions (31 December 2019: Same).

Discontinued Operation

During the year ended 31 December 2019, the Group disposed its solar power plants located in the UK to an independent third party for approximately GBP34 million. The gain of approximately RMB4 million was calculated after netting off the consideration, transaction costs incurred, net assets of the portfolio and the transfer of the reserves under an interest rate swap contract. There was neither gain nor loss arising from discontinued operation recorded during the Year.

Trade, Bills and Tariff Adjustment Receivables

The trade and bills receivables will usually be settled within three to twelve months. For the tariff adjustment receivables in the PRC during the Year, there was a further delay in settlement in the Tariff Subsidy Project List or Others.

Table 3: Breakdown of Trade, Bills, Tariff Adjustment Receivables at Subsidiaries Level

	31 December 2020		31 December 2019	
	Installed capacity (MW)	**RMB'million**	Installed capacity (MW)	RMB'million
Trade and bills receivables		**229**		113
Tariff adjustment receivables				
PRC				
Tariff Subsidy Project List	**1,785.7**	**3,846**	1,685.7	3,518
Others (Note)	**264.7**	**269**	189.7	177
Total	**2,050.4**	**4,344**	1,875.4	3,808

Note: Representing the solar power plants to be enlisted in the Tariff Subsidy Project List.

MANAGEMENT DISCUSSION AND ANALYSIS

Bank and Other Borrowings

The Group is actively seeking opportunities of financing/refinancing to lower the cost of funds and to improve liquidity.

As at 31 December 2020, the maturity and currency profile for the Group's bank and other borrowings are set out as follows:

	Within 1 year RMB' million	2nd year RMB' million	3-5 years RMB' million	6-10 years RMB' million	Over 10 years RMB' million	Total RMB' million
RMB	3,743	1,615	6,067	2,888	390	14,703
US$	1,620	1,563	–	–	–	3,183
	5,363	3,178	6,067	2,888	390	17,886
Less: Unamortised loan facilities fees	(58)	(43)	(96)	(91)	(9)	(297)
Carrying amount	5,305	3,135	5,971	2,797	381	17,589

Key Performance Indicators

The Group measures the delivery of its strategies and manages its business through regular measurements of several key performance indicators, particularly on the following ratios: EBITDA margin, debt to EBITDA ratio, funds from operations to net debt ratio and interest coverage ratio.

EBITDA Margin: EBITDA margin is a measurement of the Group's operating profitability and is calculated as EBITDA divided by the revenue. The Group's EBITDA margin has increased by approximately 3% from approximately 89% to approximately 92% for the Year. This was mainly due to effective cost control implemented during the Year and the synergies from the increased capacity of power plants.

Debt to EBITDA Ratio: Debt to EBITDA ratio is a measurement of the number of years that will take the Group to repay its debts assuming net debts and EBITDA are held constant. This ratio is calculated as the net debts divided by EBITDA. Net debts is calculated as total borrowings less cash deposits. Total borrowings include current and non-current bank and other borrowings and construction costs payables as shown in the consolidated statement of financial position. The ratio has decreased during the Year to approximately 7.7 (31 December 2019: approximately 8.3).

Funds from Operations to Net Debt Ratio: Funds from operations to debt ratio is a measurement of the Group's ability to pay its debts using its operating income alone. This ratio is calculated as the EBITDA net of cash interest paid divided by net debts. The ratio has increased from approximately 6.4% to approximately 7.6% for the Year.

Interest Coverage Ratio: Interest coverage ratio measures the Group's ability to pay interest on its interest-bearing debt. The ratio is calculated as EBITDA divided by net interest paid (actual interest paid minus actual interest income received during the Year). The ratio was approximately 2.41 for the Year (31 December 2019: approximately 2.15).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

As at 31 December 2020, the Group recorded current assets of approximately RMB9,722 million and current liabilities of approximately RMB7,757 million.

The Group has established a treasury policy with the objective of lowering cost of funds. Therefore, funding for all its operations have been centrally reviewed and monitored at group level. To manage the Group's exposure to fluctuations in interest rates on each solar power project, appropriate funding policies will be applied including the use of bank and other borrowings, issue of senior notes, medium-term notes and corporate bonds or issuance of new shares. Management will continue its efforts in obtaining the most privileged rates and favourable terms to the Group for its financing.

The Group monitors its capital structure based on the gearing ratio. This ratio is calculated as net debts divided by total capital. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts.

The capital structure (including its gearing ratio) as at 31 December 2020 was as follows:

	31 December 2020 RMB' million	31 December 2019 RMB' million
Bank and other borrowings	17,589	18,301
Construction costs payables	441	574
Total borrowings	18,030	18,875
Less: Cash deposits	(2,972)	(2,964)
Net debts	15,058	15,911
Total equity	5,655	3,641
Total capital	20,713	19,552
Gearing ratio	72.7%	81.4%

The drop in gearing ratio was attributable to the issue of new shares during the Year.

The Group will use its best endeavour to lower its gearing ratio in the future by deleveraging its liabilities, including but not limited to co-investing in power plants with strategic business partners to reduce the capital expenditure.

Except for certain bank and other borrowings with aggregate amounts of approximately RMB5,721 million which were carried at fixed rates, the remaining borrowings of the Group bore floating interest rates.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2020, the cash deposits were denominated in the following currencies:

	Pledged deposits RMB' million	Restricted cash RMB' million	Cash and cash equivalents RMB' million	Total RMB' million
RMB	1,353	13	1,087	2,453
HK$	–	10	480	490
US$	–	19	10	29
	1,353	42	1,577	2,972
Representing:				
Non-current portion	379	–	–	379
Current portion	974	42	1,577	2,593
	1,353	42	1,577	2,972

The Group did not have any financial instruments for hedging purposes.

As at 31 December 2020, the Group had capital commitment in respect of property, plant and equipment amounted to approximately RMB183 million.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year, the Group completed two acquisitions of subsidiaries with an aggregate installed capacity of 50MW. None of them is individually material to the Group.

Save as mentioned above, the Group did not have any other material acquisitions or disposals of subsidiaries, associates and joint ventures during the Year.

PERFORMANCE AND FUTURE PROSPECTS FOR SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, the Group had no significant investment.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL RELIANCE ON KEY CUSTOMERS

The key customers in the PRC for the sales of electricity were subsidiaries of the State Grid and Inner Mongolia Power, which are PRC state-owned electric utility companies that transmit and distribute power in the PRC. As at 31 December 2020, the receivables from the subsidiaries of State Grid and Inner Mongolia Power were approximately 82.4% and 17.3% of the total trade, bills and tariff adjustment receivables, respectively.

CHARGE ON ASSETS

As at 31 December 2020, approximately 71% of bank and other borrowings of the Group were secured by the pledge over certain power generating modules and equipment, guarantee deposits, the fee collection right in relation to the sales of electricity in certain subsidiaries and/or pledge over the shares/equity interest of certain subsidiaries of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group had 436 full-time employees (31 December 2019: 412). Employees were remunerated according to the nature of their positions, individual qualification, performance, working experience and market trends, with regular remuneration review to reward and motivate individual performance. The Group offers competitive compensation and benefit packages to different levels of staff, including additional medical insurance, discretionary bonus, various training programmes, sponsorship for further study, as well as share option scheme for the benefits of the directors and eligible employees of the members of the Group. Total employee benefits cost (excluding share-based payment expenses of approximately RMB4 million) for the continuing operations for the Year amounted to approximately RMB101 million (31 December 2019: approximately RMB115 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group operates mainly in Mainland China and Hong Kong. For the operations in Mainland China, the transactions are mostly denominated in RMB. Minimal exposure to fluctuation in exchange rates is expected. For the operations in Hong Kong, most of the transactions are denominated in HK$ and US$. Since the exchange rate of US$ against HK$ is pegged to each other under the Linked Exchange Rate System, the exposure to fluctuation in exchange rates will mainly arise from the translation to the presentation currency of the Group. The Group did not resort to any currency hedging facility for the Year. However, Management will enhance the monitoring on the Group's foreign currency exposure, should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no significant contingent liability.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE FINANCIAL PERIOD

(a) Acquisition of Entire Equity Interests in Companies owning 165MW Solar Power Plants in the PRC

On 29 January 2021, Beijing United Rongbang (an indirect wholly-owned subsidiary of the Company) (as the purchaser), Inner Mongolia Yuanhai New Energy Co., Ltd.*（內蒙古源海新能源有限責任公司）, ("Inner Mongolia Yuanhai") (as the vendor), and Wulate Houqi Banner Yuanhai New Energy Co., Ltd.*（烏拉特後旗源海新能源有限責任公司）("Wulate Houqi") entered into an equity transfer agreement, pursuant to which Beijing United Rongbang conditionally agreed to purchase, and Inner Mongolia Yuanhai conditionally agreed to sell, the entire equity interest in Wulate Houqi. Upon completion of this acquisition, Wulate Houqi will become an indirect wholly-owned subsidiary of the Company. Details of the acquisition are set out in the Company's announcement dated 29 January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

On 8 February 2021, Beijing United Rongbang and Inner Mongolia Xingbang (together with Beijing United Rongbang, as the "Purchasers") (both are indirect wholly-owned subsidiaries of the Company), Zhongming Capital Holdings Group Co., Ltd.* (中明資本控股集團有限公司)("Vendor 1"), Inner Mongolia Weiheng Industry and Trade Co., Ltd.* (內蒙古偉恒工貿有限公司) ("Vendor 2", and together with Vendor 1, the "Vendors") and Inner Mongolia Minghua New Energy Co., Ltd.* (內蒙古明華新能源股份有限公司) ("Inner Mongolia Minghua") entered into an equity transfer agreement, pursuant to which, the Purchasers conditionally agreed to purchase, and the Vendors conditionally agreed to sell, the entire equity interest in Inner Mongolia Minghua at an aggregate consideration of approximately RMB301 million. Upon completion of this acquisition, Inner Mongolia Minghua will become an indirect wholly-owned subsidiary of the Company. Details of the acquisition are set out in the Company's announcement dated 8 February 2021.

(b) Deemed Disposal of Certain Equity Interests in a Subsidiary

On 25 February 2021, UP Changzhou (an indirect wholly-owned subsidiary of the Company), Qinqdao ICBC Shengjing Equity Investment Fund Co., Ltd.* (青島工融盛景股權投資基金有限責任公司) ("Investor 1"), ICBC Financial Investment No. 3 (Tianjin) Equity Investment Partnership (Limited Partnership)* (工融金投三號(天津)股權投資合夥企業(有限合夥)) ("Investor 2", and together with Investor 1, the "Investors"), UP Shenzhen and New Light Technology Limited (both are indirect wholly-owned subsidiaries of the Company) entered into the capital increase agreement (the "Capital Increase Agreement"), pursuant to which, Investor 1 conditionally agreed to inject RMB1,000 million into UP Changzhou by way of cash contribution in return for approximately RMB794 million in the registered capital of UP Changzhou, which accounts for approximately 12.21% of the enlarged equity interest in UP Changzhou (the "Capital Increase"). Parties also agreed that the Investors are entitled to, but not obliged to, subsequently inject in aggregate of not more than RMB2,000 million within six months after the effective date of the Capital Increase Agreement in return for approximately RMB1,588 million in the registered capital of UP Changzhou (the "Subsequent Capital Increase"). After completion of the Capital Increase and the potential Subsequent Capital Increase, the Investors will be interested in an aggregate of not more than 29.43% of the enlarged equity interest in UP Changzhou and UP Changzhou will become an indirect non wholly-owned subsidiary of the Company. Therefore, the Group's interest in UP Changzhou will be diluted from 100% to not less than 70.57% after the completion of the Capital Increase and the potential Subsequent Capital Increase. Details of the deemed disposal of certain equity interest in a subsidiary are set out in the Company's announcement dated 25 February 2021.

(c) Repurchase of Senior Notes

On 26 February 2021, the Company has repurchased approximately US$112 million 8% guaranteed senior notes which would be due in 2022 (the "Notes") in the aggregate principal amount of US$33 million at a total consideration of approximately US$34 million (including accrued and unpaid interest) in the open market. The repurchased Notes represent approximately 29.38% of the initial principal amount of the Notes and have been or will be cancelled (as the case may be) in accordance with the terms and conditions of the Notes. Details of the Notes repurchase are set out in the Company's announcement dated 26 February 2021.

(d) Sales and Leaseback

On 26 March 2021, Yantai Jishun Photovoltaic Power Technology Co., Ltd.* (烟台吉順光電科技有限公司)("Yantai Jishun") (an indirect non wholly-owned subsidiary of the Company) and Shenzhen Jingneng Leasing (a subsidiary of BEH) entered into a sales and leaseback agreement, pursuant to which, Shenzhen Jingneng Leasing agreed to provide to the Group sales and leaseback services for eight years, from 26 March 2021 to 25 March 2029 (the "Sales and Leaseback"). Details of the Sales and Leaseback are set out in the Company's announcement dated 26 March 2021.

(e) Settlements with NEX Group

On 29 March 2021, the Group entered into an agreement with NEX Group in respect of the NEX Settlements (as defined in the section titled "Information Update on the Incidents"). Details of the arrangement are set out in Notes 3.1(b)(ii) and 25.

MANAGEMENT DISCUSSION AND ANALYSIS

INFORMATION UPDATE ON THE INCIDENTS

In May 2020, the Board was informed by the predecessor auditor of certain findings during the audit of the Company's consolidated financial statements as at and for the year ended 31 December 2019. As a result, the Board established an independent investigation committee which had engaged an external independent professional advisor to conduct an Investigation on certain matters brought to the attention of the Board. Based on the findings of the Investigation, the Board had identified (1) certain deposits were made to NEX and its related entities, including EBODHK, which is a subsidiary of NEX, of HK$598 million (equivalent to approximately RMB522 million) and certain other payments were made to EBODHK and CMNEG, a related company of NEX Group (as defined below), of totalling HK$88 million (equivalent to approximately RMB72 million); (2) deposits were made to SZZY of RMB500 million; and (3) certain payments on behalf of NEX Group of approximately RMB303.7 million were made to one of the limited partners of Changzhou Haozhen, a then joint venture of the Group. The amount of RMB303.7 million was recorded as an amount due from NEX Group and included in the outstanding amounts due from NEX Group as at 31 December 2019. Further details of the Investigation, financial impact and responses by the Board are described in the Company's 2019 annual report and announcements dated 12 May 2020, 13 May 2020, 9 June 2020, 20 July 2020, 31 July 2020 and 28 September 2020.

During the year ended 31 December 2019, impairment loss of approximately RMB1,094 million was recognised in the consolidated statement of profit or loss in respect of the abovementioned deposits made to NEX Group and related entities and SZZY and amounts due from EBODHK and CMNEG as described in items (1) and (2) above.

On 28 September 2020, in light of the limitations encountered during the Investigation, the significant sums involved, and the findings in the Investigation, after consulting with the legal advisers, the Company reported the incidents of prepayment of the deposits to the Commercial Crime Bureau of the Hong Kong Police Force ("CCB"). For the purpose of the investigation of the incidents of prepayment of the deposits, the Company will provide assistance to the CCB.

In respect of item (3) above, on 29 March 2021, the Group entered into an agreement with NEX Group, which was an extension of the settlement agreement between the Group and NEX Group signed on 24 August 2020 (details are set out in the Company's 2019 annual report), on certain new and revised settlement arrangements in relation to the outstanding net balances due from NEX Group of approximately RMB296 million as at 31 December 2020 ("Revised Settlement Agreement"). Pursuant to the Revised Settlement Agreement, NEX Group agreed to transfer (1) equity interests of its certain companies operating in the PRC in which the fair value of those equity interests amounted to approximately RMB35 million; (2) a debenture of the Company held by NEX Group with maturity date on 17 April 2021 amounted to approximately RMB161 million (including both principal and interest); (3) cash of approximately RMB10 million; (4) cash of approximately RMB38 million upon settlement of certain trade and other receivables from independent third parties; and (5) approximately 274 million shares of the Company held by NEX Group in which the fair value of these shares amounted to approximately RMB60 million as at 29 March 2021, to the Group for full settlement of the net balances due from NEX Group ("NEX Settlements"). The NEX Settlements are expected to complete on or before 31 December 2021. In addition, NEX Group agreed to pledge approximately 460 million shares of the Company held by NEX Group (including approximately 274 million shares as mentioned in (5) above) as collaterals to the NEX Settlements to cover any remaining unsettled balance.

The Company commits to keep its shareholders and the public informed of all material information to appraise the Company's position by way of announcements on the websites of the Stock Exchange and the Company, including but not limited to market updates of all material information where applicable.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Year 2020, an extraordinary year, was the year when the "13th Five-Year Plan" would end and the first year that the Company started for splendid performance. At the beginning of the year 2020, the Company introduced the state-owned enterprise, Beijing Energy Holding Co., Ltd., as the largest Shareholder of the Company. Leveraging its strong shareholder background and financing advantages, the Company firmly grasped the opportunity of rapid development of renewable energy and quickly started a new journey of sustainable and healthy development around the four main lines of work: solving inherited problems, reshaping strategic planning, promoting system and mechanism reform, and strengthening production and operation management. In the past year, the Company has overcome the impact of the COVID-19 pandemic, comprehensively optimized the corporate governance structure, management authorisation and professional manager mechanism construction, established the awareness of operation in accordance with laws and regulations, effectively solved difficult problems, fully expanded the business scale, continuously enhanced the development momentum, quickly reversed the business situation and continuously improved the management level of various businesses.

2021 is the first year of the "14th Five-Year Plan", and is also a year of accelerated transformation of energy structure and rapid development of green energy. China has made it clear that vigorously developing renewable energy sources such as wind power and photovoltaic power generation is an important support for China to promote clean and low-carbon energy development and accelerate the construction of ecological civilization. China also puts forward the goal of "carbon peak and carbon neutrality" successively, and expressly set the target that the installed capacity of photovoltaic power generation and wind power would reach more than 1.2 billion kilowatts by 2030, and to accelerate the promotion of favorable measures that promote the development of new energy industry, such as the construction of a new power system based on new energy. Recently, five ministries and commissions of China jointly issued the "Notice on Guiding and Increasing Financial Support to Promote Healthy and Orderly Development of Wind Power and Photovoltaic Power Generation Industries" (《關於引導加大金融支持力度促進風電和光伏發電等行業健康有序發展的通知》), further providing strong support for the development of the industry from the financial policy level.

Looking into the future, the trend of carbon reduction is unstoppable. Firmly aiming at "a first-class international clean energy ecological investment operator", the Company will reform the old practices, strengthen the construction of system and mechanism, advance with changes under control, activate high-quality development momentum, adhere to value creation and innovative development, follow the situation, and work together to start a new journey for leapfrog development.

REPORT OF CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRACTICES

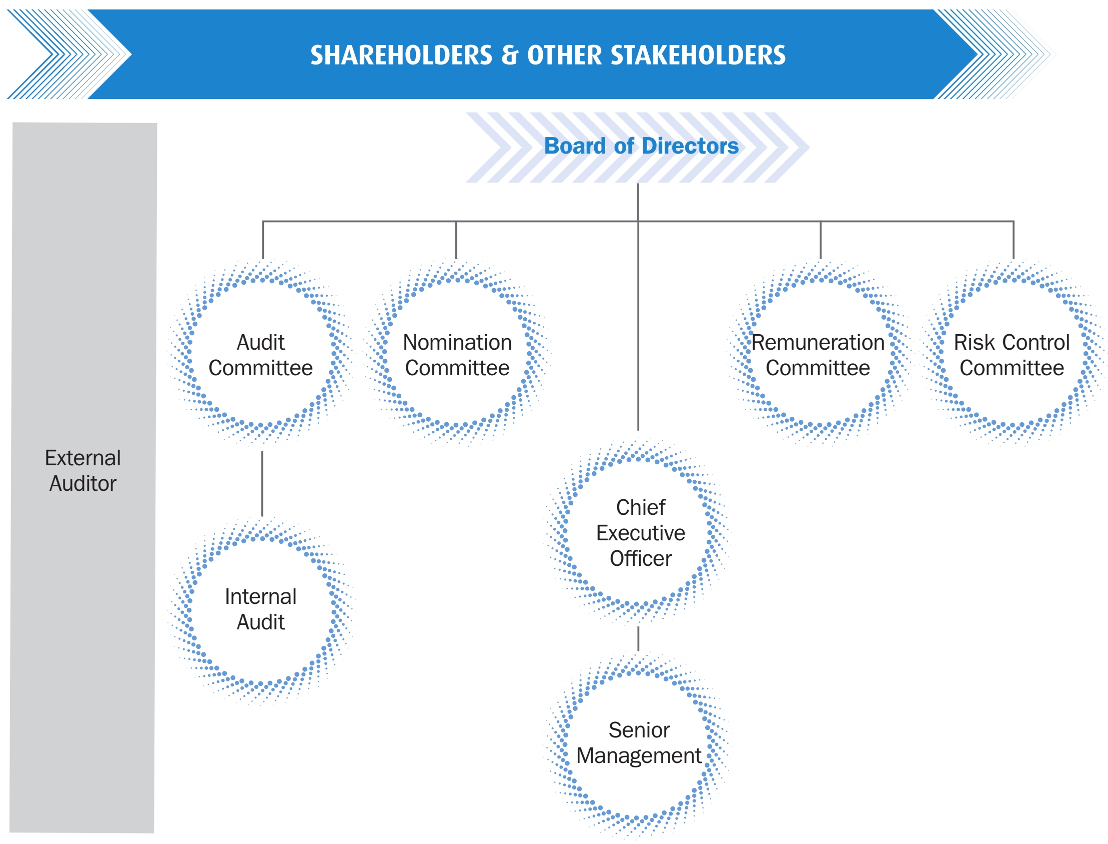
The Company is committed to maintaining a high standard of corporate governance to protect the interests of the Company and the Shareholders as a whole. The Company believes that rigorous standards of corporate governance enhance the sustainability of the Company. To this end, the Company has maintained a framework of corporate governance policies and practices to apply the principles of good corporate governance in daily operation. This framework is built upon principles of accountability and integrity.

The Company has applied the principles and code provisions of the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. During the year ended 31 December 2020, the Company has complied with all applicable code provisions under the CG Code, except from those disclosed in this report of corporate governance headed "Chairman and Chief Executive Officer".

CORPORATE GOVERNANCE STRUCTURE

The Board is collectively responsible for performing the corporate governance duties. It is responsible for developing, reviewing and monitoring the policies and practices on corporate governance of the Company. In the corporate governance framework of the Company, other key participants, including Shareholders, senior management and other stakeholders, have a role to contribute and interact in the process of decision making and they set us in motion of continuing improvement in our corporate governance practices.

The diagram below shows the current corporate governance structure of the Company and the relationship between key participants:

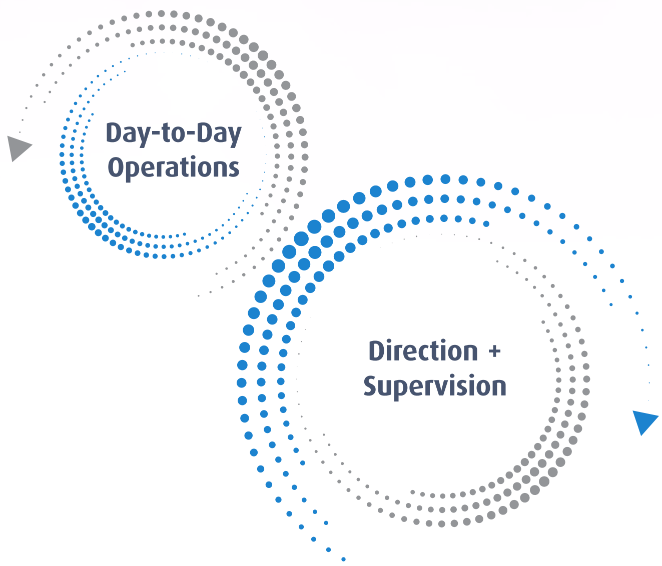


REPORT OF CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Overall Responsibility and Delegation

Members of the Board are individually and collectively accountable for promoting the success of the Company and achieving sustainable development of the Company. The Board provides leadership and supervision of the Company, overseeing businesses and evaluating the performance of the Group. It focuses on formulating the overall strategies and policies with particular attention paid to the growth and financial performance of the Group, and make decisions on significant acquisitions and other specified matters reserved for the Board.



The implementation of the Group's strategies and policies and the day-to-day operations of the Group are performed by the Chief Executive Officer and senior management under the regular monitoring and supervision of the Board and its committees. These arrangements will be reviewed periodically to ensure that they remain appropriate to the needs of the Company.

All Directors have separate access to the management of the Company and are provided with full and timely information about the conduct of the business and operation of the Group. Upon request by the Board, independent professional advice will be available to the Directors to facilitate the decision-making process. Appropriate directors' and officers' liability insurance has been arranged for the Directors.

REPORT OF CORPORATE GOVERNANCE

The Board has also delegated certain functions to the Audit Committee, Remuneration Committee, Nomination Committee, Risk Control Committee and Strategy Committee (dissolved from 29 January 2021), further details of which are set out in this report of corporate governance.

Key matters reserved for the Board

Strategy & operation

- approve the strategic plan and annual operation and investment plans of the Group
- approve major investments and transactions
- approve issue of Shares and other securities within the authority given by Shareholders
- approve other material corporate activities

Monitoring of financial performance

- approve and monitor the annual budget and annual financial plan
- approve the selection and appointment of the external auditor
- review and approve the annual and interim financial results and approve their publication

Organisation & succession planning

- decide the Group's organisation
- consider the appointment of Directors
- approve the remuneration policy and incentive schemes
- approve the appointment or removal of Chief Executive Officer
- review and monitor the training and continuous professional development of Directors and senior management

Governance & risk management

- develop the corporate governance structure and policy
- approve and review the terms of reference of board committees
- establish and maintain risk management and internal control systems, review and monitor policies and practices on compliance with legal and regulatory requirements
- establish and review shareholders' communication policy
- review the Company's compliance with the CG Code and relevant disclosure in this report of corporate governance
- develop, review and monitor the code of conduct and compliance manual for Directors and employees

REPORT OF CORPORATE GOVERNANCE

Composition of the Board

The Board currently comprises eleven Directors, including three executive Directors, four non-executive Directors and four independent non-executive Directors. The Directors who served the Board during the year ended 31 December 2020 and changes in Directors up to the date of this annual report are as follows:

Name of Directors	Changes in Directors up to the date of this annual report
Executive Directors	
Mr. Zhang Ping *(Chairman)*	*Appointed as an executive Director, Chairman of the Board and Chief Executive Officer with effect from 21 February 2020, appointed as an Authorised Representative with effect from 29 June 2020, and resigned as a Chief Executive Officer on 18 September 2020*
Mr. Lu Zhenwei	*Resigned as the Chairman of the Board with effect from 21 February 2020, and resigned as an Authorised Representative with effect from 29 June 2020*
Mr. Xu Jianjun	
Ms. Zhong Hui	*Resigned as an executive Director and Chief Executive Officer with effect from 21 February 2020*
Mr. Chen Qinglong	*Resigned as an executive Director with effect from 21 February 2020*
Mr. Huang Hui *(Chief Financial Officer)*	*Appointed as an executive Director and Chief Financial Officer with effect from 21 February 2020, and resigned as an executive Director with effect from 29 June 2020*
Non-executive Directors	
Mr. Sui Xiaofeng	*Appointed as a non-executive Director with effect from 29 June 2020*
Mr. Zhao Bing	*Appointed as a non-executive Director with effect from 29 January 2021*
Mr. Li Hao	
Ms. Xie Yi	
Mr. Wang Heng	*Resigned as a non-executive Director with effect from 29 June 2020*
Mr. Yu Qiuming	*Retired as a non-executive Director with effect from 2 September 2020*
Mr. Chen Dayu	*Appointed as a non-executive Director with effect from 29 June 2020, and resigned as a non-executive Director with effect from 29 January 2021*
Independent Non-executive Directors	
Mr. Kwan Kai Cheong	
Mr. Yen Yuen Ho, Tony	
Mr. Chen Hongsheng	
Ms. Jin Xinbin	*Appointed as an independent non-executive Director with effect from 31 December 2020*
Mr. Shi Dinghuan	*Resigned as an independent non-executive Director with effect from 31 December 2020*

REPORT OF CORPORATE GOVERNANCE

Directors' biographical details are set out in the "Biographies of Directors and Senior Management" section of this annual report on pages 14 to 18. The Board believes that its composition is well balanced with each Director having sound knowledge, skills, diversity of perspectives, and experience and/or expertise relevant to the business of the Group.

To the best knowledge of the Board, there is no financial, business, family or other material/relevant relationship among its members. Updated list of directors and their role and function has been maintained on our website and that of the Stock Exchange. The names and identification of the Directors are disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

Chairman and Chief Executive Officer

The Chairman provides leadership and governance for the Board so as to create the conditions required for effective performance of the Board as a whole and effective contribution by individual Director. He also ensures that the Board performs its responsibilities and all key and appropriate issues are discussed by the Board in a timely manner. The Chief Executive Officer has the delegated power to manage the Company and to oversee the activities of the Company.

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. During the year ended 31 December 2020, Mr. Lu Zhenwei and Ms. Zhong Hui were the Chairman of the Board and the Chief Executive Officer respectively till 21 February 2020. Upon their resignations from the relevant positions, Mr. Zhang Ping was appointed as the Chairman of the Board and the Chief Executive Officer with effect from 21 February 2020.

From 18 September 2020, Mr. Zhang Ping resigned from the position as the Chief Executive Officer, while continues to act as the Chairman of the Board and executive Director. On the same date, Mr. Zhu Jun was appointed as the Chief Executive Officer. The positions of the Chairman of the Board and Chief Executive Officer are held separately and fulfills the requirement under the code provision A.2.1 of the CG Code.

Independent Non-executive Directors

The Board has four independent non-executive Directors, exceeding one-third of the Board, and one of whom possess professional qualifications in accounting and related financial management expertise. The Company has complied with the requirement for appointment of at least three independent non-executive directors under Rule 3.10(1) of the Listing Rules and the requirement that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rules 3.10(2) of the Listing Rules throughout the entire year. The Company has also complied with the requirement of Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board. With such a weight of the independent non-executive Directors, there is a strong independent element in the Board, which can effectively exercise independent judgement. The independent non-executive Directors contribute by ensuring due governance process, reviewing and providing independent advices to the management performance. They also bring in objective and impartial considerations for connected transactions and other issues of the Group.

The Company has received from each independent non-executive Director an annual written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

REPORT OF CORPORATE GOVERNANCE

Appointment and Re-election of Directors

The Company follows a formal and considered procedure for the appointment of new Directors. Details of the nomination policy of the Company are set out in the "Nomination Policy" section of this report of corporate governance on pages 45 to 46. The Nomination Committee identifies suitably qualified individuals for directorship to complement the Company's corporate strategy and makes recommendations to the Board on proposed appointments. A new Director may be appointed by the Shareholders at general meeting or by the Board after the recommendation of the Nomination Committee, either to fill a casual vacancy on the Board, or as an addition to the Board. In accordance with Bye-law 83(2) of the Bye Laws, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment, and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Every Director is appointed for a specific term and should be subject to retirement by rotation at least once every three years. In accordance with Bye-law 84(1) of the Bye-Laws, one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years at each AGM.

Each Director has entered into a service contract or a letter of appointment with the Company. All the non-executive Directors (including the independent non-executive Directors) are appointed for a specific term of one year subject to the retirement and re-appointment provisions of the Bye-Laws.

During the year ended 31 December 2020, Mr. Zhang Ping, Mr. Sui Xiaofeng and Mr. Chen Dayu, had retired from office and been re-elected as Directors in the SGM held on 3 August 2020. In the AGM held on 2 September 2020, Mr. Lu Zhenwei, Mr. Kwan Kai Cheong and Mr. Chen Hongsheng had retired from office and been re-elected as Directors. Mr. Yu Qiuming retired as a non-executive Director at the conclusion of the aforesaid AGM as his re-election was not passed at the aforesaid AGM.

Directors' Induction and Continuous Professional Development

Upon each appointment, an induction briefing and a Directors' induction handbook were given to each of the newly appointed Directors. Such briefing and handbook primarily introduce the laws, rules and regulations to which the Directors should observe and adhere during their tenure, as well as the Company's policies, codes, compliance manual, and the business, operations and development of the Group. The new Directors appointed during the year 2020, who were Mr. Zhang Ping, Mr. Huang Hui, Mr. Sui Xiaofeng, Mr. Chen Dayu and Ms. Jin Xinbin, had all received an induction briefing and been given an updated Directors' induction handbook.

During the year 2020, the Company has arranged trainings which were presented by professional firms to the Directors. The Directors also recognise the importance of keeping abreast of the business activities and development of the Company, and developing and refreshing their knowledge and skills and thus continuously attend seminars and/or briefings to refresh their knowledge. In addition, a number of reading materials in relation to the amendments or revision of applicable laws, rules, regulations, standards and policies of the countries and regions in which the Group operates, such as guidelines, newsletters, reports, consultation papers and interpretations issued by regulatory bodies or professional firms, are also circulated to all Directors from time to time.

REPORT OF CORPORATE GOVERNANCE

The Company has maintained record of the continuous professional development participated by the Directors. A summary of the Directors' participation in the continuous professional development during the year ended 31 December 2020 and up to the date of this annual report is as below:

	Attending briefings/ seminars	Reading materials/ regulatory updates/ monthly reports
Executive Directors		
Mr. Zhang Ping *(appointed with effect from 21 February 2020)*	√	√
Mr. Lu Zhenwei	√	√
Mr. Xu Jianjun	√	√
Non-executive Directors		
Mr. Sui Xiaofeng *(appointed with effect from 29 June 2020)*	√	√
Mr. Zhao Bing *(appointed with effect from 29 January 2021)*	√	√
Mr. Li Hao	√	√
Ms. Xie Yi	√	√
Independent Non-executive Directors		
Mr. Kwan Kai Cheong	√	√
Mr. Yen Yuen Ho, Tony	√	√
Mr. Chen Hongsheng	√	√
Ms. Jin Xinbin *(appointed with effect from 31 December 2020)*	√	√

BOARD PROCESS

Key Features of Board Process

Formal notice with sufficient time

- 14 days' notice of regular board meeting or reasonable notice in timely manner with agenda
- all directors are invited to propose any additional matters included in the agenda

Adequate information

- board papers with reliable information accessible to all directors are provided in advance
- sufficient materials to enable the board to make informed decisions

Support & advice

- proper briefed on issues arising at meeting
- prompt and full response to queries raised
- access to the management
- independent professional advice in appropriate circumstances at the Company's expenses

Active participation and contribution

- have meeting at least 4 times a year and have meeting when required
- promote a culture of openness and debate
- encourage all directors with different views to voice their concerns, if any
- allow sufficient time for discussion and ensure board decisions fairly reflect board consensus

Proper records

- record in sufficient details on the matters considered and decisions reached
- record any concerns raised
- records are open for inspection by directors

REPORT OF CORPORATE GOVERNANCE

Other Key Features of Board Process

- The Chairman held a meeting with the independent non-executive Directors without the presence of other Directors.
- Transactions where any Director is considered having a conflict of interest or material interests shall be dealt with in a physical meeting with presence of independent non-executive Directors who have no material interests.
- Any Director having conflict of interests or material interests shall disclose his/her interests in accordance with the Bye-Laws before the meeting and shall abstain from voting on the resolution(s) approving such transactions and shall not be counted in the quorum.

BOARD COMMITTEES

The Board has established its Audit Committee, Remuneration Committee, Nomination Committee, Risk Control Committee and Strategy Committee on 14 March 2000, 28 September 2005, 23 March 2012, 23 July 2013 and 20 March 2017 respectively. The Strategy Committee was officially dissolved from 29 January 2021. Details of authority, role and responsibilities of each committee are set out in written terms of reference which are available on the Company's website under the Investor Relations section and the Stock Exchange's website. The Audit Committee, Remuneration Committee, Nomination Committee and Risk Control Committee reviewed its terms of reference at least once a year to ensure they remain in line with the requirements of the Listing Rules. Amendments to the terms of reference shall be submitted to the Board for approval and adoption.

The Company Secretary acted as the secretary of the Audit Committee, Remuneration Committee, Nomination Committee, Risk Control Committee and Strategy Committee. An agenda accompanying board committee papers are sent to the committee members at least three days prior to the meeting. Sufficient resources are made available to the committee members when required. The secretary prepares full minutes of the committee meetings with details of the matters considered by the committee members. The draft minutes are sent to all committee members of respective committee for comment and approval after each meeting and the final version of the minutes are sent to the committee members for their records within a reasonable time after the meeting. The chairman of the respective committee summarises the activities of that committee and highlights issues arising and reports to the Board after each committee meeting.

Audit Committee

Audit Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one non-executive Director, namely Mr. Sui Xiaofeng. The Audit Committee is chaired by Mr. Kwan Kai Cheong who possesses relevant professional qualification and expertise in financial reporting matters.

The Audit Committee acts as an important link between the Board and the Company's auditors. It is responsible for making recommendations to the Board on the appointment and re-appointment of the external auditors, and to approve the remuneration and terms of engagement of the external auditors. It is empowered to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, financial reporting system, internal control procedures and compliance issues.

REPORT OF CORPORATE GOVERNANCE

The Audit Committee held six meetings (four of which were with the auditors of the Company) to deal with the following matters during the year 2020:

SUMMARY OF WORK DONE DURING THE YEAR OF 2020

- reviewed and discussed with the external auditor of the Company about both the unaudited and audited annual results of the Group for the year ended 31 December 2019 as well as the financial and accounting policies and practices of the Group;
- reviewed and discussed the structure and composition of finance and internal audit staff of the Group;
- reviewed and discussed with external internal control consultant about the internal control system and relevant matters of the Group;
- reviewed and discussed with general manager of internal audit department about the internal audit work of the Group;
- reviewed and discussed with general manager of legal and compliance department about the internal control matters of the Group;
- reviewed and considered the independence, retirement, appointment and remuneration of external auditors;
- reviewed and discussed the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2020; and
- reviewed and discussed with the external auditor of the Company about their annual audit work plan in relation to the results of the Group for the financial year ended 31 December 2020.

Auditor's Remuneration

The external auditor performs independent review or audit of the financial statements prepared by the management of the Company. Grant Thornton was appointed as the independent auditor of the Company by Shareholders, for a term until the conclusion of the next AGM, following the retirement of PricewaterhouseCoopers at the adjourned AGM held on 3 November 2020. During the year ended 31 December 2020, the remuneration paid or payable to the auditors of the Company (including their affiliated firms) for their services rendered is summarised as below:

	2020 RMB' million	2019 RMB' million
Statutory audit	7	7
Non-audit services[1]	–	1
Total	7	8

[1] The non-audit services represented the services relating to the issuance of senior notes.

The responsibilities of the independent auditor with respect to the consolidated financial statements for the year ended 31 December 2020 are set out in the section "Independent Auditor's Report" on pages 79 to 85 of this annual report.

REPORT OF CORPORATE GOVERNANCE

Remuneration Committee

Remuneration Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one non-executive Director, namely Mr. Zhao Bing. Mr. Yen Yuen Ho, Tony is the chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration by reference to corporate goals and objectives resolved by the Board from time to time and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee held two meetings and passed two written resolutions to deal with the following matters during the year 2020:

SUMMARY OF WORK DONE DURING THE YEAR OF 2020

- made recommendations on the directors' fee of newly appointed executive Directors, non-executive Directors and an independent non-executive Director;
- reviewed and discussed the remuneration policy of the Group and the remuneration packages of Directors and members of senior management; and
- made recommendations on the remuneration of newly appointed senior management of the Company.

Nomination Committee

Nomination Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one executive Director, namely Mr. Zhang Ping. Mr. Zhang Ping is the chairman of the Nomination Committee.

The Nomination Committee is authorised to formulate nomination policy for the Board's consideration and implement the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship and senior management. The board diversity policy which has been adopted in 2013 outlines the Company's commitment to ensure the Board has a balance of skills, experience and diversity of perspectives which are appropriate to the requirements of the Company's business. It also sets out that all Board members will be appointed based on a merit basis with due consideration to the Board diversity. While selecting candidates for directorship, the Nomination Committee has taken into account of a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

REPORT OF CORPORATE GOVERNANCE

In reviewing the Board composition, the Nomination Committee shall give adequate consideration to the board diversity policy. The Nomination Committee believes that the current composition of the Board is balanced and diversified with the high-calibre members from different cultural backgrounds and possessing professional expertise of various industries, which indicates that the board diversity policy has been well implemented.

The main responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to implement the Company's corporate strategy, and identify individuals suitably qualified to become Directors and make recommendations to the Board on the selection of individuals nominated for directorships and chief executives, the appointment or reappointment of Directors and succession planning for Directors. The Nomination Committee is also responsible for assessing the independence of independent non-executive Directors.

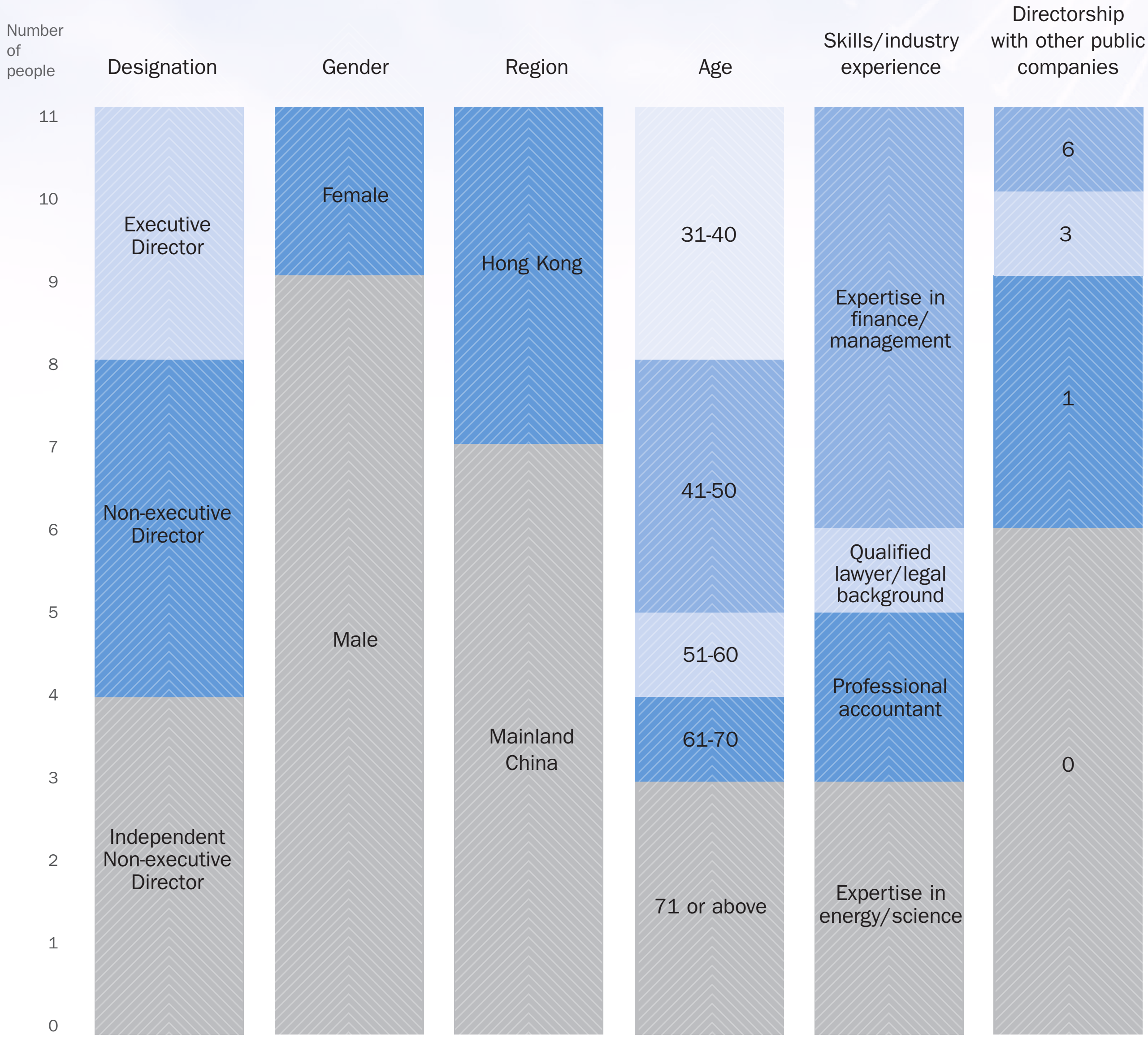
The Nomination Committee held three meetings and passed three written resolutions to deal with the following matters during the year 2020:

SUMMARY OF WORK DONE DURING THE YEAR OF 2020

- made recommendations on nomination of candidates for the positions of executive Directors, non-executive Directors, an independent non-executive Director, Chairman of the Board, Chief Executive Officer and Chief Financial Officer;
- discussed and made recommendations on re-election of retiring Directors in the AGM for the year 2020 and in the SGM held in August 2020;
- reviewed the structure, size, composition and diversity of the Board and the board diversity policy of the Company; and
- assessed the independence of the independent non-executive Directors.

REPORT OF CORPORATE GOVERNANCE

An analysis of the current Board composition:



Details of the directorship in other listed companies are set out in the "Biographies of Directors and Senior Management" section of this annual report.

NOMINATION POLICY

The Group adopted a nomination policy (the “Nomination Policy”) on 18 December 2018 and it is disclosed as below.

1. Objectives

1.1 Nomination Committee shall ensure the Board to have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business and strategy during nomination process.

1.2 Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as INEDs at general meetings or appoint as INEDs to fill casual vacancies.

2. Selection Criteria

2.1 The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate as a Director: –

- Reputation for integrity;
- Accomplishment and experience in the relevant industry, in particular, in renewable energy;
- Commitment in respect of available time and relevant interest; and
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, experience (professional or otherwise), skills, knowledge and length of service.

2.2 These factors are for reference only, and do not mean to be exhaustive and decisive. Nomination Committee has the discretion to nominate any person, as it considers appropriate.

2.3 Retiring INEDs, save for those who have served as INEDs for a period of nine (9) consecutive years, are eligible for nomination by the Board to stand for re-election at a general meeting.

2.4 Proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election as a director.

2.5 Proposed candidates might be requested to provide additional information and documents, if considered necessary by Nomination Committee.

REPORT OF CORPORATE GOVERNANCE

3. Nomination Procedures

3.1 A meeting of the Nomination Committee will be called, and nominations of candidates will be invited from the Board member, if any, for consideration by the Nomination Committee prior to its meeting. Nomination Committee may also put forward candidates who are not nominated by Board members.

3.2 In case of filling a casual vacancy, Nomination Committee shall make recommendations for the Board's consideration and approval; in case of proposing candidates to stand for election at a general meeting, Nomination Committee shall make nominations to the Board for its consideration and recommendation.

3.3 Until the issue of the Shareholder circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

3.4 In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, a circular will be sent to shareholders. The names, brief biographies (including qualifications and relevant experience), independence (applicable to INEDs), proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to Shareholders.

3.5 A candidate is allowed to withdraw his candidature at any time before the general meeting by serving a notice in writing to the Company.

3.6 The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Risk Control Committee

Risk Control Committee currently consists of six members, including one independent non-executive Director, namely Mr. Kwan Kai Cheong, three non-executive Directors, namely Mr. Sui Xiaofeng, Mr. Zhao Bing and Mr. Li Hao, and two executive Directors, namely Mr. Zhang Ping and Mr. Lu Zhenwei. Mr. Zhang Ping is the chairman of the Risk Control Committee.

The aim of the Risk Control Committee is to strengthen the risk analysis, judgement, and decision making of the Board. The main responsibilities of the Risk Control Committee are to assist the Board in evaluating and deciding the risk level and risk appetite of the Group in achieving its strategic and business objectives, in identifying, mitigating and control of risks associated with significant investments, material operation and financial matters and other major activities of the Group, and in making recommendations on improvement of the risk management and internal control systems of the Company.

During the year 2020, the Risk Control Committee held three meetings to review and conduct risk assessment on acquisition transactions and made recommendations to the Board for consideration or otherwise make suggestions to the management of the Company. Transactions reviewed by the Risk Control Committee during the year ended 31 December 2020 and have already been disclosed include:

– acquisitions of entire equity interest in four project companies which hold in total four solar power projects with installed capacity of 90MW in the PRC；

– acquisition of entire equity interest in a project company which owns a photovoltaic project with an installed capacity of approximately 300MW located in Shaanxi, PRC;

– acquisition of 99.2% equity interest in a project company which holds an operating solar power plant in the PRC with grid-connected capacity of approximately 50MW.

REPORT OF CORPORATE GOVERNANCE

Strategy Committee

The Strategy Committee was established in March 2017. The aim of the Strategy Committee is to further facilitate and guide the research and implementation of the business development and the strategic planning of the Group, as well as to enhance the decision-making procedures of the major matters of the Company and strengthen the corporate governance structure of the Company. The main responsibilities of the Strategy Committee are to assist the Board in formulating and evaluating the development strategy and implementation plan of the Group in achieving its medium-term and long-term strategic goals and make recommendations to the Board in relation to any other significant matters affecting the development of the Company.

During the year ended 31 December 2020, the Strategy Committee did not hold any meeting. For the purpose of enhancing its decision-making efficiency, the Strategy Committee was officially dissolved with effect from 29 January 2021. The functions and duties of Strategy Committee shall be taken over by the Board.

The attendance records of each Director at Board meetings, committee meetings and general meetings of the Company in 2020 are set out below:

	Attendance Record of Directors and Committee Members in 2020						
	Board meetings	General meetings	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Risk Control Committee meetings	Strategy Committee meetings
Number of meetings	21	4	6	2	3	3	–
Executive Directors							
Mr. Zhang Ping *(note 1)*	18/18	4/4	–	–	3/3	3/3	–
Mr. Lu Zhenwei	21/21	3/4	–	–	–	3/3	–
Mr. Xu Jianjun	18/21	3/4	–	–	–	–	–
Ms. Zhong Hui *(note 2)*	3/3	–	–	–	–	–	–
Mr. Chen Qinglong *(note 3)*	3/3	–	–	–	–	–	–
Mr. Huang Hui *(note 4)*	6/6	–	–	–	–	1/1	–
Non-executive Directors							
Mr. Sui Xiaofeng *(note 5)*	12/12	4/4	4/4	–	–	2/2	–
Mr. Zhao Bing *(note 6)*	–	–	–	–	–	–	–
Mr. Li Hao	16/21	1/4	–	–	–	1/3	–
Ms. Xie Yi	21/21	3/4	–	–	–	–	–
Mr. Wang Heng *(note 7)*	7/9	–	2/2	–	–	1/1	–
Mr. Yu Qiuming *(note 8)*	12/15	1/2	–	–	–	–	–
Mr. Chen Dayu *(note 9)*	9/12	3/4	–	2/2	–	2/2	–
Independent non-executive Directors							
Mr. Kwan Kai Cheong	18/21	4/4	6/6	2/2	3/3	3/3	–
Mr. Yen Yuen Ho, Tony	21/21	4/4	6/6	2/2	3/3	–	–
Mr. Chen Hongsheng	18/21	3/4	–	–	–	–	–
Ms. Jin Xinbin *(note 10)*	–	–	–	–	–	–	–
Mr. Shi Dinghuan *(note 11)*	11/21	1/4	–	–	–	–	–

REPORT OF CORPORATE GOVERNANCE

Notes:

1. Mr. Zhang Ping was appointed as an executive Director, the Chairman of the Board, the Chief Executive Officer, and the chairmen of the Nomination Committee and the Risk Control Committee with effect from 21 February 2020. He resigned as the Chief Executive Officer with effect from 18 September 2020, and continues to hold other positions in the Company.
2. Ms. Zhong Hui resigned as an executive Director and ceased to be members of the Risk Control Committee and the Strategy Committee with effect from 21 February 2020.
3. Mr. Chen Qinglong resigned as an executive Director and ceased to be a member of the Risk Control Committee with effect from 21 February 2020.
4. Mr. Huang Hui was appointed as an executive Director, the Chief Financial Officer, and members of the Risk Control Committee and the Strategy Committee with effect from 21 February 2020. He resigned as an executive Director and ceased to be members of the Risk Control Committee and the Strategy Committee with effect from 29 June 2020 while remains as the Chief Financial Officer.
5. Mr. Sui Xiaofeng was appointed as a non-executive Director and members of the Audit Committee, the Risk Control Committee and the Strategy Committee with effect from 29 June 2020.
6. Mr. Zhao Bing was appointed as a non-executive Director and members of the Remuneration Committee and the Risk Control Committee with effect from 29 January 2021.
7. Mr. Wang Heng resigned as a non-executive Director and ceased to be members of the Audit Committee, the Remuneration Committee and the Risk Control Committee with effect from 29 June 2020.
8. Mr. Yu Qiuming retired as a non-executive Director and ceased to be an executive chairman of the Strategy Committee with effect from 2 September 2020.
9. Mr. Chen Dayu was appointed as a non-executive Director and members of the Remuneration Committee and the Risk Control Committee with effect from 29 June 2020. He resigned as a non-executive Director and ceased to be members of the Remuneration Committee and the Risk Control Committee with effect from 29 January 2021.
10. Ms. Jin Xinbin was appointed as an independent non-executive Director with effect from 31 December 2020.
11. Mr. Shi Dinghuan resigned as an independent non-executive Director with effect from 31 December 2020.

DIVIDEND POLICY

The Group adopted a dividend policy (the "Dividend Policy") on 18 December 2018 and as below.

1. Objectives

1.1 The Dividend Policy is designed to set guidelines on dividend distribution that maintain the balance between appropriately rewarding Shareholders through dividends and retaining necessary capital to support future development of the Company.

1.2 The Board will recommend dividend distribution based on various internal and external factors while striving for fairness and sustainability.

1.3 The Dividend Policy shall be in accordance with the applicable provisions of the Bermuda Companies Act 1981, laws and rules in the jurisdictions that the Company has operations and the Bye-laws, as in force and as amended from time to time.

2. Parameters to be considered while declaring dividends

2.1 Dividend distribution is contingent upon various factors, and their combination thereof, which are listed below and the Board shall consider these factors in the best interest of the Company and its Shareholders as a whole before deciding the dividend.

- current and prospective financial performance of the Company;
- growth and investment opportunities;
- other macro and micro economic factors; and
- other factors/events that the Board may deem as relevant.

3. Utilization of retained earnings

3.1 The Company would employ the retained earnings for conducting activities in normal course of business, including but not limited to funding the Company's future business growth/expansion plans or such other purpose the Board may deem fit in the best interest of the Company and its Shareholders as a whole.

4. Circumstances under which shareholders may not expect dividend

4.1 The Board may vary or not recommend any dividend if the criteria for recommending of dividend has not been met by the Company, including but not limited to events/factors listed below:

- loss or inadequacy of profit or cash flow;
- decision to undertake any acquisition, amalgamation, merger, takeover that will result in significant capital outflow;
- the Company has been prohibited from declaring dividends under any contractual obligation or by any regulatory authority; and
- any other extraordinary circumstances.

5. Provisions regarding various classes of shares

5.1 The provisions contained in the Dividend Policy shall apply to all classes of shares of the Company. Currently, the Company does not have any other class of shares (including shares with differential voting rights) other than ordinary shares.

6. Amendments

6.1 To the extent any change/amendment is required in terms of applicable laws or rules, the laws or rules would prevail over the Dividend Policy, and the provisions in the Dividend Policy would be suitably modified to make it consistent with the requirements of the law. Such amended Dividend Policy shall be placed before the Board for noting and necessary ratification.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board is accountable to the Shareholders and responsible for the preparation of the financial statements of the Group. We recognise the importance of integrity of financial information and endeavour to present to the Shareholders a balanced, clear and understandable assessment of the performance, position and prospects of the Group. The Board also acknowledges its responsibility for preparing the financial statements that give a true and fair view of the Group's affairs and of its results and cash flows. The Board receives from the management of the Company such explanation and information as necessary to enable it to assess the financial information and position of the Group.

The consolidated financial statements have been prepared in accordance with HKFRSs. The accounting policies have been consistently applied to all the years presented, unless otherwise stated. The preparation of financial statements in conformity with HKFRSs requires the use of certain critical estimates. It also requires management of the Company to exercise its judgement in the process of applying the Group's accounting policies. The areas involving high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the note 4 to the consolidated financial statements.

REPORT OF CORPORATE GOVERNANCE

The Directors consider that in preparing the financial statements, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Hong Kong Companies Ordinance and the Listing Rules.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is overall responsible for evaluating and determining the nature and extent of risks that the Group is willing to take in achieving its strategic objectives, and establishing and maintaining sound and effective risk management and internal control systems. On an on-going basis, the Board performs supervision and annual inspection on the effectiveness of the internal control system and risk management.

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

Through the Audit Committee, the Board has conducted a review of the effectiveness of the internal control system of the Group on an annual basis and reviewed the works done by the internal audit department which has a primary role in assessing and evaluating the effectiveness of the internal control system and acts independently and reports to the Board and the Audit Committee. The Company has engaged KPMG Advisory (China) Limited Beijing Branch (the "Internal Control Consultant") to conduct internal control review of the Group for the year ended 31 December 2019. The Internal Control Consultant has established an internal control evaluation mechanism for the six risky business areas and 28 sub-business processes through system review, interview survey, sample test and data analysis conducted within the Group. The main risky business areas include equity investment and M&A management, capital management, contract management, asset disposal management, connected party transaction management and human resources management. The Group's risk management and internal monitoring system mainly uses the online office automation system (OA system) as the first line of defense for risk management and internal control to monitor its operation currently. During the year 2020, the Group actively followed the suggestions of the Internal Control Consultant to revise and improve the internal control management measures, so as to restrict the risk management and internal control from the perspectives of internal control management activities, internal control system construction, organizational structure, internal control evaluation and defect identification; meanwhile, the Group will regularly engage external and professional internal control consultants to conduct internal control evaluation on the core areas of the Company's risky business and make suggestions for improvement and optimization of internal control defects. The Group will ensure that these suggestions can be implemented within a reasonable time. The Board and the Audit Committee conducted an annual review on the Group's risk management and internal control systems for the year ended 31 December 2020. After consideration of the reports from the relevant departments, the Board and the Audit Committee have satisfied that such systems are effective and adequate. The Board also authorized the risk control committee to manage and implement risk control procedures.

The Group regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees appraised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

REPORT OF CORPORATE GOVERNANCE

Dealing with risk is an integral part of how it protects and creates value. Our business is principally engaged in development, investment, operation and management of renewable energy plants. Understanding emerging risks in the energy industry and establishing effective mitigation measures shows our commitment to a sustainable business. We have identified a number of risks associated with our business, which include:

Weather and climate risk – renewable energy plants depend on the amount and intensity of natural resources, which is affected by weather and climate conditions. Adverse meteorological conditions can have a material impact on the plant's output and could result in production of electricity below expected output, which in turn could adversely affect our profitability.

Our response – We select renewable energy plant projects based on criteria such as geographical and meteorological conditions of the site as part of our main inspections. During the development and maintenance of our renewable energy plants, we cooperated with the leading suppliers in the PRC to create and develop equipment which can be adapted to different latitude, topography and climatic conditions. At the same time, we built up a professional team in respect of operation and maintenance of our existing renewable energy plants with strict operation and maintenance policy and risk prevention measures.

Policy risk – The Group's results of operations could be affected by government subsidies and incentives for renewable energy which depend, to a large extent, on political and policy developments relating to environmental concerns in the PRC and overseas markets in which the Group operate.

Our response – The Company selects renewable energy plant projects with applicable feed-in tariff and government subsidies, and strong demand and consumption for electricity in the locality. Also, the Company selects those plants which had been registered onto the Renewable Energy Tariff Subsidy Catalogues or had submitted the application regarding registration onto such catalogues in the PRC or similar regime in overseas markets. In the meantime, our operation and maintenance team pays close attention to the changes of local and national energy policies, gets timely feedback and takes related responses. The Company also proactively communicates with the local governments, grid companies and electricity consumption enterprises to provide more electricity transmission programmes.

Development and construction risk – When the Company develops and constructs renewable energy plants, it must first obtain the relevant local grid company's consent to connect our renewable energy plants to the local grid and appropriate government approvals and registrations. Obtaining such consent for on-grid connection and government approvals and registrations may depend on a number of factors, including but not limited to the availability and the reliability of existing grids, the progress of construction and the quality of these grid connection facilities, efficiency of the administrative bodies and the regulatory framework. Failure or delay in obtaining such consent, approvals or registrations may hinder or prevent the development of its renewable energy projects as planned. Besides that, the construction quality is also an important factor to affect the power generation efficiency of renewable energy plants.

Our response – The Company employs a strict and systematic approach to evaluate potential development projects. The Company maintains an updated list of qualified and reliable suppliers and third-party contractors with a proven track record to provide EPC services, through a bidding process or through our affiliates or other cooperative arrangements, to ensure the qualities of their services. Throughout the development process, the procurement and construction department organizes and collects bids, communicates with bidders and coordinates with our development teams to meet all local technical and legal requirements for on-grid connection and the construction of our projects. In the meanwhile, we also build up on-site management team to inspect the construction quality and make sure the construction quality meets the Company's standard and requirement. The Company will assess location of development sites and secure site control for project development. We believe that its methodical approach to potential development of renewable energy projects, together with its deep industry knowledge, strong and long-standing relationship with other stakeholders will lend it an advantage in development of renewable energy projects.

REPORT OF CORPORATE GOVERNANCE

Operation and maintenance risk – A majority of the Company's existing renewable energy plants are scattered across different regions in the PRC. The area in which the Company's plants are located is large and the number of devices is huge. The ongoing operation of its facilities involves risks that include the breakdown or failure of equipment or processes or performance below expected levels of output or efficiency due to, among other things, wear and tear, latent defects, design error, operator's error or force majeure events. Any curtailment of electricity we produce in the PRC could also have an adverse impact on its results of operations.

Our response – The Group has built up and maintained professional operation and maintenance team to provide preventive and corrective operating and maintenance service on site. At the same time, the Company regularly maintain its renewable energy plants with an intention to maximize the utilization rate, rate of power generation and system life of its renewable energy plants. The Company utilizes customized software "Global Smart PV Cloud Management" to enable remote and centralized management of most of our renewable energy plants, and employs mobile applications and devices to constantly and closely monitor and manage the performance and security of its renewable energy plants on a real-time basis and to ascertain the cause of any operational problems very shortly after it arises for efficient remedial or mitigation actions. The Company engages ground contractors who are on call to promptly remedy any issues that may arise. The development of transmission infrastructure and our participation in more power market transactions, including inter-provincial renewable energy transmission, help to mitigate loss from any curtailment.

Overseas investment risks – The Company exposes to various risks in overseas expansion and investment, including overseas policy risks, overseas project transaction risks and post-acquisition management and operation risks.

Our response – The Group chooses those locating in countries with stable policies, good relationships with China and relatively high internationally recognized ratings when selecting overseas projects. The Company also engages formal intermediary team familiar with local laws and policies and with rich similar experience in such transactions. The Company will select experienced teams to operate and maintain the acquired project thereafter.

Competition risk – The Company faces competition from local and international developers of renewable energy plants, many of whom are integrated with upstream manufacturers. We also face competition in circumstances where large local and multinational corporations operating in the PRC establish their own distributed renewable energy projects.

Our response – The Company has an established track record in acquiring, developing and operating a high quality and well diversified portfolio of renewable energy plants across the PRC. Our leading market position and extensive experience in the PRC renewable energy industry give us the opportunity to participate in solar energy policy discussions and enable us to have significant influence in the development of renewable energy industry related policies and standards. In 2013, the Company collaborated with state-owned enterprises to establish the Photovoltaic Green Ecosystem Organization, which was the first organization in the PRC that sought to connect and encourage collaboration among the numerous photovoltaic companies distributed across the value chain of the PRC renewable energy industry, and is believed to have significantly expanded the development and construction of utility-scale renewable energy plants in the PRC. The Company believes that its significant scale and leading position in the PRC renewable energy industry provide us with economies of scale, a broad base of operational experience and resources, bargaining power with EPC contractors and suppliers, and significant industry and regulatory relationships, which will continue to provide the Company with attractive renewable energy plant acquisition and development opportunities.

REPORT OF CORPORATE GOVERNANCE

Finance risk – Renewable energy business requires intensive capital investments. Significant amount of capital is required to meet our capital requirements and fund our operations, including payments to suppliers for products, equipment and components and to contractors for design, engineering, procurement and construction services. Our ability to meet the payment obligations of our outstanding debt depends on our ability to generate significant cash flow in the future and obtaining external financing. This, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors as well as other conditions that are beyond our control.

Our response – Our leading position in the PRC renewable energy industry, the support from the Shareholders and the strong relationships with our lending banks provide us with access to a variety of tailored financing solutions, including onshore solutions, such as financial lease and project finance, and offshore solutions, such as equity financing, through new shares allotments, and debt financing, through the offering of US-dollar senior notes. The Company plans to actively reduce its financing costs and further diversify its channels of financing. The Company believes its stable cash flow profile, the long-term nature of its operation of renewable energy plants and its ability to raise equity and debt capital to finance growth, provide it with flexibility to optimize our capital structure.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by Directors on terms no less exacting than the required standard of the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to each Director, all of them have confirmed that they have complied with the required standard set out in the Model Code and our own code throughout the year ended 31 December 2020.

COMPANY SECRETARY

Ms. Zhang Xiao was appointed as the Company Secretary and the Authorised Representative on 30 July 2019. Ms. Zhang is a manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司), a professional services provider specializing in corporate services, and has over eight years of experience in the corporate secretarial field. Ms. Zhang has been admitted as an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom in 2019. Ms. Zhang obtained a bachelor's degree in Computer Science from The Chinese University of Hong Kong in 2010 and a master's degree in corporate governance from The Open University of Hong Kong in 2018. Mr. Zhang Ping, the Chairman of the Board and the executive Director, is the primary contact of Ms. Zhang at the Company. All Directors have access to the advice and services of Ms. Zhang to ensure that board procedures, and all applicable laws, rules and regulations, are followed. During the year ended 31 December 2020, Ms. Zhang has taken more than 15 hours of relevant professional training according to Rule 3.29 of the Listing Rules.

REPORT OF CORPORATE GOVERNANCE

SHAREHOLDERS' COMMUNICATION

The Company adopted a shareholder communication policy on 26 March 2013, which stipulates the objectives of the Company in communicating with its Shareholders, both individual and institutional, and, where appropriate, the investment community at large. The Company aims to provide its Shareholders timely and clear information, and allow the Shareholders to engage actively with the Company in exercising their rights.

Information is communicated to the Shareholders mainly through general meetings, the Company's website (http://www.bjei.com) and corporate communications including interim and annual reports, notices, announcements and circulars which are available on websites of the Company and the Stock Exchange and hard copies of reports and circulars that are despatched to the Shareholders.

The Board is dedicated to maintaining an on-going dialogue with the Shareholders. Shareholders are encouraged to participate in general meetings or appoint proxies to attend and vote at general meetings for and on behalf of them if they are unable to attend in person. Directors will make an effort to attend and the external auditor will also be available at the AGM to address Shareholders' queries. In case of any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval, members of the independent board committee of the Company will also make an effort to attend to address Shareholders' queries. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at general meetings are taken by poll.

Shareholders' rights

Calling and putting forward proposals at a general meeting of the Company

Pursuant to Bye-law 58 of the Bye-Laws, Shareholders holding at the date of deposit of requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require a SGM to be called by the Board for the transaction of any business specified in such requisition. Such written requisition must be duly signed by the Shareholders concerned and to be verified by the Company's share registrar. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

REPORT OF CORPORATE GOVERNANCE

To request to convene a SGM, the requisitionists shall deposit their requisition in writing, together with the proposals to be considered at such meeting, at the principal place of business of the Company in Hong Kong as announced by the Company from time to time and for the attention of the Chairman of the Board and the Company Secretary. The requisition will be verified with the Company's share registrars. If it is in order, the Company Secretary will pass the requisition to the Board for consideration and a SGM will be convened by sufficient notice to all the registered Shareholders in accordance with the requirements under the Bye-Laws. On the contrary, if the requisition is invalid, no SGM will be convened and the requisitionists will be advised of this outcome.

To put forward proposals at a Shareholders' meeting of the Company, a Shareholder should lodge a written request setting out the proposals duly signed by the Shareholder concerned at the principal place of business of the Company in Hong Kong as announced by the Company from time to time and for the attention of the Chairman and the Company Secretary. The request will be verified by the Company's share registrars. If it is in order, the Company Secretary will pass the request to the Board for consideration. The Board will decide whether it is valid and appropriate to put such proposals at a Shareholders' meeting.

Proposing a candidate for election as a Director at a general meeting

Pursuant to Bye-law 85 of the Bye-Laws, no person other than a Director retiring at the general meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office (as defined in the Bye-Laws) provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

Accordingly, to nominate a person for election as a Director, a Shareholder shall lodge a written notice duly signed by the Shareholder concerned at the principal place of business of the Company in Hong Kong as announced by the Company from time to time and for the attention of the Company Secretary. In order for the Company to inform all Shareholders of that proposal, the written notice must include the following information: (i) the full name of the person proposed for election as a Director; (ii) his/her biographical details as required under Rule 13.51(2) of the Listing Rules; and (iii) the candidate's written confirmation on his/her willingness to be elected as a Director and written consent to the publication of his/her personal data as required by the Listing Rules. The notice will be verified by the Company's share registrars. If it is in order, the Company Secretary will pass the notice to the Nomination Committee for examination. The Nomination Committee will assess the suitability of the candidate proposed by the Shareholder and make recommendations to the Board on the selection of individuals nominated for directorship if it thinks fit and appropriate. If such notice is received by the Company after publication of the notice of the Shareholders' meeting concerned, the Company will publish an announcement or issue a supplementary circular setting out the particulars of the proposed Director and may need to adjourn the Shareholders' meeting as and when required by the Bye-Laws.

REPORT OF CORPORATE GOVERNANCE

We have posted on the Company's website the procedures for Shareholders to convene and put forward proposals at general meetings including proposing a person for election as a Director, and to vote by poll at general meetings.

Enquiries

Shareholders may directly enquire about their shareholdings to the Company's share registrar. To the extent the requisite information of the Company is publicly available, Shareholders and the investment community who have enquiries in respect of the Company may write to the Company Secretary by post to Unit 1012, 10th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong or by email to csd@bjei.com.

The Board has reviewed corporate governance practices of the Company during the year ended 31 December 2020 and this corporate governance report. It will continue to review, monitor and improve the policies and practices of the Company for the purpose of ensuring the compliance of the CG Code and maintaining a high standard of corporate governance.

CONSTITUTIONAL DOCUMENTS

Special resolutions of the Company were passed on the SGM held on 3 August 2020, approving (i) the change of English name of the Company from "Panda Green Energy Group Limited" to "Beijing Energy International Holding Co., Ltd." and adoption of "北京能源國際控股有限公司" as the secondary name of the Company in Chinese to replace its existing secondary name in Chinese "熊貓綠色能源集團有限公司"; and (ii) approving the Memorandum of Association and Bye-Laws of the Company ("Memorandum of Association and Bye-Laws") be amended by replacing all references to the name of the Company with "Beijing Energy International Holding Co., Ltd." and "北京能源國際控股有限公司" to reflect the new name of the Company. An up-to-date consolidated version of the Memorandum of Association and Bye-Laws is available on the websites of the Company and the Stock Exchange.

Save as disclosed above, there is no change in the Company's constitutional documents during the year ended 31 December 2020.

DIRECTORS' REPORT

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and operates its businesses through its subsidiaries. The Group is principally engaged in development, investment, operation and management of solar power plants and other renewable energy projects.

BUSINESS REVIEW

A review of the business of the Group during the year ended 31 December 2020, and discussion of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2020 are provided in the "Management Discussion and Analysis" of this annual report. A discussion on the Group's likely future business development are provided in the "Chairman's Statement" of this annual report. Our risk management system and description of the principal risks and uncertainties the Company may be facing are provided in the "Report of Corporate Governance" of this annual report. An analysis of the Group's performance during the year ended 31 December 2020 using financial key performance indicators is provided in the "Five-year Financial Summary" of this annual report.

In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Environmental, Social and Governance Report to be published by the Company in due course.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss of this annual report.

The Directors did not recommend the payment of any dividend in respect of the year ended 31 December 2020 (31 December 2019: Nil).

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for each of the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 179 of this annual report. This summary does not form part of the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company and its movements during the year ended 31 December 2020 are set out in Note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-Laws, or Companies Act 1981 of Bermuda, being the jurisdiction in which the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

DIRECTORS' REPORT

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

In February 2021, the Company repurchased certain senior notes, which would be due in 2022, in the aggregate principal amount of US$33 million at a total consideration of approximately US$34 million (including accrued and unpaid interest) in the open market. Please refer to the Company's announcement dated 26 February 2021 for further details.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company had no reserve (31 December 2019: Nil) available for distribution as computed in accordance with the Companies Act 1981 of Bermuda. However, the Company's share premium account in the amount of RMB9,128 million as at 31 December 2020 (31 December 2019: RMB8,194 million) may be distributed in the form of fully paid bonus shares.

DONATION

During the year ended 31 December 2020, the Group had made donations of approximately RMB6 million (31 December 2019: approximately RMB6 million).

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for approximately 22% and 98% respectively (31 December 2019: approximately 20% and 100% respectively) of the Group's total revenue for the year ended 31 December 2020. Besides, the total amount of purchases attributable to the five largest suppliers of items which are not of capital nature was less than 30% of the total purchases of the Group.

None of the Directors or any of their close associate(s) or any substantial shareholder of the Company (which to the best knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this annual report are as follows:

Executive Directors

Mr. Zhang Ping *(Chairman) (appointed with effect from 21 February 2020)*
Mr. Lu Zhenwei
Mr. Xu Jianjun
Mr. Huang Hui *(Chief Financial Officer) (appointed with effect from 21 February 2020 and resigned with effect from 29 June 2020)*
Ms. Zhong Hui *(resigned with effect from 21 February 2020)*
Mr. Chen Qinglong *(resigned with effect from 21 February 2020)*

Non-executive Directors

Mr. Sui Xiaofeng *(appointed with effect from 29 June 2020)*
Mr. Zhao Bing *(appointed with effect from 29 January 2021)*
Mr. Li Hao
Ms. Xie Yi
Mr. Chen Dayu *(appointed with effect from 29 June 2020 and resigned with effect from 29 January 2021)*
Mr. Yu Qiuming *(retired with effect from 2 September 2020)*
Mr. Wang Heng *(resigned with effect from 29 June 2020)*

Independent Non-executive Directors

Mr. Kwan Kai Cheong
Mr. Yen Yuen Ho, Tony
Mr. Chen Hongsheng
Ms. Jin Xinbin *(appointed with effect from 31 December 2020)*
Mr. Shi Dinghuan *(resigned with effect from 31 December 2020)*

In accordance with Bye-law 84 of the Bye-Laws, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third), shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Mr. Xu Jianjun, Mr. Li Hao, Ms. Xie Yi and Mr. Yen Yuen Ho, Tony, being nearest to but not less than one-third of the Directors, shall retire from office by rotation and be eligible for re-election at the forthcoming AGM.

None of the Directors proposed for re-election at the AGM has entered into any service contracts with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company has assessed their independence and considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 14 to 18 of this annual report.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed below in the sections headed "Connected Transactions", "Continuing Connected Transactions" and "Significant Related Party Transactions" in Note 35 to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly subsisted at the end of the year ended 31 December 2020 or at any time during the year ended 31 December 2020.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, at no time during the year ended 31 December 2020 had the Company or any of its subsidiaries, its holding company, or any subsidiary of its holding company was a party entered into any contract of significance with the controlling shareholders or any of their subsidiaries, nor had any contract of significance been entered into for the services provided by the controlling shareholders or any of their subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, other than disclosed in the section headed "Share Option Scheme" below, none of the Directors or the chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules.

PERMITTED INDEMNITY PROVISION

Under the Bye-Laws, every Director is entitled to be indemnified out of the assets and profits of the Company against all actions and losses which he/she may incur or sustain or in or about the execution and discharge of the duties of his/her office or otherwise in relation thereto, to the extent as permitted by law.

Furthermore, during the year ended 31 December 2020, the Company has taken out and maintained appropriate directors' and officers' liability insurance to protect the current directors of the Group and the directors of the Group who resigned during the year against potential costs and liabilities arising from claims brought against them. The permitted indemnity provision is currently in force and was in force throughout the year ended 31 December 2020 for the benefit of the Directors as required by the provisions of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

RELIEF FROM TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" below, at no time during the year ended 31 December 2020 was the Company, its holding company, any of its subsidiaries, or any subsidiaries of its holding company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the year under review.

EQUITY-LINKED AGREEMENTS

Save as disclosed in (i) the sections headed "Share Option Scheme" and "Equity Incentive Scheme" below, (ii) the issue and/or movement of equity/convertible securities as described in the section headed "Fundraising Activities Through Issue of Equity/Convertible Securities" below and (iii) as set out in Note 27 to the consolidated financial statements, no equity-linked agreements were entered into by the Group during the year under review, or subsisted at the end of the year under review.

SHARE OPTION SCHEME

At the AGM held on 19 June 2012, the Shareholders approved the adoption of a Share Option Scheme. On 8 January 2015, a total of 64,500,000 share options to subscribe for 64,500,000 Shares were granted under the Share Option Scheme. On 28 January 2016, a total of 36,568,319 share options to subscribe for 36,568,319 Shares were granted under the Share Option Scheme.

DIRECTORS' REPORT

As the original scheme limit of the Share Option Scheme had been almost fully utilised, the scheme limit of the Share Option Scheme was refreshed by the Shareholders' approval at the AGM held on 26 May 2017. After the refreshment, a total of 589,250,000 share options to subscribe for 589,250,000 Shares were granted on 16 June 2017, and 80,000,000 share options to subscribe for 80,000,000 Shares were granted on 12 September 2017. Details of the share options granted under the Share Option Scheme to Directors and employees of the Group and movement in such holding during the year ended 31 December 2020 are as follows:

					Changes during the year					
Grantees	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2020	Granted	Exercised	Reclassified	Lapsed	Outstanding at 31 December 2020	Exercise period (Note)
1. Directors										
Mr. Lu Zhenwei	8 January 2015	1	1	2,000,000	–	–	–	(2,000,000)	–	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	3,000,000	–	–	–	–	3,000,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	5,000,000	–	–	–	–	5,000,000	16 June 2018 to 15 June 2022
Mr. Yu Qiuming (Retired on 2 September 2020, his share options lapsed on the date of his retirement)	12 September 2017	1.132	1.13	70,000,000	–	–	–	(70,000,000)	–	12 September 2018 to 11 September 2022
Mr. Kwan Kai Cheong	8 January 2015	1	1	2,000,000	–	–	–	(2,000,000)	–	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	1,000,000	–	–	–	–	1,000,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	3,000,000	–	–	–	–	3,000,000	16 June 2018 to 15 June 2022
Mr. Yen Yuen Ho, Tony	8 January 2015	1	1	2,000,000	–	–	–	(2,000,000)	–	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	1,000,000	–	–	–	–	1,000,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	3,000,000	–	–	–	–	3,000,000	16 June 2018 to 15 June 2022
Mr. Shi Dinghuan (Resigned on 31 December 2020, his share options lapsed on the date of his resignation)	8 January 2015	1	1	2,000,000	–	–	–	(2,000,000)	–	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	1,000,000	–	–	–	(1,000,000)	–	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	3,000,000	–	–	–	(3,000,000)	–	16 June 2018 to 15 June 2022

DIRECTORS' REPORT

					Changes during the year					
Grantees	Date of grant	Exercise price (HK$/share)	Closing price before the date of grant (HK$/share)	Outstanding at 1 January 2020	Granted	Exercised	Reclassified	Lapsed	Outstanding at 31 December 2020	Exercise period (Note)
2. Other officers and employees	8 January 2015	1	1	9,400,000	–	–	–	(9,400,000)	–	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	4,401,000	–	–	–	(1,082,000)	3,319,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	196,500,000	–	–	–	(10,000,000)	186,500,000	16 June 2018 to 15 June 2022
3. Others	8 January 2015	1	1	3,000,000	–	–	–	(3,000,000)	–	8 January 2016 to 7 January 2020
	28 January 2016	0.564	0.54	700,000	–	–	–	–	700,000	28 January 2017 to 27 January 2021
	16 June 2017	1.076	1	3,000,000	–	–	–	–	3,000,000	16 June 2018 to 15 June 2022
Total			–	315,001,000	–	–	–	105,482,000	209,519,000	

Note:

All share options granted by the Company shall vest in three tranches within a period of 3 years in proportions of 30%, 30% and 40%, i.e. 30% of the share options granted shall vest on the 1st anniversary of the grant, another 30% shall vest on the 2nd anniversary of the grant, and the remaining 40% shall vest on the 3rd anniversary of the grant. In this table, "exercise period" begins with the 1st anniversary of the grant date.

A summary of principal terms of the Share Option Scheme is set out below:

On 19 June 2012, the Company adopted the Share Option Scheme at the AGM, under which the Board may, at their discretion, invite full-time employees and directors of the Group, advisors or consultants to the Group, providers of goods and/or services or customers of the Group, shareholders of any member of the Group or any other person who, as determined by the Board, has contributed to the Group, to subscribe for Shares at any time during ten years from the date of grant.

The purpose of the Share Option Scheme is to attract, retain and motivate talented participants to strive for future developments and expansion of the Group.

By reason of voluntary resignation or by termination of employment in accordance with the provisions of employment contract, other than on redundancy, or because the relevant employing company ceases to be a member of the Group, all share options granted to the relevant person, to the extent of those not already exercised, shall lapse and the date of the lapse shall be determined by the Directors.

The total number of Shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes must not in aggregate exceed 10% of the total number of Shares in issue as at the date of approval of the Share Option Scheme unless the Company obtains a fresh approval from the Shareholders. Notwithstanding the foregoing, the maximum number of Shares in respect of which share options may be granted under the Share Option Scheme together with any share options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time.

The total number of Shares issued and to be issued upon exercise of the share options granted to each participant (including exercised, cancelled and outstanding share options) in any twelve-month period shall not exceed 1% of the total number of Shares in issue.

Share options granted under the Share Option Scheme must be accepted within 28 days from the date of grant. Upon acceptance, the grantee shall pay HK$1.00 to the Company as consideration for the grant.

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the Board and notified to an eligible participant and shall be no less than the higher of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

As at 30 March 2021, 564,679,548 share options to subscribe for a total of 564,679,548 Shares, representing approximately 2.52% of the Company's total number of issued Shares as at the date of this annual report were available for issue under the Share Option Scheme.

The Share Option Scheme will remain in force for a period of 10 years after its adoption date and the remaining life of the Share Option Scheme is 1 year.

EQUITY INCENTIVE SCHEME

Prior to the acquisition of CSPG by the Group in 2013, the EIS was adopted by CSPG to the effect that 25,000,000 ordinary shares of the CSPG with a par value of US$0.01 each were issued to a trustee company (the "Trustee").

As part of the acquisition of CSPG, 20,010,000 Shares, Series A convertible bonds with a principal amount of HK$40,020,000 and Series B convertible bonds with a principal amount of HK$40,020,000 were issued to the Trustee in exchange for the CSPG shares held by the Trustee. All Series A convertible bonds and Series B convertible bonds held by the Trustee had been converted into the Shares before the year under review.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following Shareholders (other than those disclosed in the section headed "Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures") had notified the Company or the Stock Exchange of relevant interests or short positions in the shares, underlying shares or debentures of the Company.

Long position in the Shares and Underlying Shares

Name of Shareholder	Capacity	Number of Shares held	Total number of Shares held	Approximate percentage of the issued Shares (Note 1)
Beijing Energy Investment	Beneficial Owner	7,176,943,498 (Note 2)	7,176,943,498	32.00%
CMG	Interest in controlled corporation	2,708,807,089 (Note 3)	3,737,701,329	16.67%
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,028,894,240 (Note 4)		
CMNEG	Beneficial owner	579,944,250	3,737,701,329	16.67%
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,805,764,513 (Note 5)		
	Other	1,351,992,566 (Note 6)		
NEX	Beneficial owner	274,055,449	2,385,708,763	10.64%
	Interest in controlled corporation	186,627,621		
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	1,925,025,693 (Note 7)		
China Huarong	Interest in controlled corporation	3,048,927,933 (Note 8)	3,048,927,933	13.59%
Huaqing Solar Power Limited	Beneficial owner	3,048,750,000 (Note 9)	3,048,750,000	13.59%
China Merchants Securities Co., Ltd.	Interest in controlled corporation	1,407,404,937 (Long position) (Note 10)	1,407,404,937	6.28%
	Interest in controlled corporation	1,351,992,566 (Short position) (Note 11)	1,351,992,566	6.03%
China Structural Reform Fund Co., Limited ("China Structural Reform")	Interest in controlled corporation	1,216,793,309 (Note 12)	1,216,793,309	5.43%
Postal Savings Bank of China Co., Ltd.	Interest in controlled corporation	1,216,793,309 (Note 13)	1,216,793,309	5.43%

DIRECTORS' REPORT

Name of Shareholder	Capacity	Number of Shares held	Total number of Shares held	Approximate percentage of the issued Shares (Note 1)
Li Alan	Beneficial owner	99,005,000	3,836,706,329	17.11%
	Interest in controlled corporation	510,859,422 (Note 14)		
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	3,226,841,907 (Notes 11 and 15)		
Zeng Xiangyi	Beneficial owner	15,603,800	2,407,715,763	10.74%
	Beneficial owner of a trust	6,403,200 (Note 16)		
	Interest in controlled corporation	57,351,748 (Note 17)		
	Interest in parties acting in concert pursuant to an agreement under Section 317 of SFO	2,328,357,015 (Note 18)		

Notes:

1. These percentages are calculated based on 22,427,948,432 listed Shares in issue as at 31 December 2020.

2. These Shares were held by Beijing Energy Investment, which is a direct wholly-owned subsidiary of BEH.

3. (i) 776,870,273 Shares were held by Snow Hill Developments Limited ("Snow Hill"), an indirect wholly-owned subsidiary of CMG; (ii) 579,944,250 Shares were held by CMNEG, which is indirectly owned as to 79.36% by CMG; (iii) the economic interests of 1,216,793,309 Shares were beneficially owned by Shenzhen Guotiao China Merchants Merger and Acquisition Equity Investment Fund (LP)* (深圳國調招商併購股權投資基金合夥企業(有限合夥)) ("Shenzhen Guotiao"), which is managed by Shenzhen City China Merchants Huihe Equity Investment Fund Management Co., Limited* (深圳市招商慧合股權投資基金管理有限公司) as general partner, an indirect wholly-owned subsidiary of CMG; and (iv) the economic interests of 135,199,257 Shares were beneficially owned by Shenzhen City Guoxie First Equity Investment Fund (LP)* (深圳市國協一期股權投資基金合夥企業(有限合夥)) ("Guoxie First"), which is managed by Shenzhen City China Merchants Guoxie First Equity Investment Fund Management Co., Limited* (深圳市招商國協壹號股權投資基金管理有限公司) as general partner, an indirect wholly-owned subsidiary of CMG.

4. These Shares were held by a group of Shareholders acting in concert with CMNEG, including NEX, Pairing Venture Limited, Magicgrand Group Limited and Sino Arena Investments Limited, pursuant to an agreement under Section 317 of the SFO. CMG was taken to be interested in 1,028,894,240 Shares.

5. These Shares were held by a group of Shareholders acting in concert pursuant to an agreement under Section 317 of the SFO. CMNEG was taken to be interested in 1,805,764,513 Shares.

6. Shenzhen Guotiao and Guoxie First, being the associates of CMNEG, beneficially own 1,216,793,309 Shares and 135,199,257 Shares respectively.

7. These Shares were held by a group of Shareholders acting in concert pursuant to an agreement under Section 317 of the SFO. NEX was taken to be interested in 1,925,025,693 Shares.

8. These Shares were held by the subsidiaries of China Huarong Overseas Investment Holdings Co., Limited* (中國華融海外投資控股有限公司), which is an indirect wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd.* (華融華僑資產管理股份有限公司), owned as to 91% by Huarong Zhiyuan Investment & Management Co., Ltd.* (華融致遠投資管理有限責任公司).

9. These Shares were held by Huaqing Solar Power Limited, which is an indirect wholly-owned subsidiary of QCCI.

10. Among these Shares, 55,412,371 Shares were held by China Merchants Fund Management Co., Ltd.* (招商基金管理有限公司), which is owned as to 45% by China Merchants Securities Co., Ltd., and 1,351,992,566 Shares were held by Bosera Asset Management Co., Limited* (博時基金管理有限公司) ("Bosera"), which is owned as to 49% by China Merchants Securities Co., Ltd.

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11. Bosera entered into an agreement with Shenzhen City China Merchants Technology Investment Ltd.* (深圳市招商局科技投資有限公司) ("Shenketou"), pursuant to which Bosera holds the 1,351,992,566 Shares under its name (through a product) and transfer the economic interest of the Shares to Shenketou; and Shenketou has entered into an agreement with Shenzhen Guotiao and Guoxie First, pursuant to which Shenketou will transfer the economic interest of the Shares it has received to Shenzhen Guotiao and Guoxie First.

12. The economic interests of these Shares were beneficially owned by Shenzhen Guotiao, which is owned as to 75.81% by China Structural Reform. China Structural Reform is indirectly owned as to 38.2% by CCB Trust Co. Ltd.* (建信信托有限責任公司) and 22.9% by China Chengtong Holding Group Co., Ltd.* (中國誠通控股集團有限公司), and managed by Chengtong Fund Management Co., Ltd.* (誠通基金管理有限公司) as general partner.

13. Postal Savings Bank of China Co., Ltd.* (中國郵政儲蓄銀行股份有限公司) is beneficiary of a trust named CCB Trust – Indus tree collective fund trust plan (asset allocation class 26 investment unit)* (建信信托 – 梧桐樹集合資金信托計劃(資產配置類26號投資單元)) which has long position of these Shares.

14. Among these Shares, 18,173,487 Shares were held by Pairing Venture Limited, and 492,685,935 Shares were held by Magicgrand Group Limited, which is owned as to 61.17% by Pairing Venture Limited.

15. These Shares were held by a group of Shareholders acting in concert pursuant to an agreement under Section 317 of the SFO, and the associates of CMNEG, namely Shenzhen Guotiao and Guoxie First.

16. These Shares were held by Sino Arena Investments Limited under a trust arrangement.

17. These Shares were held by Sino Arena Investments Limited, which is held as to 100% by Zeng Xiangyi.

18. These Shares were held by a group of Shareholders acting in concert pursuant to an agreement under Section 317 of the SFO.

19. Further to the Shareholders as set out above, as at 31 December 2020, each of Sino Arena Investments Limited, Magicgrand Group Limited and Pairing Venture Limited, was holding 57,351,748 Shares, 492,685,935 Shares and 18,173,487 Shares respectively, each being a party acting in concert with CMNEG, Snow Hill and NEX pursuant to an agreement under Section 317 of the SFO.

Save as disclosed above, the Directors are not aware of any person (not being a Director or a chief executive) who, as at 31 December 2020, had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO or who (other than a member of the Group) was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

CONNECTED TRANSACTIONS

The Group conducted the following connected transactions with connected persons (as defined in the Listing Rules) which are required to be disclosed pursuant to the Listing Rules during the year ended 31 December 2020.

(1) Subscription and Placing Agreement and Issue of US$260 million 8% Guaranteed Senior Notes Due 2022

On 17 January 2020, the Company, China Merchants Union (BVI) Limited and Wealthy Marvel Enterprises Limited (as subscribers) (the "Subscribers") and CMB International Capital Limited ("CMB International") (as placing agent) entered into the subscription and placing agreement (the "Subscription and Placing Agreement") in relation to the issuance of the new US$260 million 8% guaranteed senior notes due 2022 by the Company (the "New Notes"), pursuant to which the Subscribers agreed to subscribe for the New Notes at a purchase price of 100% of the principal amount of the New Notes and CMB International agreed to use commercially reasonable efforts to facilitate the issue and sale of the New Notes to the Subscribers.

In consideration of the services of CMB International in connection with the New Notes, CMB International is entitled to a placement fee of not more than 1% of the aggregate principal amount of New Notes subscribed by the Subscribers. The placement fee was negotiated on an arm's length basis between the Company, the Subscribers and CMB International and determined with reference to, among other things, the market rate for services of similar nature.

As at the date of entering into the Subscription and Placing Agreement, each of the Subscribers is a 30%-controlled company of CMG and CMB International is an indirect subsidiary of CMG, which is an indirect substantial Shareholder. Accordingly, each of the Subscribers and CMB International is an associate of CMG and therefore a connected person of the Company. As a result, each of the engagement of CMB International as placing agent under the Subscription and Placing Agreement and the issuance of the New Notes constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Further details of the above connected transaction were disclosed in the Company's announcement dated 17 January 2020.

(2) Loan Agreement

On 10 February 2020, the Company (as the borrower) entered into the loan agreement (the "Loan Agreement") with Huaqing Solar Power Limited* (華青光伏有限公司) ("Huaqing") (as the lender), pursuant to which Huaqing agreed to provide the loan of US$10.99 million (equivalent to approximately HK$85.33 million) to the Company for a term commencing from 10 February 2020 and expiring on 27 June 2020.

As at the date of entering into the Loan Agreement, Huaqing is a substantial Shareholder holding 3,048,750,000 Shares, representing approximately 19.99% of the issued share capital of the Company. As such, Huaqing is a connected person of the Company as defined under the Listing Rules. Hence, the transactions contemplated under the Loan Agreement constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

Further details of the above connected transaction were disclosed in the Company's announcement dated 10 February 2020.

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(3) Sales and Leaseback Agreements

On 17 August 2020, the Group and Shenzhen Jingneng Leasing entered into Yongren Huiguang 35MW Photovoltaic Power Station System Equipment Agreement and Yongsheng Huiguang 19.8MW Photovoltaic Power Station System Equipment Agreement (together as the "Sales and Leaseback Agreements"), pursuant to which Shenzhen Jingneng Leasing agreed to provide to the Group sales and leaseback services for nine years, from 18 September 2020 to 17 September 2029, subject to the terms and conditions provided therein.

Yongren Huiguang 35MW Photovoltaic Power Station System Equipment Agreement was entered into by Yongren Huiguang Photovoltaic Power Generation Co., Ltd.* (永仁惠光光伏發電有限公司) ("Yongren Huiguang"), which is an indirect wholly-owned subsidiary of the Company, and Shenzhen Jingneng Leasing on 17 August 2020, pursuant to which Shenzhen Jingneng Leasing purchased photovoltaic power station system equipment owned by Yongren Huiguang that meet the requirements of its leaseback business to the extent permitted by law at a consideration of RMB190 million, and lease such equipment to Yongren Huiguang and charge Yongren Huiguang lease payment. The total lease amount payable (including total principal lease amount, lease interest rate and management fee) to Shenzhen Jingneng Leasing under the Yongren Huiguang 35MW Photovoltaic Power Station System Equipment Agreement is approximately RMB241 million. Several security arrangements including Yongren Huiguang Electricity Fee Rights Pledge Agreement, Yongren Huiguang Equipment Mortgage Agreement and Yongren Huiguang Share Pledge Agreement were entered into in relation to Yongren Huiguang 35MW Photovoltaic Power Station System Equipment Agreement.

Yongsheng Huiguang 19.8MW Photovoltaic Power Station System Equipment Agreement was entered into by Yongsheng Huiguang Photovoltaic Power Generation Co., Ltd.* (永勝惠光光伏發電有限公司) ("Yongsheng Huiguang"), which is an indirect non-wholly-owned subsidiary of the Company, and Shenzhen Jingneng Leasing on 17 August 2020, pursuant to which Shenzhen Jingneng Leasing purchased equipment owned by Yongsheng Huiguang that meet the requirements of its leaseback business to the extent permitted by law at a consideration of RMB100 million, and lease such equipment to Yongsheng Huiguang and charge Yongsheng Huiguang lease rental. The total lease amount payable (including total principal lease amount, lease interest rate and management fee) to Shenzhen Jingneng Leasing under the Yongsheng Huiguang 19.8MW Photovoltaic Power Station System Equipment Agreement is approximately RMB127 million. Several security arrangements including Yongsheng Huiguang Electricity Fee Rights Pledge Agreement, Yongsheng Huiguang Equipment Mortgage Agreement, Yongsheng Huiguang Share Pledge Agreement I and Yongsheng Huiguang Share Pledge Agreement II were entered into in relation to Yongsheng Huiguang 19.8MW Photovoltaic Power Station System Equipment Agreement.

As Shenzhen Jingneng Leasing is a subsidiary of BEH, the controlling Shareholder of the Company, Shenzhen Jingneng Leasing is a connected person of the Company. Accordingly, the Sales and Leaseback Agreements constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

Further details of the above connected transactions were disclosed in the Company's announcements dated 15 May 2020, 5 August 2020 and 17 August 2020, and the Company's circular dated 28 August 2020.

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(4) EXERCISES OF PUT OPTIONS

On 15 September 2020, UP Changzhou entered into a share buy-back agreement (the "Share Buy-back Agreement I") with Zhangjiagang City China Merchants Port Equity Investment Partnership Enterprise (LP)* (張家港市招港股權投資合夥企業(有限合夥))("ZJG CM Fund") for the exercise of the put option ("Put Option 1") by ZJG CM Fund, pursuant to which UP Changzhou shall buyback 17% equity interest (the "Sale Equity 1") in Fengxian Huize Photovoltaic Energy Limited* (豐縣暉澤光伏能源有限公司)(the "Target Company") from ZJG CM Fund. The aggregate consideration payable by UP Changzhou to ZJG CM Fund for the buy-back of the Sale Equity 1 is RMB48,163,851, being the consideration payable for the acquisition of the Sale Equity 1 under the equity transfer agreement entered into on 5 July 2019, and the yields calculated at an annualised rate of return of 9% assuming the buy-back completed on 15 September 2020 as agreed by UP Changzhou and ZJG CM Fund.

On 18 September 2020, UP Changzhou entered into a share buy-back agreement (the "Share Buy-back Agreement II") with State-owned Enterprise Structural Adjustment China Merchants Buyout Fund (LP)* (深圳國調招商併購股權投資基金合夥企業(有限合夥))("GT CM Fund") for the exercise of the put option ("Put Option 2") by GT CM Fund, pursuant to which UP Changzhou shall buyback 17% equity interest (the "Sale Equity 2") in the Target Company from GT CM Fund. The aggregate consideration payable by UP Changzhou to GT CM Fund for the buy-back of the Sale Equity 2 is RMB50,326,107.31, being the consideration payable for the acquisition of the Sale Equity 2 under the equity transfer agreement entered into on 22 March 2019, and the yields calculated at an annualised rate of return of 9% assuming the buy-back completed on 18 September 2020 as agreed by UP Changzhou and GT CM Fund.

As at the date of entering into the Share Buy-back Agreement I and the Share Buy-back Agreement II respectively, the Target Company through its wholly-owned subsidiary, Fengxian Zhonghui Photovoltaic Energy Co., Ltd.* (豐縣中暉光伏能源有限公司), owned a photovoltaic power station with an installed capacity of 3.8MW and owned a photovoltaic power station with an installed capacity of 20MW. The Target Company was directly owned as to 10.44% by UP Changzhou and directly owned as to 5.56% by UP Shenzhen.

ZJG CM Fund and GT CM Fund are investment funds established in the PRC. As the general partner of ZJG CM Fund and GT CM Fund are associates of CMNEG, ZJG CM Fund and GT CM Fund are therefore connected persons of the Company. The exercises of Put Option 1 and Put Option 2 contemplated under the Share Buy-back Agreement I and Share Buy-back Agreement II constituted connected transactions of the Company.

Further details of the above connected transactions were disclosed in the Company's announcements dated 15 September 2020 and 18 September 2020.

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(5) PAYMENT OF EARNEST MONEY

On 31 December 2020, UP Shenzhen (the "Purchaser") entered into a cooperation framework agreement (the "Framework Agreement") with Tibet Huaxing New Energy Technology Co., Ltd.* (西藏華星新能源科技有限公司) (the "Vendor") in relation to the proposed acquisition of the entire equity interest in a project company which owns a photovoltaic power generation project with total installed capacity of 20MW in Tibet, the PRC from the Vendor. Under the Framework Agreement, the Purchaser shall pay a refundable amount of RMB50 million to the Vendor as earnest money (the "Earnest Money") within seven days after the date of signing of the Framework Agreement.

As the Vendor is ultimately owned and controlled by the family members of Ms. Xie Yi, a non-executive Director of the Company, the Vendor is therefore an associate of a connected person of the Company under Chapter 14A of the Listing Rules and thus the payment of the Earnest Money by the Purchaser to the Vendor constituted a connected transaction of the Company under the Listing Rules.

Further details of the above connected transaction were disclosed in the Company's announcement dated 31 December 2020.

CONTINUING CONNECTED TRANSACTIONS

A summary of continuing connected transactions that are subject to the reporting requirements during the year ended 31 December 2020 is as below:

A. Provision of Solar Electricity by the Group to CMLH and its Affiliates

On 16 December 2014, China Merchants Zhangzhou Development Zone Silk Road Ark Carbon Asset Management Co., Ltd.* (招商局漳州開發區絲路方舟碳資產管理有限公司) (formerly known as China Merchants Zhangzhou Development Zone Trendar Solar Tech Limited* (招商局漳州開發區創達太陽能科技有限公司), a subsidiary of the Company, and China Merchants Logistics Holdings Co., Ltd.* (招商局物流集團有限公司) ("CMLH") entered into a rooftop solar power plants framework agreement (the "Rooftop Solar Power Plants Framework Agreement") pursuant to which, among others, CMLH agreed to lease to the Group certain rooftops of five of warehouses, distribution centres and other logistics network buildings being built or to be built by CMLH.

On 30 November 2016, pursuant to the Rooftop Solar Power Plants Framework Agreement, the Group entered into the following power purchase agreements with the designated subsidiaries of CMLH for the sale of electricity generated by the rooftop solar power plants installed by the Group on the rooftop leased for a term of 20 years:

(a) power purchase agreement entered into between Kunming Bangye New Energy Power Company Limited* (昆明邦業新能源發電有限公司) and China Merchants Logistics Group Yunnan Co., Ltd.* (招商局物流集團雲南有限公司), for the sale of electricity generated from a 2.4MW rooftop solar power plant located in Kunming, the PRC;

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(b) power purchase agreement entered into between Ningbo Bonded Area Zhaolian Lvbang New Energy Company Limited* (寧波保稅區招聯綠邦新能源有限公司) and China Merchants Logistics Group Ningbo Co., Ltd.* (招商局物流集團寧波有限公司), for the sale of electricity generated from a 3MW rooftop solar power plant located in Ningbo, the PRC; and

(c) power purchase agreement entered into between Nanchang Lvbang New Energy Company Limited* (南昌市綠邦新能源有限公司) and China Merchants Logistics Group Nanchang Co., Ltd.* (招商局物流集團南昌有限公司), for the sale of electricity generated from a 2MW rooftop solar power plant located in Nanchang, the PRC.

On 12 July 2017, pursuant to the Rooftop Solar Power Plants Framework Agreement, the Group entered into the other two power purchase agreements with the designated subsidiaries of CMLH for the sale of electricity generated by the rooftop solar power plants installed by the Group on the rooftop leased for a term of 20 years:

(d) power purchase agreement entered into between Qingdao Lvbang New Energy Company Limited* (青島綠邦新能源有限公司) and China Merchants Logistics Group Qingdao Co., Ltd.* (招商局物流集團青島有限公司), for the sale of electricity generated from a 4.1MW rooftop solar power plant located in Qingdao, the PRC; and

(e) power purchase agreement entered into between Hefei Bangye New Energy Power Company Limited* (合肥邦業新能源發電有限公司) and China Merchants Logistics Group Anhui Co., Ltd.* (招商局物流集團安徽有限公司), for the sale of electricity generated from a 2.4MW rooftop solar power plant located in Hefei, the PRC.

((a) – (e) together, the "Power Purchase Agreements")

Note: Nanchang Lvbang New Energy Company Limited, Qingdao Lvbang New Energy Company Limited and Hefei Bangye New Energy Power Company Limited have been deregistered.

Term – 20 years.

Pricing – Having negotiated on an arm's length basis according to the principles of fairness and reasonableness between CMLH and the Group, electricity will be supplied at a unit price which shall be calculated based on the government prescribed price (exclusive of tax) with a discount rate of 14% per kWh having considered the nature of the long term electricity supply agreement, the projected consumption of electricity generated by the rooftop solar power plants installed at the leased rooftops from subsidiaries of CMLH with favourable lease terms to the Group and comparable prices offered to independent consumers by other electricity suppliers with a discount at the range of 15% to 10%. The government prescribed price on the supply of electricity is determined by the price bureau of the relevant provincial governments, which is subject to adjustment from time to time.

CMLH is a subsidiary of CMG, and a fellow subsidiary of CMNEG, which is (together with its parties acting in concert) a substantial Shareholder of the Company. Therefore, CMLH and its subsidiaries are associates of CMNEG, hence, connected persons of the Company. Accordingly, the above transactions constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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B. Leasing of Office Premises

On 8 November 2017, Shanxi Aite Technology Wind Power Limited* (山西艾特科創風電有限責任公司), UP Shenzhen and Zhongli Talesun Gonghe New Energy Limited* (中利騰暉共和新能源有限公司), all being subsidiaries of the Company, entered into three lease agreements ("the Lease Agreements") with China Merchants Landmark (Shenzhen) Co., Ltd.* (深圳市招商創業有限公司) ("CMCY"), a company established under the laws of the PRC with limited liability and a subsidiary of CMG respectively for the lease of certain office premises in Shekou, Shenzhen, the PRC, for a period of three years from 1 November 2017 to 31 October 2020 (the "Leases").

Term – 3 years.

Pricing – Having negotiated on an arm's length basis according to the principles of fairness and reasonableness, the rental and other terms of each of the Leases were determined with reference to the prevailing market rental of similar premises in the proximity, the terms on which other premises in the same building were leased by CMCY to its independent third parties, and the historical rental prices under the lease agreements entered into by subsidiaries of the Company and CMCY in 2014 (which had constituted fully exempt continuing connected transactions of the Company).

CMCY is a subsidiary of CMG, and a fellow subsidiary of CMNEG, which is (together with its parties acting in concert) a substantial Shareholder of the Company. Therefore, CMCY is an associate of CMNEG, hence, a connected person of the Company. Accordingly, the above transactions constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

C. Finance Lease Business Framework Agreement

On 15 May 2020, the Company and Shenzhen Jingneng Leasing entered into the finance lease business framework agreement (as supplemented by the supplemental agreement entered into on 5 August 2020 between the Company and Shenzhen Jingneng Leasing) (the "Finance Lease Business Framework Agreement"), pursuant to which Shenzhen Jingneng Leasing and/or its associates will provide direct lease services to the Group for the three years ending 31 December 2022, subject to the terms and conditions provided therein.

Term – 3 years.

Pricing – Having negotiated on an arm's length basis according to the principles of fairness and reasonableness, the annual caps and other terms of the Finance Lease Business Framework Agreement were determined with reference to the scale of the upcoming photovoltaic power generation projects, the financing requirements of past photovoltaic power generation projects, and current and history costs of photovoltaic power generation projects.

BEH is the controlling Shareholder of the Company, indirectly holding approximately 32% of the issued share capital of the Company. Therefore, BEH is a connected person of the Company under the Listing Rules. As Shenzhen Jingneng Leasing is a subsidiary of BEH, Shenzhen Jingneng Leasing is also a connected person of the Company. Accordingly, the Finance Lease Business Framework Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

D. Financial Services Framework Agreement

On 3 July 2020, the Company and BEH Finance Co., Ltd* (京能集團財務有限公司) ("BEH Finance") entered into the financial services framework agreement (the "Financial Services Framework Agreement"), pursuant to which BEH Finance agreed to provide to the Group deposit services, loan services and other financial services for the three years ending 31 December 2022, subject to the terms and conditions provided therein.

Term – 3 years.

Pricing – Having negotiated on an arm's length basis according to the principles of fairness and reasonableness, the annual caps for the maximum daily deposit balance (including any interest accrued thereon) with BEH Finance and other terms of deposit services were determined with reference to the maximum daily deposit balances of the Group (including interest incurred) following the completion of the subscription of Shares by BEH in February 2020, for the three months from February to April 2020, the existing business scale and operation, as well as the cash flow requirements of the business development plan of the Group for the next three years and the expected interest income from BEH Finance. The annual caps and other terms for other financial services fees were determined with reference to the Group's demand for entrusted loans and credit verification services for the financial year ended 31 December 2019, the Group's expected demand for other financial services covered by the Financial Services Framework Agreement for the three years ending 31 December 2022, and the Group's plan to streamline its financial vendor management through engaging selected non-bank financial institution(s) to enhance management efficiency.

BEH is the controlling Shareholder of the Company, indirectly holding approximately 32% of the issued share capital of the Company. Therefore, BEH is a connected person of the Company under the Listing Rules. As BEH Finance is a subsidiary of BEH, BEH Finance is also a connected person of the Company. Accordingly, the Financial Services Framework Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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The following table sets out the actual transaction amount and the proposed annual caps for the year ended 31 December 2020 in respect of the above continuing connected transactions:

Continuing Connected Transactions	Major type of products/services	Transaction amount for the year ended 31 December 2020	Annual cap for the year ended 31 December 2020
A. Sale of electricity by the Group to the designated subsidiaries of CMLH under the Power Purchase Agreements	Solar electricity	RMB0.39 million	HK$9 million
B. Leasing of office premises from CMCY under the Lease Agreements	Office leasing	RMB1.98 million	RMB3 million
C. Provision of direct lease services by Shenzhen Jingneng Leasing to the Group under the Finance Lease Business Framework Agreement	Direct lease services	Nil	RMB500 million
D. Provision of financial services by BEH Finance to the Group under the Financial Services Framework Agreement	Deposit services Other financial services	Nil	Not applicable (note)

Note: As the Financial Services Framework Agreement was approved by the independent Shareholders at the SGM held on 26 January 2021, the annual caps for the deposit services and other financial services for the year ended 31 December 2020 had become obsolete and no longer applicable.

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions and confirmed that the connected transactions and continuing connected transactions for the year ended 31 December 2020 were entered into: (i) in the ordinary and usual course of the business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (iii) in accordance with the pricing policy of the Group; and (iv) in accordance with the relevant written agreements governing them on terms that are fair and reasonable and are in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2020 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 Company's auditor has issued the unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this annual report in accordance with rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In respect of the disclosed Continuing Connected transactions, the Company's auditor has confirmed to the Board that:

(a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the aggregate amount of each of the continuing connected transactions set out in the table of continuing connected transactions above, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Save for the transactions disclosed above, all applicable percentage ratios of the annual caps of the other continuing connected transactions which took place during the year ended 31 December 2020 are lower than 5% and the annual caps are all less than HK$3 million, and are therefore fully exempted from independent shareholders' approval, annual review and all disclosure requirements.

Details of the significant related party transactions of the Group are set out in Note 35(b) to the financial statements. Save as disclosed in the sections head "Connected Transactions" and "Continuing Connected Transactions" of this annual report, those significant related party transactions of the Group constituted continuing connected transactions but were exempted from the reporting, announcement, annual review and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATION UNDER RULE 13.18 OF THE LISTING RULES

Facility Agreements and Letters of Guarantee

On 9 April 2020, the Company (as borrower) entered into two facility letters with China Construction Bank (Asia) Corporation Limited ("China Construction Bank") (as lender) in relation to two loan facilities for the purpose of financing the Group's general corporate funding requirements and refinancing the debts of the Group (the "Facility Agreements"). Pursuant to and subject to the satisfaction of the conditions precedent and conditions subsequent set out in the Facility Agreements, China Construction Bank agreed to make available to the Company, two separate committed term loan facilities of up to US$125 million and US$25 million (equivalent to approximately HK$971.16 million and HK$194.23 million, respectively) (the "Loan Facilities"), respectively. The final repayment date of the Loan Facilities of US$125 million and US$25 million will be the date falling on 36 months and 12 months after the first utilisation of the respective facility, and utilisation is the date on which the relevant loan is to be drawn.

On the same date, BEH entered into two letters of guarantee (the "Letters of Guarantee") as guarantor pursuant to which BEH provided a corporate guarantee in favour of China Construction Bank as a security for the Loan Facilities.

The Facility Agreements and the Letters of Guarantee provided that if at any time: (i) BEH ceases to be, directly or indirectly, the single largest shareholder of the Company; (ii) the State-owned Assets Supervision and Administration Commission of People's Government of the Beijing Municipality* (北京市人民政府國有資產監督管理委員會) or any other agencies designated by the State Council of the People's Republic of China* (中華人民共和國國務院) (the "Commission") ceases to be, directly or indirectly, the single largest shareholder of BEH; or (iii) the Commission ceases to be able to direct the affairs of BEH and/or to control the composition of the board of directors or equivalent body of BEH, then the Loan Facilities may, upon notification by China Construction Bank, be cancelled and all outstanding amounts will become immediately due and payable.

DIRECTORS' REPORT

For further details, please refer to the Company's announcement dated 9 April 2020.

As at the date of this annual report, the above specific performance obligations imposed on BEH and the Commission under the aforesaid agreements continued to exist.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020 and up to date of this annual report, no Director is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules, other than those business of which the Directors were appointed as Directors to represent the interest of the Company and/or the Group.

CORPORATE GOVERNANCE

Details of the Company's compliance with the CG Code throughout the year ended 31 December 2020 are set out in the "Report of Corporate Governance" of this annual report.

EMOLUMENT POLICY

The Group remunerates its employees, including the Directors, based on their performance, experience, qualifications, competence and prevailing market comparables. Remuneration packages generally comprises salary, incentive scheme, contribution to pension schemes and bonuses relating to the individual's performance and his/her contribution to the Group's business. The remuneration policy of the Directors is reviewed by the Remuneration Committee.

The Company has adopted the Share Option Scheme as an incentive to directors, consultants and eligible employees. CSPG, a wholly-owned subsidiary of the Company, has the EIS in place to reward the directors, employees and consultants of CSPG and its subsidiaries with shares of the Company. Details of the Share Option Scheme and EIS are set out under the section headed "Share Option Scheme" and "Equity Incentive Scheme" in this annual report.

The remuneration policy of the Directors is reviewed by the Remuneration Committee. The determination of emolument of the Directors had taken into consideration their expertise, job specifications and prevailing market comparables.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The senior management's total remuneration paid/payable for the year ended 31 December 2020 (including all executive Directors) by band is as follows:

Remuneration bands	Number of senior management
Nil to HK$1,000,000	14
HK$1,000,001—HK$1,500,000	4
HK$1,500,001—HK$2,000,000	3

DIRECTORS' REPORT

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the public float of the Company was approximately 24.84%, which has fallen below the minimum prescribed percentage of 25% as required under Rule 8.08(1)(a) of the Listing Rules as at the date of this annual report.

As disclosed in the Company's announcement dated 12 May 2020, the Company noted Snow Hill increased its shareholding in the Company by 268,420,000 Shares, representing approximately 1.2% of the total issued share capital of the Company. As Snow Hill is a party acting in concert with CMNEG pursuant to an agreement under Section 317 of the SFO, the number of Shares held by it shall not be counted into the public float of the Company. On 25 January 2021, the Company was informed by Snow Hill that 16,686,000 Shares, representing approximately 0.07% of the total issued share capital of the Company, had been disposed of through selling on the open market. Following the disposal, the public float increased to approximately 24.84% from 24.15%.

The management of the Company is still in the process of working out with relevant parties to identify feasible measures for the restoration of the public float to an acceptable and compliant level. The Company will make further announcement(s) relating to the restoration of public float as and when appropriate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2020.

FUNDRAISING ACTIVITIES THROUGH ISSUE OF EQUITY/CONVERTIBLE SECURITIES

The Company did not conduct any fundraising activities through issue of convertible securities during the year ended 31 December 2020.

On 18 February 2020, the Company issued 7,176,943,498 ordinary Shares to Beijing Energy Investment at the subscription price of HK$0.25 per ordinary Share (the "Subscription"). The net price of the Shares issued was approximately HK$0.25 per ordinary Share. The market price of the ordinary Shares quoted on the Stock Exchange on 19 November 2019, being the last trading day before the date on which the terms of the Subscription were fixed, was HK$0.232 per ordinary Share. The net proceeds from the Subscription amounted to approximately HK$1,766 million (equivalent to approximately RMB1,573 million).

The Directors were of the view that the Subscription represented a good opportunity for the Company to raise funds to strengthen its capital base, to improve its financial position for the Company's future development and to introduce strategic investors to the Company. The Directors were also of the view that the Subscription represented an opportunity for the Group to bring in a solid strategic investor, namely Beijing Energy Investment. By doing so, the Company shall be able to enhance its credit rating, lower its financing costs and improve liquidity position of the Company. Furthermore, Beijing Energy Investment has leading expertise in wind power and photovoltaics development, and as a strategic investor to the Company, it would provide design and technical support to the Group's ongoing and future photovoltaics development projects.

All the net proceeds of the Subscription have been fully utilised for repayment of indebtedness according to the intentions previously disclosed by the Company in the announcement dated 19 November 2019 and the circular dated 11 December 2019.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Board has established its Audit Committee since 14 March 2000. Currently it consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one non-executive Director, namely Mr. Sui Xiaofeng. The Audit Committee is chaired by Mr. Kwan Kai Cheong who is an independent non-executive Director having the relevant professional qualification and expertise in financial reporting matters.

The consolidated financial statements for the year ended 31 December 2020 have been reviewed by the Audit Committee.

AUDITOR

Grant Thornton was appointed as auditor of the Company following the retirement of PricewaterhouseCoopers at the adjourned AGM held on 3 November 2020. The consolidated financial statements for the year ended 31 December 2020 have been audited by Grant Thornton, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for re-appointment of Grant Thornton as auditor of the Company will be proposed at such meeting.

EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

Details of the events of the Group occurring after the date of statement of financial position are set out in the Note 36 to the consolidated financial statements.

The directors' report was approved by the Board on 30 March 2021 and signed by the chairman of the same board meeting.

On behalf of the Board

Zhang Ping
Chairman of the Board

Hong Kong, 30 March 2021

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
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To the shareholders of Beijing Energy International Holding Co., Ltd.
(incorporated in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Beijing Energy International Holding Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 86 to 178, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, 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, except for the possible effect of the matters described in the Basis for Qualified Opinion section of our report, 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 disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As disclosed in Note 2.1(a) to the Company's consolidated financial statements, the Board of Directors of the Company (the "Board") established an independent investigation committee which had engaged an external independent professional advisor to conduct an independent investigation on certain matters (the "Investigated Matters") that had brought to the attention of the Board by the predecessor auditor in May 2020.

Based on the findings of the Investigation, the Board had identified (1) certain deposits were made to New Energy Exchange Limited ("NEX") and its related entities, including Renewable Energy (Hong Kong) Trade Board Limited ("EBODHK"), which is a subsidiary of NEX, of HK$598 million (equivalent to approximately RMB522 million) and certain other payments were made to EBODHK and China Merchants New Energy Group Limited, a related company of NEX Group (as defined below), of totalling HK$88 million (equivalent to approximately RMB72 million); (2) deposits were made to Shenzhen Zhiyuan Renewable Energy Company Limited ("SZZY") of RMB500 million; and (3) certain payments on behalf of NEX Group of approximately RMB303.7 million were made to one of the limited partners of Changzhou Haozhen Venture Investment Centre Limited Partnership, a then joint venture of the Group. Impairment loss of financial assets of approximately RMB1,094 million, representing the above item (1) certain deposits to NEX and its subsidiaries (collectively the "NEX Group") of approximately RMB522 million and certain other payments to EBODHK and China Merchants New Energy Group Limited of approximately RMB72 million and (2) deposits made to SZZY of RMB500 million, were recognised in consolidated statement of profit or loss of the Group during the year ended 31 December 2019. More details about the Investigated Matters were disclosed in the predecessor auditors' report in the Company's 2019 annual report as well as the notes to the consolidated financial statements of the Group for the year ended 31 December 2019.

INDEPENDENT AUDITOR'S REPORT

The predecessor auditor issued disclaimer of opinion on the consolidated financial statements of the Group for year ended 31 December 2019 due to the scope limitation on the audit of transactions in relation to the Investigated Matters of following reasons:

- the management were unable to provide the predecessor auditor with sufficient documentary evidence and satisfactory explanation about the nature, business rationale and commercial substance of the Investigated Matters;

- the predecessor auditor had requested but were unable to obtain corroborative evidence from the counterparties, including performing interviews with these counterparties, the former directors and certain former employees of the Group to ascertain the nature, rationale and underlying intention of these payments, arrangements and transactions as well as their relationship with the Group in relation with the Investigated Matters;

- the management was unable to provide predecessor auditor with adequate and appropriate documentary evidence to support the significant impairment loss of approximately RMB1,094 million made to the consolidated statement of profit or loss of the Group for year ended 31 December 2019.

Because of the scope limitation, there were no alternative audit procedures that predecessor auditor could perform to satisfy themselves as to the business rationale and commercial substance, legitimacy, existence, occurrence, accuracy, completeness, classification, presentation and disclosures in relation to the Investigated Matters, whether the impairment loss of approximately RMB1,094 million were fairly stated as well as the accuracy and completeness of the disclosures in the Group's consolidated financial statements for year ended 31 December 2019 in respect of contingent liability, transactions and/or balances with related parties, if any, in relation to the transactions, arrangements, and/or the relevant counterparties identified in relation to the Investigated Matters.

We also encountered similar scope limitation in relation to items (1) and (2) of the Investigated Matters as mentioned above and were not able to perform satisfactory audit work and there were no alternative audit procedures on whether the impairment loss of approximately RMB1,094 million recognised in consolidated statement of profit or loss of the Group for the year ended 31 December 2019 were fairly stated and accordingly, we were not able to express an audit opinion on the other receivables, deposits and prepayments included in the Group's consolidated financial position as at 31 December 2019, and the consolidated loss and consolidated cash flows for the year ended 31 December 2019 as well as the accuracy and completeness of the disclosures in respect of contingent liability, transactions and/or balances with related parties, if any, in relation to the transactions, arrangements, and/or the relevant counterparties identified in relation to the Investigated Matters. Our opinion on the current year's consolidated financial statements is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures as at 31 December 2019 and for the year ended 31 December 2019 as well as the disclosures in these statements.

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 qualified opinion.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters	How the matter was addressed in our audit
Revenue recognition on tariff adjustment on electricity sales Refer to Note 4(a) to the consolidated financial statements.	
We identified the recognition of the Group's revenue on tariff adjustment on electricity sales as a key audit matter due to the significant management judgement involved in determining whether each of the Group's operating power plants had qualified for, and had met, all the requirements and conditions as required under the prevailing government policies and regulations for entitlement of the tariff adjustment and accordingly, the timing and eligibility of accruing revenue on tariff adjustment. The Group recognised revenue on tariff adjustment on electricity sales of approximately RMB1,485 million for the year ended 31 December 2020 in which the applications for tariff adjustment of certain on-grid solar power plants of the Group are still pending as there is an ongoing process where the period for application is opened on a batch by batch basis.	Our procedures in relation to the recognition of the Group's revenue on tariff adjustment on electricity sales included: • obtaining an understanding of key controls in connection with the recognition of tariff adjustment; • obtaining an understanding of the policies and regulations set by the government authorities on tariff adjustment on sales of electricity in this industry; • obtaining relevant supporting documents, for example, power purchase agreements and tariff approvals issued by the PRC government; and • assessing whether the previous applications of the group entities operating the solar power plants for the entitlement of the tariff subsidy were successfully completed against the historical record of the Group.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters	How the matter was addressed in our audit
Impairment assessment of intangible assets	
Refer to Note 4(c) (critical accounting estimates and assumptions) and Note 19 of the consolidated financial statements, the Group has development rights to develop and operate hydropower projects ("Development Rights") in the People's Republic of China. As at 31 December 2020, the Development Rights amounted to RMB869 million and classified as intangible assets. Management tests for impairment of the Development Rights annually or when there are impairment indicators. During the year ended 31 December 2020, the Group did not recognise impairment loss of intangible assets as detailed in Note 19. Independent professional valuations are obtained to support management's estimates on the recoverable amounts of the intangible assets. The estimated recoverable amounts of Development Rights are determined based on value in use using the discounted cash flows approach and various key assumptions and estimates including: • the probability to utilise these Development Rights to develop the relevant hydropower plant projects; • utilisation hours, electricity price growth rate, operating expenses for maintaining the power plants and construction costs of the projects; and • discount rates used for individual projects for Development Rights. We focused on this area because the carrying values of the intangible assets are significant to the consolidated financial statements and the impairment assessment requires the use of significant judgements and estimates to determine the recoverable amounts. These estimations are also subject to uncertainties.	Our procedures in relation to the impairment assessment of the Group's intangible assets included: • inquired of management on the market intelligence of the development and changes of renewable energy industry policies in the PRC and made reference to industry and analyst research reports in considering if there are impairment indicators; • considered the competency, capability and objectivity of the independent professional valuer by considering its qualification, relevant experience and relationship with the Group; • we involved our engaged valuation specialist in our discussion with the external valuer and management to understand the rationale and assess the appropriateness and consistency of the methodology used and the assumptions and estimates applied; • obtained the Group's development plan and inquired of management about the status of the construction of the hydropower plant projects and their plans to be executed within the expected timetable; • assessed the appropriateness of the utilisation hours, electricity price growth rate, operating expenses for maintaining the power plants and construction costs by reference to the historical and current industry data for the renewable energy industry in the PRC, which are obtained through market research and interview with relevant authority, and the historical operating data of the Group; and • evaluated whether the discount rates used for individual projects for Development Rights are within reasonable ranges by considering each individual project's risk profile, the probability of the completion of the hydropower plant projects of Development Rights through industry data obtained and historical achievement of the Group's prior acquisition plans.

INDEPENDENT AUDITOR'S REPORT

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the 2020 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the "Basis for Qualified Opinion" section above, we were unable to obtain sufficient appropriate evidence about items (1) and (2) of the Investigated Matters. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of Directors for the Consolidated Financial Statements

The directors 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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

- 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.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

30 March 2021
Chiu Wing Ning
Practising Certificate No.: P04920

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'million	2019 RMB'million
CONTINUING OPERATIONS			
Sales of electricity		664	629
Tariff adjustment		1,485	1,539
Revenue	5	2,149	2,168
Other income	8	64	50
Employee benefits expenses (excluding share-based payment expenses)	9(a)	(101)	(115)
Land use tax		(8)	(8)
Legal and professional fees		(31)	(19)
Maintenance costs		(42)	(47)
Other expenses	10	(64)	(109)
EBITDA#		1,967	1,920
Depreciation of property, plant and equipment	17	(575)	(581)
Depreciation of right-of-use assets	18	(29)	(26)
Bargain purchase gain arising from business combinations	33	1	–
Loss on debt extinguished by issuing equity instruments	27(b)	–	(32)
Fair value losses on financial assets at fair value through profit or loss	6	–	(168)
Fair value gain on financial liabilities at fair value through profit or loss	7	–	13
Finance income	11	80	77
Finance costs	12	(1,110)	(1,239)
Impairment charge on concession rights	19(a)	–	(531)
Impairment charge on development rights	19(b)	–	(831)
Impairment charge on property, plant and equipment	17	(3)	(958)
Impairment charge on right-of-use assets	18	–	(18)
Write-back/(write-off) on other receivables, net		1	(39)
Impairment loss of financial assets	3.1(b), 25	(1)	(1,094)
Share-based payment expenses	9(a)	(4)	(6)
Share of profits of investments accounted for using equity method	21	21	36
Loss on termination of leases		(1)	–
Loss on disposal of property, plant and equipment		(2)	–
Loss on disposal of subsidiaries	20(c)	(1)	(302)
Profit/(loss) before income tax		344	(3,779)
Income tax (expense)/credit	13	(82)	280
Profit/(loss) for the year from continuing operations		262	(3,499)
DISCONTINUED OPERATION			
Profit for the year from discontinued operation	16	–	4
PROFIT/(LOSS) FOR THE YEAR		262	(3,495)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'million	2019 RMB'million
PROFIT/(LOSS) ATTRIBUTABLE TO			
Equity holders of the Company			
Continuing operations		**241**	(3,279)
Discontinued operation		**–**	4
		241	(3,275)
Non-controlling interests			
Continuing operations		**21**	(220)
		262	(3,495)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB cents)	15		
Continuing operations		**1.12**	(23.40)
Discontinued operation		**–**	0.03
		1.12	(23.37)

EBITDA represents earnings before depreciation, finance income, finance costs, income tax (expense)/credit, fair value adjustments, non-cash items, non-recurring items, bargain purchase gain arising from business combinations, loss on debt extinguished by issuing equity instruments, impairment charges on non-financial assets, impairment loss of financial assets, write-back/(write-off) on other receivables, share-based payment expenses, share of profits of investments accounted for using equity method, loss on termination of leases, loss on disposal of property, plant and equipment and loss on disposal of subsidiaries. EBITDA is not a measure of performance under Hong Kong Financial Reporting Standards, but is widely used by management for monitoring business performance of a company from operational perspective. It may not be comparable to similar measures presented by the other companies.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB'million	2019 RMB'million
PROFIT/(LOSS) FOR THE YEAR	**262**	(3,495)
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Release of other reserve in relation to discontinued operation	–	11
Currencies translation differences	175	(14)
Release of currencies translation differences in relation to discontinued operation	–	(1)
Item that will not be reclassified to profit or loss		
Fair value changes of financial assets at fair value through other comprehensive income	–	(231)
Other comprehensive income/(loss) for the year, net of tax	175	(235)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**437**	(3,730)
Total comprehensive income/(loss) for the year attributable to		
Equity holders of the Company	416	(3,452)
Non-controlling interests	21	(278)
	437	(3,730)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO		
Equity holders of the Company		
Continuing operations	416	(3,466)
Discontinued operation	–	14
	416	(3,452)
Non-controlling interests		
Continuing operations	21	(278)
Discontinued operation	–	–
	21	(278)
	437	(3,730)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RMB'million	2019 RMB'million
ASSETS			
Non-current assets			
Property, plant and equipment	17	14,097	14,246
Right-of-use assets	18	325	307
Intangible assets	19	869	869
Investments accounted for using equity method	21	263	297
Other receivables, deposits and prepayments	25	406	540
Pledged deposits	26	379	1,265
Deferred tax assets	29	27	27
Total non-current assets		16,366	17,551
Current assets			
Financial assets at fair value through profit or loss	22	42	42
Trade, bills and tariff adjustment receivables	24	4,344	3,808
Other receivables, contract assets, deposits and prepayments	25	2,743	2,356
Pledged deposits	26	974	1,440
Restricted cash	26	42	20
Cash and cash equivalents	26	1,577	239
Total current assets		9,722	7,905
Total assets		26,088	25,456
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	27	1,924	1,285
Reserves		3,393	2,039
		5,317	3,324
Non-controlling interests		338	317
Total equity		5,655	3,641

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 RMB'million	2019 RMB'million
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	28	12,284	10,677
Lease liabilities	18	123	107
Deferred government grant		1	5
Deferred tax liabilities	29	268	256
Other payables	30	–	8
Total non-current liabilities		12,676	11,053
Current liabilities			
Other payables and accruals	30	2,442	3,124
Lease liabilities	18	10	14
Bank and other borrowings	28	5,305	7,624
Total current liabilities		7,757	10,762
Total liabilities		20,433	21,815
Total equity and liabilities		26,088	25,456

These consolidated financial statements on pages 86 to 178 have been approved for issue by the Board of Directors on 30 March 2021 and were signed on its behalf.

Mr. Zhang Ping
Chairman

Mr. Lu Zhenwei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to the equity holders of the Company											
	Share capital RMB'million	Share premium RMB'million	Shares-based payment reserve RMB'million	Share held under equity incentive scheme ("EIS") RMB'million	Warrant reserve RMB'million	Translation reserve RMB'million	Other reserve RMB'million	Statutory reserve RMB'million	Accumulated losses RMB'million	Total RMB'million	Non-controlling interests RMB'million	Total equity RMB'million
At 1 January 2019	803	7,201	257	(73)	53	(293)	(1)	176	(2,828)	5,295	575	5,870
Comprehensive loss												
Loss for the year	–	–	–	–	–	–	–	–	(3,275)	(3,275)	(220)	(3,495)
Other comprehensive loss	–	–	–	–	–	(15)	(162)	–	–	(177)	(58)	(235)
Total comprehensive loss	–	–	–	–	–	(15)	(162)	–	(3,275)	(3,452)	(278)	(3,730)
Transactions with equity holders												
Issue of shares (Note 27)	482	993	–	–	–	–	–	–	–	1,475	–	1,475
Non-controlling interests arising from business combinations (Note 33)	–	–	–	–	–	–	–	–	–	–	20	20
Transfer of fair value loss on equity investments at fair value through other comprehensive income to accumulated losses upon disposal	–	–	–	–	–	–	173	–	(173)	–	–	–
Lapse of share options	–	–	(37)	–	–	–	–	–	37	–	–	–
Share-based payment expenses (Note 9)	–	–	6	–	–	–	–	–	–	6	–	6
Transfer to statutory reserves	–	–	–	–	–	–	–	104	(104)	–	–	–
	482	993	(31)	–	–	–	173	104	(240)	1,481	20	1,501
At 31 December 2019	1,285	8,194	226	(73)	53	(308)	10	280	(6,343)	3,324	317	3,641
At 1 January 2020	**1,285**	**8,194**	**226**	**(73)**	**53**	**(308)**	**10**	**280**	**(6,343)**	**3,324**	**317**	**3,641**
Comprehensive income												
Profit for the year	-	-	-	-	-	-	-	-	**241**	**241**	**21**	**262**
Other comprehensive income	-	-	-	-	-	**175**	-	-	-	**175**	-	**175**
Total comprehensive income	-	-	-	-	-	**175**	-	-	**241**	**416**	**21**	**437**
Transactions with equity holders												
Issue of shares (Note 27)	**639**	**934**	-	-	-	-	-	-	-	**1,573**	-	**1,573**
Lapse of share options	-	-	**(33)**	-	-	-	-	-	**33**	-	-	-
Share-based payment expenses (Note 9)	-	-	**4**	-	-	-	-	-	-	**4**	-	**4**
Expiry of warrants	-	-	-	-	**(53)**	**(1)**	-	-	**54**	-	-	-
Transfer to statutory reserves	-	-	-	-	-	-	-	**154**	**(154)**	-	-	-
	639	**934**	**(29)**	-	**(53)**	**(1)**	-	**154**	**(67)**	**1,577**	-	**1,577**
At 31 December 2020	**1,924**	**9,128**	**197**	**(73)**	-	**(134)**	**10**	**434**	**(6,169)**	**5,317**	**338**	**5,655**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'million	2019 RMB'million
Cash flows from operating activities			
Cash generated from operations	32(a)	1,483	1,734
Income tax paid		(67)	(53)
Net cash inflow from operating activities		1,416	1,681
Cash flows from investing activities			
(Payment for)/proceeds from acquisition of subsidiaries, net of cash acquired	33	(22)	5
Proceeds from disposal of subsidiaries	20(c)	28	363
Transaction cost for disposal of subsidiaries	20(c)	–	(17)
Deposits paid for investments		(918)	–
Repayments from amounts due from associates		41	27
Advances to associates		(11)	(37)
Interests received		32	38
Proceeds from disposal of property, plant and equipment		–	25
Proceeds from government grant		4	8
Settlements of contingent consideration payables		–	(10)
Settlements of consideration for acquisition of subsidiaries		(104)	(10)
Capital expenditures on property, plant and equipment		(284)	(512)
Net cash outflow from investing activities		(1,234)	(120)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'million	2019 RMB'million
Cash flows from financing activities			
Principal elements of lease payments	18	–	(16)
Interest paid on lease liabilities	18	(6)	(5)
Interests paid on bank and other borrowings		(848)	(1,033)
Decrease in pledged deposits		1,415	124
Increase in restricted cash		(22)	(12)
Proceeds from bank borrowings		6,272	2,419
Repayment of bank borrowings		(2,875)	(3,199)
Proceeds from loans from financial institutions		743	631
Repayment of loans from financial institutions		(1,555)	(596)
Repayment of medium-term notes		(32)	(103)
Repayment of senior notes		(1,750)	–
Repayment of corporate bonds		(1,530)	(270)
Proceeds from other loans		142	381
Repayment of other loans		(312)	(233)
Proceeds from loan from an associate		–	109
Repayment of loan from an associate		–	(295)
Proceeds from issue of new shares	27	1,598	507
Transaction cost for issue of new shares		(25)	(2)
Net cash inflow/(outflow) from financing activities		1,215	(1,593)
Net increase/(decrease) in cash and cash equivalents		1,397	(32)
Cash and cash equivalents at beginning of year		239	407
Effect of foreign exchange rate changes		(59)	(136)
Cash and cash equivalents at end of year	26	1,577	239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business in Hong Kong is Unit 1012, 10th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The ordinary shares of the Company are listed on the Main Board of the Stock Exchange.

Beijing Energy Investment, a company incorporated in Hong Kong with limited liability and wholly-owned by BEH, is a direct controlling shareholder holding approximately 32% of the issued share capital of the Company. BEH is a state-owned company in the PRC indirectly wholly-owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

The Group is principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects.

These consolidated financial statements are presented in RMB and rounded to the nearest million ("million"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of Preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable requirements of the Listing Rules.

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets at fair value through profit or loss, which were carried at fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. 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 4.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

(a) Investigation

In May 2020, the Board was informed by the predecessor auditor of certain findings during the audit of the Company's consolidated financial statements for the year ended 31 December 2019. As a result, the Board established an independent investigation committee which had engaged an external independent professional advisor to conduct the Investigation on certain matters brought to the attention of the Board. Based on the findings of the Investigation, the Board had identified (1) certain deposits were made to NEX and its related entities, including EBODHK, which is a subsidiary of NEX, of HK$598 million (equivalent to approximately RMB522 million) and certain other payments were made to EBODHK and CMNEG, a related company of NEX Group, of totalling HK$88 million (equivalent to approximately RMB72 million); (2) deposits were made to SZZY of RMB500 million; and (3) certain payments on behalf of NEX Group of approximately RMB303.7 million were made to one of the limited partners of Changzhou Haozhen, a then joint venture of the Group. The amount of RMB303.7 million was recorded as an amount due from NEX Group and included in the outstanding amounts due from NEX Group as at 31 December 2019. Further details of the Investigation, financial impact and responses by the Board are described in the Company's 2019 annual report and announcements dated 12 May 2020, 13 May 2020, 9 June 2020, 20 July 2020, 31 July 2020 and 28 September 2020.

During the year ended 31 December 2019, impairment loss of approximately RMB1,094 million was recognised in the profit or loss in respect of the abovementioned deposits made to NEX Group and related entities and SZZY and amounts due from EBODHK and CMNEG as described in items (1) and (2) above.

On 28 September 2020, in light of the limitations encountered during the Investigation, the significant sums involved and the findings in the Investigation, after consulting with the legal advisers, the Company reported the incidents of prepayment of the deposits to the Commercial Crime Bureau of the Hong Kong Police Force ("CCB"). For the purpose of the investigation of the incidents of prepayment of the deposits, the Company will provide assistance to the CCB.

In respect of item (3) above, on 29 March 2021, the Group entered into an agreement with NEX Group, which was an extension of the settlement agreement between the Group and NEX Group signed on 24 August 2020 (details are set out in the Company's 2019 annual report), on certain new and revised settlement arrangements in relation to the outstanding net balances due from NEX Group of approximately RMB296 million as at 31 December 2020 ("Revised Settlement Agreement"). Pursuant to the Revised Settlement Agreement, NEX Group agreed to transfer (1) equity interests of certain companies operating in the PRC in which the fair value of those equity interests amounted to approximately RMB35 million; (2) a debenture of the Company held by NEX Group with maturity date on 17 April 2021 amounted to approximately RMB161 million (including both principal and interest); (3) cash of approximately RMB10 million; (4) cash of approximately RMB38 million upon settlement of certain trade and other receivables from independent third parties; and (5) approximately 274 million shares of the Company held by NEX Group amounted to approximately RMB60 million as at 29 March 2021, to the Group for full settlement of the net balances due from NEX Group ("NEX Settlements"). The NEX Settlements are expected to complete on or before 31 December 2021. In addition, NEX Group agreed to pledge approximately 460 million shares (including approximately 274 million shares as mentioned in (5) above) of the Company held by NEX Group as collaterals to the NEX Settlements to cover any remaining unsettled balance.

The Company commits to keep its shareholders and the public informed of all material information to appraise the Company's position by way of announcements on the websites of the Stock Exchange and the Company, including but not limited to market updates of all material information where applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

(b) Changes in Accounting Policy and Disclosures

(i) Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

(ii) Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and Related Amendments[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018 – 2020[3]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations[7]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 Effective date not yet determined
6 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022
7 Effective for common control combinations that occur on or after the beginning of the first annual period beginning on or after 1 January 2022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

(b) Changes in Accounting Policy and Disclosures (Continued)

(ii) Issued but not yet effective HKFRSs (Continued)

Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The amendments update the reference to the latest version of "Conceptual Framework for Financial Reporting" issued in March 2018, and add an exception to the requirement for an entity to refer to "Conceptual Framework for Financial Reporting" to determine what constitutes an asset or liability.

Besides, the exception also specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or HK(IFRIC) – Int 21 "Levies" if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should apply the criteria in HKAS 37 or HK(IFRIC) – Int 21 respectively (instead of the "Conceptual Framework for Financial Reporting") to determine whether a present obligation exists at the acquisition date.

Furthermore, the amendments also explicitly state that contingent assets do not qualify for recognition at the acquisition date.

Amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022 and apply prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in HKFRS Standards. The Board expects that the amendments have no material impact on the consolidated financial statements.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current"

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity has a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at the date or at a later date;

- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and

- "Settlements" are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity's own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32, the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose of current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liabilities are current or non-current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

(b) Changes in Accounting Policy and Disclosures (Continued)

(ii) Issued but not yet effective HKFRSs (Continued)

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current" (Continued)

Amendments to HKAS 1 is effective for annual reporting period beginning on or after 1 January 2023 and apply retrospectively. Earlier application is permitted. The Board expects that the amendments have no material impact on the consolidated financial statements.

Except for those mentioned above, the Board anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement, and these are not expected to have a material impact on the Group's consolidated financial statements.

2.2 Principles of Consolidation and Equity Accounting

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (Note 2.3).

Intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(b) Associates and Joint Ventures

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of Consolidation and Equity Accounting

(c) Equity Method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the consolidated statement of profit or loss, and the Group's share of movements in other comprehensive income of the investee in consolidated statement of comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.11.

2.3 Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business Combinations (Continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference, after reassessment, is recognised directly in profit or loss as a bargain purchase.

2.4 Discontinued Operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs of disposal, or on the disposal, of the assets or disposal group constituting the discontinued operation.

2.5 Separate Financial Statements

Investments in subsidiaries and associates are accounted for at cost less impairment. Cost includes direct attributable costs of investment. Cost also includes capital contribution relating to Equity Incentive Scheme for investments in subsidiaries. The results of subsidiaries and associates are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operation Decision-Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

2.7 Foreign Currency Translation

(a) Functional and Presentation Currencies

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 consolidated financial statements are presented in RMB, which is the functional and presentation currencies of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign Currency Translation (Continued)

(b) *Transactions and Balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign 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 generally recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within "finance costs". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

(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 date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss and statement of comprehensive income 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 recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) *Disposal of Foreign Operation*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property, Plant and Equipment

Property, plant and equipment (other than construction in progress as described below) is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Over the unexpired periods of the leases or their expected useful lives of 3 years, whichever is shorter
Power generating modules and equipment	25 – 30 years
Plant and machinery	5 years
Furniture, fixtures and office equipment	3 – 5 years
Motor vehicles	5 years

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 and the costs of plant and machinery. 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 other property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss.

2.9 Intangible Assets

Intangible assets comprise (i) concession rights which represent rights to develop, acquire and operate certain solar power plants; and (ii) development rights which represent the rights to develop certain solar power and hydropower plants. Concession rights and development rights acquired in a business combination are initially recognised at fair value. The concession rights and development rights will be redesignated to property, plant and equipment when the relevant power plants are developed, acquired or operated by the Group. Concession rights and development rights are subsequently carried at cost less accumulated impairment losses, if any.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events on changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group assets (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

2.11 Financial Assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- amortised cost;
- fair value through profit or loss ("FVTPL")
- fair value through other comprehensive income ("FVOCI")

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and Other Financial Assets (Continued)

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss.

Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the financial asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated statement of profit or loss presented together with foreign exchange differences. Loss allowances are presented as separate line item in the consolidated statement of profit or loss. The Group's trade, bills and tariff adjustment receivables, other receivables, deposits, pledged deposits, restricted cash and cash and cash equivalents fall into this category of financial instruments.

(ii) FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from consolidated statement of changes in equity to consolidated statement of profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in the consolidated statement of profit or loss.

(iii) FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the consolidated statement of profit or loss in which it arises.

Equity Instruments

The Group subsequently measures all equity investments at fair value. Where the Management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of profit or loss following the derecognition of the investment.

Changes in the fair value of financial assets at FVTPL are recognised in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and Other Financial Assets (Continued)

(d) Impairment

The Group assesses on a forward-looking basis of the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade, bills and tariff adjustment receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 24 for further details.

Loss allowance on financial assets other than trade, bills and tariff adjustment receivables and contract assets are measured as either 12-months ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime ECL.

In applying the forward-looking approach of ECL assessment, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

12-month ECL are recognised for the Stage 1 category while lifetime ECL are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets 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 assessment criteria is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in regulatory, business, financial, economic conditions or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Investments and Other Financial Assets (Continued)

(d) Impairment (Continued)

- an actual or expected significant deterioration in the operating results of the debtor.

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 end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when (i) 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).

2.12 Financial Liabilities

(a) Recognition and Measurement

Financial liabilities include other payables, lease liabilities and bank and other borrowings.

Financial liabilities (other than lease liabilities) at amortised cost are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost, using effective interest method. Any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of profit or loss over the period of the financial liabilities using the effective interest method.

Financial liabilities 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.

Accounting policies for lease liabilities are set out in Note 2.24.

(b) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise 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. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.14 Trade, Bills and Tariff Adjustment Receivables

Trade, bills and tariff adjustment receivables are amounts due from customers for electricity sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and tariff adjustment receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade, bills and tariff adjustment receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.15 Contract Assets

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. The impairment of contract assets is measured, presented and disclosed on the same basis set out in Note 2.11.

2.16 Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, demand deposits with banks and other short-term, highly liquid investments with original maturities of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Revenue Recognition

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised products or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those products or services. The revenue recognition of the Group is determined through the following five steps:

(i) Identification of the contract, or contracts, with a customer;

(ii) Identification of the performance obligations in the contract;

(iii) Determination of the transaction price;

(iv) Allocation of the transaction price to the performance obligations in the contract;

(v) Recognition of revenue when, or as, a performance obligation is satisfied.

At contract inception, an assessment is required to identify a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, the Group considers all the products and services promised in the contract with the customer based on the Group's customary business practices, published policies, or specific statements.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue Recognition (Continued)

The Group recognises revenue when the specific criteria have been met for each of the Group's activities as described below:

(a) *Sales of Electricity and Tariff Adjustment*

Revenue from sales of electricity and tariff adjustment is recognised at a point in time when electricity is generated, transmitted and delivered to the offtakers. Revenue from these sales is recognised based on the price specified in the power purchase agreements. The electricity generation will be confirmed with the offtakers regularly, therefore, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

Revenue from sales of electricity is based on the respective on-grid electricity rates. Tariff adjustment represents subsidy received and receivable pursuant to prevailing government policy in respect of the Group's renewable energy projects. Tariff adjustment is recognised at a point in time at fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

Revenue from tariff adjustment is based on the difference between the feed-in tariff ("FIT") regime implemented by the PRC government for the provision of subsidy to the solar and wind power plant operators in the PRC and the revenue from sales of electricity.

(b) *Interest Income*

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

(c) *Dividend Income*

Dividends are received from financial assets measured at FVTPL. Dividends are recognised as other income in the consolidated statement of profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment.

(d) *Operation and Maintenance Service Income*

Income arising from operation and maintenance service is recognised in the accounting period in which the service is rendered.

2.19 Borrowing Costs

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 (generally over 6 months for renewable power projects) to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Current and Deferred Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) *Current Income Tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. The management of the Company (the "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.

(b) *Deferred Income Tax*

Deferred income tax is provided in full, 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 tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee Benefits

(a) *Short-Term Obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(b) *Post-Employment Obligations*

Employees of the Group in Hong Kong are required to participate in a defined contribution scheme as defined in mandatory provident fund scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately from those of the Group under independently administered funds. Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries. Under the MPF Scheme, each of the company (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employees are subject to a cap of HK$1,500 and thereafter contributions are voluntary. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

Employees of the Group in the PRC are required to participate in defined contribution retirement schemes administered and operated by municipal governments. The Group's subsidiaries in the PRC contribute funds to the retirement scheme to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Share-Based Payments

(a) Equity-Settled Share-Based Payment Transactions

The Group operates an employee share option plan. The fair value of options granted under the employee share option plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, the entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining as an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

After vesting date, when the share options are forfeited prior to the expiry date, the amount previously recognised in the "Share-based payment reserve" will be transferred to the "Accumulated losses" within the consolidated statement of changes in equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Share-Based Payment Transactions Among Group Entities

The grant by the Company of options over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries, with a corresponding credit to the Company's equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Provisions

Provisions are recognised 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 recognised 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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Leases

Definition of a Lease and the Group as a Lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Leases (Continued)

Definition of a Lease and the Group as a Lessee (Continued)

To determine the incremental borrowing rate, the Group:

(i) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

(ii) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing; and

(iii) makes adjustments specific to the lease, for example, term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use is depreciated over the underlying asset's useful life. Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.25 Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Related Parties

For the purposes of these consolidated financial statements, 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 if that person:

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

(ii) has significant influence over the Group; or

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

(b) the party is an entity and if 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 an associate or joint venture of a member of a group of which the other entity is a member).

(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 party.

(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 such a plan, the sponsoring employers are also related to the Group.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Company under policies approved by the Board of Directors.

(a) Market Risk

(i) Foreign Exchange Risk

The Group mainly operates in the PRC and Hong Kong.

The functional currency of the Hong Kong reporting entities is HK$ and the transactions are mostly denominated in HK$ and United States dollar ("US$"). For transactions or balances denominated in US$ which are reasonably stable with the Hong Kong dollars under the Linked Exchange Rate System, the directors are of the opinion that the Company does not have significant foreign exchange risk, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. Accordingly, no sensitivity analysis is performed.

The functional currency of the PRC reporting entities is RMB and the transactions are mostly denominated in RMB, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

The Group is exposed to foreign exchange risk primarily through financing, capital expenditure and expenses transactions that are denominated in a currency other than RMB, which is the functional currency of the major subsidiaries of the Group. The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group is presently not using any forward exchange contract to hedge against foreign exchange risk as Management considers its exposure is not significant.

(ii) Interest Rate Risk

The Group is exposed to cash flow interest rate risk through the impact of rates changes on interest-bearing borrowings which mainly bear floating interest rates.

The Group monitors closely its interest rate exposure by maintaining an appropriate mix of fixed and floating rate borrowings and considers hedging significant interest rate exposure should the need arise. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate.

At 31 December 2020, if interest rates on bank and other borrowings had been 50 basis points (31 December 2019: 50 basis points) higher/lower with all other variables held constant, profit before income tax (31 December 2019: loss before income tax) would have been approximately RMB61 million (31 December 2019: RMB61 million) lower/higher (31 December 2019: higher/lower) mainly as a result of higher/lower interest expense on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial Risk Factors (Continued)

(b) Credit Risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Group mainly arises from trade, bills and tariff adjustment receivables and contract assets, other receivables and deposits and cash deposits.

As at 31 December 2020, the Group has concentration of credit risk as 54% (31 December 2019: 58%) of its trade and tariff adjustment receivables and contract assets were due from four largest customers (31 December 2019: four), which were mainly state-owned enterprises. To measure the ECL, trade and tariff adjustment receivables and contract assets have been grouped based on shared credit risk characteristics and days past due. Considering the track record of regular settlement of trade receivables and based on the Group's experience with respect to the collection of trade and tariff adjustment receivables and contract assets, which are well supported by the government policy, the Board of Directors are of the opinion that the risk of default by these customers is not significant.

The Group has policies that limit the amount of credit exposure to any financial institutions. Substantially all the deposits in banks are held in reputable financial institutions located in Hong Kong and the PRC, which Management believes are of high credit quality and Management does not expect any losses arising from non-performance by these counterparties.

Impairment of Financial Assets

The Group has three types of assets that are subject to the ECL model:

- Trade and tariff adjustment receivables and contract assets
- Other receivables and deposits
- Bills receivables and cash deposits (including cash at banks, restricted cash and pledged deposits)

(i) Trade and tariff adjustment receivables and contract assets

The trade and tariff adjustment receivables and contract assets of the Group were arising from sales of electricity and were mainly due from state-owned enterprises. As described in Note 24, except for 9 solar power plants with aggregate capacities of 214.7MW (31 December 2019: 24 solar power plants with aggregate capacities of 787.7MW), all of the Group's solar power plants that are entitled to tariff adjustment receivables were successfully enlisted in the List (as defined in Note 24). Management are of the opinion that the tariff adjustment receivables will be settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance. There is no due date for settlement. Given the track record of settlements of receivables from sales of electricity and the collection of tariff adjustment receivables are well supported by the government policy, Management are of the opinion that the risk of default by the these customers is not significant and does not expect any losses from non-performance by the customers. Therefore, ECL rate of trade and tariff adjustment receivables and contract assets are assessed to be close to zero and no provision was made as at 31 December 2020 (31 December 2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial Risk Factors (Continued)

(b) Credit Risk (Continued)

Impairment of Financial Assets (Continued)

(ii) Other receivables and deposits

Impairment loss of other receivables and deposits are measured as either 12-months ECL or lifetime ECL on individual basis, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment loss is measured as lifetime ECL. Certain long-aged deposits for investments and other receivables with an aggregated gross carrying amount of approximately RMB1,070 million as at 31 December 2020 (31 December 2019: approximately RMB1,094 million) are assessed individually; and the Group has recognised full impairment loss of approximately RMB1,070 million in the consolidated statement of profit or loss for the year ended 31 December 2020 (31 December 2019: approximately RMB1,094 million) for these deposits for investments and other receivables (see Note 2.1(a) and Note 25(a)). Management considered there is a significant increase in credit risk on these balances.

The movements of impairment loss for deposits for investments and other receivables are as follows:

	2020 RMB'million	2019 RMB'million
Stage 1:		
At 1 January	–	–
Increase in impairment loss recognised on other receivables	1	–
At 31 December	1	–
Stage 2:		
At 1 January	1,094	–
Increase in impairment loss recognised on deposits for investments and other receivables	–	1,094
Exchange difference	(25)	–
At 31 December	1,069	1,094
Total	1,070	1,094

As it is detailed in Note 2.1(a), on 28 September 2020, in light of the limitations encountered during the Investigation, the significant sums involved and the findings in the Investigation, after consulting with the legal advisers, the Company reported the incidents of prepayment of the deposits of approximately RMB1,094 million to the CCB. Considering the case is currently under investigation by the Hong Kong Police Force, no reversal of the impairment loss of approximately RMB1,094 million is suggested by the Board for the Year.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial Risk Factors (Continued)

(b) Credit Risk (Continued)

Impairment of Financial Assets (Continued)

(ii) Other receivables and deposits (Continued)

As detailed in Note 2.1(a) to the consolidated financial statements, on 29 March 2021, the Group entered into the Revised Settlement Agreement with NEX Group in respect of the NEX Settlements.

The remaining other receivables and deposits, which are not related to the above incidents as detailed in Note 2.1(a), are separately assessed. Management considers that the credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate, adjusted by current and forward looking information, but an impairment loss of approximately RMB1 million is based on the 12-month expected credit losses for the Year (31 December 2019: Nil).

(iii) Bills receivables and cash deposits (including cash at banks, restricted cash and pledged deposits)

As at 31 December 2020 and 2019, the deposits are placed in reputable banks and financial institutions in the PRC and Hong Kong. Most of the bills receivables are issued from state-owned banks in the PRC. The credit quality of bills receivables, cash at banks, restricted cash and pledged deposits has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. Therefore, ECL rate of bills receivable, cash at banks, restricted cash and pledged deposits is assessed to be close to zero and no provision was made as at 31 December 2020 (31 December 2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial Risk Factors (Continued)

(c) Liquidity Risk

Cash flow forecasts are prepared by Management. Management monitors rolling forecasts on the Group's liquidity requirements to ensure the Group maintains sufficient liquidity reserve to support sustainability and growth of the Group's business. Currently, the Group finances its working capital requirements through funds generated from operations, issue of new shares, senior notes, medium term notes, corporate bonds and obtaining bank and other borrowings.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'million	Between 1 year to 2 years RMB'million	Between 2 to 5 years RMB'million	Over 5 years RMB'million	Total RMB'million	Carrying amount RMB'million
At 31 December 2020						
Other payables	**1,617**	**–**	**–**	**–**	**1,617**	**1,617**
Bank and other borrowings and corresponding interests	**6,252**	**3,720**	**7,119**	**3,677**	**20,768**	**17,589**
Lease liabilities	**17**	**17**	**34**	**146**	**214**	**133**
	7,886	**3,737**	**7,153**	**3,823**	**22,599**	**19,339**
At 31 December 2019						
Other payables	2,295	–	–	–	2,295	2,295
Bank and other borrowings and corresponding interests	8,459	3,303	5,077	4,489	21,328	18,301
Lease liabilities	17	12	33	138	200	121
	10,771	3,315	5,110	4,627	23,823	20,717

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 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 the light of changes in economic condition. In order to maintain or adjust the capital structure, the Group may obtain bank and other borrowings, issue of senior notes, medium-term notes and corporate bonds or placing of new shares. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debts divided by total capital. Net debts is calculated as total borrowings (including current and non-current bank and other borrowings and construction costs payable as shown in the consolidated statement of financial position) less cash deposits (including cash and cash equivalents, pledged deposits and restricted cash as shown in the consolidated statement of financial position). Total capital is calculated as "total equity" as shown in the consolidated statement of financial position plus net debts.

The gearing ratios at 31 December 2020 and 2019 were as follows:

	2020 RMB'million	2019 RMB'million
Bank and other borrowings	17,589	18,301
Construction costs payable	441	574
	18,030	18,875
Less: Cash deposits	(2,972)	(2,964)
Net debts	15,058	15,911
Total equity	5,655	3,641
Total capital	20,713	19,552
Gearing ratio	72.7%	81.4%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair Value Estimation

The table below analyses financial instruments carried at fair values, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or 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) and not using significant observable inputs (level 2).
- Significant inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following tables present the fair value hierarchy of the Group's financial assets that were measured at fair value at 31 December 2020 and 2019.

	Level 3 RMB'million
At 31 December 2020	
Financial assets at FVTPL (Note 22)	
Guaranteed electricity output	**4**
Unlisted investments	**38**
At 31 December 2019	
Financial assets at FVTPL (Note 22)	
Guaranteed electricity output	4
Unlisted investments	38

As at 31 December 2020 and 2019, there was no financial instrument included in level 1 and level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair Value Estimation (Continued)

Specific valuation techniques used to value financial instruments include:

- Guaranteed electricity output was estimated based on the shortfall of electricity pursuant to sale and purchase agreements mutually agreed between the Company and vendors in respect of acquisition of subsidiaries.

- Unlisted investments were determined mainly based on the sum-of-the-parts approach (31 December 2019: sum-of-the-parts approach). The Group has engaged an external independent valuer to assess the fair value of unlisted investment. The significant unobservable inputs include the fair value of the assets and liabilities of the investee company.

- Call options were determined based on binomial model. The key significant unobservable inputs include volatility and dividend payout.

There were no significant transfers of financial assets or liabilities between level 1, level 2 and level 3 fair value hierarchy classifications during the years ended 31 December 2020 and 2019.

The following table presents the changes in level 3 instruments for the year ended 31 December 2020.

	Financial assets at fair value through profit or loss	
	Guaranteed electricity output RMB'million	Unlisted investments RMB'million
At 1 January 2020 and 31 December 2020	4	38

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair Value Estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2019.

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income	Financial liabilities at fair value through profit or loss	Hedging instruments
	Call options RMB'million	Guaranteed electricity output RMB'million	Unlisted investments RMB'million	Unlisted investments RMB'million	Contingent consideration payables RMB'million	Interest rate swaps RMB'million
At 1 January	60	15	174	–	(36)	(10)
Addition	–	–	14	234	–	–
Fair value (losses)/gain recognised in the consolidated statement of profit or loss	(7)	(11)	(150)	–	13	–
Fair value loss recognised in the consolidated statement of comprehensive income	–	–	–	(231)	–	–
Disposal	–	–	–	(3)	–	10
Disposal of subsidiaries	(53)	–	–	–	13	–
Settlement	–	–	–	–	10	–
At 31 December	–	4	38	–	–	–
Total (losses)/gain for the year included in the consolidated statement of profit or loss for assets and liabilities held at the end of the year	(7)	(11)	(150)	–	13	–
Total losses for the year included in the consolidated statement of comprehensive income for assets held at the end of the year	–	–	–	(231)	–	–
Change in unrealised losses for the year included in the consolidated statement of profit or loss for assets and liabilities held at the end of the year	–	(11)	(150)	–	–	–

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair Value Estimation (Continued)

Sensitivity Analysis of Observable and Unobservable Inputs

As described, the fair values of financial assets and liabilities that are classified in level 3 of the fair value hierarchy are determined using valuation techniques that make use of significant inputs that are not based on observable market data. These fair values could be sensitive to changes in the assumptions used to derive the inputs. The table below illustrates the sensitivity of the significant inputs when they are changed to reasonably possible alternative inputs:

Description	Fair value at 31 December		Valuation techniques		Significant inputs	Range of inputs	Favourable/(unfavourable) changes in profit or loss	
	2020	2019					2020	2019
	RMB'million	RMB'million	2020	2019			RMB'million	RMB'million
Financial assets at FVTPL								
Unlisted investments	38	38	Sum-of-the-Parts Approach	Sum-of-the-Parts Approach	Discount rate of 8.5% (2019: 8%)	+0.5%	(0.7)	(0.2)
						–0.5%	0.2	0.3
					Revenue with growth rate of 5% (2019: 5%)	+5%	0.7	0.4
						–5%	(0.7)	(0.4)

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements 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.

Critical Accounting Judgements

Apart from those involving estimations (see below), the following are the critical judgments which Management has made in the process of applying the Group's accounting policies and which have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Revenue Recognition on Tariff Adjustment on Sales of Electricity

During the Year, the Group recognised tariff adjustment of RMB1,485 million (31 December 2019: RMB1,539 million) in the sales of electricity. As disclosed in Note 24, certain solar power plants of the Group were still pending to be enlisted in the List (as defined in Note 24) as of 31 December 2020, which was an on-going process as the List was opened for registration on a batch by batch basis under the prevailing nationwide government policies. Accordingly, the tariff adjustment of certain power plants to be enlisted in the List were only recognised to the extent that it is highly probable that such recognition would not result in significant revenue reversal in the future on the basis that these power plants had been qualified for and had met all the requirements and conditions for the entitlement of the tariff subsidy under the prevailing nationwide government policies on renewable energy for power plants. Hence, the Group's operating power plants are able to be enlisted in the List subsequent to the Year and the accrued revenue on tariff subsidy are fully recoverable. During the Year, the Group recognised tariff adjustment as revenue of approximately RMB91 million (31 December 2019: approximately RMB509 million) relating to solar power plants not yet enlisted in the List.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

Critical Accounting Judgements (Continued)

(b) Business Combinations

Accounting for acquisitions require the Group to allocate the cost of acquisition to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The Group has undertaken processes to identify all assets and liabilities acquired, including acquired intangible assets. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of goodwill, bargain purchase gain and depreciation and amortisation charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by Management. Determining the estimated useful lives of tangible and intangible assets acquired also requires judgement.

Different conclusions around these judgements may materially impact how these investments presented and measured in the consolidated statement of financial position of the Group.

Estimation Uncertainty

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

(c) Impairment of Property, Plant and Equipment and Intangible Assets

Assets that have an indefinite useful life are tested annually for impairment; or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on the higher of value in use calculations or fair value less costs of disposal. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment 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, being the higher of fair value less costs of disposal and value in use (i.e. net present value of future cash flows which are estimated based upon the continued use of the asset in the business); 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. Changing the assumptions selected by Management in assessing impairment, including the discount rates or the growth rate 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. As at 31 December 2020, the carrying amount of property, plant and equipment and intangible assets were approximately RMB14,097 million (net of impairment of approximately RMB961 million) and RMB869 million (net of impairment of approximately RMB831 million), respectively (31 December 2019: approximately RMB14,246 million (net of impairment of approximately RMB958 million) and RMB869 million (net of impairment of approximately RMB2,326 million), respectively).

(d) Impairment of Trade, Bills and Tariff Adjustment Receivables, Contract Assets, Other Receivables and Deposits

The Group makes provision for impairment of trade, bills and tariff adjustment receivables, contract assets, other receivables and deposits based on assumptions about risk of default and ECL rate. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. Note 3.1(b) provides the basis of the calculation of the loss allowance. As at 31 December 2020, the aggregate carrying amounts of trade, bills and tariff adjustment receivables, other receivables and deposits and contract assets amounted to approximately RMB4,344 million, RMB2,034 million (net of ECL allowance of approximately RMB1,070 million) and RMB28 million, respectively (31 December 2019: approximately RMB3,808 million, RMB1,652 million (net of ECL allowance of approximately RMB1,094 million) and RMB15 million, respectively).

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

Estimation Uncertainty (Continued)

(e) Fair Value of Other Financial Instruments

The fair values of financial assets at FVTPL and financial assets at FVTOCI were determined by using various valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions, including the discount rates, which are mainly based on market conditions existing at the end of each reporting period. Changes in assumptions used could materially affect the fair value of these balances and as a result affect the Group's financial condition and results of operation. As at 31 December 2020, the fair value of the financial assets at FVTPL was RMB42 million (31 December 2019: RMB42 million). Details of the fair value measurement are disclosed in Note 3.3.

(f) Useful Lives of Property, Plant and Equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. As at 31 December 2020, the carrying amount of the property, plant and equipment was approximately RMB14,097 million (net of impairment loss of approximately RMB961 million) (31 December 2019: RMB14,246 million (net of impairment loss of approximately RMB958 million)).

5 SEGMENT INFORMATION

The CODM has been identified as the Board. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The Group is pursuing expansion and involvement in clean energy technologies, including solar power and hydropower. During the years ended 31 December 2020 and 2019, the Group has one reportable segment which is solar energy segment. No material revenue, EBITDA, segment profit nor total assets had been attributed by the hydropower segment as it is still under development stage and therefore CODM does not regard hydropower as a reportable segment. Information relating to segment assets and liabilities is not disclosed as such information is not regularly reported to the CODM. Accordingly, reconciliation of segment profit to the Group's profit is not separately presented.

For the years ended 31 December 2020 and 2019, the major operating entities of the Group are domiciled in the PRC and accordingly, all of the Group's revenue was derived in the PRC. During the year ended 31 December 2019, the Group completed the disposal of its business in the UK (the "Disposed Business"). Accordingly, the financial results of the Disposed Business are presented in the consolidated statement of profit or loss as discontinued operation (Note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

The Group's non-current assets other than financial instruments and deferred tax assets by geographical area from continuing operations is as follows:

	2020 **RMB'million**	2019 RMB'million
The PRC	**15,557**	15,722
Hong Kong	**11**	6
	15,568	15,728

For the Year, there were three (31 December 2019: four) customers which individually contributed over 10% of the Group's total revenue. The revenue contributed from each of these customers was as follows:

	2020 **RMB'million**	2019 RMB'million
Continuing Operations		
Customer A	**473**	436
Customer B	**233**	255
Customer C	**215**	220
Customer D	**N/A**[1]	245

[1] This customer did not contribute over 10% of total revenue of the Group in 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 FAIR VALUE LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'million	2019 RMB'million
Continuing Operations		
Call options in relation to acquisition of investments accounted for using equity method	–	7
Guaranteed electricity output	–	11
Unlisted investments	–	150
	–	168

7 FAIR VALUE GAIN ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'million	2019 RMB'million
Continuing Operations		
Contingent consideration payables	–	13

8 OTHER INCOME

	2020 RMB'million	2019 RMB'million
Continuing Operations		
Government grant (Note)	8	11
Operation and maintenance service income	7	14
Compensation income from vendors	1	17
Over-accrual of consideration payables in relation to acquisitions	24	1
Over-provision of land use tax in prior years	23	–
Others	1	7
	64	50

Note: Government grants are mainly provided by the government in respect of the Group's effort to facilitate the city development and such grants are unconditional.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFITS EXPENSES

(a) Employee Benefits Expenses (including Directors' Emoluments)

	2020 RMB'million	2019 RMB'million
Continuing Operations		
Salaries, wages and bonuses	93	103
Contributions to retirement contribution plan (Note)	8	12
	101	115
Share-based payment expenses	4	6
	105	121

Note: Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the PRC government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to retirement benefit scheme contributions during the year ended 31 December 2020.

(b) Five Highest Paid Employees

Of the five individuals with the highest emoluments in the Group, two (31 December 2019: three) were directors of the Company, whose emoluments are included in the disclosure set out in Note 9(c) below. The emoluments of the remaining three (31 December 2019: two) highest paid individuals except directors are as follows:

	2020 RMB'million	2019 RMB'million
Salaries and bonuses	3.93	4.68
Retirement benefit scheme contributions	0.03	0.02
Share-based payment expenses	0.10	0.27
	4.06	4.97

The emoluments fell within the following bands:

	Number of Individuals	
	2020	2019
Emolument bands:		
HK$1,000,001 – HK$1,500,000	1	–
HK$1,500,001 – HK$2,000,000	2	–
HK$2,000,001 – HK$2,500,000	–	1
HK$2,500,001 – HK$3,000,000	–	–
HK$3,000,001 – HK$3,500,000	–	1

During the Year, no emolument was paid or payable by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group and as compensation for the loss of office (31 December 2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(c) Directors' Emoluments

The emoluments paid or payable to each director were as follows:

For the Year Ended 31 December 2020

	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or the subsidiary undertaking						
	Fees RMB'million	Salaries RMB'million	Discretionary bonuses RMB'million	Retirement benefit scheme contributions RMB'million	Share-based payment expenses RMB'million	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking RMB'million	Total RMB'million
Executive directors:							
Mr. Zhang Ping (Note (i))	0.06	0.30	0.75	–	–	–	1.11
Mr. Lu Zhenwei (Note (ii))	–	–	–	–	0.11	–	0.11
Mr. Xu Jianjun (Note (iii))	–	–	–	–	–	–	–
Mr. Huang Hui (Note (iv))	0.06	0.07	0.02	–	–	–	0.15
Ms. Zhong Hui (Note (v))	0.03	0.44	0.05	–	–	–	0.52
Mr. Chen Qinglong (Note (vi))	0.03	0.17	–	–	–	–	0.20
Non-executive directors:							
Mr. Sui Xiaofeng (Note (vii))	–	–	–	–	–	–	–
Mr. Zhao Bing (Note (viii))	–	–	–	–	–	–	–
Mr. Li Hao	0.18	–	–	–	–	–	0.18
Ms. Xie Yi (Note (ix))	0.18	–	–	–	–	–	0.18
Mr. Chen Dayu (Note (x))	–	–	–	–	–	–	–
Mr. Yu Qiuming (Note (xi))	0.12	–	–	–	–	–	0.12
Mr. Wang Heng (Note (xii))	–	–	–	–	–	–	–
Independent non-executive directors:							
Mr. Kwan Kai Cheong	0.18	–	–	–	0.07	–	0.25
Mr. Yen Yuen Ho, Tony	0.18	–	–	–	0.07	–	0.25
Mr. Chen Hongsheng (Note (xiii))	0.18	–	–	–	–	–	0.18
Ms. Jin Xinbin (Note (xiv))	–	–	–	–	–	–	–
Mr. Shi Dinghuan (Note (xv))	0.18	–	–	–	–	–	0.18
Total	1.38	0.98	0.82	–	0.25	–	3.43

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(c) Directors' Emoluments (Continued)

For the Year Ended 31 December 2019

	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or the subsidiary undertaking						
	Fees RMB'million	Salaries RMB'million	Discretionary bonuses RMB'million	Retirement benefit scheme contributions RMB'million	Share-based payment expenses RMB'million	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking RMB'million	Total RMB'million
Executive directors:							
Mr. Lu Zhenwei (Note (ii))	–	–	–	–	0.32	–	0.32
Mr. Xu Jianjun (Note (iii))	–	–	–	–	–	–	–
Ms. Zhong Hui (Note (v))	0.09	1.34	–	0.01	–	–	1.44
Mr. Chen Qinglong (Note (vi))	0.09	0.58	0.29	0.01	–	–	0.97
Mr. Li, Alan (Note (xvi))	0.09	1.29	–	0.01	–	–	1.39
Mr. Li Hong (Note (xvii))	0.09	0.81	–	0.01	–	–	0.91
Mr. Li Guangqiang (Note (xviii))	0.09	0.35	–	–	0.11	–	0.55
Non-executive directors:							
Mr. Yu Qiuming (Note (xi))	0.17	0.97	0.70	–	5.47	–	7.31
Mr. Li Hao	0.17	–	–	–	–	–	0.17
Ms. Xie Yi (Note (ix))	0.16	–	–	–	–	–	0.16
Mr. Wang Heng (Note (xii))	–	–	–	–	–	–	–
Mr. Tang Wenyong (Note (xix))	–	–	–	–	–	–	–
Independent non-executive directors:							
Mr. Kwan Kai Cheong	0.17	–	–	–	0.19	–	0.36
Mr. Yen Yuen Ho, Tony	0.17	–	–	–	0.19	–	0.36
Mr. Shi Dinghuan (Note (xv))	0.17	–	–	–	0.19	–	0.36
Mr. Chen Hongsheng (Note (xiii))	0.16	–	–	–	–	–	0.16
Total	1.62	5.34	0.99	0.04	6.47	–	14.46

Notes:

(i) Mr. Zhang Ping was appointed as an executive Director, the Chairman of the Board and the Chief Executive Officer on 21 February 2020. He resigned as the Chief Executive Officer on 18 September 2020 but remains as an executive Director and the Chairman of the Board.

(ii) Mr. Lu Zhenwei was re-designated from the Co-Chairman of the Board to the Chairman of the Board on 27 June 2019. He resigned as the Chairman of the Board on 21 February 2020 but remains as an executive Director. Mr. Lu Zhenwei agreed to waive his entitlement to director's fee for the years ended 31 December 2020 and 2019.

(iii) Mr. Xu Jianjun was appointed as an executive Director on 27 June 2019. He agreed to waive his entitlement to director's fee for the period from 27 June 2019 to 31 December 2019 and the year ended 31 December 2020.

(iv) Mr. Huang Hui was appointed as an executive Director and the Chief Financial Officer on 21 February 2020. He resigned as an executive Director on 29 June 2020 but remains as the Chief Financial Officer.

(v) Ms. Zhong Hui was appointed as Co-Chief Executive Officer on 14 May 2019 and appointed as an executive Director, re-designated from Co-Chief Executive Officer to Chief Executive Officer on 27 June 2019. She resigned as an executive Director and the Chief Executive Officer on 21 February 2020.

(vi) Mr. Chen Qinglong was appointed as an executive Director on 27 June 2019 and resigned as an executive Director on 21 February 2020.

(vii) Mr. Sui Xiaofeng was appointed as a non-executive Director on 29 June 2020. He agreed to waive his entitlement to director's fee for the period from 29 June 2020 to 31 December 2020.

(viii) Mr. Zhao Bing was appointed as a non-executive Director on 29 January 2021.

9 EMPLOYEE BENEFITS EXPENSES (Continued)

(c) Directors' Emoluments (Continued)

For the Year Ended 31 December 2019 (Continued)

(ix) Ms. Xie Yi was appointed as a non-executive Director on 22 January 2019.

(x) Mr. Chen Dayu was appointed as a non-executive Director on 29 June 2020 and resigned as a non-executive Director on 29 January 2021. He agreed to waive his entitlement to director's fee for the period from 29 June 2020 to 31 December 2020.

(xi) Mr. Yu Qiuming resigned as Co-Chief Executive Officer on 14 May 2019 and was re-designated from executive Director to non-executive Director on 27 June 2019. He retired as a non-executive Director on 2 September 2020.

(xii) Mr. Wang Heng was appointed as a non-executive Director on 27 June 2019 and resigned as a non-executive Director on 29 June 2020. He agreed to waive his entitlement to director's fee for the periods from 27 June 2019 to 31 December 2019 and from 1 January 2020 to 29 June 2020.

(xiii) Mr. Chen Hongsheng was appointed as an independent non-executive Director on 21 January 2019.

(xiv) Ms. Jin Xinbin was appointed as an independent non-executive Director on 31 December 2020.

(xv) Mr. Shi Dinghuan resigned as an independent non-executive Director on 31 December 2020.

(xvi) Mr. Li, Alan resigned as an executive Director, the Chairman of the Board and the Chief Executive Officer on 27 June 2019.

(xvii) Mr. Li Hong resigned as an executive Director and the Chief Financial Officer on 27 June 2019.

(xviii) Mr. Li Guangqing resigned as an executive Director on 27 June 2019 but remains as the chief operating officer of the Company and director of certain subsidiaries.

(xix) Mr. Tang Wenyong resigned as a non-executive Director on 27 June 2019 and agreed to waive his entitlement to director's fee for the period from 1 January 2019 to 27 June 2019.

(d) Directors' Retirement Benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the Year (31 December 2019: Nil).

(e) Directors' Termination Benefits

No payment was made to directors as compensation for the early termination of the appointment during the Year (31 December 2019: Nil).

(f) Consideration Provided to Third Parties for Making Available Directors' Services

No payment was made to the former employer of directors for making available the services of them as a director of the Company during the Year (31 December 2019: Nil).

(g) Information about Loans, Quasi-Loans and Other Dealings in Favour of Directors, Controlled Bodies Corporate by and Connected Entities with Such Directors

There were no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Year (31 December 2019: Nil).

(h) Directors' Material Interests in Transactions, Arrangements or Contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company or an entity connected to a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year (31 December 2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 OTHER EXPENSES

	2020 RMB'million	2019 RMB'million
Continuing Operations		
Auditor's remuneration – audit services	7	7
Compensation loss on construction contract	–	17
Foreign exchange difference	(4)	15
Expense related to short-term leases	5	2
Business trip expenses	4	9
Water and electricity	13	12
Insurance	5	5
Stamp duties	2	2
Others	32	40
	64	109

11 FINANCE INCOME

	2020 RMB'million	2019 RMB'million
Interest income on bank balances and deposits	32	38
Amortisation of imputed interest income on pledged deposits	48	39
	80	77

12 FINANCE COSTS

	2020 RMB'million	2019 RMB'million
In relation to bank and other borrowings		
Interest expenses	961	1,121
Loan facilities fees	143	113
	1,104	1,234
In relation to lease liabilities		
Interest expenses	6	5
Total finance costs	1,110	1,239

13 INCOME TAX (EXPENSE)/CREDIT

The Group's operations in the PRC are subject to the PRC Corporate Income Tax. The statutory PRC Corporate Income Tax rate is 25%. Certain subsidiaries of renewable energy projects are entitled to preferential tax concession. Income tax on profits assessable outside the PRC has been provided at rates prevailing in the respective jurisdictions.

The income tax (charged)/credited to the consolidated statement of profit or loss represented:

	2020 RMB'million	2019 RMB'million
Current income tax		
– current year	(73)	(61)
– over/(under)-provision in prior years	2	(3)
Deferred income tax (Note 29)	(11)	344
	(82)	280

The tax on the Group's profit/(loss) before income tax from continuing operations differs from the theoretical amount that would arise using the PRC corporate income tax rate as follows:

	2020 RMB'million	2019 RMB'million
Profit/(loss) before income tax	344	(3,779)
Less: Share of profits of investments accounted for using equity method	(21)	(36)
	323	(3,815)
Tax (charge)/credit, calculated at the rate of 25% (2019: 25%)	(81)	954
Effect of different tax rates of subsidiaries operating in other jurisdictions	(18)	(188)
Tax effect of PRC tax concession	114	145
Tax effect of expenses not deductible for tax purposes	(72)	(307)
Tax effect of income not subject to tax	10	2
Tax effect of temporary difference not recognised	–	(255)
Tax effect of tax loss for which no deferred tax amount was recognised	(44)	(68)
Utilisation of previously unrecognised tax losses	7	–
Over/(under)-provision in prior years	2	(3)
Income tax (expense)/credit	(82)	280

14 DIVIDEND

No dividend has been paid or declared by the Company during the Year (31 December 2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share was calculated by dividing profit/(loss) from continuing operations and discontinued operation attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2020 and 2019.

	2020 RMB'million	2019 RMB'million
Profit/(loss)		
Profit/(loss) attributable to the equity holders of the Company		
Continuing operations	241	(3,279)
Discontinued operation	–	4
	241	(3,275)
Weighted average number of ordinary shares in issue (million shares)	21,487	14,013
	RMB cents	RMB cents
Basic and diluted earnings/(loss) per share		
Continuing operations	1.12	(23.40)
Discontinued operation	–	0.03
	1.12	(23.37)

(b) Diluted

Diluted earnings/(loss) per share was calculated based on profit/(loss) from continuing operations and discontinued operation attributable to the equity holders of the Company and by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all dilutive potential ordinary shares. For the Year, the Group has one (31 December 2019: two) categories of potential ordinary shares including share options (31 December 2019: share options and warrants).

For the share options, a calculation has been done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for the Year. For the year ended 31 December 2019, share options and warrants were not assumed to be exercised as they would have an anti-dilutive impact to the loss attributable to the equity holders of the Company. Diluted earnings/(loss) per share for the years ended 31 December 2020 and 2019 for both continuing operations and discontinued operation are same as that of basic earnings/(loss) per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 DISCONTINUED OPERATION

During the year ended 31 December 2019, the Group entered into a sale and purchase agreement with an independent third party and completed the disposal of its UK operation, which holds solar power plants with an aggregated installed capacity of 82.4MW, for a cash consideration of approximately GPB34 million (equivalent to approximately RMB298 million). The disposal of UK operation was reported as discontinued operation. Financial information relating to the discontinued operation for the year ended 31 December 2019 to the date of disposal is set out below.

Financial Performance

	For the period from 1 January 2019 to 19 March 2019 RMB'million
Gain on disposal of a subsidiary (Note 20(c))	4
Profit for the period from discontinued operation and attributable to equity holders of the Company	4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'million	Leasehold improvements RMB'million	Power generating modules and equipment RMB'million	Plant and machinery RMB'million	Furniture, fixtures and office equipment RMB'million	Motor vehicles RMB'million	Construction in-progress RMB'million	Total RMB'million
At 1 January 2019								
Cost	121	10	17,319	77	41	16	1,098	18,682
Accumulated depreciation	(19)	(6)	(1,675)	(10)	(28)	(9)	–	(1,747)
Net book amount	102	4	15,644	67	13	7	1,098	16,935
Year ended 31 December 2019								
Opening net book amount	102	4	15,644	67	13	7	1,098	16,935
Acquisition of subsidiaries (Note 33)	–	–	326	–	–	–	2	328
Disposal of subsidiaries (Note 20(c))	(66)	–	(1,708)	–	–	–	(65)	(1,839)
Additions	–	3	2	1	3	–	377	386
Disposals	–	–	(24)	–	–	(1)	–	(25)
Depreciation charge	(5)	(2)	(554)	(10)	(7)	(3)	–	(581)
Impairment charge	–	–	(797)	–	–	–	(161)	(958)
Transfer	–	–	368	–	–	–	(368)	–
Closing net book amount	31	5	13,257	58	9	3	883	14,246
At 31 December 2019								
Cost	47	13	16,165	78	43	13	1,044	17,403
Accumulated depreciation	(16)	(8)	(2,111)	(20)	(34)	(10)	–	(2,199)
Accumulated impairment	–	–	(797)	–	–	–	(161)	(958)
Net book amount	31	5	13,257	58	9	3	883	14,246
Year ended 31 December 2020								
Opening net book amount	**31**	**5**	**13,257**	**58**	**9**	**3**	**883**	**14,246**
Acquisition of subsidiaries (Note 33)	**–**	**–**	**317**	**–**	**–**	**–**	**–**	**317**
Additions	**–**	**1**	**79**	**–**	**6**	**1**	**27**	**114**
Disposals	**–**	**–**	**–**	**–**	**(2)**	**–**	**–**	**(2)**
Depreciation charge	**(2)**	**(2)**	**(555)**	**(11)**	**(4)**	**(1)**	**–**	**(575)**
Impairment charge	**–**	**–**	**(3)**	**–**	**–**	**–**	**–**	**(3)**
Transfer	**–**	**–**	**711**	**1**	**–**	**–**	**(712)**	**–**
Closing net book amount	**29**	**4**	**13,806**	**48**	**9**	**3**	**198**	**14,097**
At 31 December 2020								
Cost	**47**	**12**	**17,288**	**79**	**45**	**14**	**359**	**17,844**
Accumulated depreciation	**(18)**	**(8)**	**(2,682)**	**(31)**	**(36)**	**(11)**	**–**	**(2,786)**
Accumulated impairment	**–**	**–**	**(800)**	**–**	**–**	**–**	**(161)**	**(961)**
Net book amount	**29**	**4**	**13,806**	**48**	**9**	**3**	**198**	**14,097**

Note: As at 31 December 2020, power generating modules and equipment with carrying values of approximately RMB7,822 million (31 December 2019: RMB7,453 million) were pledged as security for the Group's bank borrowings of approximately RMB4,860 million (31 December 2019: RMB3,895 million) and RMB3,224 million (31 December 2019: RMB5,562 million) were pledged as security for the Group's loans from financial institutions of approximately RMB3,117 million (31 December 2019: RMB4,012 million) (Note 28(a)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

Property, plant and equipment and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

As at 31 December 2020, the Group had 61 solar power plants (31 December 2019: 57 solar power plants) with an aggregated installed capacity of approximately 2,070.4MW (31 December 2019: approximately 1,895.4MW). Majority of these solar power plants are located in provinces in the northwestern part of the PRC. Certain of these plants, particularly those located in Gansu, Qinghai, Xinjiang and Ningxia, have been experiencing prolonged period of regional curtailment of renewable energy due to low industry and household consumption in these provinces whereby the actual sales of electricity output to the State Grid are persistently less than the output capacity of the Group's power plants. While the Central Government has implemented measures to alleviate the national-wide curtailment rate of renewable energy, Management considers that this market condition may continue in the short to medium term and may result in an adverse effect on the future revenue to be generated by certain solar power plants of the Group.

Management performed impairment assessment on property, plant and equipment and right-of-use assets with impairment indicator as at 31 December 2020 and 2019 and reflected the latest market conditions and other relevant parameters in the assessment. Each solar power plant is identified as a cash generating unit. The estimated recoverable amounts of solar power plants are determined based on value in use calculations using discounted cash flow approach ("DCF"). The calculation uses cash flow projections covering the useful lives of those property, plant and equipment and right-of-use assets in relation to the relevant solar power plants. The Group has engaged an external independent valuer to assess the recoverable amount of property, plant and equipment and right-of-use assets.

The key assumptions used for the cash flow projections are as follows:

	As at 31 December	
	2020	2019
Capacity	**345MW**	832MW
Utilisation/insolation hours (Note)	**906 to 1,892MWh/MWp**	844 to 1,697MWh/MWp
Degradation factor	**0.5% per annum**	0.5% per annum
FIT (Note)	**RMB0.6 to RMB1.0/kWh**	RMB0.9 to RMB1.15/kWh
Discount rate	**8.5%**	8%
Operating expenses per watt (Note)	**RMB0.01 to RMB0.37**	RMB0.06 to RMB0.24

Note: The above insolation hours and operating expenses are specific to each individual power plant depending on its geographical location. The FIT of each power plant is based on respective actual unit tariff and the approved government subsidy per kWh.

As a result of the impairment assessment, the Group recognised an impairment charge on property, plant and equipment of approximately RMB3 million (31 December 2019: property, plant and equipment of approximately RMB958 million (including construction-in-progress) and right-of-use assets of approximately RMB18 million) for the Year.

The table below illustrates the sensitivity of significant inputs to the cash flow projections above when they are changed to reasonable possible alternate inputs:

	Range of inputs	**Unfavourable change in profit or loss**	
		2020 **RMB'million**	2019 RMB'million
Insolation hours	–5%	(92)	(322)
FIT	–5%	(123)	(322)
Discount rate	+0.5%	(64)	(201)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 LEASES

This note provides information for leases where the Group is a lessee.

The Group's right-of-use assets and lease liabilities mainly arise from lease of various land use rights for solar power plant projects, office premises and staff quarters with typically lease terms of 2 to 27 years as at 31 December 2020 (31 December 2019: 6 to 29 years). Lease terms are negotiated on an individual basis. The lease agreements do not impose any covenants.

The consolidated statement of financial position shows the following amounts relating to leases:

	2020 RMB'million	2019 RMB'million
Right-of-use assets		
Land use rights	293	295
Buildings	32	12
	325	307
Lease liabilities		
Non-current	123	107
Current	10	14
	133	121

Information in respect of the remaining contractual maturities of the Group's lease liabilities are set out in Note 3.1(c) to the consolidated financial statements.

18 LEASES (Continued)

The movements of right-of-use assets are analysed as follows:

	2020 RMB'million	2019 RMB'million
At 1 January	**307**	352
Additions	**61**	22
Depreciation charge	**(29)**	(26)
Acquisition of subsidiaries (Note 33)	**10**	17
Disposal of subsidiaries (Note 20(c))	**–**	(31)
Termination of leases	**(24)**	(9)
Impairment charge (Note 17)	**–**	(18)
At 31 December	**325**	307
At 31 December		
Cost	**386**	351
Accumulated depreciation	**(43)**	(26)
Accumulated impairment	**(18)**	(18)
Net book amount	**325**	307

The movements of lease liabilities are analysed as follows:

	2020 RMB'million	2019 RMB'million
At 1 January	**121**	143
Additions	**31**	22
Interest expenses	**6**	5
Acquisition of subsidiaries (Note 33)	**4**	12
Disposal of subsidiaries (Note 20(c))	**–**	(31)
Termination of leases	**(23)**	(9)
Lease payments	**(6)**	(21)
At 31 December	**133**	121

During the Year, the total cash outflow for leases, including the payments made in relation to lease liabilities of RMB11 million (31 December 2019: RMB23 million), which included expenses relating to lease payments and short-term lease payments of approximately RMB6 million and RMB5 million (31 December 2019: approximately RMB21 million and RMB2 million), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INTANGIBLE ASSETS

	Concession rights RMB'million	Development rights RMB'million	Total RMB'million
At 1 January 2019			
Cost	1,509	1,700	3,209
Accumulated impairment	(964)	–	(964)
Net book amount	545	1,700	2,245
Year ended 31 December 2019			
Opening net book amount	545	1,700	2,245
Redesignation in relation to acquisition of subsidiaries (Note 33)	(14)	–	(14)
Impairment charge	(531)	(831)	(1,362)
Closing net book amount	–	869	869
At 31 December 2019			
Cost	1,495	1,700	3,195
Accumulated impairment	(1,495)	(831)	(2,326)
Net book amount	–	869	869
Year ended 31 December 2020			
Opening and closing net book amount	**–**	**869**	**869**
At 31 December 2020			
Cost	**–**	**1,700**	**1,700**
Accumulated impairment	**–**	**(831)**	**(831)**
Net book amount	**–**	**869**	**869**

(a) Concession Rights

In June 2013, the Group acquired concession rights from various vendors to develop and operate various solar power plant projects. The Group has been in discussion with respective vendors and intends to exercise these concession rights and will acquire solar power plants before their expiry.

19 INTANGIBLE ASSETS (Continued)

(a) Concession Rights (Continued)

Management performed impairment assessment in 2019 to determine the recoverable amount of the concession rights based on the fair value less costs of disposal. In this connection, Management prepared cash flow forecasts of each of concession right taking into account factors, including but not limited to, the revision of government policy, operational status of the solar power plants planned to be acquired and the probability to exercise the concession rights before its expiry. The Group engaged an external independent valuer to assess the recoverable amount of concession rights. As a result of the impairment assessment, an impairment charge of approximately RMB531 million on concession rights was recognised during the year ended 31 December 2019. There was no such impairment charge recorded during the Year. As the concession rights expired in November 2020 and had been fully impaired as at 31 December 2019, Management wrote off the costs against the accumulated impairment during the Year.

The key assumptions used for the cash flow projections, which were based on past experience of the Group and external sources of market information, were as follows:

	2019
Capacity	0.3GW
Insolation hours	825 to 1,611MWh/MWp
Degradation factor	0.5% per annum
Electricity tariff	
– On-grid projects	RMB0.75 to RMB0.97/kWh
– Projects yet to on-grid	RMB0.45/kWh
Discount rate	10%
Construction costs of ground projects per watt	RMB6
Operating expenses per watt	RMB0.14 with annual growth rate of 2%

(b) Development Rights

The Group recognised development rights in relation to hydropower projects with an expected capacity of approximately 5.2GW in Tibet and Sichuan Province, the PRC, and 60MW solar power projects in Tibet through acquisition of subsidiaries in 2017.

In June 2019, the People's Government of Tibet Autonomous Region published the "Notice of the People's Government of the Tibet Autonomous Region on Lowering the Prices of Residential Electricity and Industrial and Commercial Electricity"(《西藏自治區人民政府關於降低居民生活用電和工商業用電價格的通知》, "Tibet Notice 2"). The FIT of the Group's hydropower projects has been reduced from RMB0.35/kWh to RMB0.341/kWh. Such policy is on temporary trial since 1 July 2019 until further notice.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INTANGIBLE ASSETS (Continued)

(b) Development Rights (Continued)

Management performed impairment assessment to determine the recoverable amount of the development rights based on value in use. In this connection, Management prepared cash flow forecasts for the hydropower projects, taking into account of factors, including but not limited to, the above revision of government policies, probability as well as the estimated extent of the revision of FITs after year 2020, probability to utilise these development rights to develop the relevant hydropower plant projects, construction costs and development plans. The Group engaged an external independent valuer to assess the recoverable amount of development rights. As a result of the impairment assessment, no impairment charge on development rights was recognised for the Year (31 December 2019: impairment charge of approximately RMB831 million).

The key assumptions used for the cash flow projections as at 31 December 2020 are as follows:

	Hydropower	**Solar power**
Capacity	**3,494MW**	**N/A**
Utilisation hours	**4,210 to 4,700MWh/MWp**	**N/A**
Electricity price		
– Tibet	**RMB0.35/kWh in 2021; RMB0.36 to RMB0.60/kWh in 2022 to 2040 with growth rate of 1% per year thereafter till the end of the useful life (Note)**	**N/A**
Discount rate	**10.5%**	**N/A**
Construction costs per watt	**RMB13.5**	**N/A**
Operating expenses per watt	**RMB0.19 with annual growth rate of 2%**	**N/A**

The key assumptions used for the cash flow projections as at 31 December 2019 are as follows:

	Hydropower	Solar power
Capacity	5,230.1MW	70MW*
Utilisation/insolation hours	4,300 to 4,700MWh/MWp	1,310MWh/MWp
Degradation factor	N/A	0.5% per annum
Electricity price		
– Sichuan	RMB0.30 to RMB0.31/kWh	N/A
– Tibet	RMB0.34/kWh in 2020; RMB0.35 to RMB0.57/kWh in 2021 to 2036 with growth rate of 1% per year thereafter till the end of the useful life (Note)	RMB1.05/kWh
Discount rate	10.5% to 11.5%	10%
Construction costs per watt	RMB11.0 to RMB13.5	RMB12
Operating expenses per watt	RMB0.19 with annual growth rate of 2%	RMB0.14 with annual growth rate of 2%

19 INTANGIBLE ASSETS (Continued)

(b) Development Rights (Continued)

Note: On 30 June 2019, Tibet Government published the Tibet Notice 2 to reduce the electricity price of the FIT of hydropower in Tibet of the Group from RMB0.35/kWh to RMB0.341/kWh. According to the Tibet Notice 2, such policy is on temporary trial since 1 July 2019 until further notice.

* 30MW are beyond the scope and not considered by the valuer in the valuation in 2019.

The table below illustrates the sensitivity of the significant inputs when they are changed to reasonable possible alternative inputs:

	Range of inputs	Unfavourable change in profit or loss	
		2020	2019
		RMB'million	RMB'million
Utilisation/insolation hours	–5%	(949)	(896)
FIT	–5%	(949)	(896)
Discount rate	+0.5%	(950)	(852)
Construction costs per watt	+5%	(928)	(788)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

(a) Particulars of the Principal Subsidiaries

Name of entity	Place of incorporation/ establishment	Particular issued share capital/ registered capital	Ownership interest held by the Group 2020	Ownership interest held by the Group 2019	Principal activities
Anhui Zhaolian Clean Energy Co., Ltd.	The PRC	Registered and paid up RMB200,000,000	100%	100%	Operation and management of a solar power plant
Beijing United Rongbang New Energy Technology Co., Ltd.	The PRC	Registered RMB880,000,000 Paid up RMB5,000,000	100%	100%	Investment holding
China Solar Power Group Limited	British Virgin Islands ("BVI")	Issued and fully paid US$5,750,000	100%	100%	Investment holding
China Technology New Energy Limited	BVI	Issued and fully paid US$1	100%	100%	Possession of exclusive rights in developing roof-top solar power plants
Datong Panda Solar Power Co., Ltd.	The PRC	Registered and paid up RMB200,000,000	100%	100%	Operation and management of a solar power plant
Datong United Photovoltaics New Energy Co., Ltd.	The PRC	Registered and paid up RMB200,000,000	100%	100%	Operation and management of a solar power plant
Guigangshi Green Ark New Energy Co., Ltd.	The PRC	Registered and paid up RMB10,000,000	100%	100%	Operation and management of a solar power plant
Guodian Kezuozhongqi Photovoltaics Co., Ltd.	The PRC	Registered and paid up RMB169,700,000	99.40%	99.40%	Operation and management of a solar power plant
Hainanzhou Yahui New Energy Co., Ltd.	The PRC	Registered and paid up RMB351,000,000	100%	100%	Operation and management of a solar power plant
Hanshou Zhonghui Solar Energy Co., Ltd.	The PRC	Registered and paid up RMB130,000,000	100%	100%	Operation and management of solar power plants
Hubei Jingtai Photovoltaics Power Co., Ltd.	The PRC	Registered and paid up RMB250,000,000	100%	100%	Operation and management of a solar power plant
Inner Mongolia Xingbang United Photovoltaics New Energy Co., Ltd. ("Inner Mongolia Xingbang")	The PRC	Registered and paid up RMB1,000,000,000	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 SUBSIDIARIES (Continued)

(a) Particulars of the Principal Subsidiaries (Continued)

Name of entity	Place of incorporation/ establishment	Particular issued share capital/ registered capital	Ownership interest held by the Group 2020	2019	Principal activities
Nanjing Silk Road New Energy Co., Ltd.	The PRC	Registered RMB659,610,000 Paid up RMB514,037,600	100%	100%	Investment holding
New Light Technology Limited ("New Light Tech")	Hong Kong	Issued and fully paid HK$10,000	100%	100%	Investment holding
Ningxia Zhongzi Photovoltaics Co., Ltd.	The PRC	Registered and paid up RMB340,000,000	100%	100%	Operation and management of a solar power plant
Tibet Zangneng Corporation ("Tibet Zangneng")	The PRC	Registered and paid up RMB400,000,000	75%	75%	Possession of development rights for hydropower and solar power projects
Tibet Zhongzi New Energy Technology Co., Ltd.	The PRC	Registered and paid up RMB340,000,000	100%	100%	Investment holding
United Photovoltaics (Changzhou) Investment Group Co., Ltd. ("UP Changzhou")	The PRC	Registered HK$7,000,000,000 Paid up HK$5,158,050,822	100%	100%	Investment holding
United Photovoltaics (Shenzhen) Limited ("UP Shenzhen")	The PRC	Registered HK$1,000,000,000 Paid up HK$499,988,588	100%	100%	Design and installation of solar power systems, research and development of solar power products and solar technology
Yangchun Zhaolian Lvhui Photovoltaic Power Generation Co., Ltd.	The PRC	Registered and paid up RMB40,000,000	95%	95%	Operation and management of a solar power plant
Zhongli (Jiayuguan) Photovoltaics Power Co., Ltd.	The PRC	Registered and paid up RMB500,000,000	100%	100%	Operation and management of a solar power plant
Zhongli Talesun Gonghe New Energy Limited	The PRC	Registered and paid up RMB342,000,000	100%	100%	Operation and management of solar power plants
Zhongli Talesun Gonghe Photovoltaic Power Co., Ltd.	The PRC	Registered and paid up RMB200,000,000	100%	100%	Operation and management of a solar power plant

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 SUBSIDIARIES (Continued)

(a) Particulars of the Principal Subsidiaries (Continued)

Notes:

(i) Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation/establishment.

(ii) The English names of certain subsidiaries represent the best effort by the Management to translate their Chinese names, as these subsidiaries do not have official English names.

(iii) The cash at bank and other financial institutions of approximately RMB2,925 million (31 December 2019: RMB2,962 million) held by the PRC subsidiaries were subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country other than through normal dividends.

(iv) All the above PRC-incorporated subsidiaries are limited liability companies.

(v) The above table lists the subsidiaries of the Company which, in the opinion of the Board, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Board, result in particulars excessive length.

(b) Material Non-Wholly Owned Subsidiaries

As at 31 December 2020, the total non-controlling interests was approximately RMB338 million (31 December 2019: RMB317 million). As at 31 December 2020, the Group re-assessed those subsidiaries that have non-controlling interests that are considered material to the Group based on their relative size in terms of installed capacities, total assets, revenue and EBITDA.

Set out below are the summarised financial information for Tibet Zangneng which has material non-controlling interests.

	2020 RMB'million	2019 RMB'million
Assets and liabilities as at 31 December		
Current assets	**295**	177
Non-current assets	**1,506**	1,530
Current liabilities	**(602)**	(400)
Non-current liabilities	**(389)**	(492)
Carrying amount of non-controlling interests	**(147)**	(148)
Profit or loss for the year ended 31 December		
Revenue	**37**	42
Loss and total comprehensive loss for the year	**(5)**	(931)
Profit/(loss) allocated to non-controlling interests	**1**	(233)
Dividend paid to non-controlling interests	**–**	–
Cash flows for the year ended 31 December		
Net cash inflow/(outflow) from operating activities	**65**	(65)
Net cash outflow from investing activities	**(12)**	(1)
Net cash inflow from financing activities	**53**	58
	106	(8)

The information above was the amount before inter-company eliminations.

Note: During the Year, Tibet Zangneng did not recognise any impairment charges on development rights (31 December 2019: impairment charge of approximately RMB831 million) and property, plant and equipment (31 December 2019: impairment charge of approximately RMB161 million). Details of the impairment charges are set out in Notes 19 and 17 respectively.

20 SUBSIDIARIES (Continued)

(c) Disposal of Subsidiaries

During the Year, the Group disposed certain of its subsidiaries, the effect on the financial position, the total consideration received and loss on such disposals:

	RMB'million
Net consideration	
Cash	51
Net assets disposed of	
Other receivables, deposits and prepayments	(87)
Cash and cash equivalents	(9)
Other payables and accruals	44
	(52)
Net loss on disposal	(1)
Satisfied by	
Cash received	37
Less: Cash and cash equivalents disposed	(9)
Net cash inflow	28

Note: During the Year, a partial consideration of approximately RMB37 million was settled and the remaining consideration of approximately RMB14 million was included in other receivables as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 SUBSIDIARIES (Continued)

(c) Disposal of Subsidiaries (Continued)

During the year ended 31 December 2019, the Group disposed certain of its subsidiaries (including discontinued operation as disclosed in Note 16), the effect on the financial position, the total consideration received and loss on such disposals:

	Continuing operations RMB'million	Discontinued operation RMB'million	Total RMB'million
Net consideration			
Cash	487	298	785
Less: Direct expenses – Legal and professional fees	–	(17)	(17)
Retained interest			
Financial assets at FVTPL (Note 22)	14	–	14
	501	281	782
Net assets disposed of			
Property, plants and equipment (Note 17)	(962)	(877)	(1,839)
Right-of-use assets (Note 18)	–	(31)	(31)
Investments accounted for using equity method (Notes 21(a) and (b))	(626)	–	(626)
Financial assets at FVTPL	(53)	–	(53)
Deferred tax assets (Note 29(a))	(2)	(2)	(4)
Trade and tariff adjustment receivables	(102)	(15)	(117)
Other receivables, deposits and prepayments	(99)	(4)	(103)
Pledged deposits	(18)	(4)	(22)
Cash and cash equivalents	(16)	(47)	(63)
Contingent consideration payable	13	–	13
Other payables and accruals	293	12	305
Loan from an associate	101	–	101
Bank and other borrowings	642	598	1,240
Income tax payable	3	–	3
Financial liability – interest rate swap	–	10	10
Lease liabilities (Note 18)	–	31	31
Deferred tax liabilities (Note 29(b))	23	62	85
	(803)	(267)	(1,070)
(Loss)/gain on disposals before reclassification of reserve	(302)	14	(288)
Reclassification of other reserve	–	(11)	(11)
Reclassification of translation reserve	–	1	1
Net (loss)/gain on disposal	(302)	4	(298)
Satisfied by			
Cash received	129	297	426
Less: Cash and cash equivalents disposed	(16)	(47)	(63)
Less: Direct expenses	–	(17)	(17)
Net cash inflow	113	233	346

21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The amounts recognised in the consolidated statement of financial position are as follows:

	2020 RMB'million	2019 RMB'million
Investments in associates (Note (a))	**263**	297

The amounts recognised in the consolidated statement of profit or loss are as follows:

	2020 RMB'million	2019 RMB'million
Share of profits from associates (Note (a))	**21**	19
Share of profit from a joint venture (Note (b))	**–**	17
	21	36

(a) Investments in Associates

	2020 RMB'million	2019 RMB'million
At 1 January	**297**	305
Disposal of investment in an associate (Note 20(c))	**–**	(26)
Dividend received	**(55)**	(1)
Share of profits from associates	**21**	19
At 31 December	**263**	297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in Associates (Continued)

Set out below are the associates which, in the opinion of the Board, are material to the Group as at 31 December 2020 and 2019.

Name of entity	Place of establishment	% of ownership interest 2020	2019	Principal activities
Fengxian Huize Photovoltaic Energy Limited* ("Fengxian Huize") (Note)	The PRC	**50%**	50%	Operation and management of solar power plants
Shenzhen Chuangxin Silk Road Leasing Company Limited* ("Shenzhen Chuangxin")	The PRC	**38.64%**	38.64%	Finance lease arrangement for the operation of solar power plants

Note: The Group is eligible to appoint two directors to represent the Company in the board of directors of Fengxian Huize which constituted by five directors. Considering the resolutions can be passed by poll with simple majority, the Board is in the opinion that the Group only exercises significant influence over Fengxian Huize and recognises its equity interest in Fengxian Huize as an investment in an associate.

The English names of the associates represent the best effort by the Management to translate their Chinese names, as the associates do not have official English names.

All associates are private companies and there are no quoted market prices available for their shares.

There were no contingent liabilities relating to the Group's investments in associates as at 31 December 2020 (31 December 2019: Nil).

Set out below are the summarised financial information for the material associates for the years ended 31 December 2020 and 2019.

	Shenzhen Chuangxin		Fengxian Huize	
	2020 RMB'million	2019 RMB'million	**2020 RMB'million**	2019 RMB'million
Assets and liabilities as at 31 December				
Current assets	**476**	668	**71**	68
Non-current assets	**367**	627	**321**	334
Current liabilities	**(75)**	(174)	**(231)**	(165)
Non-current liabilities	**(317)**	(681)	**(15)**	(15)
Profit or loss for the year ended 31 December				
Revenue	**46**	47	**64**	67
Profit/(loss) and total comprehensive income/(loss) for the year	**11**	(6)	**31**	34
Dividend received from associates	**–**	–	**54**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(a) Investments in Associates (Continued)

	Shenzhen Chuangxin		Fengxian Huize	
	2020 RMB'million	2019 RMB'million	**2020 RMB'million**	2019 RMB'million
Reconciliation to carrying amounts:				
Opening net assets	**440**	446	**222**	188
Dividend	**–**	–	**(107)**	–
Share of profit/(loss)	**11**	(6)	**31**	34
Closing net assets	**451**	440	**146**	222
Group's % of ownership	**38.64%**	38.64%	**50%**	50%
Group's share (in RMB million)	**174**	170	**73**	111

Set out below are the summarised financial information for the remaining associates which were individually immaterial to the Group.

	2020 RMB'million	2019 RMB'million
The Group's share on:		
Profits and other comprehensive income for the year	**1**	4
Carrying amount of investments	**16**	16

As at 31 December 2020, the cash and cash equivalents of approximately RMB27 million (31 December 2019: approximately RMB46 million) that were held by PRC entities of the associates were subject to local exchange control regulations. These local exchange control regulations provided for restrictions on exporting capital from the country other than through normal dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (Continued)

(b) Investment in a Joint Venture

	2019 RMB'million
At 1 January	583
Share of profit from a joint venture	17
Disposal of investment in in a joint venture (Note 20(c))	(600)
At 31 December	–

During the year ended 31 December 2019, the Group disposed of its equity interest (33.1%) in Changzhou Haozhen through the disposal of the equity interest in a subsidiary (Note 20(c)). Before the disposal, the joint venture held 95% equity interest in a project company which held solar power plants with aggregate installed capacity of 270MW in the PRC.

The English name of the joint venture represents the best effort by the Management to translate its Chinese name, as the joint venture does not have official English name.

Set out below are the summarised unaudited financial information for Changzhou Haozhen for the year ended 31 December 2019 before the disposal.

	2019 RMB'million
Profit or loss for the year ended 31 December	
Revenue	233
Depreciation	(58)
Finance costs	(101)
Profit and other comprehensive income for the period	51
Dividend received from joint venture	–

	2019 RMB'million
Reconciliation to carrying amount	
Opening net assets	1,759
Share of profit	51
Disposal of investment in a joint venture	(1,810)
Closing net assets	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'million	2019 RMB'million
Guaranteed electricity output (Note (a))	4	4
Unlisted investments (Note (b))	38	38
	42	42

Notes:

(a) According to certain sale and purchase agreements entered into between the Group and the vendors in respect of acquisition of subsidiaries, the vendors undertook to guarantee certain level of electricity output generated by the underlying solar power plants for a period of time and the shortfall would be payable by the vendors. The fair value was arrived at after considering the contractual terms, the actual shortfall in electricity generated and the outcome of the negotiation with the relevant vendors.

(b) Unlisted investments represent equity investments in unlisted companies engaging in renewable energy related business. The Board intends to divest these investments in the foreseeable future and accordingly, they were classified as financial assets at FVTPL.

As at 31 December 2020, the Group's unlisted investments included investments in investee companies engaging in the provision of Engineering, Procurement and Construction ("EPC") service and investment in solar power plant projects. The aggregate fair values of these investee companies as at 31 December 2020 were approximately RMB24 million (31 December 2019: approximately RMB24 million) which were determined with reference to a business valuation report issued by an external independent valuer. No fair value movement was recorded for the Year (31 December 2019: fair value loss of approximately RMB150 million).

During the year ended 31 December 2019, the Group disposed of a 95% equity interest of a wholly-owned subsidiary which holds a wind power plant with an aggregated capacity of 96MW and the remaining 5% equity interest was recognised as a financial asset at FVTPL. As at 31 December 2020, the fair value of the 5% equity interest was approximately RMB14 million (31 December 2019: approximately RMB14 million), which was determined based on the recent market transactions of similar businesses.

(c) During the year ended 31 December 2019, a call option to acquire 95% equity interest in Changzhou Ranchen Solar Investment Limited ("Changzhou Ranchen") was disposed and a fair value loss of approximately RMB7 million was recognised. Changzhou Ranchen was an associate of the Group until it was disposed during the year ended 31 December 2019.

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In January 2019, the Group made an investment to acquire an equity interest in an investee company for a consideration of RMB234 million. The investee company owns four on-grid wind power plants with an aggregated installed capacity of 198MW in Sichuan province and a portfolio of wind power plants under construction with an aggregated installed capacity of about 400MW in the PRC. The completion of these wind power plants under construction requires significant additional financing.

Due to the adverse impact of the new government policy in reducing FITs and the persistent high regional curtailment rate of renewable energy (solar, wind and hydro) in the northwestern part of the PRC on the Group's business, the Board reassessed the strategy and decided to divest non-core assets and mitigate future capital commitment in order to deploy resources focusing on solar related business in the PRC. In December 2019, the equity interest in the investee wind power company was disposed of to a third party at a consideration of approximately RMB3 million and fair value loss of approximately RMB231 million was recognised in the consolidated statement of comprehensive income upon disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES

	2020 RMB'million	2019 RMB'million
Trade receivables	63	49
Tariff adjustment receivables	4,115	3,695
Trade and tariff adjustment receivables	4,178	3,744
Bills receivables	166	64
Trade, bills and tariff adjustment receivables	4,344	3,808

As at 31 December 2020, trade receivables of approximately RMB63 million (31 December 2019: approximately RMB49 million) represented receivables from sales of electricity and are usually settled within three to twelve months.

Tariff adjustment receivables mainly represented the central government subsidies on renewable energy projects to be received from the State Grid and Inner Mongolia Power based on the respective electricity sale and purchase agreements for each of the Group's solar power plants and prevailing nationwide government policies.

The Board considers that the ECL for trade, bills and tariff adjustment receivables is insignificant as at 31 December 2020 and 2019 (Note 3.1(b)).

The ageing analysis by invoice date, which approximates revenue recognition date, of trade and tariff adjustment receivables was as follows:

	2020 RMB'million	2019 RMB'million
Unbilled (Note)	4,074	3,625
1 – 30 days	29	17
31 – 60 days	–	–
61 – 90 days	1	–
91 – 180 days	7	2
181 – 365 days	–	–
Over 365 days	67	100
	4,178	3,744

24 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES (Continued)

Note: As at 31 December 2020 and 2019, the amount represents unbilled tariff adjustment receivables. The aged analysis of the unbilled trade adjustment receivables, which is based on revenue recognition date, were as follows:

	2020 RMB'million	2019 RMB'million
1 – 30 days	180	161
31 – 60 days	132	131
61 – 90 days	141	141
91 – 180 days	433	466
181 – 365 days	770	861
Over 365 days	2,418	1,865
	4,074	3,625

As at 31 December 2020, the maturity dates of bills receivable were within one year. The maximum exposure to credit risk at the reporting date was the carrying value of each of the receivable mentioned above. The Group did not hold any collateral as security. Trade, bills and tariff adjustment receivables are denominated in RMB (31 December 2019: RMB).

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 National Development and Reform Commission "NDRC", and the National Energy Administration in March 2012, tariff adjustment receivables will be settled upon successful registration in the Renewable Energy Tariff Subsidy Catalogue ("Catalogue"). Caijian 2013 No.390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment.

Pursuant to Guo Neng Xin Neng 2015 No. 73 Notice on the Implementation plan for photovoltaic power generation construction (光伏發電建設實施方案) issued by the National Energy Administration in March 2015, the approval process for solar power plant projects was delegated to the local government level from the Central Government. Such projects require only regional filings with regional power authorities authorised to administer the application process. Once the application has been submitted and approved, the local grid companies will install grid-connections and such projects will be eligible for tariff adjustment.

In January 2020, the Ministry of Finance, the NDRC, and the National Energy Administration jointly issued Caijian 2020 No. 4 Notice on Several Opinions of Promoting the Healthy Development of the Power Generation of Non-Water Renewable Energy (關於促進非水可再生能源發電健康發展的若干意見). Pursuant to Caijian 2020 No. 4 Notice, the Central Government will no longer publish the Catalogue. On the other hand, the procedures for settlement of tariff adjustment is intended to be further simplified whereby it is indicated in Caibanjian 2020 No.6 Office of Ministry of Finance's Procedures in relation to Commencement of Approval Procedures of Renewable Energy Tariff Subsidy Project List (財政部辦公廳關於開展可再生能源發電補貼項目清單審核有關工作的通知) that all qualified renewable energy power plants (存量項目) (the "Qualified Power Plants") which fulfil certain requirements are eligible to be enlisted in the Tariff Subsidy Project List (the "List") (補貼項目清單). The Qualified Power Plants include all 1st to 7th batch Catalogue power plants, which will be automatically enlisted in the List.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES (Continued)

The Group submitted application for all qualified power plants of the Group and Management are of the opinion that 9 solar power plants with aggregate capacities of 214.7MW shall be further enlisted in the List. During the Year, the Group has 16 (31 December 2019: Nil) solar power plants with an aggregate capacity of 678.1MW (31 December 2019: Nil) successfully enlisted in the List. Management are of the opinion that the registration is an administrative procedure and the tariff adjustment receivables will be settled in accordance with prevailing government policies and prevalent payment trends of Ministry of Finance. There is no due date for settlement. The tariff adjustment receivables are fully recoverable considering that the background of customers are mainly state-owned enterprises and such tariff adjustment is only subject to timing of allocation of funds by the PRC government.

Given the track record of regular repayment of receivables from sales of electricity, all trade receivables from sales of electricity were expected to be recoverable. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance.

During the Year, the Group received an aggregate amount of approximately RMB1,289 million mainly for the subsidies in relation to the solar power plant projects enlisted in the List (31 December 2019: approximately RMB828 million for the subsidies in relation to the solar and wind power plant projects enlisted in the List). The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. However, given the collection of tariff adjustment receivables is well supported by the government policy, all tariff adjustment receivables were expected to be recoverable. As the collection of tariff adjustment receivables is expected in the normal operating cycle of the business, they are classified as current assets. Consequently, no loss allowance of trade receivables was recognised as at 31 December 2020 (31 December 2019: Nil).

As of 31 December 2020, all trade receivables were expected to be recoverable. The carrying amounts of trade and bills receivables approximate their fair values (31 December 2019: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 OTHER RECEIVABLES, CONTRACT ASSETS, DEPOSITS AND PREPAYMENTS

	2020 RMB'million	2019 RMB'million
Non-current		
Value-added tax recoverable	389	521
Prepayment for property, plant and equipment	3	10
Others	14	9
	406	540
Current		
Deposits paid to NEX Group (Note (a), Note 2.1(a))	997	1,022
Deposits for investments	918	–
Amounts due from associates (Note (b))	137	125
Amounts due from NEX Group (Note (a))	979	1,488
Value-added tax recoverable	656	645
Contract assets	28	15
Other receivables, deposits and prepayments	98	155
	3,813	3,450
	4,219	3,990
Less: Impairment loss of deposits for investments and other receivables (Note (a))	(1,070)	(1,094)
Total	3,149	2,896

Notes:

(a) During the years ended 31 December 2018 and 2017, the Group entered into several conditional sale and purchase agreements and framework agreement in relation to proposed acquisition of project companies which own renewable energy projects. As at 31 December 2019, the Group had Deposits to NEX Group of HK$598 million (equivalent to approximately RMB522 million) and the Deposits to SZZY of RMB500 million remained outstanding. As at the same date, the Group also had amounts due from NEX Group of approximately RMB1,488 million (before impairment provision) and amounts due to NEX Group of approximately RMB1,132 million (Note 30).

Considering the findings of the Investigation as set out in Note 2.1(a), Management considered there was a significant increase in credit risk in these counterparties and Management assessed that only a portion of the receivables was expected to be recovered. Consequently, impairment loss of approximately RMB1,094 million was recognised during the year ended 31 December 2019. The amounts included the impairment loss of approximately RMB1,022 million for the Deposits to NEX and SZZY and approximately RMB72 million for the amounts due from NEX Group. Information about the impairment of other receivables and deposits and the Group's exposure to credit risk is set out in Note 3.1(b)(ii) to the consolidated financial statements..

As at 31 December 2020, the Deposits to NEX Group of HK$598 million (equivalent to approximately RMB497 million) and the Deposits to SZZY of RMB500 million remained outstanding. As at the same date, the Group also had amounts due from NEX Group of approximately RMB979 million (before impairment provision) and approximately RMB611 million for amounts due to NEX Group.

Considering the related amounts included in the Investigation are under investigation by the CCB, Management does not recommend reversal of the impairment charge during the Year.

As it is set out in Note 2.1(a) to the consolidated financial statements, the Group entered into an agreement with NEX Group on 29 March 2021 in respect of the NEX Settlements.

(b) As at 31 December 2020, the amounts due from associates were unsecured, interest-free and repayable on demand (31 December 2019: Same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 CASH DEPOSITS

	2020 RMB'million	2019 RMB'million
Non-current		
Pledged deposits (Note (b))	379	1,265
Current		
Pledged deposits (Note (b))	974	1,440
Restricted cash (Note (c))	42	20
Cash and cash equivalents	1,577	239
	2,593	1,699
Total	2,972	2,964

Notes:

(a) As at 31 December 2020, the Group's bank balances of approximately RMB2,925 million (31 December 2019: approximately RMB2,962 million) were deposited with banks or other financial institutions in the PRC. The remittance of these funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Pledged deposits represented deposits pledged to banks or other financial institutions to secure banking facilities granted to the Group (Note 28(a)). Deposits of approximately RMB379 million (31 December 2019: approximately RMB1,265 million) were pledged to secure long-term borrowings granted to the Group which are due after one year, and therefore classified as non-current assets. The remaining deposits were pledged to secure short-term borrowings and therefore classified as current assets.

(c) As at 31 December 2020, bank balance of approximately RMB42 million (31 December 2019: approximately RMB20 million) was restricted for certain environmental protection purpose required by the local government. The deposit will be released upon fulfillment of such requirement.

27 SHARE CAPITAL

	Number of shares (million)		Share capital	
	2020	2019	2020 RMB'million	2019 RMB'million
Ordinary shares of HK$0.1 each				
Authorised				
At 1 January	30,000	20,000	2,525	1,637
Increase in authorised share capital (Note (a))	–	10,000	–	888
At 31 December	30,000	30,000	2,525	2,525
Issued and fully paid				
At 1 January	15,251	9,530	1,285	803
Issue of shares (Note (b))	7,177	5,721	639	482
At 31 December	22,428	15,251	1,924	1,285

27 SHARE CAPITAL (Continued)

Notes:

(a) Increase in authorised share capital

Pursuant to the Board's resolution dated 30 December 2019, the authorised share capital of the Company was increased from HK$2,000,000,000 divided into 20,000,000,000 shares of HK$0.1 each to HK$3,000,000,000 divided into 30,000,000,000 shares of HK$0.1 each by the creation of an additional 10,000,000,000 new shares on the same date, which shall rank equally in all respects with the existing shares.

(b) Issue of shares

On 18 February 2020, the Company issued an aggregate of 7,176,943,498 subscription shares at HK$0.25 per share. The net price for the shares issued was approximately HK$0.25 per share. The market price of the Company's ordinary shares listed on the Stock Exchange on 18 November 2019, being the last trading day before the date on which the terms of the subscription were fixed, was HK$0.23. The directors were of the view that the subscription represented a good opportunity for the Company to raise funds to strengthen its capital base, to improve its financial position for the Company's future development and to introduce strategic investors to the Company. As at 31 December 2020, the net proceeds from the issue of new shares of approximately HK$1,766 million (equivalent to approximately RMB1,573 million) have been fully utilised for the repayments of indebtedness in accordance with the announcements dated 19 November 2019 and the circular dated 11 December 2019.

On 21 March 2019, the Company issued 3,048,750,000 ordinary shares to Huaqing Solar Power Limited ("Huaqing"), 1,351,992,566 ordinary shares to the affiliate companies of CMNEG, a substantial shareholder, 938,054,087 ordinary shares to China Huarong Overseas Investment Holdings Co., Limited ("Huarong"), a substantial shareholder, and 382,396,814 ordinary shares to Asia Pacific Energy and Infrastructure Investment Group Limited ("Asia Pacific"), a shareholder, in an aggregate of 5,721,193,467 ordinary shares at HK$0.30 for each ordinary share through placement. The issue price per share were HK$0.30. The proceeds from the share subscription amounted to approximately HK$1,716 million (equivalent to approximately RMB1,444 million), against loan from Huaqing, Huarong and Asia Pacific of approximately US$117 million, HK$84 million and HK$23 million, respectively (equivalent to approximately RMB771 million, RMB71 million and RMB19 million, respectively), other payables due to Asia Pacific of approximately HK$92 million (equivalent to approximately RMB78 million) and transaction costs. The fair value of shares issued to shareholders settled by the extinguishment of the aforesaid liabilities as at the completion date were approximately RMB971 million, thus a loss on debt extinguished by issuing equity instruments was approximately RMB32 million.

All shares issued during the years ended 31 December 2020 and 2019 rank pari passu in all respects with the existing shares of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 SHARE CAPITAL (Continued)

Notes: (Continued)

(c) Share options

Certain share options were granted under the share option scheme adopted on 19 June 2012 to directors and employees of the Group. The option granted are subject to a vesting scale in three tranches of 30%, 30% and 40% with a vesting period of 1, 2 and 3 years respectively starting from the 1st anniversary and become fully vested on the 1st, 2nd and 3rd anniversary of the grant respectively. In the table below, "exercisable period" begins with the 1st anniversary of the grant date.

Details of the share options movement during the year are as follows:

	Exercisable period			Number of share options		
Date of grant	From	To	Exercise price HK$	As at 1 January 2020	During the year Lapsed/ cancelled	As at 31 December 2020
Directors						
8.1.2015	8.1.2016	7.1.2020	1.00	3,300,000	(3,300,000)	–
8.1.2015	8.1.2017	7.1.2020	1.00	3,300,000	(3,300,000)	–
8.1.2015	8.1.2018	7.1.2020	1.00	4,400,000	(4,400,000)	–
28.1.2016	28.1.2017	27.1.2021	0.564	1,800,000	(300,000)	1,500,000
28.1.2016	28.1.2018	27.1.2021	0.564	2,100,000	(300,000)	1,800,000
28.1.2016	28.1.2019	27.1.2021	0.564	2,800,000	(400,000)	2,400,000
16.6.2017	16.6.2018	15.6.2022	1.076	5,100,000	(900,000)	4,200,000
16.6.2017	16.6.2019	15.6.2022	1.076	5,100,000	(900,000)	4,200,000
16.6.2017	16.6.2020	15.6.2022	1.076	6,800,000	(1,200,000)	5,600,000
12.9.2017	12.9.2018	11.9.2022	1.132	21,000,000	(21,000,000)	–
12.9.2017	12.9.2019	11.9.2022	1.132	21,000,000	(21,000,000)	–
12.9.2017	12.9.2020	11.9.2022	1.132	28,000,000	(28,000,000)	–
				104,700,000	(85,000,000)	19,700,000
Employees						
8.1.2015	8.1.2016	7.1.2020	1.00	2,820,000	(2,820,000)	–
8.1.2015	8.1.2017	7.1.2020	1.00	2,820,000	(2,820,000)	–
8.1.2015	8.1.2018	7.1.2020	1.00	3,760,000	(3,760,000)	–
28.1.2016	28.1.2017	27.1.2021	0.564	820,499	(51,600)	768,899
28.1.2016	28.1.2018	27.1.2021	0.564	1,534,499	(441,600)	1,092,899
28.1.2016	28.1.2019	27.1.2021	0.564	2,046,002	(588,800)	1,457,202
16.6.2017	16.6.2018	15.6.2022	1.076	58,950,000	(3,000,000)	55,950,000
16.6.2017	16.6.2019	15.6.2022	1.076	58,950,000	(3,000,000)	55,950,000
16.6.2017	16.6.2020	15.6.2022	1.076	78,600,000	(4,000,000)	74,600,000
				210,301,000	(20,482,000)	189,819,000
				315,001,000	(105,482,000)	209,519,000
Exercisable at the end of the year				201,565,000		209,519,000

No share option was granted or exercised during the Year (31 December 2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 SHARE CAPITAL (Continued)

Notes: (Continued)

(c) Share options (Continued)

The variables and assumptions used in computing the fair value of the share options are based on Management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option. The significant assumptions used in the binomial model to derive the fair value at the date of grant were as follows:

Date of grant	12 September 2017	16 June 2017	28 January 2016	8 January 2015
Risk free rate	0.984%	0.984%	1.295%	1.257%
Expected volatility	50%	50%	45%	45%
Expected dividend yield	0%	0%	0%	0%
Life of option (year)	5	5	5	5
Closing share price at grant date	HK$1.09	HK$1.03	HK$0.55	HK$1.00
Exercise price per share	HK$1.132	HK$1.076	HK$0.564	HK$1.00
Weighted average fair value per share option	HK$0.4135	HK$0.3962	HK$0.1927	HK$0.3496

The expected volatility is calculated based on the historic volatility of share prices of the Company and comparable companies based on publicly available information. Expected dividend yield is based on historic dividends.

During the Year, share-based payment expenses of approximately RMB4 million (31 December 2019: approximately RMB6 million) were recognised in the consolidated statement of profit or loss in relation to share options.

28 BANK AND OTHER BORROWINGS

	2020			2019		
	Current portion RMB'million	Non-current Portion RMB'million	Total RMB'million	Current portion RMB'million	Non-current portion RMB'million	Total RMB'million
Bank borrowings	3,741	8,333	12,074	2,643	6,181	8,824
Loans from financial institutions (Note (b))	1,260	3,403	4,663	756	4,464	5,220
Senior notes (Note (c))	–	753	753	2,506	–	2,506
Corporate bonds (Note (c))	–	–	–	1,530	–	1,530
Medium-term notes (Note (c))	300	–	300	32	300	332
Other loans (Note (b))	62	34	96	237	30	267
	5,363	12,523	17,886	7,704	10,975	18,679
Unamortised loan facilities fees	(58)	(239)	(297)	(80)	(298)	(378)
	5,305	12,284	17,589	7,624	10,677	18,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BANK AND OTHER BORROWINGS (Continued)

The Group's bank and other borrowings were repayable as follows:

	2020			2019		
	Bank borrowings RMB'million	Other borrowings RMB'million	Total RMB'million	Bank borrowings RMB'million	Other borrowings RMB'million	Total RMB'million
Within 1 year	3,741	1,622	5,363	2,643	5,061	7,704
Between 1 and 2 years	1,827	1,351	3,178	1,528	1,263	2,791
Between 2 and 5 years	4,773	1,294	6,067	2,449	1,702	4,151
Over 5 years	1,733	1,545	3,278	2,204	1,829	4,033
	12,074	5,812	17,886	8,824	9,855	18,679

Notes:

(a) As at 31 December 2020, bank borrowings and loans from financial institutions were secured by the following:

(i) pledged deposits (Note 26(b));
(ii) power generating modules and equipment (Note 17);
(iii) pledge of the fee collection right in relation to the sales of electricity; and
(iv) mortgage over the equity interest in certain subsidiaries.

(b) As at 31 December 2020, loans from financial institutions included loans from an associate of approximately RMB360 million (31 December 2019: approximately RMB418 million). These loans were secured by property, plant and equipment of approximately RMB486 million (31 December 2019: approximately RMB545 million) and bore interest ranging from 4.90% to 4.95% per annum (31 December 2019: 4.90% to 4.95% per annum).

As at 31 December 2020, loans from financial institutions included loans from a subsidiary of a substantial shareholder of approximately RMB286 million (31 December 2019: Nil). The loans were secured by property, plant and equipment of approximately RMB404 million (31 December 2019: Nil) and bore interest of 4.60% per annum (31 December 2019: Nil).

As at 31 December 2020, other loans included a loan from an associate of approximately RMB60 million (31 December 2019: Nil). This loan was unsecured, bore interest at 10% per annum and repayable on demand (31 December 2019: Nil).

(c) As at 31 December 2020 and 2019, senior notes were unsecured, bore interest at 8% per annum and repayable in 2022, and medium-term notes were unsecured, bore interest at 7.5% per annum and repayable in 2021. As at 31 December 2019, corporate bonds were unsecured, bore interest ranging from 6.72% to 7% per annum and repayable in 2020. All the corporate bonds were settled during the Year.

(d) The principal of bank borrowings and loans from financial institutions which bore floating interest rates were as follows:

	2020 RMB'million	2019 RMB'million
Bank borrowings	8,048	7,441
Loans from financial institutions	4,117	4,732
	12,165	12,173

(e) The effective interest rate per annum of bank and other borrowings as at 31 December 2020 was approximately 4.70% (31 December 2019: approximately 5.43%). The weighted average life of bank and other borrowings as at 31 December 2020 was approximately 4.86 years (31 December 2019: approximately 4.95 years).

29 DEFERRED TAX

Deferred tax assets and liabilities are netted off when the taxes relate to the same tax authority and where offsetting is legally enforceable. The following amounts, determined after appropriate offsetting, are shown separately on the consolidated statement of financial position:

	2020 RMB'million	2019 RMB'million
Deferred tax assets	27	27
Deferred tax liabilities	(268)	(256)
	(241)	(229)

The net movement in the deferred tax during the year is as follows:

	2020 RMB'million	2019 RMB'million
At 1 January	(229)	(656)
Acquisition of subsidiaries (Note 33)	(1)	2
(Charged)/credited to consolidated statement of profit or loss (Note 13)	(11)	344
Disposal of subsidiaries (Note 20(c))	–	81
At 31 December	(241)	(229)

(a) Deferred Tax Assets

	2020 RMB'million	2019 RMB'million
At 1 January	57	55
Disposal of subsidiaries (Note 20(c))	–	(4)
Credited to consolidated statement of profit or loss	3	6
At 31 December	60	57

Notes:

(i) Deferred tax assets are recognised mainly for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2020, approximately RMB10 million deferred tax asset arising from tax losses related to the electricity businesses in the PRC was recognised (31 December 2019: the PRC of approximately RMB27 million).

(ii) As at 31 December 2020, the Group has unrecognised deferred tax assets of approximately RMB232 million (31 December 2019: approximately RMB166 million) in respect of tax losses of approximately RMB939 million (31 December 2019: approximately RMB649 million), that can be carried forward against future taxable income. As at 31 December 2020, these tax losses of approximately RMB908 million (31 December 2019: RMB605 million) will expire at various dates up to and including 2025 (31 December 2019: 2024).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 DEFERRED TAX (Continued)

(b) Deferred Tax Liabilities

Deferred taxation, representing fair value adjustment, is calculated in full on temporary differences under the liability method using taxation rates enacted or substantively enacted by the end of the reporting period in the respective jurisdictions. The movements in deferred income tax liabilities are as follows:

	2020 RMB'million	2019 RMB'million
At 1 January	**(286)**	(711)
Acquisition of subsidiaries (Note 33)	**(1)**	2
Disposal of subsidiaries (Note 20(c))	**–**	85
(Charged)/credited to consolidated statement of profit or loss	**(14)**	338
At 31 December	**(301)**	(286)

Notes:

(i) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC.

(ii) As at 31 December 2020, deferred tax liabilities of approximately RMB112 million (31 December 2019: approximately RMB116 million) have not been recognised for the withholding tax that would be payable on the remittance of earnings of PRC subsidiaries. The related unremitted earnings totalled approximately RMB2,244 million at 31 December 2020 (31 December 2019: approximately RMB2,323 million), and the Group does not intend to remit these unremitted earnings from the relevant subsidiaries to the Company in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 OTHER PAYABLES AND ACCRUALS

	2020 RMB'million	2019 RMB'million
Non-current		
Other payables	–	8
Current		
Construction costs payables	441	574
Consideration payables in relation to acquisitions	43	145
Value-added tax payables	473	472
Amounts due to associates (Note (a))	8	8
Amounts due to NEX Group (Note 25(a))	611	1,132
Provision for legal claims (Note (b))	15	17
Receipt-in-advance (Note (c))	300	300
Other payables and accruals	551	476
	2,442	3,124
	2,442	3,132

Notes:

(a) As at 31 December 2020, the amounts due to the associates of approximately RMB8 million (31 December 2019: approximately RMB8 million) were unsecured, interest-free and repayable on demand.

(b) As at 31 December 2019, the provision mainly related to a legal case lodged by an EPC contractor against the Group. On 30 December 2019, a favourable judgement was handed down against the Group in respect of this legal claim made by the EPC contractor. However, after taking appropriate legal advice, the directors have given careful consideration regarding the likelihood of an appeal filed by the EPC contractor and the possible legal claim exposures. If the court concluded an unfavourable judgement to the Group, payment of approximately RMB15 million would be required. The recognised provision reflects the directors' best estimate of the most likely outcome. During the Year, the EPC contractor filed an appeal against the case decision on 10 January 2020 and the court concluded an overriding unfavourable judgement to the Group on 29 May 2020. The payable balance of the respective claim is expected to be settled on or before 31 December 2021.

(c) As at 31 December 2020, other payables and accruals included a consideration received in advance from a third party of approximately RMB300 million (31 December 2019: approximately RMB300 million) in relation to proposed disposals of certain of the Group's solar power plants. The amount was unsecured, interest-free and repayable on demand. The proposed disposal was subsequently terminated and the entire balance was refunded to the third party in January 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 December 2020, the Group held the following financial instruments:

	2020 RMB'million	2019 RMB'million
Financial assets		
Financial assets at FVTPL	42	42
Financial assets at amortised cost		
Trade, bills and tariff adjustment receivables	4,344	3,808
Other financial assets at amortised cost	2,062	1,667
Cash deposits	2,972	2,964
	9,420	8,481
Financial liabilities		
Financial liabilities at amortised cost		
Bank and other borrowings	17,589	18,301
Other payables	1,617	2,295
Lease liabilities	133	121
	19,339	20,717

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3.1. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 CASH FLOW INFORMATION

(a) Cash Generated from Operations

	2020 RMB'million	2019 RMB'million
Profit/(loss) before income tax	**344**	(3,779)
Adjustments for		
Government grant	**(8)**	(11)
Loss on disposal of property, plant and equipment	**2**	–
Loss on disposal of subsidiaries	**1**	302
Bargain purchase gain arising from business combinations	**(1)**	–
Depreciation for property, plant and equipment	**575**	581
Depreciation for right-of-use assets	**29**	26
Loss on termination of leases	**1**	–
Fair value losses on financial assets at fair value through profit or loss	**–**	168
Fair value gain on financial liabilities at fair value through profit or loss	**–**	(13)
Loss on debt extinguishment by issuing equity instruments	**–**	32
Finance income	**(80)**	(77)
Finance costs	**1,110**	1,239
Impairment charge on concession rights	**–**	531
Impairment charge on development costs	**–**	831
Impairment charge on property, plant and equipment	**3**	958
Impairment charge on right-of-use assets	**–**	18
(Write-back)/write-off on other receivables, net	**(1)**	39
Impairment charge on financial assets	**1**	1,094
Share-based payment expenses	**4**	6
Share of profits of investments accounted for using equity method	**(21)**	(36)
Over-accrual of consideration payables in relation to acquisitions	**(24)**	(1)
Over-provision of land use tax in prior years	**(23)**	–
Operating profit before working capital changes	**1,912**	1,908
Changes in working capital		
Other receivables, contract assets, deposits and prepayments	**666**	(1,062)
Trade, bills and tariff adjustment receivables	**(441)**	(903)
Other payables and accruals	**(654)**	1,791
Cash generated from operations	**1,483**	1,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 CASH FLOW INFORMATION (Continued)

(b) Reconciliation of Liabilities Arising from Financing Activities

	Bank borrowings	Loans from financial institutions	Senior notes	Corporate bonds	Medium-term notes	Other loans	Loan from an associate	Lease liabilities
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
At 1 January 2019	10,597	5,218	2,436	1,754	430	1,637	287	143
Cash flows								
Principal and related arrangement fee	(1,280)	35	–	(270)	(103)	(427)	(186)	(16)
Interest paid	–	–	(197)	–	–	–	–	(5)
Non-cash flows								
Acquisition of subsidiaries (Note 33)	–	167	–	–	–	–	–	12
Disposal of subsidiaries (Note 20(c))	(577)	(581)	–	–	–	(82)	(101)	(31)
Termination of leases	–	–	–	–	–	–	–	(9)
Addition of leases	–	–	–	–	–	–	–	22
Transfer with other payables	–	–	–	–	–	25	–	–
Net-off against the consideration for issue of shares (Note (c))	–	–	–	–	–	(861)	–	–
Finance costs	8	71	216	28	3	–	–	5
Exchange difference	27	1	50	–	1	(25)	–	–
At 31 December 2019	8,775	4,911	2,505	1,512	331	267	–	121
At 1 January 2020	**8,775**	**4,911**	**2,505**	**1,512**	**331**	**267**	**–**	**121**
Cash flows								
Principal and related arrangement fee	**3,397**	**(812)**	**(1,750)**	**(1,530)**	**(32)**	**(170)**	**–**	**–**
Interest paid	**–**	**–**	**(89)**	**–**	**–**	**–**	**–**	**(6)**
Non-cash flows								
Acquisition of subsidiaries (Note 33)	**–**	**195**	**–**	**–**	**–**	**–**	**–**	**4**
Termination of leases	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(23)**
Addition of leases	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**31**
Finance costs	**17**	**112**	**151**	**18**	**1**	**–**	**–**	**6**
Exchange difference	**(155)**	**–**	**(64)**	**–**	**–**	**(1)**	**–**	**–**
At 31 December 2020	**12,034**	**4,406**	**753**	**–**	**300**	**96**	**–**	**133**

(c) Major Non-Cash Transactions

During the year ended 31 December 2019, the major non-cash transaction included a portion of the loan of approximately US$117 million (equivalent to approximately RMB771 million), approximately HK$84 million (equivalent to approximately RMB71 million) and approximately HK$23 million (equivalent to approximately RMB19 million) and other payables of approximately HK$92 million (equivalent to approximately RMB78 million) having settled against the considerations for share placement of respective shareholders.

33 BUSINESS COMBINATION

It is the Group's strategy to identify suitable investment opportunity to acquire renewable energy projects with good prospects and potential for stable returns.

During the Year, the Group completed the acquisitions of two solar power plants (31 December 2019: five) in the PRC from independent third parties through its indirectly wholly-owned subsidiaries. The acquisitions have immediately enabled to supplement the Group's existing renewable power plant portfolio and further expand its scale of business in the renewable energy sector to enhance return to the shareholders of the Company. The table below summarised the details of the projects acquired.

Name of the company	Month of acquisition	Equity interest acquired	Cash consideration RMB'million	Power plants acquired Type	Location	Number of plants	Installed capacity MW
For the year ended 31 December 2020							
Weixian Tianhai Photovoltaic Power Co., Limited* ("Weixian Tianhai") (威縣天海光伏發電有限公司)	December 2020	100%	22	Solar	Hebei	1	30
Shandong Xintai Loudejia Photovoltaic Power Co., Limited* ("Shandong Loude") (山東新泰樓德佳陽光伏發電有限公司)	December 2020	100%	18	Solar	Shandong	1	20
For the year ended 31 December 2019							
Dongyuan County Laowei Photovoltaic Technology Co., Limited* ("Dongyuan Laowei") (東源縣老圍光電科技有限公司)	December 2019	100%	61	Solar	Guangdong	2	40
Yantai Jishun Photovoltaic Technology Co., Limited* ("Yantai Jishun") (烟台吉順光電科技有限公司)	December 2019	51%	20	Solar	Shandong	3	50

The key assumptions used for the post-tax cash flow projections for the purchase price allocation, which are based on past experience of the Group and external sources of market information, are as follows:

	2020	2019
Capacity (subject to impairment)	**50MW**	90MW
Utilisation/insolation hours	**1,070 to 1,277MWh/MWp**	1,138 to 1,161MWh/MWp
Degradation factor	**0.5% to 0.83% per annum**	0.5% per annum
FIT	**RMB0.88 to RMB1.00/kWh**	RMB0.58 to RMB0.98/kWh
Discount rate	**7.73% to 8.5%**	8% to 8.5%
Construction costs per watt	**RMB8.73**	RMB4.55 to RMB6.6
Operating expenses per watt	**RMB0.13 to 0.42 with annual growth rate of 2%**	RMB0.14 with annual growth rate of 2%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 BUSINESS COMBINATION (Continued)

The following table summarises the consideration paid, the fair value of identifiable assets acquired, liabilities assumed and the non-controlling interests as at the respective acquisition date:

	2020 RMB'million	2019 RMB'million
Consideration		
Cash	40	81
Intangible assets (Note 19)	–	14
Deferred tax liabilities (Note 29)	–	(2)
	40	93
Recognised amounts of fair value of identifiable assets acquired, liabilities assumed and non-controlling interests		
Property, plant and equipment (Note 17)	317	328
Right-of-use assets (Note 18)	10	17
Value-added tax recoverable	14	33
Trade and tariff adjustment receivables (Note (b))	95	4
Other receivables, deposits and prepayments	2	19
Cash and cash equivalents	2	5
Pledged deposits	15	7
Other payables and accruals	(213)	(121)
Bank and other borrowings	(195)	(167)
Lease liabilities (Note 18)	(4)	(12)
Deferred tax liabilities	(1)	–
Income tax payable	(1)	–
Total identifiable net assets	41	113
Non-controlling interests (Note (c))	–	(20)
Bargain purchase gain recognised in the consolidated statement of profit or loss	(1)	–
	40	93
Net cash (outflow)/inflow arising from the acquisitions		
Other payables (included in consideration payables in relation to acquisitions)	16	81
Cash and cash equivalents acquired	2	5
Less: Cash consideration	(40)	(81)
	(22)	5

Notes:

(a) Revenue and profit contribution

The table below illustrates the revenue and the profit included in the consolidated statement of profit or loss since acquisition date contributed by the acquisitions.

	2020 Total RMB'million	2019 Total RMB'million
Revenue	2	–
Profit contributed to the Group	1	–

Had the consolidation taken place at 1 January 2020, the consolidated statement of profit or loss would show pro-forma revenue from sales of electricity and tariff adjustment of approximately RMB2,203 million (31 December 2019: approximately RMB2,216 million) and profit of approximately RMB275 million (31 December 2019: loss of approximately RMB3,478 million), respectively.

33 BUSINESS COMBINATION (Continued)

Notes: (Continued)

(b) Acquired receivables

The gross contractual amount of these trade and tariff adjustment receivables due in aggregate was approximately RMB95 million (31 December 2019: approximately RMB4 million, which approximate to their fair value), and no balance was expected to be uncollectible.

(c) Provisional fair value of acquired identifiable assets under business combination during the Year

The fair value of the acquired identifiable assets under business combination during the Year was provisional pending receipt of the final valuations of those assets. Deferred tax has been provided in relation to these fair value adjustments. Management performed retrospective review of the fair value of the acquired identifiable assets under business combination during the year ended 31 December 2019 and considered no retrospective adjustment was required.

(d) Non-controlling interests

The non-controlling interests were recognised at their proportionate share of the recognised amounts of acquirees' identifiable net assets.

34 CAPITAL COMMITMENT

As at 31 December 2020, the Group had capital commitments in respect of property, plant and equipment amounted to approximately RMB183 million (31 December 2019: approximately RMB537 million).

35 RELATED PARTY TRANSACTIONS

(a) Names and Relationships with Related Parties

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control.

The following companies are related parties of the Group that had balances and/or transactions with the Group during the years ended 31 December 2020 and 2019.

Name of related parties	Relationship with the Group
豐縣輝澤光伏能源有限公司	An associate
深圳市創新絲綢之路融資租賃有限公司	An associate
Huaqing Solar Power Limited	A substantial shareholder
China Merchants Group Limited	An affiliated company of a substantial shareholder
China Merchants New Energy Group Limited	A substantial shareholder
China Huarong Overseas Investment Holdings Co., Limited	A substantial shareholder
Asia Pacific Energy and Infrastructure Investment Group Limited	A substantial shareholder
China Huarong Asset Management Co., Ltd.	A substantial shareholder

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant Related Party Transactions

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2020 and 2019.

	2020 RMB'million	2019 RMB'million
Interest expenses made to shareholders (Note (i))	2	33
Interest expenses made to a subsidiary of a controlling shareholder (Note (ii))	4	–
Loan facility fees made to a subsidiary of a controlling shareholder (Note (iii))	3	–
Interest expenses made to an associate (Note (iv))	25	37
Loan guarantee service fees made to a controlling shareholder (Note (v))	12	–
Loan facility fees made to an associate (Note (iv))	6	17
Business trip expenses made to a subsidiary of a controlling shareholder	1	–
Maintenance costs for power plant made to a subsidiary of a controlling shareholder	1	–

Notes:

(i) For the Year, interest expenses on loans from Huaqing were charged at an interest rate of 13.41% per annum (31 December 2019: 13.41% per annum).

(ii) For the Year, interest expenses on loans from Shenzhen Jingneng Leasing were charged at an interest rate of 4.6% per annum (31 December 2019: Nil)

(iii) For the Year, loan facility fees for the loans from Shenzhen Jingneng Leasing amounted to approximately RMB3 million (31 December 2019: Nil). Such fees were amortised over the period of loan facilities.

(iv) For the Year, interest expenses were charged for loans from an associate at interest rates ranging from 4.9% to 10% per annum (31 December 2019: 4.9% to 6.5% per annum). As at 31 December 2020 and 2019, the loans from an associate were repayable on demand (Note 28(b)).

(v) For the Year, the loan guarantee service fees made to a substantial shareholder approximately RMB5,135 million (31 December 2019: Nil). Such fees were amortised over the period of the respective guaranteed loans.

(vi) During the Year, the loan facility fees made to an associate amounted approximately RMB36 million (31 December 2019: approximately RMB36 million). Such fees were amortised over the period of the loan facility (Note 28(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 RELATED PARTY TRANSACTIONS (Continued)

(c) Significant Related Party Balances

Save as disclosed elsewhere in the consolidated financial statements, there are no other significant related party balances as at 31 December 2020 and 2019.

(d) Key Management Compensation

	2020 RMB'million	2019 RMB'million
Short-term employee benefits	6	10
Share-based payment	–	6
	6	16

36 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

Save as disclosed elsewhere in the consolidation financial statements, the followings are other events after the date of statement of financial position.

(a) Acquisition of Entire Equity Interests in Companies owning 165MW Solar Power Plants in the PRC

On 29 January 2021, Beijing United Rongbang (an indirect wholly-owned subsidiary of the Company) (as the purchaser), Inner Mongolia Yuanhai New Energy Co., Ltd.* (內蒙古源海新能源有限責任公司), ("Inner Mongolia Yuanhai") (as the vendor), and Wulate Houqi Banner Yuanhai New Energy Co., Ltd.* (烏拉特後旗源海新能源有限責任公司) ("Wulate Houqi") entered into an equity transfer agreement, pursuant to which Beijing United Rongbang conditionally agreed to purchase, and Inner Mongolia Yuanhai conditionally agreed to sell, the entire equity interest in Wulate Houqi. Upon completion of this acquisition, Wulate Houqi will become an indirect wholly-owned subsidiary of the Company. Details of the acquisition are set out in the Company's announcement dated 29 January 2021.

On 8 February 2021, Beijing United Rongbang and Inner Mongolia Xingbang together with Beijing United Rongbang, as the "Purchasers") (both are indirect wholly-owned subsidiaries of the Company), Zhongming Capital Holdings Group Co., Ltd.* (中明資本控股集團有限公司) ("Vendor 1"), Inner Mongolia Weiheng Industry and Trade Co., Ltd.* (內蒙古偉恒工貿有限公司) ("Vendor 2", and together with Vendor 1, the "Vendors") and Inner Mongolia Minghua New Energy Co., Ltd.* (內蒙古明華新能源股份有限公司) ("Inner Mongolia Minghua") entered into an equity transfer agreement, pursuant to which, the Purchasers conditionally agreed to purchase, and the Vendors conditionally agree to sell, the entire equity interest in Inner Mongolia Minghua at an aggregate consideration of approximately RMB301 million. Upon completion of this acquisition, Inner Mongolia Minghua will become an indirect wholly-owned subsidiary of the Company. Details of the acquisition are set out in the Company's announcement dated 8 February 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deemed Disposal Of Certain Equity Interests in a Subsidiary

On 25 February 2021, UP Changzhou (an indirect wholly-owned subsidiary of the Company), Qinqdao ICBC Shengjing Equity Investment Fund Co., Ltd.* (青島工融盛景股權投資基金有限責任公司) ("Investor 1"), ICBC Financial Investment No. 3 (Tianjin) Equity Investment Partnership (Limited Partnership)* (工融金投三號(天津)股權投資合夥企業(有限合夥)) ("Investor 2", and together with Investor 1, the "Investors"), UP Shenzhen and New Light Technology Limited (both are indirect wholly-owned subsidiaries of the Company) entered into the capital increase agreement (the "Capital Increase Agreement"), pursuant to which, Investor 1 conditionally agreed to inject RMB1,000 million into UP Changzhou by way of cash contribution in return for approximately RMB794 million in the registered capital of UP Changzhou, which accounts for approximately 12.21% of the enlarged equity interest in UP Changzhou (the "Capital Increase"). Parties also agreed that the Investors are entitled to, but not obliged to, subsequently inject in aggregate of not more than RMB2,000 million within six months after the effective date of the Capital Increase Agreement in return for approximately RMB1,588 million in the registered capital of UP Changzhou (the "Subsequent Capital Increase"). After completion of the Capital Increase and the potential Subsequent Capital Increase, the Investors will be interested in an aggregate of not more than 29.43% of the enlarged equity interest in UP Changzhou and UP Changzhou will become an indirect non wholly-owned subsidiary of the Company. Therefore, the Group's interest in UP Changzhou will be diluted from 100% to not less than 70.57% after the completion of the Capital Increase and the potential Subsequent Capital Increase. Details of the deemed disposal of certain equity interest in a subsidiary are set out in the Company's announcement dated 25 February 2021.

(c) Repurchase of Senior Notes

On 26 February 2021, the Company has repurchased approximately US$112 million 8% guaranteed senior notes which would be due in 2022 (the "Notes") in the aggregate principal amount of US$33 million at a total consideration of approximately US$34 million (including accrued and unpaid interest) in the open market. The repurchased Notes represent approximately 29.38% of the initial principal amount of the Notes and have been or will be cancelled (as the case may be) in accordance with the terms and conditions of the Notes. Details of the Notes repurchase are set out in the Company's announcement dated 26 February 2021.

(d) Sales and Leaseback

On 26 March 2021, Yantai Jishun Photovoltaic Power Technology Co., Ltd.* (烟台吉順光電科技有限公司) ("Yantai Jishun") (an indirect non wholly-owned subsidiary of the Company) and Shenzhen Jingneng Leasing (a subsidiary of BEH) entered into a sales and leaseback agreement, pursuant to which, Shenzhen Jingneng Leasing agreed to provide to the Group sales and leaseback services for eight years, from 26 March 2021 to 25 March 2029 (the "Sales and Leaseback"). Details of the Sales and Leaseback are set out in the Company's announcement dated 26 March 2021.

(e) Settlements with NEX Group

On 29 March 2021, the Group entered into an agreement with NEX Group in respect of the NEX Settlements (as defined in the section titled "Information Update on the Incidents"). Details of the arrangement are set out in Notes 3.1(b)(ii) and 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of Financial Position of the Company

	2020 RMB'million	2019 RMB'million
ASSETS		
Non-current assets		
Interests in subsidiaries	1,368	1,364
Amounts due from subsidiaries	6,748	6,292
	8,116	7,656
Current assets		
Other receivables, deposits and prepayments	2	5
Restricted cash	29	3
Cash and cash equivalents	17	–
	48	8
Total Assets	8,164	7,664
EQUITY AND LIABILITIES		
Equity attributable to shareholders of the Company		
Share capital	1,924	1,285
Reserves (Note 37(b))	2,767	2,286
Total equity	4,691	3,571
LIABILITIES		
Non-current liabilities		
Bank and other borrowings	1,563	692
Other payables and accruals	–	8
	1,563	700
Current liabilities		
Other payables and accruals	61	50
Amounts due to subsidiaries	229	212
Bank and other borrowings	1,620	3,131
	1,910	3,393
Total liabilities	3,473	4,093
Total equity and liabilities	8,164	7,664

The statement of financial position of the Company was approved by the Board on 30 March 2021 and was signed on its behalf

Mr. Zhang Ping
Chairman

Mr. Lu Zhenwei
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve Movement of the Company

	Share premium RMB'million	Share-based payment reserve RMB'million	Share held under EIS RMB'million	Warrant reserve RMB'million	Translation reserve RMB'million	Other reserve RMB'million (Note)	Accumulated losses RMB'million	Total RMB'million
At 1 January 2019	7,201	257	(73)	53	34	37	(5,258)	2,251
Comprehensive loss								
Loss for the year	–	–	–	–	–	–	(1,084)	(1,084)
Other comprehensive income	–	–	–	–	120	–	–	120
Total comprehensive income/(loss)	–	–	–	–	120	–	(1,084)	(964)
Transactions with equity holders								
Issue of shares (Note 27)	993	–	–	–	–	–	–	993
Lapse of share options	–	(37)	–	–	–	–	37	–
Share-based payment (Note 9)	–	6	–	–	–	–	–	6
	993	(31)	–	–	–	–	37	999
At 31 December 2019	8,194	226	(73)	53	154	37	(6,305)	2,286
At 1 January 2020	**8,194**	**226**	**(73)**	**53**	**154**	**37**	**(6,305)**	**2,286**
Comprehensive loss								
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(224)**	**(224)**
Other comprehensive loss	**–**	**–**	**–**	**–**	**(233)**	**–**	**–**	**(233)**
Total comprehensive loss	**–**	**–**	**–**	**–**	**(233)**	**–**	**(224)**	**(457)**
Transactions with equity holders								
Issue of shares (Note 27)	**934**	**–**	**–**	**–**	**–**	**–**	**–**	**934**
Lapse of share options	**–**	**(33)**	**–**	**–**	**–**	**–**	**33**	**–**
Share-based payment (Note 9)	**–**	**4**	**–**	**–**	**–**	**–**	**–**	**4**
Expiry of warrants	**–**	**–**	**–**	**(53)**	**(1)**	**–**	**54**	**–**
	934	**(29)**	**–**	**(53)**	**(1)**	**–**	**87**	**938**
At 31 December 2020	**9,128**	**197**	**(73)**	**–**	**(80)**	**37**	**(6,442)**	**2,767**

Note: Amount mainly represented the contributed surplus of the Company, which is the difference between the nominal value of the share capital issued by the Company and the underlying net assets of subsidiaries which were acquired by the Company pursuant to a group reorganisation during the year ended 31 March 2000.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders of the Company. However, a company cannot declare or pay dividends, or make a distribution out of contributed surplus, if: (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its issued share capital and share premium accounts.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out below:

	For the years ended 31 December				
Results	**2020**	2019	2018	2017	2016
	RMB'million	RMB'million	RMB'million (Restated)	RMB'million	RMB'million
Continuing operations:					
Sales of electricity	**664**	629	599	419	261
Tariff adjustment	**1,485**	1,539	1,424	1,103	737
Revenue	**2,149**	2,168	2,023	1,522	998
EBITDA	**1,967**	1,920	1,700	1,198	848
Profit/(loss) for the year:					
From continuing operations	**262**	(3,499)	(469)	153	382
From discontinued operation	**–**	4	15	–	–
	262	(3,495)	(454)	153	382

	As at 31 December				
Assets and Liabilities	**2020**	2019	2018	2017	2016
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Total assets	**26,088**	25,456	30,775	28,594	17,181
Total liabilities	**(20,433)**	(21,815)	(24,905)	(22,166)	(14,573)
	5,655	3,641	5,870	6,428	2,608

INFORMATION FOR INVESTORS

ANNOUNCEMENT OF 2020 ANNUAL RESULTS

30 March 2021

INFORMATION ABOUT SHARES

Board Lot: 2,000 Shares
Issued Shares as at 31 December 2020: 22,427,948,432 Shares
Issued Shares as at 30 March 2021: 22,427,948,432 Shares

STOCK CODE

Hong Kong Stock Exchange: 00686
Bloomberg: 686 HK
Reuters: 0686.HK

INVESTOR RELATIONS CONTACTS

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Wechat Public Account QR Code:

DEFINITIONS

In this annual report, unless the context otherwise requires, the following terms shall have the meanings as set forth below:

"AGM"	annual general meeting of the Company
"Audit Committee"	the audit committee of the Company
"Authorised Representative"	the authorised representative of the Company under Rule 3.05 of the Listing Rules
"BEH"	Beijing Energy Holding Co., Ltd.* (北京能源集團有限責任公司)
"Beijing Energy Investment"	Beijing Energy Investment Holding (Hong Kong) Co., Limited (北京能源投資集團(香港)有限公司)
"Beijing United Rongbang"	Beijing United Rongbang New Energy Technology Co., Ltd.* (北京聯合榮邦新能源科技有限公司)
"Board"	the board of Directors of the Company
"Bye-Laws"	the Bye-Laws of the Company
"Changzhou Haozhen"	Changzhou Haozhen Venture Investment Centre Limited Partnership* (常州灝貞創業投資中心(有限合夥))
"CG Code"	the corporate governance code as set out in Appendix 14 to the Listing Rules
"China Huarong"	China Huarong Asset Management Co., Limited * (中國華融資產管理股份有限公司)
"Chief Executive Officer"	the chief executive officer of the Company
"Chief Financial Officer"	the chief financial officer of the Company
"CMG"	China Merchants Group Limited
"CMNEG"	China Merchants New Energy Group Limited
"Company", "BJEI", "we" or "us"	Beijing Energy International Holding Co., Ltd. (北京能源國際控股有限公司)

DEFINITIONS

"Company Secretary"	the company secretary of the Company
"COVID-19"	Coronavirus Disease 2019
"CSPG"	China Solar Power Group Limited
"Director(s)"	the director(s) of the Company
"EBODHK"	Renewable Energy (Hong Kong) Trade Board Limited
"EIS"	the equity incentive scheme adopted by CSPG
"FITs"	feed-in tariffs
"GW"	gigawatts
"Grant Thornton"	Grant Thornton Hong Kong Limited
"Group"	the Company and its subsidiaries
"HKFRSs"	Hong Kong Financial Reporting Standards
"independent non-executive Directors" or "INEDs"	the independent non-executive directors of the Company
"Investigation"	the independent investigation conducted by KPMG
"Internal Control Consultant" or "KPMG"	KPMG Advisory (China) Limited Beijing Branch
"Inner Mongolia Power"	Inner Mongolia Power (Group) Co., Ltd.
"Inner Mongolia Xingbang"	Inner Mongolia Xingbang United New Energy Co., Ltd.* (內蒙古興邦聯合光伏新能源有限公司)
"kWh"	kilowatt-hour(s)

DEFINITIONS

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Model Code"	the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"MW"	megawatts
"MWh"	megawatt-hour(s)
"NEX"	New Energy Exchange Limited
"NEX Group"	NEX and its subsidiaries
"Nomination Committee"	the nomination committee of the Company
"PRC"	the People's Republic of China
"PRC Corporate Income Tax"	the corporate income tax law of the PRC
"QCCI"	Qingdao City Construction Investment (Group) Co., Ltd.* (青島城市建設投資(集團)有限責任公司)
"Remuneration Committee"	the remuneration committee of the Company
"RMB"	Renminbi
"Risk Control Committee"	the risk control committee of the Company
"Share Option Scheme"	the share option scheme approved and adopted by the Shareholders at the AGM held on 19 June 2012
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SGM"	special general meeting of the Company
"Shenzhen Jingneng Leasing"	Shenzhen Jingneng Financial Leasing Co., Ltd.* (深圳京能融資租賃有限公司)

DEFINITIONS

"State Grid"	State Grid Corporation of China
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Company
"SZZY"	Shenzhen Zhiyuan Renewable Energy Company Limited
"UK"	United Kingdom
"UP Changzhou"	United Photovoltaics (Changzhou) Investment Group Co., Ltd.* (聯合光伏(常州)投資集團有限公司)
"UP Shenzhen"	United Photovoltaics (Shenzhen) Co., Ltd.* (聯合光伏(深圳)有限公司)
"Year"	for the year ended 31 December 2020

* *For identification purposes only*

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