華電國際電力股份有限公司

HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Stock Code：1071

2020 ANNUAL REPORT

www.hdpi.com.cn

CONTENTS

COMPANY PROFILE

Huadian Power International Corporation Limited (the "**Company**") and its subsidiaries (together the "**Group**") are one of the largest comprehensive energy companies in the People's Republic of China (the "**PRC**"), and primarily engaged in the construction and operation of power plants, including large-scale efficient coal- or gas-fired generating units and various renewable energy projects. The Group's power generating assets are located in 14 provinces, autonomous regions and municipalities across the PRC at the prime location, mainly in the electricity and heat load centres or regions with abundant coal resources. As at the date of this report, the Group had a total of 67 controlled power plants which have commenced operations involving a total of approximately 58,448 MW controlled installed capacity, with a total of 43,160 MW attributable to coal-fired generating units, approximately 7,340 MW attributable to gas-fired generating units and approximately 7,948 MW attributable to renewable energy generating units such as hydropower, wind power and solar power generating units.

The Company was incorporated in Jinan, Shandong Province, the PRC on 28 June 1994. On 30 June 1999, the Company issued approximately 1,431 million H shares in its initial public offering, which are listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). On 3 February 2005, the Company issued 765 million A shares in the PRC, which are listed on the Shanghai Stock Exchange. Subsequently, on 1 December 2009, 3 July 2012 and 18 July 2014, the Company issued 750 million, 600 million and 1,150 million A shares, respectively, each through a non-public issuance in the PRC, and all such A shares are listed on the Shanghai Stock Exchange. On 30 July 2014, the Company issued approximately 286 million H shares by way of placing, and such H shares are listed on the Hong Kong Stock Exchange. On 8 September 2015, the Company issued approximately 1,056 million A shares by way of non-public issuance, and such A shares are listed on the Shanghai Stock Exchange. Currently, the Company has an issued share capital comprising 8,145,743,053 A shares and 1,717,233,600 H shares, accounting for approximately 82.59% and 17.41%, respectively, of the total issued share capital of the Company. As of 31 December 2020, the total number of employees of the Group amounted to 27,116.

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

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

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
1	Zouxian Plant	2,575	100%	1 x 635 MW + 1 x 600 MW + 4 x 335 MW
2	Shiliquan Plant	2,120	100%	2 x 660 MW + 2 x 330 MW + 1 x 140 MW
3	Laicheng Plant	1,200	100%	4 x 300 MW
4	Shuozhou Thermal Power Branch Company	700	100%	2 x 350 MW
5	Fengjie Plant	1,200	100%	2 x 600 MW
6	Shenzhen Company	365	100%	1 x 120 MW + 2 x 82 MW + 1 x 81 MW
7	Huadian Zouxian Power Generation Company Limited ("**Zouxian Company**")	2,000	69%	2 x 1,000 MW
8	Huadian Laizhou Power Generation Company Limited ("**Laizhou Company**")	4,001.1	75%	4 x 1,000 MW + 1.1 MW
9	Huadian Weifang Power Generation Company Limited ("**Weifang Company**")	2,002.4	45%	2 x 670 MW + 2 x 330 MW + 2.4 MW
10	Huadian Qingdao Power Generation Company Limited ("**Qingdao Company**")	1,220	55%	1 x 320 MW + 3 x 300 MW
11	Huadian Zibo Thermal Power Company Limited ("**Zibo Company**")	950	100%	2 x 330 MW + 2 x 145 MW
12	Huadian Zhangqiu Power Generation Company Limited ("**Zhangqiu Company**")	925	87.5%	1 x 335 MW + 1 x 300 MW + 2 x 145 MW
13	Huadian Tengzhou Xinyuan Thermal Power Company Limited ("**Tengzhou Company**")	930	93.26%	2 x 315 MW + 2 x 150 MW
14	Huadian Longkou Power Generation Company Limited ("**Longkou Company**")	880	84.31%	4 x 220 MW
15	Huadian Ningxia Lingwu Power Generation Company Limited ("**Ningxia Lingwu**")	3,320	65%	2 x 1,060 MW + 2 x 600 MW

COMPANY PROFILE (CONTINUED)

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
16	Sichuan Guang'an Power Generation Company Limited ("**Guang'an Company**")	2,400	80%	2 x 600 MW + 4 x 300 MW
17	Huadian Xinxiang Power Generation Company Limited ("**Xinxiang Company**")	1,320	90%	2 x 660 MW
18	Huadian Luohe Power Generation Company Limited ("**Luohe Company**")	660	75%	2 x 330 MW
19	Huadian Qudong Power Generation Company Limited ("**Qudong Company**")	660	90%	2 x 330 MW
20	Anhui Huadian Suzhou Power Generation Company Limited ("**Suzhou Company**")	1,260	56.07%	2 x 630 MW
21	Anhui Huadian Wuhu Power Generation Company Limited ("**Wuhu Company**")	2,320	65%	1 x 1,000 MW + 2 x 660 MW
22	Anhui Huadian Lu'an Power Generation Company Limited ("**Lu'an Company**")	1,320	95%	2 x 660 MW
23	Hangzhou Huadian Banshan Power Generation Company Limited ("**Hangzhou Banshan Company**")	2,415.7	64%	3 x 415 MW + 3 x 390 MW + 0.7 MW
24	Hangzhou Huadian Xiasha Thermal Power Company Limited ("**Xiasha Company**")	246	56%	1 x 88 MW + 2 x 79 MW
25	Hangzhou Huadian Jiangdong Thermal Power Company Limited ("**Jiangdong Company**")	960.5	70%	2 x 480.25 MW
26	Huadian Zhejiang Longyou Thermal Power Company Limited ("**Longyou Company**")	427	100%	2 x 127.6 MW + 1 x 130.3 MW + 1 x 19.5 MW + 22 MW
27	Hebei Huadian Shijiazhuang Thermal Power Company Limited ("**Shijiazhuang Thermal Power Company**")	928.6	82%	1 x 453.6 MW + 2 x 200 MW + 3 x 25 MW
28	Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("**Yuhua Company**")	600	100%	2 x 300 MW
29	Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("**Luhua Company**")	660	90%	2 x 330 MW
30	Shijiazhuang Huadian Heat Corporation Limited ("**Shijiazhuang Heat Corporation**")	12.55	100%	2 x 2 MW + 2 x 4.275 MW
31	Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B) ("**Pingshi Power Company**")	600	100%	2 x 300 MW
32	Guangdong Huadian Shaoguan Thermal Power Company Limited ("**Shaoguan Thermal Power Company**")	700	100%	2 x 350 MW
33	Huadian Foshan Energy Company Limited ("**Foshan Energy Company**")	165.5	100%	2 x 59 MW + 47.5 MW
34	Huadian Guangdong Shunde Energy Company Limited ("**Shunde Energy Company**")	163.5	90%	2 x 59 MW + 45.5 MW
35	Tianjin Huadian Fuyuan Thermal Power Company Limited ("**Fuyuan Thermal Power Company**")	400	63.14%	2 x 200 MW
36	Tianjin Huadian Nanjiang Thermal Power Company Limited ("**Nanjiang Thermal Power Company**")	930	65%	2 x 315 MW + 1 x 300 MW
37	Huadian Hubei Power Generation Company Limited ("**Hubei Company**") *(Note)*	6,944.4	82.56%	2 x 680 MW + 2 x 660 MW+ 2 x 640 MW + 6 x 330 MW + 1 x 300 MW + 40 x 2 MW + 254.4 MW + 2 x 185 MW

COMPANY PROFILE (CONTINUED)

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

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

COMPANY PROFILE (CONTINUED)

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

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
1	Sichuan Huadian Luding Hydropower Company Limited ("**Luding Hydropower Company**")	920	100%	4 x 230 MW
2	Sichuan Huadian Za-gunao Hydroelectric Development Company Limited ("**Za-gunao Hydroelectric Company**")	591	64%	3 x 65 MW + 3 x 56 MW + 3 x 46 MW + 3 x 30 MW
3	Lixian Xinghe Power Company Limited ("**Lixian Company**")	67	100%	3 x 11 MW + 4 x 8.5 MW
4	Sichuan Liangshan Shuiluohe Hydropower Development Company Limited ("**Shuiluohe Company**")	648	57%	3 x 70 MW + 3 x 62 MW + 3 x 46 MW + 3 x 38 MW
5	Hebei Huadian Complex Pumping-storage Hydropower Company Limited ("**Hebei Hydropower Company**")	83.4	100%	1 x 16 MW + 2 x 15 MW + 1 x 11 MW + 2 x 3.2 MW + 20 MW
6	Inner Mongolia Huadian Mengdong Energy Company Limited ("**Mengdong Energy Company**")	399	54.85%	262 x 1.5 MW + 2 x 3 MW
7	Huadian Kezuozhongqi Wind Power Company Limited ("**Kezuozhongqi Wind Power Company**")	49.5	100%	33 x 1.5 MW
8	Huadian Power International Ningxia New Energy Power Company Limited ("**Ningxia New Energy Company**")	1,541.6	63.92%	24 x 2.5 MW + 40 x 2.1 MW + 155 x 2 MW + 665 x 1.5 MW + 90.01 MW
9	Huadian Wengniuteqi Wind Power Company Limited ("**Wengniuteqi Wind Power Company**")	49.5	100%	24 x 2 MW + 3.2 MW
10	Hebei Huadian Guyuan Wind Power Company Limited ("**Guyuan Wind Power Company**")	290.5	61.87%	167 x 1.5 MW + 40 MW

COMPANY PROFILE (CONTINUED)

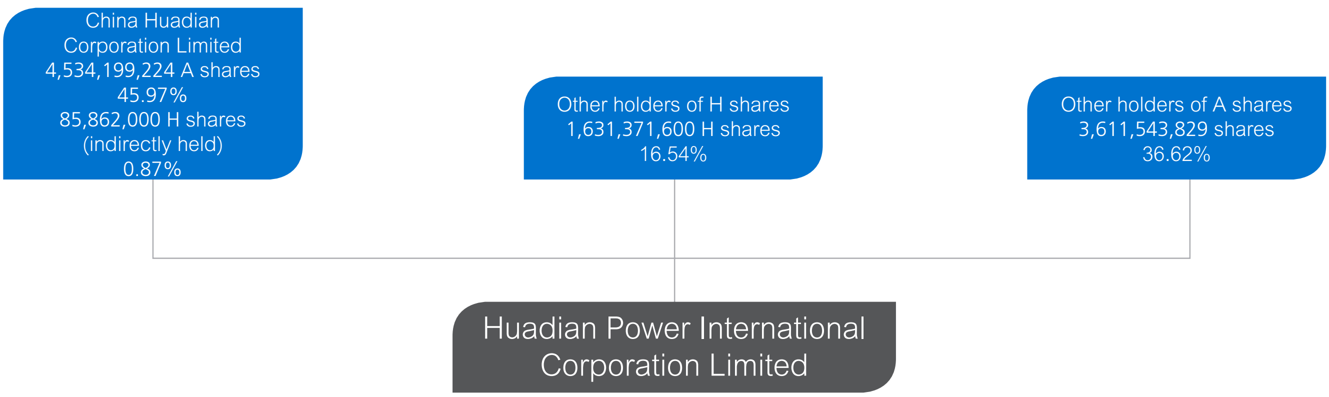
Name of power plant/company		Installed capacity *(MW)*	Equity interest held by the Company	Generating units
11	Hebei Huadian Kangbao Wind Power Company Limited ("**Kangbao Wind Power Company**")	699.5	100%	72 x 2 MW + 137 x 1.5 MW+ 140 x 2.5 MW+ 30 MW
12	Hebei Huarui Energy Group Corporation Limited ("**Huarui Company**")	99	100%	48 x 2 MW + 2 x 1.5 MW
13	Huadian Laizhou Wind Power Company Limited ("**Laizhou Wind Power Company**")	40.5	55%	27 x 1.5 MW
14	Huadian Laizhou Wind Power Generation Company Limited ("**Laizhou Wind Company**")	48	55%	24 x 2 MW
15	Huadian Laizhou Wind Energy Power Company Limited ("**Laizhou Wind Energy Company**")	149.4	55%	72 x 2 MW + 3 x 1.8 MW
16	Huadian Longkou Wind Power Company Limited ("**Longkou Wind Power Company**")	99.3	65%	23 x 1.5 MW + 6 x 2.5 MW + 24 x 2 MW + 1 x 1.8 MW
17	Longkou Dongyi Wind Power Company Limited ("**Longkou Dongyi Wind Power Company**")	80	55%	20 x 1.5 MW + 25 x 2 MW
18	Huadian Shandong New Energy Company Limited ("**Shandong New Energy Company**")	663	100%	238 x 2 MW+ 3 x 1.9 MW + 1 x 1.8 MW + 33 x 1.5 MW + 130 MW
19	Huadian Xuwen Wind Power Company Limited ("**Xuwen Wind Power Company**")	198	100%	51 x 2 MW + 32 x 3 MW
20	Huadian Xiaxian Wind Power Company Limited ("**Xiaxian Wind Power Company**")	100	100%	50 x 2 MW

COMPANY PROFILE (CONTINUED)

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
21	Zezhou County Huadian Wind Power Company Limited ("**Zezhou Wind Power Company**")	197.7	100%	40 x 2.2 MW + 5 x 2 MW + 39 x 2.5 MW
22	Shanxi Huadian Pinglu New Energy Company Limited ("**Pinglu New Energy Company**")	99.2	100%	31 x 3.2 MW
23	Shanxi Huadian Ying County New Energy Company Limited ("**Ying County New Energy Company**")	50	100%	11 x 4 MW + 2 x 3 MW
24	Huadian Henan New Energy Power Generation Company Limited ("**Henan New Energy Company**")	40	100%	16 x 2.5 MW
25	Shaanxi Huadian Xunyi Wind Power Company Limited ("**Xunyi Wind Power Company**")	50	100%	23 x 2.2 MW
26	Huadian Ningxia Ningdong Shangde Solar Power Company Limited ("**Shangde Solar Company**")	10	60%	10 MW
27	Huadian Zhangjiakou Saibei New Energy Generation Company Limited ("**Zhangjiakou Saibei New Energy Company**")	4	100%	4 MW
28	Huadian Ningbo New Energy Generation Company Limited ("**Ningbo New Energy Company**")	10	100%	10 MW
29	Huadian Huzhou New Energy Power Generation Company Limited ("**Huzhou New Energy Company**")	30	100%	30 MW
30	Huadian Taiqian Photovoltaic Power Generation Company Limited ("**Taiqian Photovoltaic Power Generation Company**")	100	50%	100 MW

SHAREHOLDING STRUCTURE

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



CHAIRMAN'S STATEMENT

Ding Huande

Chairman and Executive Director

Dear shareholders,

In 2020, in face of the severe and complex situation at home and abroad, the Group thoroughly implemented each of the decisions and arrangements made by the board of directors of the Company (the "**Board**"). To actively overcome the adverse effects of the COVID-19 pandemic, the Group has taken multiple measures to improve quality and efficiency in order to lead the Group to forge ahead and drive its business development. With firm determination to provide first-class services, along with the diligent and concerted efforts contributed by our employees, the Group has achieved outstanding performance in various tasks.

In terms of fighting against the pandemic, the Group has responded swiftly and acted according to the trend of the overall situation. During the pandemic, the Group was able to maintain the supply of electricity and heat and no shutdown had occurred. The entities such as Hubei Company were able to firmly implement measures for prevention and control of the pandemic and ensure the supply of energy, and had contributed significantly to fight against the pandemic and achieved outstanding strategic outcomes. The Group has formed a working situation where all employees are mobilized to fully focus on prevention and control and to ensure supply in all aspects so as to fight against the pandemic, thereby strongly demonstrating the key role of being an important weapon of a great nation.

In terms of operating results, in 2020, the Group's turnover amounted to approximately RMB89.382 billion, the profit for the year attributable to equity holders of the Company amounted to approximately RMB4.167 billion, and the basic earnings per share were approximately RMB0.329. Power generation amounted to 207.32 million MWh, representing a year-on-year decrease of 3.62%. Heat generation amounted to 145 million GJ, representing a year-on-year increase of 16.98%. The unit price of standard coal converted by coal as fire decreased by 6.38% year-on-year. The gas price of natural gas decreased by 10.26% year-on-year. The coal consumption for power supply was 290.4g/KWh, representing a year-on-year decrease of 4.88g/KWh. The liabilities to assets ratio at the end of the year was 60.11%, representing a decrease of 5.5 percentage points from the beginning of the year, which maintained an excellent level among the listed companies in the same industry.

CHAIRMAN'S STATEMENT (CONTINUED)

In terms of project development, in 2020, the Group actively ran its business and expedited the pace of promoting high-quality development, and adhered to the directions of clean, low-carbon, safe and efficient, and focused on promoting layout optimization and structural refinement. The power supply projects that have been put into operation amounted to 1,208.98 MW throughout the year, all of which were clean energy. As at the date of this report, the installed capacity of the Group was approximately 58,448 MW, in which clean energy accounted for approximately 26.16%, representing a year-on-year increase of 2.53 percentage points. The Group has actively promoted comprehensive energy service projects, paid close attention to the development of newly emerged technologies, and actively conducted researches and explored newly emerged industry trends such as energy storage and geothermal energy. Moreover, the Group has strived to promote innovation in technology application and resource management, improve the utilization efficiency of resource integration, explore room for development and broaden development dimensions, thereby enhancing the development results as a whole.

In terms of safety and environmental protection, in 2020, the Group deepened the construction of the safety assurance system and supervision system, and maintained an overall stability in safety production, thus laying a solid foundation for efficiency improvement and high-quality development. The Group actively and steadily implemented energy saving and improved the efficiency of coal-fired units, promoted the synergistic management of decreasing pollution and reducing carbon, strengthened the operation of environmental protection facilities and supervision of environmental protection indicators, thereby making significant achievements in atmospheric pollution management and having steady progress in water pollution management while continuing to maintain excellent performance levels in the discharge of pollutants.

CHAIRMAN'S STATEMENT (CONTINUED)

In terms of returns for our shareholders, the Group always adheres to the core management philosophy of enhancing its intrinsic value, and continues to improve its capabilities of creating value. The Board proposes to declare a final cash dividend of RMB0.25 per share (tax inclusive) for the financial year ended 31 December 2020, accounting for a proportion of 75.89% of the distributable profits for the year. On 25 March 2021, the Shareholders' Return Plan (2020-2022) was considered and approved at the 10th meeting of the ninth session of the Board by adhering to the principals of getting a reasonable return on investment for shareholders while maintaining the overall interest of all shareholders, and the long-term prospect and reasonable capital needs of the Company, so as to implement a sustainable, stable and proactive profit distribution policy. In particular in 2020-2022, the profit distributed in cash by the Company in principle will not be less than 50% of the distributable profits realized in that year as indicated in the consolidated statements, and the dividend per share will not be less than RMB0.2. Aforesaid Shareholders' Return Plan is subject to the approval of the Company's shareholders at the general meeting. For details, please refer to the announcement of the Company dated 25 March 2021.

The year 2020 was a year of fruitful achievements through concerted efforts. By virtue of its improvement in operating performance and standardized corporate governance, the Group was awarded the "Best Listed Companies" of China Securities Golden Bauhinia Award again, and won the award of "Innovative Outstanding Enterprise in Responsible Communication" and "Advanced Enterprise in Statistics" of the China Power Industry 2020. The project of Wuhu Company won the National Quality Engineering Award, and the project of Jiangling Company won the China Construction Engineering Luban Prize. In the results of the Energy Efficiency Benchmarking Competition for Thermal Power Units in the Power Industry announced by the China Electricity Council in 2020, a total of 16 coal-fired generating units of the Group was honoured as the winning units; in the results of the Energy Efficiency Benchmarking Competition for Gas-fired Generating Units, a total of 5 gas-fired generating units of the Group was honoured as the winning units. We owe our achievements to the efficient and hard work of all employees, the consistent trust and support of shareholders and the continuous concerns and assistance from all sectors of society. I hereby extend my sincere gratitude to them.

The 2021 is a year of active exploration and innovative development, and it is also the inaugural year of the "14th Five-Year Plan". The Group will secure a foothold to prosper its businesses on this new development stage and implement new development concepts thoroughly in order to create new development landscapes and grasp the changes in every situation accurately. Moreover, the Group will ride on the trend of change and take advantages of these changes to strive forward, and continue to create new dimensions, thereby speeding up the pace of developing itself into an internationally renowned first-class listed energy company.

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW

(1) Power Generation

As at 31 December 2020, the Group's total controlled installed capacity amounted to 57,699.3 MW. Power generation of the Group in 2020 amounted to 207.32 million MWh, representing a decrease of approximately 3.62% over the same period of last year; the volume of on-grid power sold amounted to 194.56 million MWh, representing a decrease of approximately 3.42% over the same period of last year. The annual utilization hours of the Group's generating units were 3,644 hours, representing a year-on-year decrease of 333 hours, among which the utilization hours of coal-fired generating units were 4,041 hours, representing a year-on-year decrease of 470 hours. The coal consumption for power supply was 290.4g/KWh in aggregate, representing a year-on-year decrease of 4.88g/KWh.

(2) Turnover

In 2020, the Group's turnover amounted to approximately RMB89,382 million, representing a decrease of approximately 2.58% over 2019; revenue generated from sale of electricity amounted to approximately RMB70,185 million, representing a decrease of approximately 4.12% over 2019; revenue generated from sale of heat amounted to approximately RMB6,656 million, representing an increase of approximately 16.56% over 2019; revenue from sale of coal amounted to approximately RMB12,541 million, representing a decrease of approximately 2.35% over 2019.

(3) Profit

In 2020, the Group's operating profit amounted to approximately RMB8,790 million, representing an increase of approximately 6.99% over 2019, mainly due to the year-on-year decrease in coal prices. For the year ended 31 December 2020, the profit for the year attributable to equity holders of the Company amounted to approximately RMB4,167 million, the profit for the year attributable to equity shareholders of the Company amounted to approximately RMB3,249 million, and the basic earnings per share were approximately RMB0.329.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

(4) The Capacity of Newly-added Generating Units

From 1 January 2020 to the date of this report, the details of the Group's newly-added generating units are as follows:

Projects	Category	Capacity *(MW)*
Shijiazhuang Heat Corporation	Gas-fired	12.55
Shijiazhuang Thermal Power Company	Gas-fired	453.6
Shuiluohe Company	Hydropower	124
Longkou Dongyi Wind Power Company	Wind power	50
Shandong New Energy Power Generation Company	Wind power	190
Ningxia New Energy Power Company	Wind power	160
Henan New Energy Power Company	Wind power	40
Pinglu New Energy Company	Wind power	99.2
Xunyi Wind Power Company	Wind power	100
Wengniuteqi Wind Power Company	Wind power	49.5
Kangbao Wind Power Company	Wind power	350
Zezhou Wind Power Company	Wind power	99.7
Ying County New Energy Company	Wind power	50
Xuwen Wing Power Company	Wind power	99
Ningxia New Energy Power Company	Solar power	70.01
Longyou Company	Solar power	10
Total		**1,957.56**

(5) Installed Capacity of Shutdown Generating Unit:

From 1 January 2020 to the date of this report, the Group's shutdown generating unit is as follows:

Project	Category	Capacity *(MW)*
Shijiazhuang Thermal Power Company	Coal-fired	75
Total		**75**

(6) Generating Units under Construction:

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

Type of generating units	Planned installed capacity *(MW)*
Coal-fired generating unit	1,830
Gas-fired generating unit	247.2
Hydropower generating unit	168
Wind power generating unit	320
Photovoltaic generating unit	10
Total	**2,575.2**

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

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

BUSINESS OUTLOOK

(1) Competition and Development Trend of the Industry

In 2021, one of the major goals of economic development in China is to increase its GDP by more than 6% year-on-year, heading towards a high quality development stage from a rapidly growing stage. The supply and demand of energy power exhibit a new trait. With the proposal of peak carbon dioxide emissions and carbon neutrality targets, transformation of energy consumption is imminent. Interactive energy facilities, such as distributed energy, storage, are developing rapidly and various forms of new energy, such as multi-energy supply, integrated service and intelligent energy consumption, are emerging. The integrated development of energy revolution and digital revolution has become an important trend in the new round of energy revolution.

According to the forecast of the National Energy Administration, the installed capacity of generating units in China will be approximately 3.0 billion KW by the end of 14th Five-Year Plan and power consumption of the entire society in 2025 will reach 9,100-9,500 billion KWh, representing an average year-on-year increase of 4.3%-5.2%. There is a huge room for the development of energy and power demand in China and the power industry will embrace new development opportunities.

According to the forecast of the China Electricity Council, the installed capacity of new generating units in national infrastructure in 2021 will be approximately 180 million KW, of which the installed capacity of approximately 140 million KW will be generated from non-fossil energy, and at the end of the year, the installed capacity of generating units in China will be approximately 2.37 billion KW, representing a year-on-year increase of approximately 7.7%, and the proportion of installed capacity generated from non-fossil energy will continue to rise. Throughout the year, it is expected that there will be an overall balance between electricity supply and demand in China, with a tight supply of electricity in certain regions during the rush hours. While the power supply structure accelerates the green low-carbon transformation, the basic role and the function of regulating power supply of coal-fired power are prominent.

In terms of environmental policies, the State has implemented "Measures for Administration of Carbon Emissions Trading (Trial)" from 1 February 2021, issuing carbon emission quotas to more than 2,000 power companies. Low-carbonization has become a rigid constraint for the development of energy industry. The Group's safety and environmental work is facing new challenges.

(2) Development Strategies of the Group

By stepping on the new development stage, implementing a new development concept, building a new development pattern, sticking to the principle of making progress while ensuring stability, being high-quality-oriented, taking the quality and efficiency improvement as the main line, governing enterprises according to law and standardizing operations and regarding reform and innovation as the driving force, the Company will continue to optimize and adjust the deployment structure, enhance the competitiveness, innovation, control, influence and anti-risk capabilities, in order to accelerate the creation of a first-class listed company with international reputation.

(3) Operation Plan of the Group in 2021

Where external conditions remain relatively stable, the Group expects to complete the goal of power generation of about 200 million MWh in 2021, and the utilisation hours of power generating units are expected to remain stable. According to the actual progress of each project, in 2021, the Group plans to invest approximately RMB17 billion, which will be used for the infrastructure of power supply projects, environmental protection and energy-saving technical reformation projects, and other projects.

In 2021, the Company will focus on the following four aspects:

Strengthening strategic leadership and promoting high-quality development. Highlighting quality efficiency, adhering to ecological and environmental protection as well as win-win cooperation and development, making the effort to promote the development of clean energy and developing the best pumped storage. Under the premise of guaranteeing gas sources and implementing electricity price, the development of gas-fired projects should be carried out with caution. Deeply taping into the potential thermal supply of thermal generating units, further strengthening the profitability of the thermal generating units of the Group and carrying out flexible transformations based on local conditions, emphasizing energy-saving efficiency and improving energy efficiency levels. Properly implementing the development of emerging business, such as Internet data centers, energy storage and geothermal and comprehensively expanding the development area of the Group.

Enhancing the control of operations and comprehensively improving quality and efficiency. Strengthening marketing efforts, deeply taping into base power policies, prioritizing power generation themes, focusing on entering into medium-term and long-term transactions, and actively participating in spot transactions. Strengthening fuel cost control, continuing to improve the centralized procurement system and mechanism, accelerating the construction of the fuel logistic system and making every effort to control and reduce the fuel price.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Consolidating the safety foundation and strengthening environmental protection. Thoroughly monitoring and analyzing unsafe incidents of the Group, discovering problems in a timely manner and making improvement accordingly. Focusing on monitoring environmental protection to ensure that no material environmental incidents occur. Carrying out research and formulating peak carbon dioxide emission measures, attaching great importance to carbon emission rights trading, engaging in the design of trading mechanism, effectively fighting the battle of pollution prevention and control. Actively promoting modern information technologies, such as big data, cloud computing and artificial intelligence to transform thermal generating units, speeding up energy-saving transformation of existing coal-fired power assets and improving energy efficiency.

Strengthening compliance management and improving governance standards. Continuously standardizing the management of "general meetings, the Board and the Supervisory Committee", reinforcing the training of directors and supervisors, improving their ability to perform their duties, optimizing the governance system and enhancing governance efficiency. Further enhancing the monitoring process to prevent and mitigate regulatory risks. Focusing investor relations, responding to market concerns in a timely manner. Strengthening internal control management, accelerating system optimization and forming a closed-loop management of the entire process of internal control over evaluation-feedback-rectification, and continuing to improve the overall internal control management level of the Group.

(4) Possible Risks and Measures

In terms of macroeconomics and power market, while COVID-19 pandemic is still ravaging and spreading around the world, plunging the world economy into a deep recession, the global industrial supply chain is severely blocked. The domestic epidemic prevention and control in China has achieved significant strategic results and the economy has recovered steadily. In 2020, the GDP growth rate of China reached 2.3%, which is the only country recorded positive growth in the world. However, the growth rate dropped 3.7 percentage points year-on-year. The national power generation increased by 2.7% and the growth rate dropped 0.8 percentage point year-on-year. Based on the above information, the impact on the national economy and power generation brought by COVID-19 pandemic is obvious. The epidemic situation in many provinces has exhibited multi-point concentrated outbreak trend since 2021. The economic recovery still hangs in the balance, which will inevitably have a relatively great impact on the power generation industry.

In terms of the coal market, in the long run, the medium and long-term momentum of rising price of coal is insufficient but there will be phrasal price appreciation. The fuel cost of the Group is exposed to the risk of increase. Coal supply may be tight in certain regions and periods.

In terms of the capital market, China will continue to implement proactive fiscal policy and a prudent monetary policy, while maintaining the necessary support for economic recovery. It is expected that the extent and pace of tightening capital will be relatively mild and corporate financing costs will face certain upward pressure.

With regard to the above risks, in future operation and development, the Group will stick to the determination that the long-term economy of China will be improved with strong development resilience. Based on the strategic decision to establish the domestic circulation and the domestic-and-international dual circulation, which can mutually promote a new development pattern, the Group will make every effort to expand the market and extensively investigate overseas resources. With the principle of optimizing power generation, we will actively coordinate various regions to optimize power generation resources and expand profit margins; carry out an in-depth study of the allocation principle of priority power generation plan, tap into dominant themes and actively participate in spot transactions. We will carry out thorough coal market analysis and coal procurement strategy research, optimize order structure, plan seasonal reserves in advance, actively respond to the impact on the efficiency brought by coal price fluctuations and continue to improve the ability to maintain, supply and control price. We will deepen financing innovation, actively explore and continuously expand financing channels and financing methods, and reduce financing costs through the reasonable use of various financial instruments.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Ding Huande (丁煥德) Chinese nationality, born in August 1962, a senior engineer. He graduated from North China Electric Power University with a master's degree in engineering. He is now currently the Chairman of the Company and the secretary of the party committee of the Company, and an assistant to the general manager of China Huadian Corporation Limited. He worked at Huangdao Power Plant, Qingdao Power Plant, Linyi Power Generation Company Limited, Shandong International Power Development Company Limited, Huadian Fuel Company Limited, Huadian Coal Industry Group Company Limited. Mr. Ding has over 30 years of experience in power production, allocation and fuel management.

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

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

Luo Xiaoqian (羅小黔) Chinese nationality, born in December 1962, a senior engineer. He graduated from Xi'an Jiaotong University with a doctoral degree in management and he is currently a Director, a General Manager of the Company and concurrently serves as the deputy secretary of the party committee of the Company. Mr. Luo work at Guizhou Wujiang Power Plant, Guizhou Wujiang Hydropower Development Co., Ltd., Guizhou branch of China Huadian Corporation, the Company, Huadian Sichuan Power Company Limited and China Huadian Corporation Limited. Mr. Luo has over thirty years of experience in power design, infrastructure, production, operation management.

Zhang Zhiqiang (張志強) Chinese nationality, born in August 1963, a senior engineer. He graduated from Xi'an University of Technology with a master's degree in engineering. He is currently the Director of the Company, and concurrently serves as the director of Huadian Jinshajiang Upstream Hydropower Development Company Limited and the director of China Huadian Finance Corporation Limited. Mr. Zhang worked at Wujiangdu Power Plant, Guizhou Wujiang Hydroelectric Development Company Limited, Guizhou Qianyuan Power Co., Ltd., Huadian Yunnan Power Generation Co., Ltd. (Yunnan Branch of China Huadian Corporation Limited). Mr. Zhang has over thirty years of experience in power enterprise management and strategic management, etc.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Li Pengyun (李鵬雲) Chinese nationality, born in October 1962, a senior accountant. He graduated from the Graduate School of the Party School of the Central Committee of the Chinese Communist Party with a postgraduate degree. He is currently a Director of the Company and concurrently serves as a director of Huadian Coal Industry Group Company Limited. Mr. Li worked at Gansu Baiyin Power Supply Bureau, Electric Power Industry Bureau of Gansu Province, Northwest Electric Power Corporation, State Power Corporation of China and China Huadian Corporation Limited. Mr. Li has over thirty years of experience in financial management, power system reform, policy research, corporate management and legal construction.

Wang Xiaobo (王曉渤) Chinese nationality, born in March 1968, an economist. He graduated from Shandong University with a bachelor's degree in economics. He currently serves as a Director of the Company, and concurrently serves as the head of the Investment and Development Department of Shandong Development Investment Holding Group Co., Ltd. Mr. Wang started his career in August 1991, and has worked successively for Weihai Huancui District Foreign Economic and Trade Commission, Shandong Foreign Investment Service Company, US Pacific Peak Investment Co., Ltd., British CAMCO International Carbon Asset Information Consulting (Beijing) Co., Ltd. and Hualu Holdings Group Company Limited. Mr. Wang has 29 years of working experience in capital operation, corporate management, etc.

Feng Rong (馮榮) Chinese nationality, born in June 1968, graduated from Changsha Normal College of Water Resources and Electric Engineering and is a senior accountant. He is currently the Director and the Chief Financial Officer of the Company, and the director of China Huadian Finance Corporation Limited and Hubei Company. Mr. Feng previously worked for Baozhusi Hydropower Construction Administration Bureau, Baozhusi Power Plant, Sichuan Branch of China Huadian Corporation, Huadian Sichuan Power Company Limited, Sichuan Branch of Huadian Power International Corporation Limited. Mr. Feng has 29 years of working experience in operation management and financial management.

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

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

Feng Zhenping (豐鎮平) Chinese nationality, born in November 1956, holds a doctoral degree in engineering from Xi'an Jiaotong University. He is currently an independent non-executive Director of the Company, second-tier professor of Xi'an Jiaotong University and the head of Shaanxi Impeller Machinery and Power Equipment Engineering Laboratory. Mr. Feng was a visiting scholar at the Aerospace System Research Institute of the University of Stuttgart in Germany and a DAAD visiting professor at the Aero Propulsion Laboratory of the Technical University of Berlin in Germany. He served in Xi'an Jiaotong University including the head of the Impeller Machinery Research Institute (葉輪機械研究所) of the School of Energy and Power Engineering, the assistant dean of the School of Energy and Power Engineering, the head of the International Cooperation and Exchange Office, the dean of the School of Energy and Power Engineering, and the head of the National Experimental Teaching Demonstration Center in Energy and Power Engineering.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Li Xingchun (李興春), Chinese nationality, born in April 1966, obtained a bachelor's degree in nuclear science from Fudan University, a doctoral degree in financial engineering from the School of Engineering & Management of Nanjing University. He currently serves as an independent non-executive Director of the Company, the chairman at Leadbank Technology (Group) Co., Ltd. (利得科技(集團)有限公司), a director and deputy chairman at Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司), an external director at Jiangxi Dacheng State-owned Assets Management Co., Ltd. (江西大成國有資產經營管理有限責任公司), a director at Western Leadbank FMC (Mutual Fund) (西部利得基金管理有限公司(公募基金)), a managing director at China Mergers & Acquisitions Association and a deputy chairman at Shanghai Branch of China Mergers & Acquisitions Association, and a visiting professor at Shanghai Finance University (上海金融學院). Mr. Li successively served in Jiangxi Xinyu Food Union Corporation (江西新余食品聯合總公司), Jiangxi Xinyu Material Bureau (江西新餘物資局), Ctrip.com (攜程旅行網), Fuyou Securities Co., Ltd. (富友證券有限責任公司), Western Development Holdings Co., Ltd. (西部發展控股有限公司), etc. He has more than 30 years of experience in industry, securities, trust, etc.

Chen Wei (陳煒) Chinese nationality, born in April 1975 and graduated from the Shandong University, with a doctoral degree in law. She currently serves as the Chairman of the Supervisory Committee of the Company, the head of the audit and law department (discipline inspection and supervision department) and a director of the supervisory committee office of Shandong Development Investment Holding Group Co., Ltd., and concurrently serves as the chairman of the supervisory committee of Shandong Nuclear Power Company Ltd. Ms. Chen started her career in July 2000, and has worked successively for the provincial and grassroots tax authorities in Shandong Province. Ms. Chen has 20 years of working experience in taxation, auditing, law, corporate management, etc.

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

Zhang Peng (張鵬) Chinese, born in December 1970, a senior economist. He achieved a bachelor's degree in management from Shanxi University of Finance and Economics. Mr. Zhang is currently an employee Supervisor of the Company, the director of the office (human resources department) of the Company and the director of Huadian Qingdao Power Generation Company Limited. Mr. Zhang started his career in 1991 and has successively worked at Zouxian Plant of Huadian International and Huadian Power International Corporation Limited. Mr. Zhang has 29 years of experience in power production and operation, human resource management, etc.

Peng Guoquan (彭國泉) Chinese nationality, born in October 1966, a senior engineer with a master's degree in engineering, graduated from Huazhong University of Science and Technology, majoring in Thermal Energy and Power. Mr. Peng is currently a deputy General Manager of the Company. Mr. Peng concurrently serves as the chairman of Anhui Wenhui New Products Promotion Company Limited, the chairman of Anhui Hualin International Energy Company Limited and a director of Huadian Coal Industry Group Company Limited. Prior to joining the Company, Mr. Peng had served in Qingshan Thermal Power Plant, Wuchang Thermal Plant and Anhui Huadian Wuhu Power Generation Company Limited. Mr. Peng has more than 30 years of working experience in power production and management, etc.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Chen Bin (陳斌) Chinese nationality, born in September 1973, an engineer, graduated from the Hunan University majoring in economics. He holds a doctoral degree in economics. He currently serves as a vice General Manager and the General legal Counsel of the Company. Mr. Chen had successively worked in China Electric Power News, State Power Corporation, China Guodian Corporation and Guodian Finance Corporation Ltd. He had served as an employee supervisor and the head of the working committee of the Company. Mr. Chen has 24 years of working experience in the power generation industry.

Song Jingshang (宋敬尚) Chinese nationality, born in June 1964, a senior engineer graduated from Tsinghua University with a master's degree in electric power engineering. Mr. Song is concurrently serve as the Chief Engineer of the Company, the vice chairman of CNNP CHD Hebei Nuclear Power Co., Ltd., the director of Huadian Jinshajiang Upstream Hydropower Development Company Limited, and the director of Huadian Group Beijing Fuel Logistics Co., Ltd. He has successively worked in Tianjin Power Generation Maintenance Engineering Company (天津發電檢修工程公司), Tianjin Junliangcheng Power Plant (天津軍糧城發電廠), Tianjin Electric Power Company (天津市電力公司), Tianjin Junliangcheng Power Generation Company Limited (天津軍糧城發電有限公司), China Huadian Corporation Limited and Huadian Power International Corporation Limited. Mr. Song has more than 30 years of working experience in power engineering technology, production and operation, corporate management, etc.

Wu Yuejie (武日傑) Chinese nationality, born in July 1971, a senior administrative engineer, graduated from North China Institute of Technology majoring in financial management. Mr. Wu is currently the deputy General Manager of the Company and had successively worked in Shandong Weifang Power Plant (山東濰坊發電廠), Anhui Suzhou Power Generation Company Limited (安徽宿州發電有限公司), Luohe Power Plant Preparatory Office (漯河電廠籌建處) and China Huadian Corporation Limited. Mr. Wu has 28 years of working experience in power generation and operation, development of power supply projects, human resources management, etc.

Zhang Gelin (張戈臨) Chinese nationality, born in November 1969, is a senior engineer. He graduated from the Department of Electrical Power Engineering of Shanghai Jiao Tong University in 1991 with a bachelor's degree in engineering and graduated from the Texas Tech University in 1999 with a MBA degree. He is now working as the secretary to the Board and the Company Secretary of the Company, an affiliated person of the Hong Kong Institute of Chartered Secretaries, and a director of Huadian Group Beijing Fuel Logistics Co., Ltd. Mr. Zhang started his career in 1991. He had successively held positions in Shandong Electric Power Group Company Electricity Transmission and Transformation Engineering Co., Ltd. (山東電力集團公司送變電工程公司), Shandong International Power Development Company Limited (山東國際電源開發股份有限公司) and Huadian Power International Corporation Limited. He has 30 years of experience in areas such as electricity and power-grid generation, management, capital operation of listed company, operation compliance, laws and regulations, investors' relations and securities affairs management.

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Macroeconomic Conditions and Electricity Demand

According to preliminary calculation of the National Bureau of Statistics, the Gross Domestic Product (GDP) of the PRC in 2020 amounted to RMB101,598.6 billion, representing a year-on-year increase of 2.3% determined based on comparable prices. Power consumption of the entire society totalled 7,511.0 billion KWh, representing a year-on-year increase of 3.1%. With regard to different industries, the consumption by the primary industry accounted for 85.9 billion KWh, representing a year-on-year increase of 10.2%; the consumption by the secondary industry accounted for 5,121.5 billion KWh, representing a year-on-year increase of 2.5%; and the consumption by the tertiary industry accounted for 1,208.7 billion KWh, representing a year-on-year increase of 1.9%; and the consumption by urban and rural residents accounted for 1,094.9 billion KWh, representing a year-on-year increase of 6.9%.

(2) Turnover

In 2020, the turnover of the Group was approximately RMB89,382 million, representing a decrease of approximately 2.58% over 2019, mainly due to the decrease in power generation volume.

(3) Major Operating Expenses

In 2020, the operating expenses of the Group amounted to approximately RMB80,592 million, representing a decrease of approximately 3.52% over 2019. The particulars are as follows:

Fuel costs of the Group amounted to approximately RMB41,394 million in 2020, representing a decrease of approximately 8.77% over 2019, mainly due to the decrease in coal price and the decrease in power generation volume.

Sale cost of coal of the Group amounted to approximately RMB11,462 million in 2020, representing a decrease of approximately 1.95% over 2019, mainly due to the decrease in coal price.

Depreciation and amortisation expenses of the Group amounted to approximately RMB11,759 million in 2020, representing a decrease of approximately 0.56% over 2019, mainly due to the combined effect of full accrual of depreciation for certain generating units and the operation of new generating units.

In 2020, the maintenance, repair and inspection expenses of the Group were approximately RMB3,940 million, representing an increase of approximately 3.53% over 2019, mainly due to the increase in the number of new generating units put into operation.

In 2020, the staff cost of the Group was approximately RMB6,333 million, representing an increase of approximately 5.63% over 2019, mainly due to the increase in the salary of the staff of the Group and the increase in the number of new generating units put into operation.

In 2020, the administration expenses of the Group were approximately RMB3,300 million, representing an increase of approximately 28.26% over 2019, mainly due to the increase in assets impairment losses.

(4) Investment Income

Investment income of the Group amounted to approximately RMB45 million in 2020, representing an increase of approximately 92.83% over 2019. This was mainly due to the income from the disposal of the equity of an associate of the Company in 2020.

(5) Other Revenue

Other revenue of the Group amounted to approximately RMB1,040 million in 2020, representing an increase of approximately 33.25% over 2019. This was mainly due to the transfer-in without payment.

(6) Other Net Income

Other net income of the Group amounted to approximately RMB929 million in 2020, representing an increase of approximately 22.23% over 2019. This was mainly due to the increase in revenue arising from by-products of power generation.

(7) Finance Costs

Finance costs of the Group amounted to approximately RMB4,533 million in 2020, representing a decrease of approximately 13.87% over 2019. This was mainly due to the reduced interest-bearing liabilities and lower cost of funds ratio of the Group.

(8) Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures of the Group amounted to approximately RMB522 million in 2020, representing a decrease of approximately 31.12% over 2019, which was mainly due to the decrease in the profits of the coal mining enterprises invested by the Group.

(9) Income Tax

Income tax of the Group amounted to approximately RMB1,216 million in 2020, representing an increase of approximately 17.34% over 2019. This was mainly due to the increase in the Group's profits.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(10) Pledge and Mortgage of Assets

As at 31 December 2020, the Company and the Company's subsidiaries have pledged their income stream in respect of the sale of electricity and heat to secure loans amounting to approximately RMB18,200 million.

As at 31 December 2020, some of the Company's subsidiaries have mortgaged their generating units and relevant equipment, land use rights and mining rights to secure loans amounting to approximately RMB3,971 million.

(11) Indebtedness

As at 31 December 2020, the total borrowings of the Group amounted to approximately RMB93,917 million, of which borrowings denominated in Euro amounted to approximately EUR8.26 million. The liabilities to assets ratio (representing the total liabilities divided by total assets of the Group as at 31 December 2020) was approximately 60.12%. Borrowings of the Group were mainly of floating rates. Short-term borrowings and long-term borrowings due within one year amounted to approximately RMB29,514 million, and long-term borrowings due after one year amounted to approximately RMB64,403 million. The closing balance of the medium-term notes (including the portion due within one year) and debt financing instruments issued through non-public offering to target subscribers (including the portion due within one year) amounted to approximately RMB12,492 million. The closing balance of lease liabilities of the Group amounted to approximately RMB1,817 million.

(12) Contingent Liabilities

As at 31 December 2020, Guang'an Company, a subsidiary of the Company, provided guarantees to banks amounting to approximately RMB43.58 million for loans which were granted to Sichuan Huayingshan Longtan Coal Company Limited, an associate of Guang'an Company.

(13) Provisions

Provisions represent the Group's best estimate of its liabilities and remedial work costs arising from mine disposal and environmental restoration based on industry practices and historical experience. As at 31 December 2020, the balance of the Group's provisions amounted to approximately RMB237 million.

(14) Impairment Loss

In 2020, under the China Accounting Standards for Business Enterprises, the impairment loss of the Group was approximately RMB1,646 million, which reduced the net profit attributable of the parent company of RMB1,353 million from the consolidated financial statements. This was mainly due to the impairment of mining rights of Shanxi Maohua Energy Investment Company. The Board is of view that the provision for asset impairment is based on the principle of prudence and it is sufficiently and fairly reflects the asset position of the Group. The Board agreed with the above provision of asset impairment.

(15) Cash Flow Analysis

In 2020, the net cash inflow from operating activities of the Group amounted to approximately RMB20,286 million, increased by approximately RMB4,740 million over 2019, mainly due to the impact of increased efficiency of the Company in 2020; the net cash outflow used in investing activities amounted to approximately RMB18,051 million, increased by approximately RMB2,886 million over 2019, mainly due to the increase in capital expenditures in 2020; the net cash outflow from financing activities amounted to approximately RMB2,202 million, increased by approximately RMB1,648 million over 2019, mainly due to the impact of increased efficiency of the Company and reduced borrowings in 2020.

(16) Exchange Rate Fluctuation Risk and Related Hedging

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

(17) The Impact of COVID-19 Pandemic on the Group

Under the impact of COVID-19 pandemic, Hubei Company of the Group experienced year-on-year decline in power generation volume and operating income in 2020. In accordance with the results of pandemic control measures adopted by China, it is expected that the COVID-19 pandemic would not materially and adversely affect the future performance of the Company.

As of the date of this report, the Group maintained sufficient liquidity and working capital.

The Group will continuously carry out regular prevention and control of the pandemic, and particularly implement the work on production safety and fuel security, improve pandemic prevention and control plans, and fully review various preparation work regarding extreme conditions, to ensure quick response, proper action and timely reporting in case of pandemic outbreak. The Group will conscientiously implement the policies of the State Council and regional authorities on pandemic prevention and control to ensure that the pandemic is under proper control.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Group is principally engaged in the generation of electricity and heat, sales of coal and other relevant businesses in the PRC. All electricity generated is supplied to the grid companies where the plants are located. In 2020, the Company had strictly complied with relevant laws and regulations and industrial rules that impose significant influence on the operation of the Company. The chief operating decision makers review the Group's revenue and profit as a whole, which is determined in accordance with the Group's accounting policies, for resources allocation and performance assessment. Therefore, the Group has only one operating and reportable segment and no further segment information is presented in this financial information. The profit of the Group for the year ended 31 December 2020 and the Group's and the Company's financial positions as of that date prepared in accordance with IFRSs are set out on pages 54 to 130 of the annual report.

STATUTORY SURPLUS RESERVE

According to the Company's articles of association (the "**Articles of Association**"), the Company is required to transfer at least 10% (at the discretion of the Board) of its profit after tax, as determined under the PRC accounting rules and regulations, to its statutory surplus reserve until the surplus reserve balance reaches 50% of its registered capital. The transfer to the statutory surplus reserve must be made before the distribution of dividend to shareholders. The statutory surplus reserve can be used to make up losses (if any) of the previous year and may be converted into share capital by issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after the issue of new shares is not less than 25% of the registered share capital. On 30 March 2021, the Board resolved to transfer 10% of the annual profit after tax as determined under the PRC accounting rules and regulations, amounting to RMB430,478,000 (2019: RMB233,333,000), to the statutory surplus reserve.

DIVIDENDS

Pursuant to a resolution passed at the Board meeting held on 30 March 2021, the Board proposes to declare a final cash dividend of RMB0.25 per share (tax inclusive, based on the total share capital of 9,862,976,653 shares) for the financial year ended 31 December 2020, totaling approximately RMB2,465.744 million (tax inclusive). The dividend distribution proposal is subject to approval by the shareholders at the upcoming 2020 annual general meeting. The notice of the 2020 annual general meeting of the Company, containing details of the period and procedures of the closure of register of members, will be published and despatched to shareholders of the Company in due course.

If the above proposal for dividend distribution is considered and approved at the upcoming 2020 annual general meeting, the Company expects to distribute such cash dividends on or before 27 August 2021.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Particulars of the Company's subsidiaries, associates and joint ventures as at 31 December 2020 are set out in notes 45 and 22 respectively to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

BANK LOANS AND OTHER LOANS

Details of bank loans and other loans of the Group and the Company as at 31 December 2020 are set out in note 31 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

INTEREST CAPITALISED

Details relating to the interest capitalised by the Group during the year 2020 are set out in note 10 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details relating to movements in property, plant and equipment of the Group and those of the Company during the year 2020 are set out in note 17 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

RESERVES

Details relating to movements in reserves of the Group and the Company for the year ended 31 December 2020 are set out in the consolidated statement of changes in equity in the consolidated financial statements and note 38(c) to the consolidated financial statements prepared in accordance with IFRSs included in this annual report, respectively.

DONATIONS

During the year of 2020, the Group made donations for charitable purpose in an aggregate amount of approximately RMB13,737,000 (2019: approximately RMB15,035,000).

DIRECTORS' REPORT (CONTINUED)

TAX REDUCTION AND EXEMPTION

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

ENVIRONMENTAL PROTECTION POLICIES

The Group carries out its social responsibility seriously and puts more emphasis on environmental protection work. In particular, the Group strictly implements the requirements of environmental protection and monitored environmental index, in order to standardize the management of operation and maintenance of environmental facilities, and improve the operation rate and efficiency of environmental protection facilities. By adhering to the principles of safety and reliability, mature technology and cost-effectiveness, the Company continues to optimise and refine technical improvement, makes active arrangement and implementation, so as to ensure the environmental protection and improvement goes as planned and reaches the expected target. Leveraging on the energy efficiency and environmental protection feature of the equipment, the Company has built the red-line awareness of environmental protection and achieved the key indicators for reduction of total emission of pollutants to ensure that the emission meets the requirement and strive to reduce the emission level.

In 2020, the Group continuously strengthened its management and control over the technological improvement of environmental protection, improved the monitoring platform construction of environmental protection and strengthened the real-time online monitoring of environmental protection. The Group was committed to complying with the Solid Waste Pollution Prevention and Control Law, which took effect on 1 September 2020, and implemented "particular reduction solutions for each factory" to commence specialised treatment of solid waste.

As at the date of this report, all of the 95 coal-fired generating units of the Company met the ultra-low emission requirement.

RELATIONSHIP WITH EMPLOYEES

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

RETIREMENT PLANS

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

In addition, the Group's staff has participated in an enterprise annuity plan managed by the annuity council of China Huadian Corporation Limited ("**China Huadian**") to supplement the above-mentioned plan. According to the plan, employees are required to pay a certain amount as their personal savings for pension insurance based on their service periods in the Company and its subsidiaries, while the Company and its subsidiaries pay four times as much as the amount of employee contributions. The employees will receive the total contribution of the plan when retiring. The Group's contribution to these plans total amounted to approximately RMB690 million during the year of 2020, which are set out in note 40 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

EMPLOYEES' MEDICAL INSURANCE

During 2020, there was no change in employees' medical insurance policies of the Group as compared with that of 2019. The Group anticipates that implementation of the above medical insurance will not have any significant impact on the business operation and financial position of the Group. Apart from the above contributions, the Group is not required to pay any other medical expenses for its staff.

PRE-EMPTIVE RIGHTS

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

SHARE CAPITAL

Details of the share capital of the Company for the year 2020 and as at 31 December 2020 are set out in the Company's statement of changes in equity in the financial statements prepared in accordance with IFRSs and note 38(b) to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

DIRECTORS' REPORT (CONTINUED)

MAJOR CUSTOMERS AND SUPPLIERS

The Group is committed to maintaining long-term close business cooperation with customers and suppliers, realizing friendly communication and win-win collaboration and establishing bidding and bargaining mechanism to adapt to market changes. For the financial year of 2020, details regarding the percentages of the Group's sales and purchases attributable to its major customers and major suppliers, respectively, are as follows:

	Approximate Percentage in the Group's	
	Sales	Purchases
The largest customer	27.73%	/
The five largest customers combined	54.04%	/
The largest supplier	/	5.65%
The five largest suppliers combined	/	15.83%

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

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

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors of the Company are aware, each of the following persons, not being a Director, Supervisor, chief executive or member of the senior management of the Company, had an interest or short position as at 31 December 2020 in the Company's shares or underlying shares (as the case may be) which was disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "**SFO**"), or was otherwise interested in 5% or more of any class of issued share capital of the Company as at 31 December 2020, or was a substantial shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**")) of the Company as at 31 December 2020.

Name of shareholder	Class of shares	Number of shares held	Approximate percentage of the total number of shares of the Company in issue	Approximate percentage of the total number of A shares of the Company in issue	Approximate percentage of the total number of H shares of the Company in issue	Capacity
China Huadian	A Shares	4,534,199,224 (L)	45.97%	55.66%	–	Beneficial owner
	H Shares	85,862,000 (L) *(Note 1)*	0.87%	–	5.00%	Interests in a controlled corporation
Shandong Development & Investment Holding Group Co., Ltd	A Shares	757,226,729 (L)	7.68%	9.30%	–	Beneficial owner
FIL Limited	H Shares	119,322,000 (L) *(Note 2)*	1.21%	–	6.95%	Interests in controlled corporations
Pandanus Partners L.P.	H Shares	119,322,000 (L) *(Note 2)*	1.21%	–	6.95%	Interests in controlled corporations
Pandanus Associates Inc.	H Shares	119,322,000 (L) *(Note 2)*	1.21%	–	6.95%	Interests in controlled corporations
Brown Brothers Harriman & Co.	H Shares	86,462,341(L)	0.88%	–	5.03%	Agent
		86,462,341(P)	0.88%	–	5.03%	Agent

(L) = long position

(P) = lending pool

Note 1: So far as the Directors of the Company are aware or are given to understand, these 85,862,000 H shares were held directly by a wholly-owned subsidiary of China Huadian, namely, China Huadian Hong Kong Company Limited through CCASS in the name of HKSCC Nominees Limited.

Note 2: So far as the Directors of the Company are aware or are given to understand, these 119,322,000 H shares were held in the name of HKSCC Nominees Limited. These 119,322,000 H shares were held by FIL Limited through its subsidiaries, namely, FIL Asia Holdings Pte Limited, FIL Asset Management (Korea) Limited, FIL Japan Holdings (Singapore) Pte Limited, FIL Japan Holdings KK, FIL Investments (Japan) Limited, FIL Responsible Entity (Australia) Limited, FIL Investment Management (Hong Kong) Limited, FIL Fund Management Limited, FIL Holdings (Luxembourg) S.A., FIL Investment Management (Luxembourg) S.A., FIL Investment Advisors, FIL Holdings (UK) Limited, FIL Investment Services (UK) Limited, FIL Investments International, FIL Pensions Management, FIL Life Insurance Limited, FIL Fund Management (Ireland) Limited, 483A Bay Street Holdings LP, BlueJay Lux 1 S.a.r.l., FIC Holdings ULC and Fidelity Investments Canada ULC, respectively. Pandanus Associates Inc. and Pandanus Partners L.P. are deemed to be interested in the same tranche of H shares through their direct or indirect control over FIL Limited.

DIRECTORS' REPORT (CONTINUED)

Save as disclosed above and so far as the Directors are aware, as at 31 December 2020, no other person (other than the Directors, Supervisors, chief executive or members of senior management of the Company) had any interest or short position in the Company's shares or underlying shares (as the case may be) which was disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors, Supervisors and senior management of the Company for the financial year ended 31 December 2020 and as at the date of this report. All Directors and Supervisors of the Company are currently serving a term of three years, renewable upon re-election and re-appointment every three years. The consecutive term of office of independent non-executive Directors however shall not exceed six years.

Name	Position in the Company	Changes
Wang Xuxiang	Former Chairman, Executive Director	Resigned on 28 October 2020
Ding Huande	Chairman, Executive Director	Elected as an executive Director at the extraordinary general meeting of the Company held on 28 October 2020 and elected as the Chairman at the fifth meeting of the ninth session of the Board held on 28 October 2020
Ni Shoumin	Vice Chairman, Non-executive Director	Re-elected as a non-executive Director at the annual general meeting of the Company held on 30 June 2020 and relected as the vice Chairman at the first meeting of the ninth session of the Board held on 30 June 2020
Peng Xingyu	Former Supervisor, Current Non-executive Director	Resigned as a Supervisor on 8 May 2020 and elected as a non-executive Director at the annual general meeting of the Company held on 30 June 2020
Tian Hongbao	Former Vice Chairman, Executive Director, General Manager	Resigned on 25 March 2020
Luo Xiaoqian	Executive Director, General Manager	Elected as an executive Director at the annual general meeting the Company held on 30 June 2020 and appointed as the General Manager at the first meeting of the ninth session of the Board held on 30 June 2020
Chen Haibin	Former Non-executive Director	Retired on 30 June 2020 due to expiry of term of office
Tao Yunpeng	Former Non-executive Director	Retired on 30 June 2020 due to expiry of term of office
Gou Wei	Former Non-executive Director	Re-elected at the annual general meeting of the Company held on 30 June 2020 and resigned on 27 January 2021
Hao Bin	Former Non-executive Director	Elected at the annual general meeting of the Company held on 30 June 2020 and resigned on 27 January 2021
Zhang Zhiqiang	Non-executive Director	Elected at the extraordinary general meeting of the Company held on 27 January 2021
Li Pengyun	Non-executive Director	Elected at the extraordinary general meeting of the Company held on 27 January 2021
Wang Xiaobo	Non-executive Director	Re-elected at the annual general meeting of the Company held on 30 June 2020
Chen Cunlai	Former Executive Director, Deputy General Manager	Retired as an executive Director due to expiry of term of office on 30 June 2020 and resigned as the deputy General Manager on 1 November 2020
Feng Rong	Executive Director, Chief Financial Officer	Elected as an executive Director at the annual general meeting of the Company held on 30 June 2020 and appointed as the Chief Financial Officer at the sixth meeting of the eighth session of the Board held on 13 November 2017
Ding Huiping	Former Independent Non-executive Director	Retired on 30 June 2020 due to expiry of term of office
Wang Chuanshun	Former Independent Non-executive Director	Retired on 30 June 2020 due to expiry of term of office
Wang Dashu	Independent Non-executive Director	Re-elected at the annual general meeting of the Company held on 30 June 2020
Zong Wenlong	Independent Non-executive Director	Re-elected at the annual general meeting of the Company held on 30 June 2020
Feng Zhenping	Independent Non-executive Director	Elected at the annual general meeting of the Company held on 30 June 2020

Name	Position in the Company	Changes
Li Xingchun	Independent Non-executive Director	Elected at the annual general meeting of the Company held on 30 June 2020
Chen Wei	Chairman of the Supervisory Committee	Re-elected as a Supervisor at the annual general meeting of the Company held on 30 June 2020 and re-elected as the Chairman of the Supervisory Committee at the first meeting of the ninth session of the Supervisory Committee held on 30 June 2020
Zha Jianqiu	Former Independent Supervisor	Retired on 30 June 2020 due to expiry of term of office
Yuan Yanan	Former Employee Supervisor	Retired on 30 June 2020 due to expiry of term of office
Ma Jing'an	Former Employee Supervisor, Current Supervisor	Retired as an employee Supervisor due to expiry of term of office on 30 June 2020 and elected as a Supervisor at the annual general meeting the Company held on 30 June 2020
Zhang Peng	Employee Supervisor	Elected through employee election on 30 June 2020
Peng Guoquan	Deputy General Manager	Re-appointed at the first meeting of the eighth session of the Board held on 30 June 2017
Chen Bin	Deputy General Manager, General Legal Counsel	Re-appointed at the first meeting of the eighth session of the Board held on 30 June 2017
Song Jingshang	Chief Engineer	Appointed at the eighth meeting of the ninth session of the Board held on 27 January 2021
Wu Yuejie	Deputy General Manager	Appointed at the eighth meeting of the ninth session of the Board held on 27 January 2021
Zhang Gelin	Secretary to the Board, Company Secretary	Appointed as the Secretary to the Board at the 23rd meeting of the eighth session of the Board held on 24 October 2019 and appointed as the Company Secretary on 24 December 2019

The Directors' and Supervisors' remunerations for the year ended 31 December 2020 are set out in note 12 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

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

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

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

As at 31 December 2020, the interests or short positions of the Directors, Supervisors, chief executive or members of senior management of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which were notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Name	Position in the Company	Number of A shares of the Company held as personal interest	Capacity in A shares
Gou Wei	Non-executive Director *(Note 1)*	10,000 *(Note 2)*	Beneficial owner

Note 1: As at 27 January 2021, Mr. Gou Wei ceased to serve as the non-executive Director of the Company.

Note 2: Accounted for approximately 0.0001% of the total issued A shares of the Company as at 31 December 2020.

DIRECTORS' REPORT (CONTINUED)

Save as disclosed above, as at 31 December 2020, none of the Directors, Supervisors, chief executive or members of senior management of the Company and their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, Supervisor, chief executive or member of senior management of the Company was taken or deemed to have under such provisions of the SFO) or was (ii) required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which was otherwise (iii) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code (which for this purpose shall be deemed to apply to the Supervisors of the Company to the same extent as it applies to the Directors) of the Company.

In 2020, the Company has adopted a code of conduct regarding transactions of the Directors and Supervisors in the Company's securities on terms identical to those of the Model Code. Having made specific enquiries of all Directors and Supervisors, the Company understands that all Directors and Supervisors have complied with the required standards set out in the Model Code.

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

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

DIRECTORS' INTERESTS IN THE BUSINESS THAT COMPETES WITH THE COMPANY

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

PERMITTED INDEMNITY PROVISIONS

In 2020, the Company has purchased liability insurance for its Directors and Supervisors to provide appropriate guarantee to the Directors and Supervisors of the Company.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

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

MANAGEMENT CONTRACT

In 2020, there was no management or administration contract in respect of all or substantial part of the Company's business.

SIGNIFICANT EVENT

Amendments to the "Articles of Association", "Rules of Procedures for the General Meetings of Shareholders", "Rules of Procedures for the Board of Directors" and "Rules of Procedures for the Supervisory Committee"

In order to further improve corporate governance and strengthen regulated operations of the listed company, the Company has, upon approval at the 27th meeting of the eighth session of the Board and the 2019 AGM, amended the Articles of Association, the Rules of Procedures for General Meetings of Shareholders, the Rules of Procedures for the Board of Directors and the Rules of Procedures for the Supervisory Committee, in accordance with the Company Law of the People's Republic of China (2018 Revision), the Guidelines on Articles of Associations of Listed Companies (2019 Revision), the Code of Corporate Governance for Listed Companies (2018 Revision) and other relevant laws and regulations. Such amendments involved provisions in relation to stock repurchase, election of the Board members, constitution of the Supervisory Committee, serving concurrent positions by senior management, etc.

In order to further improve corporate governance and complete the revision of the notice period of the general meetings of shareholders, the Company has, upon the approval at the fourth meeting of the ninth session of the Board and the extraordinary general meeting held on 28 October 2020, amended the Articles of Association and the Rules of Procedures for General Meetings of Shareholders, in accordance with the Reply of the State Council on Adjusting the Notice Period for the General Meeting of Shareholders and Other Matters Applicable to Companies Listed Abroad, and the Securities Law of the People's Republic of China (2019 Revision), the Company Law of the People's Republic of China (2018 Revision) and the Code of Corporate Governance for Listed Companies (China Securities Regulatory Commission Announcement [2018] No. 29) and other relevant requirements of laws and regulations. Such amendments involved provisions in relation to registration of changes to the register of shareholders, and the notice period and procedures for convening the general meetings of shareholders, etc.

For details, please refer to the announcements of the Company dated 25 March 2020, 30 June 2020, 24 September 2020 and 28 October 2020, and the circular of the Company dated 15 May 2020.

SUBSEQUENT EVENTS

(1) Entering into Commercial Factoring Services Framework Agreement with Huadian Commercial Factoring (Tianjin) Co., Ltd. ("Huadian Factoring")

On 8 January 2021, the Company and Huadian Factoring entered into the Commercial Factoring Services Framework Agreement, pursuant to which Huadian Factoring agrees to provide the Company and its subsidiaries with non-recourse factoring business services as required by the Company, comprising reverse factoring and factoring businesses. The Commercial Factoring Services Framework Agreement shall be subject to approval by the independent shareholders at the general meeting of the Company with a term ending on 31 December 2021. The Directors of the Company propose the cap (including any fee to be charged by Huadian Factoring to the Group) of RMB7,500 million for the transactions contemplated under the Commercial Factoring Services Framework Agreement for the period from the effective date of the Commercial Factoring Services Framework Agreement to 31 December 2021.

China Huadian is the controlling shareholder of the Company, directly and indirectly holding approximately 46.84% of the total issued share capital of the Company. As Huadian Factoring is a wholly-owned subsidiary of China Huadian, Huadian Factoring is a connected person of the Company. Therefore, the entering into of the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) of the transactions contemplated under the Commercial Factoring Services Framework Agreement exceed 5%, the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In addition, as one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) of the transactions contemplated under the Commercial Factoring Services Framework Agreement exceed 5% but are less than 25%, the Commercial Factoring Services Framework Agreement and the transactions contemplated thereunder constitute discloseable transaction pursuant to Chapter 14 of the Hong Kong Listing Rules, and are subject to the reporting and announcement requirements, but are exempt from the shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

For details, please refer to the announcement of the Company dated 8 January 2021 and the circular of the Company dated 29 January 2021.

DIRECTORS' REPORT (CONTINUED)

(2) Entering into Ningxia Lingwu Equity and Debt Transfer Agreement and Ningxia Heating Equity Transfer Agreement with China Huadian

On 26 February 2021, the Company and China Huadian entered into (i) Ningxia Lingwu Equity and Debt Transfer Agreement, pursuant to which the Company agreed to sell and China Huadian agreed to purchase 65% equity interests in Ningxia Lingwu held by the Company and the dividend receivable arising from the 65% equity interests in Ningxia Lingwu held by the Company as at the date of the Ningxia Lingwu Equity and Debt Transfer Agreement at the consideration of RMB2,822,503,971.45; and (ii) Ningxia Heating Equity Transfer Agreement, pursuant to which the Company agreed to sell and China Huadian agreed to purchase 53% equity interests in Ningxia Huadian Heating Corporation Limited ("**Ningxia Heating**") held by the Company at the consideration of RMB1,249,728,234, respectively (the "**Transfers**"). The Transfers shall be subject to approval by the independent shareholders at the general meeting of the Company. Upon the completion of the Transfers, the Company will no longer hold any interests in Ningxia Lingwu and Ningxia Heating, while Ningxia Lingwu and Ningxia Heating will cease to be the subsidiaries of the Company.

China Huadian is the controlling shareholder of the Company, directly and indirectly holding approximately 46.84% of the total issued equity of the Company, is therefore a connected person of the Company under the Hong Kong Listing Rules. Pursuant to Chapter 14A of the Hong Kong Listing Rules, the Transfers shall constitute connected transactions of the Company. Pursuant to Rule 14A.81, as one or more of the percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) in respect of the Transfers, calculated on an aggregate basis, exceed 5%, the Transfers are subject to the annual report, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In addition, as one or more of the percentage ratios in respect of the Transfers, calculated on an aggregate basis, exceed 5% but are less than 25%, pursuant to the Chapter 14 of the Hong Kong Listing Rules, the Transfers also constitute discloseable transactions of the Company, and are subject to the reporting and announcement requirements but are exempted from shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

For details, please refer to the announcement of the Company dated 26 February 2021 and the circular of the Company dated 31 March 2021.

(3) Entering into Equity Acquisition Agreements with CCB Financial Asset Investment Co., Ltd ("CCB Financial") and BOC Financial Asset Investment Co., Ltd ("BOC Financial")

On 25 March 2021, the Company and CCB Financial entered into Mengdong Energy Equity Acquisition Agreement, pursuant to which the Company has agreed to acquire, and CCB Financial has agreed to sell its 45.15% equity interest in Mengdong Energy Company at a consideration of RMB1,000.0103 million (subject to adjustment), which will be paid by the Company through (i) the issuance of 4,338,468 (subject to adjustment) consideration shares at an issue price of RMB4.61 per consideration share, and (ii) the issuance of consideration convertible bonds in the total amount of RMB980.0100 million (subject to adjustment) to CCB Financial. On the same day, the Company and BOC Financial entered into Fuyuan Thermal Power Equity Acquisition Agreement, pursuant to which Company has agreed to acquire, and BOC Financial has agreed to sell its 36.86% equity interest in Fuyuan Thermal Power Company at a consideration of RMB500.1523 million (subject to adjustment), which will be paid by the Company through (i) the issuance of 2,169,908 (subject to adjustment) consideration shares at an issue price of RMB4.61 per consideration share, and (ii) the issuance of consideration convertible bonds in the total amount of RMB490.1490 million (subject to adjustment) to BOC Financial. Upon completion of the abovementioned acquisitions, Mengdong Energy Company and Fuyuan Thermal Power Company will become wholly-owned subsidiaries of the Company, and CCB Financial and BOC Financial will hold a total of 3.19% equity interest in the Company (assuming that the consideration convertible bonds are fully converted into conversion shares at the initial conversion price of RMB4.61 per conversion share).

Based on currently available information, as the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) of the abovementioned acquisitions is less than 5% and the considerations under the Equity Acquisition Agreements are satisfied by way of issuance of consideration shares and consideration convertible bonds, the abovementioned acquisitions constitute share transactions of the Company under Chapter 14 of the Hong Kong Listing Rules and are therefore subject to the reporting and announcement requirements, but are exempt from the shareholders' approval requirement. As the consideration for the target equity will be determined with reference to the appraised value of the target equity as set out in the assets valuation reports filed with relevant authority(ies) and may be subject to adjustment, and the final number of consideration shares and consideration convertible bonds to be issued may also be subject to adjustment, further announcement(s) will be made by the Company in due course upon the determination of the above relevant information.

Although the abovementioned acquisitions are exempt from the shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules, the abovementioned acquisitions in consideration of the issuance of consideration shares and consideration convertible bonds shall be subject to the approval of the shareholders at the general meeting of the Company pursuant to the Administrative Measures for the Major Asset Restructuring of Listed Companies issued by China Securities Regulatory Commission. The consideration shares and the conversion shares will be issued pursuant to the general mandate.

For details, please refer to the announcement of the Company dated 25 March 2021.

(4) Shareholders' Return Plan

On 25 March 2021, the Shareholders' Return Plan for the Years 2020-2022 was considered and approved at the 10th meeting of the ninth session of the Board by adhering to the principals of getting a reasonable return on investment for shareholders while taking into account the interests of all the shareholders as a whole, and the long-term interests and the reasonable funding requirements of the Company, so as to implement a sustainable, stable and proactive profit distribution policy. During 2020 to 2022, the profit to be distributed in cash by the Company in principle will not be less than 50% of the distributable profits achieved in that year as indicated in the consolidated statements, and the dividend per share will not be less than RMB0.2. Aforesaid Shareholders' Return Plan is subject to the approval of the shareholders at the general meeting of the Company.

For details, please refer to the announcement of the Company dated 25 March 2021.

CONNECTED TRANSACTIONS

Pursuant to requirements of the Hong Kong Listing Rules, the connected transactions conducted by the Group for the year ended 31 December 2020 are as follows:

CONNECTED TRANSACTIONS

Lease agreement with Beijing Huabin Investment Company Limited ("Beijing Huabin")

On 7 December 2020, the Company and Beijing Huabin entered into a Lease Agreement in respect of the lease of certain properties of Huadian Tower by the Company, pursuant to which, the Group agreed to lease from Beijing Huabin certain properties of Huadian Tower for a term of three years from 1 January 2020 to 31 December 2023. The annual rental during the term is approximately RMB42.64 million and the total rental during the term is approximately RMB127.92 million. Beijing Huabin is a subsidiary of the controlling shareholder of the Company, i.e. China Huadian. As such, according to the Hong Kong Listing Rules, Beijing Huabin is an associate of China Huadian and thus a connected person of the Company. Pursuant to IFRS 16, the properties leased under the Lease Agreement will be recognized as right-of-use assets with the aggregate consideration of approximately RMB115 million, and the transaction contemplated under the Lease Agreement will be recognized as the acquisition of right-of-use assets which will constitute a one-off connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. The right-of-use asset represents its right to use the underlying leased asset over the lease term and the lease liability represents its obligation to make lease payments (i.e. the rental). The asset and the liability arising from the lease are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Lease Agreement, using the incremental borrowing rate as the discount rate. Under IFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognize (i) depreciation charge over the life of the right-of-use asset, and (ii) interest expenses amortised from the lease liability over the lease term. As the highest percentage ratio in respect of the value of the right-of-use asset to be recognized by the Company in connection with the Lease Agreement exceeds 0.1% but is less than 5%, the transaction contemplated under the Lease Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Considering the long-term relationship between the Group and Beijing Huabin, the Company considers that it is beneficial to enter into the Lease Agreement with Beijing Huabin as such transactions have provided the Group a good working environment and will continue to facilitate the operation of the Group's business.

For details, please refer to the announcement of the Company dated 7 December 2020.

DIRECTORS' REPORT (CONTINUED)

CONTINUING CONNECTED TRANSACTIONS

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

A. Continuing connected transactions expected to be conducted in 2021:

On 11 September 2020, the Company and China Huadian entered into the Fuel, Equipments and Services Purchase (Supply) Framework Agreement, to regulate the purchase of fuel by the Group from China Huadian, the provision of engineering equipments, systems, products, engineering and construction contracting projects, environmental protection system renovation projects, supplies procurement services and miscellaneous and relevant services by China Huadian to the Group, and the sale of fuel and the provision of relevant services to China Huadian by the Group. The term of the Fuel, Equipments and Services Purchase (Supply) Framework Agreement commences from 1 January 2021 and expires on 31 December 2023. Pursuant to the Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the annual cap for the purchase of fuel by the Group from China Huadian is RMB8.0 billion, the annual cap for the provision of engineering equipments, systems, products, engineering and construction contracting projects, environmental protection system renovation projects, supplies procurement services and miscellaneous and relevant services by China Huadian is RMB8.0 billion and the annual cap for the sale of fuel and the provision of relevant services to China Huadian by the Group is RMB13.0 billion.

The coal mines of the Group and China Huadian are in different localities in which the mutual provision of coal may reduce the overall cost for the procurement of coal. In addition, a subsidiary of the Group is primarily engaged in coal trading services, through which the Group is able to enhance its bargaining power in the process of coal procurement by way of bulk procurement and sales, and reduce the overall cost for coal procurement of the Group accordingly. The mutual provision of relevant services between China Huadian and the Group provides more efficient allocation of labour (in that the timing for the needs of the relevant services which are generally of a maintenance nature may differ). Considering the long-term relationship between the Group and China Huadian, the Company considers that it is beneficial to continue to enter into the Fuel, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian as such transaction has facilitated the growth of the principal business and installation capacity of the Group

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

For details, please refer to the announcements of the Company dated 11 September 2020 and 28 October 2020 and the circular of the Company dated 9 October 2020.

B. Continuing connected transactions conducted in 2020:

On 1 November 2019, the Company and China Huadian entered into the Fuel, Equipments and Services Purchase (Supply) Framework Agreement, to regulate the purchase of fuel by the Group from China Huadian, the provision of engineering equipments, systems, products, engineering and construction contracting projects, environmental protection system renovation projects, supplies procurement services and miscellaneous and relevant services by China Huadian to the Group, and the sale of fuel and the provision of relevant services to China Huadian by the Group. The term of the Fuel, Equipments and Services Purchase (Supply) Framework Agreement commenced from 1 January 2020 and expired on 31 December 2020. Pursuant to the Fuel, Equipments and Services Purchase (Supply) Framework Agreement, the annual cap for the purchase of fuel by the Group from China Huadian is RMB7.0 billion, the annual cap for the provision of engineering equipments, systems, products, engineering and construction contracting projects, environmental protection system renovation projects, supplies procurement services and miscellaneous and relevant services by China Huadian is RMB8.0 billion and the annual cap for the sale of fuel and the provision of relevant services by the Group to China Huadian is RMB13.0 billion. China Huadian is a controlling shareholder of the Company, and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transactions contemplated under the Fuel, Equipments and Services Purchase (Supply) Framework Agreement are carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group, thus constituting continuing connected transactions of the Company under the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the transactions under the Fuel, Equipments and Services Purchase (Supply) Framework Agreement exceeds 5%, the transactions contemplated thereunder are subject to all applicable requirements including the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The independent shareholders have approved such transactions and relevant annual caps.

In 2020, the actual amount of fuel procurement by the Group from China Huadian was approximately RMB5,158 million; the actual amount of provision of engineering equipments, systems, products, engineering and construction contracting projects, environmental protection system renovation projects, supplies procurement services and miscellaneous and relevant services by China Huadian was approximately RMB5,422 million, and the actual amount of the sale of fuel and the provision of relevant services to China Huadian by the Group was approximately RMB11,282 million.

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

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

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

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

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

In 2020, the maximum average daily balance of the deposits placed by the Group with Huadian Finance amounted to RMB8,901 million, which did not exceed RMB9.0 billion and was not more than the average daily loan balance from Huadian Finance to the Group.

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

(3) Lease Agreement with Beijing Huabin

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

The annual rental paid by the Group to Beijing Huabin during 2020 amounted to approximately RMB39.6934 million.

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

DIRECTORS' REPORT (CONTINUED)

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

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

On 8 May 2020, the Company entered into the Finance Lease Framework Agreement with Huadian Financial Leasing with a term of three years from 1 July 2020 to 30 June 2023, pursuant to which, Huadian Financial Leasing agreed to provide the Group with finance lease services, including direct lease services and sale and leaseback services. The maximum financing balance obtained by the Group from Huadian Financial Leasing for the three financial years ending 30 June 2023 will be capped at RMB6.0 billion. The annual caps for each of the direct lease and the sale and leaseback services for the three financial years ending 30 June 2023 are RMB1,500 million and RMB500 million, respectively. Huadian Financial Leasing is a subsidiary of China Huadian, the controlling shareholder of the Company, and thus a connected person of the Company under the Hong Kong Listing Rules. The connected transactions under the Finance Lease Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly constitute continuing connected transactions of the Company under the Hong Kong Listing Rules. As one or more of the applicable percentage ratios in respect of the transactions under the Finance Lease Framework Agreement exceeds 0.1% but is less than 5%, the transactions are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. However, such transactions are subject to the approval by the independent shareholders at the general meeting of the Company pursuant to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (the "**Shanghai Listing Rules**"). The transactions and the relevant caps have been approved by the independent shareholders at the general meeting of the Company

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

In 2020, the financing balance obtained by the Group from Huadian Financial Leasing was RMB2,916 million, of which the amounts of the direct lease services and the sale and leaseback services were RMB478 million and RMB350 million respectively for the period from 1 July 2020 to 31 December 2020.

For details, please refer to the announcements of the Company dated 10 May 2017, 30 June 2017, 8 May 2020 and 30 June 2020, and the circular of the Company dated 9 June 2017 and 15 May 2020.

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

A. Continuing connected transactions expected to be conducted in 2021:

On 7 December 2020, the Company entered into a 3-year Coal Purchase Framework Agreement with Shaanxi Coal Transportation, pursuant to which, the annual cap for the Company's coal purchase from Shaanxi Coal Transportation is RMB3,500 million for the period from 1 January 2021 to 31 December 2023. Shaanxi Coal Transportation is a subsidiary of Shaanxi Coal and Chemical Group Industry Group Co., Ltd. ("**Shaanxi Coal and Chemical Group**") (which is a substantial shareholder of a subsidiary of the Company) and thus a connected person of the Company at the subsidiary level under the Hong Kong Listing Rules. The connected transactions under the Coal Purchase Framework Agreement will be carried out on a continuing or recurring basis in the ordinary and usual course of business of the Group and accordingly constitute continuing connected transactions of the Company under the Hong Kong Listing Rules. As the Board has approved the transactions under the Coal Purchase Framework Agreement and the independent non-executive Directors have confirmed that the terms of such transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, pursuant to Rule 14A.101 of the Hong Kong Listing Rules, the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

In view of the established relationship between Shaanxi Coal Transportation and the Company, the Company considers that the continued supply of coal from Shaanxi Coal Transportation to the Group is beneficial to the Group as such transactions can ensure a stable supply of coal for the Group's power generation business and facilitate management. The Directors believe that this will continue to facilitate the operation and development of the Group's business.

For details, please refer to the announcement of the Company dated 7 December 2020.

B. Continuing connected transactions conducted in 2020:

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

In 2020, the actual amount of coal purchased by the Group from Shaanxi Coal Transportation was approximately RMB1,439 million.

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

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

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

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

In 2020, the actual amount of coal purchased by the Group from Yanzhou Coal was approximately RMB1,453 million.

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

(7) Continuing Loan Framework Agreement with China Huadian

A. Continuing connected transactions expected to be conducted in 2021:

On 11 September 2020, the Company entered into the Continuing Loan Framework Agreement with China Huadian for a term of three years from 1 January 2021 to 31 December 2023. Provided that the loan interest rate shall not exceed that available to the Company from commercial banks during the same period and the loans do not require the Group to provide any form of mortgage, pledge, third party guarantee or other forms of guarantee, the annual average loan balance provided by China Huadian to the Group shall not exceed RMB20.0 billion. China Huadian is the controlling shareholder of the Company, thus is a connected person of the Company under Chapter 14A of the Hong Kong Listing Rules. According to the requirements of the Hong Kong Listing Rules, the Continuing Loan Framework Agreement constitutes financial assistance of the connected person to the Group, provided that: (i) the financing cost of the Group shall not be higher than that available to the Company from the commercial banks for the same financing products with the same term during the same period and the loans are conducted on normal commercial terms or better to the Group; and (ii) the loans are not secured by any of the assets of the Group, such loans are exempted financial assistance under Rule 14A.90 of the Hong Kong Listing Rules and are not subject to the reporting, announcement and relevant independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules. However, the above loans constitute continuing related party transactions of the Company pursuant to the relevant requirements of the Shanghai Listing Rules and the PRC law. The transactions have been approved by the independent shareholders.

In view of the established relationship between China Huadian and the Company, the Company considers that the provision of financial assistance by China Huadian to the Group is beneficial to the Group as the transaction can ensure a stable supply of funds for the Group's needs and facilitate the development of the Group's businesses.

For details, please refer to the announcements of the Company dated 11 September 2020 and 28 October 2020, and the circular of the Company dated 9 October 2020.

DIRECTORS' REPORT (CONTINUED)

B. Continuing connected transactions conducted in 2020:

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

In 2020, the closing balance of loan of the Group advanced from China Huadian and its subsidiaries amounted to RMB15,422 million.

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

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

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

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

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

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

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

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

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

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

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

In respect of the Company's material related party transactions set out in note 39 to the consolidated financial statements prepared in accordance with IFRSs, to the extent that they constitute connected transactions and/or continuing connected transactions of the Company under the Hong Kong listing Rules that apply to it, the Company confirms that it has complied with the relevant requirements under the Hong Kong Listing Rules (if applicable).

Save as disclosed above, the material related party transactions of Company set out in note 39 to the consolidated financial statements prepared in accordance with IFRSs do not constitute connected transactions of the Company under the Hong Kong Listing Rules.

ISSUE OF DEBENTURES

In 2020, in order to meet its operational needs, the Group has successfully issued two tranches of super short-term debentures at a total par value of RMB1.8 billion and the interest rates ranging from 1.75% to 1.95% per annum; the Group has successfully issued one tranche of medium-term notes at a par value of RMB2.0 billion and the interest rate of 2.53% per annum. For details, please refer to notes 31(e) and 31(f) to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

ISSUE OF EQUITY FINANCING INSTRUMENTS

In 2020, in order to meet its operational needs, the Company has successfully issued six tranches of perpetual capital securities at a total par value of RMB8.5 billion. For details, please refer to note 38(e) to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its issued securities ("securities" having the meaning as ascribed thereto under paragraph 1 of Appendix 16 to the Hong Kong Listing Rules).

FINANCIAL SUMMARIES

Summaries of the results and the assets and liabilities of the Group for each of the five financial years ended 31 December 2020 prepared in accordance with IFRSs are set out on page 131. The Company is not aware of any matter taking place in the year ended 31 December 2020 that would be required to be disclosed under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

BUSINESS REVIEW AND OUTLOOK

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

MATERIAL LITIGATION

As of 31 December 2020, some members of the Group were a party to certain litigations arising from the Group's ordinary course of business or acquisition of assets. The management of the Group believes that any possible legal liability which incurred or may incur from the aforesaid cases will have no material adverse effect on the financial position and operating results of the Group.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2020, the Group's deposits placed with financial institutions or other parties did not include any designated or entrusted deposits, or any material overdue time deposits which could not be collected by the Group upon maturity.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the annual results of the Group for 2020 and the financial statements prepared under IFRSs for the financial year ended 31 December 2020.

AUDITORS

At the annual general meeting held on 26 June 2018, the Company changed the international auditor and the domestic auditor from Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) to BDO Limited and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership). At the annual general meeting held on 26 June 2019 and 30 June 2020, the Company re-appointed BDO Limited and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) as the international auditor and the domestic auditor of the Company respectively for the financial year ended 31 December 2019 and 31 December 2020.

As disclosed in the announcement of the Company dated 30 March 2021, on 30 March 2021, the Board resolved to propose the appointment of Baker Tilly International Certified Public Accountants (Special General Partnership) as the domestic auditor and Baker Tilly Hong Kong Limited as the international auditor of the Company, respectively. The proposed change of auditors is subject to the approval of shareholders of the Company at the 2020 annual general meeting to be convened by the Company. The respective term of service of Baker Tilly International Certified Public Accountants (Special General Partnership) and Baker Tilly Hong Kong Limited is proposed to commence from the date of the approval of shareholders of the Company at the 2020 annual general meeting up to the date of next annual general meeting of the Company.

By Order of the Board
Ding Huande
Chairman

Beijing, the PRC
30 March 2021

CORPORATE GOVERNANCE REPORT

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

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

1. Articles of Association;
2. Rules of Procedures for General Meetings of Shareholders, Rules of Procedures for the Board of Directors and Rules of Procedures for the Supervisory Committee (as a part of the current Articles of Association);
3. Terms of Reference of the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee, and the Strategic Committee of the Board;
4. Working Requirements for Independent Directors;
5. Working Requirements for Secretary to the Board;
6. Working Rules for General Manager;
7. Code on the Company's Investment Projects;
8. the Company's Management Methods on Raised Proceeds;
9. the Company's Management Methods on External Guarantees;
10. the Company's Management Rules on Information Disclosure;
11. Management Rules on Investor Relations and Implementation Procedures;
12. Code on Trading in Securities of the Company by Directors (Supervisors) of the Company;
13. Code on Trading in Securities of the Company by Employees of the Company;
14. Management Methods for Affairs of the Board of Directors;
15. Working Rules on Annual Report for the Audit Committee of the Board;
16. Working Rules on Annual Report for Independent Directors;
17. Management Methods on Connected Transactions; and
18. Insider Registration and Management Methods.

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

The Board has reviewed the relevant requirements prescribed under the corporate governance codes adopted by the Company and its actual practices, and has taken the view that the corporate governance of the Company in 2020 has met the requirements under the code provisions in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Hong Kong Listing Rules and there was no deviation from such provisions. In certain aspects, the corporate governance codes adopted by the Company are more stringent than the code provisions set out in the CG Code, the particulars of which are as follows:

- The Company has formulated the Code on Trading in Securities of Huadian Power International Corporation Limited* by Directors (Supervisors) and the Code on Trading in Securities of Huadian Power International Corporation Limited* by Employees, which are on terms no less exacting than those set out in the Model Code set out in Appendix 10 to the Hong Kong Listing Rules.
- In addition to the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee, the Company has established the Strategic Committee and stipulated the Terms of Reference of the Strategic Committee.
- In the financial year of 2020, a total of eleven Board meetings were held by the Company.
- The Audit Committee comprises five members, including two non-executive Directors and three independent non-executive Directors.

THE BOARD OF DIRECTORS

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

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

As at 31 December 2020, members of the Board are set out below:

Name	Position in the Company
Ding Huande	Chairman, Executive Director
Ni Shoumin	Vice Chairman, Non-executive Director
Peng Xingyu	Non-executive Director
Luo Xiaoqian	Executive Director
Gou Wei	Non-executive Director
Hao Bin	Non-executive Director
Wang Xiaobo	Non-executive Director
Feng Rong	Executive Director
Wang Dashu	Independent Non-executive Director
Zong Wenlong	Independent Non-executive Director
Feng Zhenping	Independent Non-executive Director
Li Xingchun	Independent Non-executive Director

Note: Mr. Gou Wei and Mr. Hao Bin ceased to serve as the Directors of the Company with effect from 27 January 2021.

The biographical details of the Directors are detailed in the section headed "Directors, Supervisors and Senior Management" in this annual report. No Directors have any personal relationships (including material/relevant relationships in terms of finance, business, family or otherwise) with any other Directors or chief executive of the Company. Directors (including non-executive Directors) of each session serve a term of three years, renewable upon re-election and reappointment. The term of office for independent non-executive Directors is renewable with a limit of six years. A Director who is elected to fill a temporary vacancy shall be elected by the shareholders at the first general meeting following his/her election, and his/her term of office shall be terminated upon re-election of Directors. A Director who is elected for the first time shall report to the Board his/her position as director or other roles in other companies or entities upon his/her election, and such reporting of relevant interests is updated annually. In the event that the Board considers that a conflict of interest exists for a Director or any of his/her associates when considering any resolution, such Director shall report such interest and abstain from voting.

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Directors of the Company received the following trainings with an emphasis related to the roles, functions and duties of a director of a listed company during the year ended 31 December 2020:

Name	Trainings (Note 1)
Wang Xuxiang (Note 2)	A
Ding Huande	A
Ni Shoumin	A, B
Peng Xingyu	A, B
Tian Hongbao (Note 2)	A
Luo Xiaoqian	A
Chen Haibin (Note 2)	A
Tao Yunpeng (Note 2)	A
Gou Wei (Note 2)	A
Hao Bin (Note 2)	A
Wang Xiaobo	A, B
Chen Cunlai (Note 2)	A
Feng Rong	A, B
Ding Huiping	A
Wang Chuanshun (Note 2)	A
Wang Dashu	A
Zong Wenlong	A
Feng Zhenping	A, B
Li Xingchun	A, B

Note 1:

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

Note 2:

Mr. Tian Hongbao ceased to be the Director of the Company with effect from 25 March 2020, Mr. Chen Haibin, Mr. Chen Cunlai, Mr. Ding Huiping and Mr. Wang Chuanshun ceased to be Directors of the Company with effect from 30 June 2020, Mr. Wang Xuxiang ceased to be the Director of the Company with effect from 28 October 2020, Mr. Guo Wei and Mr. Hao Bin ceased to be the Directors of the Company with effect from 27 January 2021.

The current Company Secretary has taken no less than 15 hours of relevant professional training for the year ended 31 December 2020.

CHAIRMAN AND GENERAL MANAGER

To improve independence, accountability and responsibility, the positions of the Chairman and General Manager of the Company are assumed by different individuals. During the reporting period, the position of Chairman was served by Mr. Wang Xuxiang (ceased to be the Chairman on 28 October 2020) and Mr. Ding Huande (served as the Chairman since 28 October 2020), respectively; the position of General Manager was served by Mr. Tian Hongbao (ceased to be the General Manager on 25 March 2020) and Mr. Luo Xiaoqian (served as the General Manager since 30 June 2020), respectively. As the legal representative of the Company, the Chairman presides over the Board, aiming to ensure that the Board acts in the best interest of the Company, operates effectively, duly fulfils its responsibilities and engages in discussion of important and appropriate matters, and to ensure Directors' access to accurate, timely and clear data. In addition, the Chairman appoints the Secretary to the Board to arrange for agenda of every Board meeting and consider any matter proposed by other Directors to be included in the agenda, thus ensuring that all Directors are properly briefed regarding matters discussed at the Board meeting and have the access to adequate and reliable data in due time. The Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors.

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

THE MANAGEMENT

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

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

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

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

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

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

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

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

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

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

BOARD MEETINGS

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

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

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

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

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

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

(5) when proposed by the Supervisory Committee; and

(6) when proposed by the General Manager.

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

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

Eleven Board meetings were held by the Company in the financial year from 1 January 2020 to 31 December 2020, the attendance of each Director at which is set out as follows:

Name	Position in the Company	Number of meetings actually attended (excluding by proxy)/number of meetings to attend
Wang Xuxiang	Former Chairman, Executive Director	9/9
Ding Huande	Chairman, Executive Director	2/2
Ni Shoumin	Vice Chairman, Non-executive Director	11/11
Peng Xingyu	Non-executive Director	6/6
Tian Hongbao	Former Vice Chairman, Executive Director	1/1
Luo Xiaoqian	Executive Director, General Manager	6/6
Chen Haibin	Former Non-executive Director	5/5
Tao Yunpeng	Former Non-executive Director	5/5
Gou Wei	Former Non-executive Director	11/11
Hao Bin	Former Non-executive Director	6/6
Wang Xiaobo	Non-executive Director	11/11
Chen Cunlai	Former Executive Director	5/5
Feng Rong	Executive Director	6/6
Ding Huiping	Former Independent Non-executive Director	5/5
Wang Chuanshun	Former Independent Non-executive Director	5/5
Wang Dashu	Independent Non-executive Director	11/11
Zong Wenlong	Independent Non-executive Director	11/11
Feng Zhenping	Independent Non-executive Director	6/6
Li Xingchun	Independent Non-executive Director	6/6

CORPORATE GOVERNANCE REPORT (CONTINUED)

One annual general meeting and one extraordinary general meeting were held by the Company in the financial year from 1 January 2020 to 31 December 2020, the attendance of each Director at which is set out as follows:

Name	Position in the Company	Number of meetings actually attended/ number of meetings to attend
Wang Xuxiang	Former Chairman, Executive Director	2/2
Ding Huande	Chairman, Executive Director	0/0
Ni Shoumin	Vice Chairman, Non-executive Director	2/2
Peng Xingyu	Non-executive Director	1/1
Tian Hongbao	Former Vice Chairman, Executive Director	0/0
Luo Xiaoqian	Executive Director, General Manager	1/1
Chen Haibin	Former Non-executive Director	0/1
Tao Yunpeng	Former Non-executive Director	0/1
Gou Wei	Former Non-executive Director	1/2
Hao Bin	Former Non-executive Director	1/1
Wang Xiaobo	Non-executive Director	2/2
Chen Cunlai	Former Executive Director	0/1
Feng Rong	Executive Director	1/1
Ding Huiping	Former Independent Non-executive Director	0/1
Wang Chuanshun	Former Independent Non-executive Director	0/1
Wang Dashu	Independent Non-executive Director	2/2
Zong Wenlong	Independent Non-executive Director	2/2
Feng Zhenping	Independent Non-executive Director	1/1
Li Xingchun	Independent Non-executive Director	0/1

Note: Mr. Wang Xuxiang, the former Chairman, attended and chaired the annual general meeting held by the Company on 30 June 2020 in person. Mr. Chen Haibin and Mr. Tao Yunpeng, former non-executive Directors, Mr. Chen Cunlai, a former executive Director, and Mr. Ding Huiping and Mr. Wang Chuanshun, former independent non-executive Directors, were unable to attend the annual general meeting held by the Company on 30 June 2020 due to their work commitments. Mr. Gou Wei, a former non-executive Director, and Mr. Li Xingchun, a former independent non-executive Director, were unable to attend the extraordinary general meeting held by the Company on 28 October 2020 due to their work commitments.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

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

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

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

After specific inquiries with all Directors and Supervisors, the Directors and Supervisors of the Company have complied with the relevant codes on securities transactions by Directors and Supervisors set out in the "Model Code" and the "Code on Trading of the Company's Securities by Directors (Supervisors) of Huadian Power International Corporation Limited" during the year ended 31 December 2020.

AUDIT COMMITTEE

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

The primary terms of reference of the Audit Committee include:

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

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

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

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

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

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

The terms of reference of the Audit Committee is published on the webpage of the Company at http://www.hdpi.com.cn/. The Audit Committee of the Company is chaired by independent non-executive Director Mr. Zong Wenlong, and is comprised of members including former non-executive Director Mr. Tao Yunpeng (ceased to be a member on 30 June 2020), non-executive Directors Mr. Peng Xingyu (served as member since 30 June 2020) and Mr. Wang Xiaobo, independent non-executive Directors Mr. Wang Dashu and Mr. Li Xingchun (served as members since 30 June 2020) and former independent non-executive Director Mr. Wang Chuanshun (ceased to be a member on 30 June 2020). They are responsible for the communication between the Company's internal and external auditors, supervision and examination while giving advice to the Board on audit, risk management, internal control and corporate governance. In particular, Mr. Zong Wenlong is an accounting professional.

The Audit Committee held four meetings respectively on 24 March, 30 June, 19 August and 28 October 2020, with the average attendance rate of 100%. All of the Directors of the committee attended all of the meetings in person instead of by proxy.

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

RISK MANAGEMENT AND INTERNAL CONTROL

Main Features of the Risk Management and Internal Control Systems

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

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

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

Process Used to Identify, Evaluate and Manage Major Risks

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

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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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

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

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

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

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

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

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

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

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

In 2020, the effectiveness assessment on risk management and internal control of the Company and its subsidiaries was conducted using the "Internal Control and Risk Management – A Basic Framework" issued by Hong Kong Institute of Certified Public Accountants as guidance, and in accordance with requirements of the "Standard Regulations on Corporate Internal Control" jointly issued by five PRC ministries and commissions including the Ministry of Finance of the PRC, specifically covering various material aspects including operational control, finance control, compliance control and risk management. Based on the assessment results, the Audit Committee of the Board prepared the draft 2020 assessment report on internal control which was approved on the eleventh meeting of the ninth session of the Board. The 2020 assessment report on internal control of the Board concluded that no material and important internal control defect was found from the assessment, and therefore confirmed that the Company has fully complied with provisions of risk management and internal control set out in the CG Code in 2020, and confirmed that the existing risk management and internal control systems of the Company was in line with the relevant PRC laws and requirements of securities regulators, and it could effectively perform the role of controlling and preventing in areas of major enterprise risks, serious management fraud and important procedures. The Board and the Audit Committee considered that the Company has adequate resources, qualification and experience of employees in accounting and financial reporting, and that the relevant employees have received adequate trainings, and the Company has adequate budget. The Company handled and disseminated the inside information according to the information disclosure management system and the stipulated procedures to ensure that inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made after obtaining the appropriate approval.

In 2020, the Company has performed its duties in accordance with the latest requirements of Hong Kong Listing Rules on risk management and internal control of listed companies. The Board considers that the risk management and internal control systems of the Group in 2020 was effective and adequate.

REMUNERATION AND APPRAISAL COMMITTEE

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

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

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

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

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

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

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

The terms of reference of the Remuneration and Appraisal Committee are published on the Company's webpage: http://www.hdpi.com.cn/. During the reporting period, the Remuneration and Appraisal Committee was chaired by independent non-executive Director Mr. Wang Dashu, and is comprised of members including former non-executive Director Mr. Gou Wei (ceased to be a member on 27 January 2021), non-executive Director Mr. Wang Xiaobo, independent non-executive Directors Mr. Zong Wenlong and Mr. Li Xingchun (served as members since 30 June 2020) and former independent non-executive Director Mr. Wang Chuanshun (ceased to be a member on 30 June 2020).

The Remuneration and Appraisal Committee held three meetings on 24 March, 30 June and 19 August 2020. All members of the committee were present at the meeting in person instead of by proxy. During the reporting period, the Remuneration and Appraisal Committee has passed the 2019 annual salaries of the executive Directors, the General Manager and other senior management members of the Company based on the appraised results, the 2019 annual salary scheme for the executive Directors and the General Manager of the Company and the 2019 work report of the Remuneration and Appraisal Committee, the resolution of election of the committee chairman and annual salary scheme for new General Managers.

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

ANNUAL SALARY SCHEME FOR THE DIRECTORS IN 2020

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2020 and to ensure completion of the annual missions of the Board, the Company linked the annual salary scheme for the Directors with the annual operating performance of the Company with reference to the Company's actual circumstances.

ANNUAL SALARY SCHEME FOR THE GENERAL MANAGER IN 2020

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2020 and to ensure completion of the annual plans of the Company, the Company linked the annual salary scheme for the General Manager of the Company with the annual operating performance of the Company with reference to the Company's actual circumstances.

Based on the Company's development strategies, external environmental changes, annual performance results, salary level of employees and other factors, and with reference to the salary level of the listed peers and the Company's actual circumstances, the Remuneration and Appraisal Committee determined the annual salary plan for the Directors and General Manager of the Company in 2020 in line with principles such as integration of incentives and constraints, priority to efficiency while giving considerations to impartiality, and combination of material and ideological incentives, subject to the approval of the shareholders or Board before implementation of such plan.

CORPORATE GOVERNANCE REPORT (CONTINUED)

MOTIVATION AND APPRAISAL METHODS FOR OTHER SENIOR MANAGEMENT IN 2020

In order to secure the accomplishment of the strategic targets in 2020 and to ensure completion of the annual missions of the Board, the Remuneration and Appraisal Committee formulated the motivation and assessment methods for other senior management members (including the Deputy General Managers, Chief Financial Officer and Secretary to the Board) of the Company in 2020 with reference to the Company's actual circumstances, and the annual salary scheme for the General Manager of the Company, and in line with the performance based and integration of incentives and constraints principles. The motivation and appraisal methods are carried out by the Remuneration and Appraisal Committee upon approval of the Board.

EMPLOYEE REMUNERATION POLICY FOR THE GROUP

As of 31 December 2020, the total number of employees of the Group amounted to 27,116. Consistently complying with State regulations, the Group determines the salary of the employees at various levels based on its economic benefits, and adheres to the concept of "identify talents through performance, select talents through competition and award talents through remuneration", thus establishing the objective, impartial, scientific and effective remuneration distribution mechanism and performance appraisal mechanism for its employees.

ALLOWANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In 2020, the Company paid each of the former independent non-executive Directors, namely, Mr. Ding Huiping and Mr. Wang Chuanshun, an independent Director's allowance of RMB70,000; each of the independent non-executive Directors, namely, Mr. Wang Dashu and Mr. Zong Wenlong, an independent Director's allowance of RMB140,000; each of the independent non-executive Directors, namely, Mr. Feng Zhenping and Mr. Li Xingchun, an independent Director's allowance of RMB70,000; the former independent Supervisor Mr. Zha Jianqiu an independent Supervisor's allowance of RMB60,000.

Remuneration (allowance) of Directors, Supervisors and senior management of the Company in 2020

Name	Position in the Company	Remuneration (allowance) *(RMB0'000)*
Wang Xuxiang	Former Chairman, Executive Director	–
Ding Huande	Chairman, Executive Director	–
Ni Shoumin	Vice Chairman, Non-executive Director	–
Peng Xingyu	Former Supervisor, Current Non-executive Director	–
Tian Hongbao	Former Vice Chairman, Executive Director, General Manager	21.85
Luo Xiaoqian	Executive Director, General Manager	51.58
Chen Haibin	Former Non-executive Director	–
Tao Yunpeng	Former Non-executive Director	–
Gou Wei	Former Non-executive Director	–
Hao Bin	Former Non-executive Director	–
Wang Xiaobo	Non-executive Director	–
Chen Cunlai	Former Executive Director, Vice General Manager	65.93
Feng Rong	Executive Director, Chief Financial Officer	77.58
Ding Huiping	Former Independent Non-executive Director	7
Wang Chuanshun	Former Independent Non-executive Director	7
Wang Dashu	Independent Non-executive Director	14
Zong Wenlong	Independent Non-executive Director	14
Feng Zhenping	Independent Non-executive Director	7
Li Xingchun	Independent Non-executive Director	7
Chen Wei	Chairman of the Supervisory Committee	–
Zha Jianqiu	Former Independent Supervisor	6
Yuan Yanan	Former Employee Supervisor	10.93
Ma Jing'an	Former Employee Supervisor, Current Supervisor	73.77
Zhang Peng	Employee Supervisor	35.88
Peng Guoquan	Vice General Manager	79.12
Chen Bin	Vice General Manager, General Legal Counsel	78.99
Zhang Gelin	Secretary to the Board, Company Secretary	71.62

Note: Above remuneration (allowance) are all before individual income tax.

NOMINATION COMMITTEE

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

In 2020, the Nomination Committee strictly implemented the nomination policy of the Company. The standards relating to the selection and recommendation of Director candidates include the Director's appropriate professional knowledge and background, personal ethics, as well as their time commitment. In order to achieve sustainable and balanced development, the Company will take into account many aspects concerning the diversity of members of the Board, including but not limited to gender, age, cultural and educational background, race, professional expertise, skills, knowledge and terms of service, when determining the composition of the Board.

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

The primary terms of reference of the Nomination Committee include:

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

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

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

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

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

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

During the reporting period, the Nomination Committee of the Company was chaired by former independent non-executive Director Mr. Ding Huiping (ceased to be a member on 30 June 2020) and currently by independent non-executive Director Mr. Feng Zhenpin (served as the chairman since 30 June 2020), and is comprised of members including former executive Director Mr. Tian Hongbao (ceased on 25 March 2020), executive Director Mr. Luo Xiaoqian (served as member since 30 June 2020), non-executive Director Mr. Wang Xiaobo, independent non-executive Directors Mr. Wang Dashu and Mr. Li Xingchun (served as members since 30 June 2020) and former independent non-executive Director Mr. Wang Chuanshun (ceased to be a member on 30 June 2020).

The Nomination Committee of the Board held six meetings on 24 March, 28 April, 12 May, 30 June, 11 September and 28 October 2020, and all of the members of the committee attended the meetings in person instead of by proxy. During the reporting period, the 2019 Work Report of the Nomination Committee and the proposals on recommendation on candidates of independent non-executive Directors, the re-election of the Board, the election of the committee chairman and the appointment of members of senior management such as General Manager were considered and approved by the Nomination Committee, and were submitted to the Board for consideration and approval.

CORPORATE GOVERNANCE REPORT (CONTINUED)

DIVIDEND DISTRIBUTION POLICY

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

On 25 March 2021, the Shareholders' Return Plan (2020-2022) was considered and approved at the 10th meeting of the ninth session of the Board by adhering to the principals of getting a reasonable return on investment for shareholders while maintaining the overall interest of all shareholders, the long-term prospect of the Company and reasonable capital needs, so as to implement a sustainable, stable and proactive profit distribution policy. In particular in 2020-2022, the profit distributed in cash by the Company in principle will not be less than 50% of the distributable profits achieved in the year as indicated in the consolidated statements, and the dividend per share will not be less than RMB0.2. Aforesaid Shareholders' Return Plan is subject to the approval of the Company's shareholders at the general meeting. For details, please refer to the announcement of the Company dated 25 March 2021.

AUDITORS

For the year ended 31 December 2020, the Company paid an aggregate of RMB9.60 million of audit service fees to its auditors, BDO Limited and BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership), including fees for audit of internal control provided by BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) to the Company. The audit service fees were considered by the Audit Committee and the Board and were approved at the annual general meeting of the Company.

SHAREHOLDERS' RIGHTS

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

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

INVESTOR RELATIONS

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

The previous annual general meeting of the Company was held in Beijing on 30 June 2020, at which the Chairman of the Board attended the meeting and answered questions. At the annual general meeting, each matter was put forward in form of a separate proposal and voted by way of poll.

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

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

Please refer to page 27 in this annual report for details of the amendments to the Articles of Association during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES AND PERFORMANCE

The Company complied with the "comply or explain" provisions set out in the Environmental, Social and Governance Reporting Guide in 2020. The information relating to the environmental, social and governance policies and performance of the Company in 2020 is set out in the Environmental, Social and Governance Report of the Company.

By Order of the Board
Huadian Power International Corporation Limited
Ding Huande
Chairman

Beijing, the PRC
30 March 2021

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

Ding Huande (Chairman, Executive Director), Ni Shoumin (Vice Chairman, Non-executive Director), Peng Xingyu (Non-executive Director), Luo Xiaoqian (Executive Director), Zhang Zhiqiang (Non-executive Director), Li Pengyun (Non-executive Director), Wang Xiaobo (Non-executive Director), Feng Rong (Executive Director), Wang Dashu (Independent Non-executive Director), Zong Wenlong (Independent Non-executive Director), Feng Zhenping (Independent Non-executive Director) and Li Xingchun (Independent Non-executive Director).

CORPORATE INFORMATION

CORPORATE INFORMATION

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

COMPANY PUBLICATIONS

The Company's 2020 annual report was published in April 2021. Copies of the annual report are available for inspection at:

PRC	Huadian Power International Corporation Limited No. 2 Xuanwumennei Street, Xicheng District, Beijing The People's Republic of China Tel: (8610)8356 7888 Fax: (8610)8356 7963
Hong Kong	Toppan Merrill Limited 8th Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong Tel: (852)2973-8600 Fax: (852)2877-9978

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Huadian Power International Corporation Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 54 to 130, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standard Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Refer to notes 17, 18 and 21 to the consolidated financial statements and the accounting policies on pages 61, 62, 63 and 66 to 67.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants

Amy, Yau Shuk Yuen
Practising certificate no. P06095

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 *RMB'000*	2019 *RMB'000*
Turnover	5	**89,382,243**	91,752,980
Operating expenses			
Fuel costs		**(41,394,152)**	(45,371,094)
Costs of coal sold		**(11,461,662)**	(11,689,111)
Depreciation and amortisation		**(11,759,219)**	(11,825,403)
Repairs, maintenance and inspection		**(3,940,470)**	(3,806,140)
Personnel costs	6	**(6,333,469)**	(5,995,775)
Administration expenses		**(3,300,386)**	(2,573,146)
Taxes and surcharges	7	**(1,099,224)**	(1,095,065)
Other operating expenses	11(b)	**(1,303,510)**	(1,181,516)
		(80,592,092)	(83,537,250)
Operating profit		**8,790,151**	8,215,730
Investment income	8	**45,120**	23,399
Other revenue	9	**1,039,567**	780,140
Other net income	9	**929,271**	760,294
Interest income from bank deposits		**100,078**	96,817
Fair value loss on financial assets at fair value through profit or loss		**(1,251)**	–
Fair value loss on financial liabilities at fair value through profit or loss		**–**	(9,690)
Finance costs	10	**(4,532,660)**	(5,262,693)
Share of results of associates and joint ventures		**521,557**	757,145
Profit before taxation	11(a)	**6,891,833**	5,361,142
Income tax	14	**(1,216,202)**	(1,036,440)
Profit for the year		**5,675,631**	4,324,702
Other comprehensive income for the year (net of tax):			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive income of investees accounted for under the equity method	15	**5,800**	22,375
Total comprehensive income for the year		**5,681,431**	4,347,077
Profit for the year attributable to:			
Equity holders of the Company		**4,166,756**	3,385,324
Non-controlling interests		**1,508,875**	939,378
		5,675,631	4,324,702
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**4,172,556**	3,406,951
Non-controlling interests		**1,508,875**	940,126
		5,681,431	4,347,077
Basic earnings per share	16(a)	**RMB0.329**	RMB0.288

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	17	**160,304,083**	159,729,585
Right-of-use assets	18	**7,533,405**	8,252,067
Construction in progress	19	**22,361,667**	16,657,612
Investment properties		**32,283**	32,752
Intangible assets	20	**4,163,741**	4,232,732
Goodwill	21	**1,233,366**	1,327,522
Interests in associates and joint ventures	22	**12,023,223**	11,776,604
Financial assets at fair value through profit or loss	23	**307,890**	279,439
Other non-current assets	24	**3,126,447**	2,661,438
Deferred tax assets	35(b)	**748,228**	614,436
		211,834,333	205,564,187
Current assets			
Inventories	26	**2,347,810**	3,222,936
Trade debtors and bills receivable	27	**11,719,443**	12,261,884
Deposits, other receivables and prepayments	28	**4,033,493**	4,475,544
Tax recoverable	35(a)	**76,775**	52,011
Restricted deposits	29	**180,624**	122,233
Cash and cash equivalents	30	**6,498,457**	6,465,560
		24,856,602	26,600,168
Current liabilities			
Bank loans	31(a)	**25,566,828**	29,454,795
Loans from shareholders	31(b)	**700,000**	400,000
State loans	31(c)	**1,926**	4,466
Other loans	31(d)	**3,245,524**	4,701,694
Short-term debentures payable	31(e)	**–**	3,541,337
Long-term debentures payable – current portion	31(f)	**1,996,838**	1,998,796
Amount due to the parent company		**42,337**	72,785
Lease liabilities	18	**641,932**	738,666
Trade creditors and bills payable	32	**17,490,945**	17,636,233
Other payables	33	**8,833,733**	8,184,037
Tax payable	35(a)	**625,496**	596,975
		59,145,559	67,329,784
Net current liabilities		**(34,288,957)**	(40,729,616)
Total assets less current liabilities		**177,545,376**	164,834,571

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Bank loans	31(a)	**50,490,648**	57,124,722
Loans from shareholders	31(b)	**6,007,768**	2,193,730
State loans	31(c)	**52,372**	52,881
Other loans	31(d)	**7,851,972**	5,252,197
Long-term debentures payable	31(f)	**10,495,397**	10,485,671
Lease liabilities	18	**1,175,083**	2,060,661
Long-term payables	34	**262,460**	313,791
Provisions	37	**236,717**	127,532
Deferred government grants	9	**1,569,874**	1,617,262
Deferred income	36	**3,028,195**	2,777,731
Deferred tax liabilities	35(b)	**1,966,243**	2,203,843
Retirement benefit obligations		**15,538**	16,907
		83,152,267	84,226,928
Net assets		**94,393,109**	80,607,643
Capital and reserves			
Share capital	38(b)	**9,862,977**	9,862,977
Perpetual capital securities	38(e)	**24,645,175**	16,129,055
Reserves	38(c)	**38,637,209**	36,609,706
Equity attributable to equity holders of the Company		**73,145,361**	62,601,738
Non-controlling interests		**21,247,748**	18,005,905
Total equity		**94,393,109**	80,607,643

The consolidated financial statements on pages 54 to 130 were approved and authorised for issue by the board of directors on 30 March 2021 and are signed on its behalf by:

Ding Huande
Director

Luo Xiaoqian
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company										
	Share capital RMB'000 (note 38(b))	Capital reserve RMB'000 (note 38(c)(i))	Statutory surplus reserve RMB'000 (note 38(c)(ii))	Discretionary surplus reserve RMB'000	Revaluation reserve RMB'000 (note 38(c)(iii))	Fair value reserve RMB'000 (note 38(c)(iv))	Retained profits RMB'000	Perpetual capital securities RMB'000 (note 38(e))	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019	9,862,977	14,883,689	3,309,073	68,089	44,726	(41,037)	15,894,850	9,108,775	53,131,142	15,110,722	68,241,864
Profit for the year	–	–	–	–	–	–	2,841,730	543,594	3,385,324	939,378	4,324,702
Other comprehensive income for the year (note 15)	–	–	–	–	–	21,627	–	–	21,627	748	22,375
Total comprehensive income for the year	–	–	–	–	–	21,627	2,841,730	543,594	3,406,951	940,126	4,347,077
Capital injection from non-controlling interests	–	138,394	–	–	–	–	–	–	138,394	2,289,634	2,428,028
Addition from business combination	–	–	–	–	–	–	–	–	–	108,923	108,923
Issue of perpetual capital securities	–	–	–	–	–	–	–	6,988,156	6,988,156	–	6,988,156
Dividends recognised as distribution (note 38(a))	–	–	–	–	–	–	(650,956)	–	(650,956)	–	(650,956)
Dividends declared to non-controlling interests	–	–	–	–	–	–	–	–	–	(453,863)	(453,863)
Distributions payable to holders of perpetual capital securities (note 38(e))	–	–	–	–	–	–	–	(511,470)	(511,470)	–	(511,470)
Appropriation of general reserve	–	–	233,332	–	–	–	(233,332)	–	–	–	–
Appropriation of specific reserve	–	–	172,721	–	–	–	(172,721)	–	–	–	–
Utilisation of specific reserve	–	–	(143,279)	–	–	–	143,279	–	–	–	–
Others	–	127,561	–	–	–	–	(28,040)	–	99,521	10,363	109,884
Balance at 31 December 2019 and 1 January 2020	**9,862,977**	**15,149,644**	**3,571,847**	**68,089**	**44,726**	**(19,410)**	**17,794,810**	**16,129,055**	**62,601,738**	**18,005,905**	**80,607,643**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**3,248,895**	**917,861**	**4,166,756**	**1,508,875**	**5,675,631**
Other comprehensive income for the year (note 15)	**–**	**–**	**–**	**–**	**–**	**5,800**	**–**	**–**	**5,800**	**–**	**5,800**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**5,800**	**3,248,895**	**917,861**	**4,172,556**	**1,508,875**	**5,681,431**
Capital injection from non-controlling interests	**–**	**215,181**	**–**	**–**	**–**	**–**	**–**	**–**	**215,181**	**3,076,130**	**3,291,311**
Issue of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8,492,665**	**8,492,665**	**–**	**8,492,665**
Dividends recognised as distribution (note 38(a))	**–**	**–**	**–**	**–**	**–**	**–**	**(1,439,995)**	**–**	**(1,439,995)**	**–**	**(1,439,995)**
Dividends declared to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,344,863)**	**(1,344,863)**
Distributions payable to holders of perpetual capital securities (note 38(e))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(894,406)**	**(894,406)**	**–**	**(894,406)**
Appropriation of general reserve	**–**	**–**	**430,478**	**–**	**–**	**–**	**(430,478)**	**–**	**–**	**–**	**–**
Appropriation of specific reserve	**–**	**–**	**151,401**	**–**	**–**	**–**	**(151,401)**	**–**	**–**	**–**	**–**
Utilisation of specific reserve	**–**	**–**	**(175,906)**	**–**	**–**	**–**	**175,906**	**–**	**–**	**–**	**–**
Others	**–**	**244**	**–**	**–**	**–**	**–**	**(2,622)**	**–**	**(2,378)**	**1,701**	**(677)**
31 December 2020	**9,862,977**	**15,365,069**	**3,977,820**	**68,089**	**44,726**	**(13,610)**	**19,195,115**	**24,645,175**	**73,145,361**	**21,247,748**	**94,393,109**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 *RMB'000*	2019 *RMB'000*
Cash flows from operating activities			
Cash received from customers and others		**107,005,134**	107,257,210
Cash paid to suppliers, employees and others		**(80,173,145)**	(84,736,509)
Cash generated from operations		**26,831,989**	22,520,701
Interest paid		**(4,962,571)**	(5,831,237)
PRC enterprise income tax paid	35(a)	**(1,583,837)**	(1,143,820)
Net cash generated from operating activities		**20,285,581**	15,545,644
Cash flows from investing activities			
Payment of purchase of property, plant and equipment, construction in progress, investment properties and intangible assets		**(18,653,784)**	(15,089,119)
Net cash outflow for the acquisition of subsidiaries		**–**	(368,282)
Proceeds from disposal of associates	22(d)	**190,387**	–
Payment of investments in associates		**(138,462)**	(186,545)
Increase in other long-term receivables		**(96,412)**	(73,408)
Payment of purchase of financial assets at fair value through profit or loss		**(29,702)**	(12,300)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	3,553
Interest received		**105,338**	111,674
Withdrawal of restricted deposits		**57,390**	17,428
Placement of restricted deposits		**(115,781)**	(99,862)
Dividends received		**459,325**	302,922
Other investing activities		**170,819**	229,006
Net cash used in investing activities		**(18,050,882)**	(15,164,933)
Cash flows from financing activities			
Debentures			
– Net proceeds from debentures		**3,800,000**	21,499,800
– Repayment of debentures		**(7,300,000)**	(22,600,000)
Loans			
– Proceeds from loans		**61,849,206**	53,439,069
– Repayment of loans		**(68,040,475)**	(59,924,935)
Lease liabilities			
– Repayment of principal portion of the lease liabilities		**(1,109,751)**	(810,201)
Bills financing			
– Proceeds from bank acceptance bills discounted		**1,000,313**	1,284,504
– Repayment of bank acceptance bills		**(1,088,025)**	(1,108,000)
Capital injection from non-controlling interests		**3,257,469**	2,428,028
Issue of perpetual capital securities		**8,500,000**	7,000,000
Dividends paid to non-controlling interests		**(853,170)**	(566,183)
Dividends distribution		**(1,439,995)**	(650,956)
Dividends paid to holders of perpetual capital securities		**(734,080)**	(442,730)
Other financing activities		**(43,294)**	(101,873)
Net cash used in financing activities		**(2,201,802)**	(553,477)
Net increase/(decrease) in cash and cash equivalents		**32,897**	(172,766)
Cash and cash equivalents at beginning of the year		**6,465,560**	6,638,326
Cash and cash equivalents at end of the year	30	**6,498,457**	6,465,560

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. BACKGROUND OF THE COMPANY

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Group and its interests in associates and joint ventures.

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests

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

– has power over the investee;

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

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

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

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

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

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

– rights arising from other contractual arrangements; and

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Business combination

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

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

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

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

(e) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases

As a lessee

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

(i) Right-of-use asset

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

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

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

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

(ii) Lease liability

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

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

(i) fixed payments less any lease incentives receivable:

(ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;

(iii) amounts expected to be payable by the lessee under residual value guarantees;

(iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and

(v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

(i) increasing the carrying amount to reflect interest on the lease liability;

(ii) reducing the carrying amount to reflect the lease payments made; and

(iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

(iii) Sale and leaseback transaction

The Group acts as a seller-lessee

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Construction in progress

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

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

(h) Investment property

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

(i) Goodwill

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

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

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

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

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

(j) Intangible assets (other than goodwill)

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

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

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

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

Both the period and method of amortisation are reviewed annually.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Interests in associates and joint ventures

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

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

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Other investments in securities

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

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

Investments other than equity securities

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

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

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

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

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

Equity securities

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets

(i) Impairment of financial assets

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

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

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

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

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

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

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

For other financial assets measured at amortised cost, the ECLs are based on the lifetime ECLs as there has been a significant increase in credit risk since origination.

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Impairment of assets *(Continued)*

(ii) Impairment of other assets

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

– property, plant and equipment;

– right-of-use assets;

– construction in progress;

– investment properties;

– intangible assets;

– goodwill;

– interests in associates and joint ventures; and

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

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

– **Calculation of recoverable amount**

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

– **Recognition of impairment losses**

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

– **Reversals of impairment losses**

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

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

(n) Inventories

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

Bills receivable is initially recognised at fair value and thereafter stated at fair value through other comprehensive income. Subsequent changes in the carrying amounts of bills receivable as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables, if any, are recognised in other comprehensive income and accumulated under fair value reserve. Impairment allowances (see note 2(m)(i)) are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these receivables had been measured at amortised cost. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

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

(p) Cash and cash equivalents

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

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

(q) Financial liabilities and equity instruments

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

(i) Equity instruments

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

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

(ii) Other financial liabilities

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

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

(r) Derecognition of financial assets or financial liabilities

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

(ii) Provision and contingent liabilities

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

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

(t) Revenue recognition

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

(i) Electricity Income

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

(ii) Heat Income

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

(iii) Sale of coal

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

(iv) Other income

Dividend income

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

Interest income

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

Government grants

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

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

Upfront installation fees

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

(u) Translation of foreign currencies

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Income tax

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

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

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

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

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

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

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

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

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

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

  - the same taxable entity; or

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

(w) Borrowing costs

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Employee benefits

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

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

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

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

(ii) Termination benefits

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

(y) Research expenditure

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

(z) Related parties

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

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

(ii) has signification influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(aa) Segment reporting

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

(ab) Dividends

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

(ac) Contract liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

(a) Adoption of new or revised IFRSs – effective on 1 January 2020

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

None of the new or revised standards and interpretation have had material effect on the Group's accounting policies. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to IAS 1 and IAS 8 – Definition of Material
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to IFRS 3 – Definition of a Business
The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

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

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

Amendments to IFRS 7, IFRS 9 and IAS 39 – Interest Rate Benchmark Reform
The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

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

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

Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IFRS 3	Reference to the Conceptual Framework[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to IFRS 9 – Financial Instruments	As part of the Annual Improvements to IFRSs 2018-2020[3]
Amendments to IFRS 16 – Leases	As part of the Annual Improvements to IFRSs 2018-2020[3]

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 business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
5. Effective for annual periods beginning on or after 1 January 2023.
6. The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

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

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC-Int 21 Levies, the acquirer applies IFRIC-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendment to IFRS 16 – Covid-19-Related Rent Concessions

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

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

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

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "**Reform**"). The amendments complement those issued in September 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

Annual Improvements to IFRSs 2018-2020 – Amendments to IFRS 9 – Financial Instruments

The amendments clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

Annual Improvements to IFRSs 2018-2020 – Amendments to IFRS 16 – Leases

Amendments are made on Illustrative Example 13 of the standard to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company do not anticipate that the application of the amendments above in the future will have a material impact on the financial statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(a) Impairment for non-current assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

(b) Provision for ECLs on trade and other receivables

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

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

(c) Depreciation and amortisation

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

(d) Deferred tax assets

As disclosed in note 35(b), a deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The Group uses all readily available information which includes reasonable and supportable assumptions and projections of sales volume, tariff and relevant operating costs to estimate whether there will be sufficient available future taxable profits to utilise deductible temporary differences. Any significant change in estimates would result in adjustment in the amount of deferred tax assets and income tax in future years.

(e) Incremental borrowing rate

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

(f) Provision on remediation costs

As disclosed in note 37, the estimation of the liabilities for mine disposal and environmental restoration involves the estimates of the amount and timing of future cash outflows as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including the size of mining area, future production development plan and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

5. TURNOVER

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

	2020	2019
	RMB'000	*RMB'000*
Sale of electricity	**70,185,438**	73,200,382
Sale of heat	**6,656,108**	5,710,507
Sale of coal	**12,540,697**	12,842,091
	89,382,243	91,752,980

In 2020, there are two (2019: two) customers whose sale has exceeded 10% of the Group's revenue, and revenue from sale of electricity to these customers, including sale to entities which are known to the Group to be under common control of these customers, amounted to approximately RMB34,835 million (2019: RMB39,110 million). Details of concentration of credit risk arising from the customers is set out in note 43(b).

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

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

	2020	2019
	RMB'000	*RMB'000*
Trade debtors and bills receivable (note 27)	**11,719,443**	12,261,884
Contract liabilities (note 33)	**1,939,642**	1,757,069

The contract liabilities mainly relate to the advance consideration received from customers in relating to sale of heat and coal. RMB1,748 million (2019: RMB1,355 million) of the contract liabilities as of 31 December 2019 has been recognised as revenue for the year ended 31 December 2020 from performance obligations satisfied.

6. PERSONNEL COSTS

	2020	2019
	RMB'000	*RMB'000*
Wages, welfare and other benefits	**4,608,664**	4,053,150
Retirement costs (note 40)	**690,459**	962,575
Other staff costs	**1,034,346**	980,050
	6,333,469	5,995,775

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

7. TAXES AND SURCHARGES

During the year, taxes and surcharges of the Group with the amount of RMB1,099 million (2019: RMB1,095 million) mainly represent city maintenance and construction tax, education surcharge, urban land use tax, real estate tax and other taxes and surcharges.

8. INVESTMENT INCOME

	2020	2019
	RMB'000	*RMB'000*
Gain on loss of control of a subsidiary	**616**	–
Gain on disposal of equity interest in associates (note 22(d))	**69,880**	–
Dividend income from financial assets measured at FVPL	**9,128**	7,500
Interest on loans and receivables	**15,278**	15,076
Loss on disposal of financial assets measured at FVOCI	**(49,782)**	–
Gain on deemed acquisition of a subsidiary	**–**	576
Gain on disposal of financial assets measured at FVPL	**–**	247
	45,120	23,399

9. OTHER REVENUE AND NET INCOME

	2020	2019
	RMB'000	*RMB'000*
Other revenue		
Government grants (note(i))	**358,260**	455,061
Revenue from upfront installation fees for heating networks (note 36)	**211,487**	177,155
Others (note(ii))	**469,820**	147,924
	1,039,567	780,140
Other net income		
Net income on disposal of property, plant and equipment	**59,274**	29,075
Net income from sale of materials	**1,135,770**	924,200
Others	**(265,773)**	(192,981)
	929,271	760,294

Note:

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

In addition, for grants related to assets, such grants have been deferred and released to profit or loss in accordance with the useful lives of the related assets. In 2020, the Group received such grants amounting to RMB203 million (2019: RMB145 million), and the amount released to profit or loss is RMB111 million (2019: RMB136 million).

(ii) Others for the year ended 31 December 2020 include non-recurring income amounting to RMB264 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

10. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on loans and other financial liabilities	**4,725,017**	5,327,747
Less: interest capitalised	**(400,938)**	(515,421)
	4,324,079	4,812,326
Net foreign exchange (gain)/loss	**(767)**	1,299
Interest on lease liabilities	**95,783**	143,733
Other finance costs	**113,565**	305,335
	4,532,660	5,262,693

The borrowing costs have been capitalised at an average rate of 4.32% per annum (2019: 4.60%) for construction in progress.

11. PROFIT BEFORE TAXATION

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

	2020 RMB'000	2019 RMB'000
Amortisation		
– Intangible assets	**269,357**	275,277
Depreciation		
– Property, plant and equipment	**11,089,213**	11,077,444
– Right-of-use assets	**400,180**	472,603
– Investment properties	**469**	79
Total amortisation and depreciation	**11,759,219**	11,825,403
Auditor's remuneration	**9,600**	9,500
Cost of inventories expensed	**56,796,284**	61,465,695
Impairment losses included in administration expenses		
– Trade debtors and bills receivable	**15,042**	34,831
– Deposits, other receivables and prepayments	**56,796**	116,553
– Inventories	**21,164**	34,532
– Construction in progress	**11,999**	68,272
– Property, plant and equipment	**1,476,924**	573,250
– Intangible assets	**–**	562
– Goodwill	**94,156**	105,280
Reversal of impairment losses		
– Trade debtors and bills receivable	**(303)**	(8)
– Deposits, other receivables and prepayments	**(22,322)**	(220)
– Inventories	**(57)**	(19)
Expense relating to short-term leases	**46,204**	49,102
Research and development costs	**28,224**	20,747

(b) Other operating expenses:

	2020 RMB'000	2019 RMB'000
Heating	**376,978**	370,800
Power charges	**457,668**	402,742
Water charges	**368,877**	370,930
Environmental restoration expenses	**78,722**	30,353
Other expense relating to short-term leases	**21,265**	6,691
Total other operating expenses	**1,303,510**	1,181,516

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

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

2020	Directors' and Supervisors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits RMB'000	Bonuses RMB'000	Total RMB'000
Executive directors					
Tian Hongbao (note i)	–	87	15	117	219
Chen Cunlai (note ii)	–	264	44	351	659
Wang Xuxiang (note iii)	–	–	–	–	–
Ding Huande (note iv)	–	–	–	–	–
Feng Rong (note v)	–	311	53	412	776
Luo Xiaoqian (note vi)	–	203	40	273	516
Non-executive directors					
Gou Wei (note vii)	–	–	–	–	–
Wang Xiaobo	–	–	–	–	–
Ni Shoumin	–	–	–	–	–
Chen Haibin (note viii)	–	–	–	–	–
Tao Yunpeng (note ix)	–	–	–	–	–
Hao Bin (note x)	–	–	–	–	–
Peng Xingyu (note xi)	–	–	–	–	–
Zhang Zhiqiang (note xii)	–	–	–	–	–
Li Pengyun (note xiii)	–	–	–	–	–
Independent non-executive directors					
Ding Huiping (note xiv)	–	70	–	–	70
Wang Dashu	–	140	–	–	140
Zong Wenlong	–	140	–	–	140
Wang Chuanshun (note xv)	–	70	–	–	70
Feng Zhenping (note xvi)	–	70	–	–	70
Li XingChun (note xvii)	–	70	–	–	70
Supervisors					
Peng Xingyu (note xviii)	–	–	–	–	–
Yuan Yanan (note xix)	–	44	9	56	109
Zha Jianqiu (note xx)	–	60	–	–	60
Ma Jingan	–	296	53	389	738
Chen Wei	–	–	–	–	–
Zhang Peng (note xxi)	–	144	28	187	359
	–	1,969	242	1,785	3,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

Notes:

(i) Mr. Tian Hongbao resigned as executive director on 25 March 2020.

(ii) Mr. Chen Cunlai resigned as executive director on 30 June 2020.

(iii) Mr. Wang Xuxiang resigned as executive director on 28 October 2020.

(iv) Mr. Ding Huande was appointed as executive director on 28 October 2020.

(v) Mr. Feng Rong was appointed as executive director on 30 June 2020.

(vi) Mr. Luo Xiaoqian was appointed as executive director on 30 June 2020.

(vii) Mr. Gou Wei resigned as non-executive director on 27 January 2021.

(viii) Mr. Chen Haibin resigned as non-executive director on 30 June 2020.

(ix) Mr. Tao Yunpeng resigned as non-executive director on 30 June 2020.

(x) Mr. Hao Bin was appointed as non-executive director on 30 June 2020 and resigned as non-executive director on 27 January 2021.

(xi) Mr. Peng Xingyu was appointed as non-executive director on 30 June 2020.

(xii) Mr. Zhang Zhiqiang was appointed as non-executive director on 27 January 2021.

(xiii) Mr. Li Pengyun was appointed as non-executive director on 27 January 2021.

(xiv) Mr. Ding Huiping resigned as independent non-executive director on 30 June 2020.

(xv) Mr. Wang Chuanshun resigned as independent non-executive director on 30 June 2020.

(xvi) Mr. Feng Zhenping was appointed as independent non-executive director on 30 June 2020.

(xvii) Mr. Li XingChun was appointed as independent non-executive director on 30 June 2020.

(xviii) Mr. Peng Xingyu resigned as supervisor on 8 May 2020.

(xix) Ms. Yuan Yanan resigned as supervisor on 30 June 2020.

(xx) Mr. Zha Jianqiu resigned as supervisor on 30 June 2020.

(xxi) Mr. Zhang Peng was appointed as supervisor on 30 June 2020.

(xxii) No directors, supervisors, or the chief executive of the Company waived any remuneration in 2020 (2019: Nil), and their emoluments shown above were mainly for their services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

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

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

Notes:

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five (2019: five) highest paid employees of the Group during the year included one director (2019: two directors), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining four (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 *RMB'000*	2019 *RMB'000*
Salaries and other emoluments	**1,217**	936
Retirement benefits	**213**	167
Bonuses	**1,605**	1,296
	3,035	2,399

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

	2020 *Number of Individuals*	2019 *Number of Individuals*
Nil – Hong Kong Dollars ("**HK$**") 1,000,000	**4**	3

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

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

	2020 *RMB'000*	2019 *RMB'000*
Current tax (note 35(a))		
Charge for PRC enterprise income tax for the year	**1,574,744**	1,374,200
Under provision in respect of prior years	**12,850**	7,024
	1,587,594	1,381,224
Deferred tax (note 35(b))		
Origination and reversal of temporary differences and tax losses	**(371,392)**	(344,784)
Total income tax expense in the consolidated statement of profit or loss and other comprehensive income	**1,216,202**	1,036,440

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

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

	2020 ***RMB'000***	2019 *RMB'000*
Profit before taxation	**6,891,833**	5,361,142
Notional PRC enterprise income tax expense at a statutory tax rate of 25% (2019: 25%)	**1,722,958**	1,340,286
Tax effect of non-deductible expenses	**82,966**	39,905
Tax effect of non-taxable income	**(6,100)**	(4,189)
Preferential tax rate on subsidiaries' profit or loss (note (a))	**(204,470)**	(196,814)
Tax credit (note (b))	**(40,613)**	(242,130)
Tax effect of share of results of associates and joint ventures	**(130,389)**	(189,286)
Tax effect of tax losses and deductible temporary differences not recognised	**250,077**	359,474
Utilisation of tax losses and deductible temporary differences previously not recognised	**(471,077)**	(77,830)
Under provision in respect of prior years	**12,850**	7,024
	1,216,202	1,036,440

Notes:

(a) The charge for PRC enterprise income tax is calculated at the statutory rate of 25 % (2019: 25%) on the estimated assessable profit or loss for the year determined in accordance with relevant enterprise income tax rules and regulations, except for certain subsidiaries of the Company, which are tax exempted or taxed at preferential rates of 7.5%, 12.5% or 15% (2019: 7.5%, 12.5% or 15%).

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

15. OTHER COMPREHENSIVE INCOME

	2020 ***RMB'000***	2019 *RMB'000*
Share of other comprehensive income of investees accounted for under the equity method	**5,800**	22,375
Other comprehensive income, net of income tax	**5,800**	22,375

16. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2020 ***RMB'000***	2019 *RMB'000*
Profit attributable to equity holders of the Company	**4,166,756**	3,385,324
Less: Profit attributable to holders of perpetual capital securities (note 38(e))	**(917,861)**	(543,594)
Profit attributable to equity shareholders	**3,248,895**	2,841,730
Weighted average number of ordinary shares in issue	**9,862,976,653**	9,862,976,653
Basic earnings per share (RMB)	**0.329**	0.288

(b) Diluted earnings per share

No diluted earnings per share was presented as there were no potential ordinary shares outstanding during the years ended 31 December 2020 and 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Generators, machinery and equipment RMB'000	Mining structures and mining rights RMB'000	Motor vehicles, furniture, fixtures, equipment and others RMB'000	Total RMB'000
Cost					
At 1 January 2019 as originally presented	61,673,575	156,948,654	10,860,002	4,902,483	234,384,714
Initial application of IFRS 16	–	(5,806,534)	–	–	(5,806,534)
Restated balances as at 1 January 2019	61,673,575	151,142,120	10,860,002	4,902,483	228,578,180
Additions	288,993	3,376,031	832	141,713	3,807,569
Transferred from construction in progress (note 19)	5,537,445	16,084,195	–	1,573,083	23,194,723
Disposals/write-offs	(317,618)	(1,343,783)	(201,734)	(301,525)	(2,164,660)
At 31 December 2019 and 1 January 2020	**67,182,395**	**169,258,563**	**10,659,100**	**6,315,754**	**253,415,812**
Additions	**15,739**	**999,265**	**40,678**	**133,446**	**1,189,128**
Transferred from construction in progress (note 19)	**2,997,464**	**8,906,969**	**–**	**690,418**	**12,594,851**
Disposals/write-offs	**(109,093)**	**(1,391,657)**	**(487,426)**	**(237,889)**	**(2,226,065)**
At 31 December 2020	**70,086,505**	**177,773,140**	**10,212,352**	**6,901,729**	**264,973,726**
Accumulated depreciation and impairment					
At 1 January 2019 as originally presented	17,153,321	61,445,473	3,665,029	2,538,547	84,802,370
Initial application of IFRS 16	–	(1,247,253)	–	–	(1,247,253)
Restated balances as at 1 January 2019	17,153,321	60,198,220	3,665,029	2,538,547	83,555,117
Charge for the year	2,149,722	7,950,782	118,844	858,096	11,077,444
Disposals	(247,292)	(953,414)	(172,299)	(146,579)	(1,519,584)
Impairment loss (note (i))	17,226	89,558	452,712	13,754	573,250
At 31 December 2019 and 1 January 2020	**19,072,977**	**67,285,146**	**4,064,286**	**3,263,818**	**93,686,227**
Charge for the year	**2,396,467**	**7,807,982**	**131,493**	**753,271**	**11,089,213**
Disposals	**(72,950)**	**(865,400)**	**(416,305)**	**(228,066)**	**(1,582,721)**
Impairment loss (note (i))	**10,671**	**151,991**	**1,304,223**	**10,039**	**1,476,924**
At 31 December 2020	**21,407,165**	**74,379,719**	**5,083,697**	**3,799,062**	**104,669,643**
Net Book value					
At 31 December 2020	**48,679,340**	**103,393,421**	**5,128,655**	**3,102,667**	**160,304,083**
At 31 December 2019	48,109,418	101,973,417	6,594,814	3,051,936	159,729,585

Notes:

(i) Impairment loss

Each power generation plant or coal mining company constitutes a CGU. During the current year, the management assessed the carrying value of the property, plant and equipment and goodwill related to power generation plants, after taking into account the Group's future power generation operating plans and the outlook for the industry. In addition, in the assessment of the carrying value of the property, plant and equipment related to coal mining companies, affected by changes in the external market, such as the pandemic of Covid-19, the coal production and operation efficiency of the Group was lower than expected during the current year. Based on the impairment testing results, the carrying value of property, plant and equipment of the Group were impaired by RMB1,477 million (2019: RMB573 million), with impairment losses recognised accordingly.

The recoverable amount of the relevant CGUs had been determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts prepared by the management covering a five-year period (2019: five-year period). Cash flows beyond the five-year period are projected using zero growth rates (2019: zero growth rates). The cash flows are discounted using a discount rate from 7.88% to 12.11% (2019: 8.17%). The discount rates used are pre-tax and reflect specific risks relating to the relevant group of assets.

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

(ii) Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's property, plant and equipment, which had an aggregate net book value of RMB3,159 million as at 31 December 2020 (2019: RMB5,208 million).

(iii) At 31 December 2020, the carrying value of property, generators and related machinery of property, plant and equipment held as collateral of the sales and leaseback agreement signed by the Group for financing purposes (note 31(d)) during the year was RMB1,103 million (2019: RMB786 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

18. LEASE

The Group as a lessee

The Group has lease contracts for various items of buildings, generators, machinery and equipment, land use rights, sea use right and motor vehicles were used in its operations. Leases of buildings, generators, machinery and equipment generally have lease terms between 6 months and 45 years (2019: between 6 months and 45 years), while land use rights and sea use right generally have lease terms between 10 and 70 years (2019: between 10 and 70 years). For motor vehicles, generally have lease terms of 12 months or less as at 31 December 2020 and 2019. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	2020 RMB'000	2019 RMB'000
Buildings	**86,077**	119,174
Generators, machinery and equipment	**1,935,145**	2,677,843
Land use rights and sea use right	**5,512,183**	5,454,964
Motor vehicles, furniture, fixtures, equipment and others	**–**	86
Total	**7,533,405**	8,252,067

Additions to the right-of-use assets during the year ended 31 December 2020 were RMB269,266,000. (2019: RMB573,979,000).

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

	2020 RMB'000	2019 RMB'000
Buildings	**62,881**	57,323
Generators, machinery and equipment	**177,178**	259,176
Land use rights and sea use right	**160,105**	155,951
Motor vehicles, furniture, fixtures, equipment and others	**16**	153
Total	**400,180**	472,603

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**2,799,327**	3,408,478
New leases	**118,518**	145,072
Interest recognised during the year	**95,783**	143,733
Payments	**(1,196,613)**	(897,956)
Carrying amount at 31 December	**1,817,015**	2,799,327
Analysed into:		
Current portion	**641,932**	738,666
Non-current portion	**1,175,083**	2,060,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

18. LEASE *(Continued)*

(b) Lease liabilities *(Continued)*

Future lease payments are due as follows:

	Minimum lease payments At 31 December 2020 *RMB'000*	Interest At December 2020 *RMB'000*	Present value At 31 December 2020 *RMB'000*
Not later than one year	**695,705**	**53,773**	**641,932**
Later than one year and not later than two years	**348,440**	**49,216**	**299,224**
Later than two years and not later than five years	**577,426**	**79,703**	**497,723**
Later than five years	**457,541**	**79,405**	**378,136**
	2,079,112	**262,097**	**1,817,015**

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

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

	2020 *RMB'000*	2019 *RMB'000*
Interest on lease liabilities	**95,783**	143,733
Depreciation charge of right-of-use assets	**400,180**	472,603
Expense relating to short-term leases	**67,469**	55,793
Total amount recognised in profit or loss	**563,432**	672,129

The total cash outflow for leases for the year ended 31 December 2020 was RMB1,264,082,000 (2019: RMB953,749,000).

19. CONSTRUCTION IN PROGRESS

	2020 *RMB'000*	2019 *RMB'000*
At 1 January	**16,657,612**	26,415,047
Additions	**18,310,905**	13,505,560
Transferred to property, plant and equipment (note 17)	**(12,594,851)**	(23,194,723)
Impairment loss (note)	**(11,999)**	(68,272)
At 31 December	**22,361,667**	16,657,612

Note:

During the current year, certain projects of the Group were identified that they have no economic value for further development or the likelihood to obtain preliminary approval by the National Development and Reform Commission or its local agencies is remote. As a result, the carrying amount of related preliminary projects of RMB12 million (2019: RMB68.3 million) was fully impaired as at 31 December 2020. In addition, amounting to RMB13.2 million of certain preliminary projects which had been fully impaired was written off in 2020 (2019: RMB16.6 million). As of 31 December 2020, the accumulated impairment loss of construction in progress was RMB364 million (2019: RMB365 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

20. INTANGIBLE ASSETS

	Land use rights RMB'000	Concession assets RMB'000 (note 25)	Development right of hydropower RMB'000	Others RMB'000	Total RMB'000
Cost					
At 1 January 2019 as originally presented	1,482,328	3,693,868	1,382,954	755,289	7,314,439
Initial application of IFRS 16	(1,482,328)	–	–	(77,208)	(1,559,536)
Restated balances as at 1 January 2019	–	3,693,868	1,382,954	678,081	5,754,903
Additions	–	–	–	255,888	255,888
Disposals	–	(11,815)	–	(37,626)	(49,441)
At 31 December 2019 and 1 January 2020	**–**	**3,682,053**	**1,382,954**	**896,343**	**5,961,350**
Additions	**–**	**68,099**	**–**	**143,280**	**211,379**
Disposals	**–**	**(927)**	**–**	**(11,439)**	**(12,366)**
At 31 December 2020	**–**	**3,749,225**	**1,382,954**	**1,028,184**	**6,160,363**
Accumulated amortisation					
At 1 January 2019 as originally presented	–	1,217,942	–	252,781	1,470,723
Initial application of IFRS 16	–	–	–	(10,418)	(10,418)
Restated balances as at 1 January 2019	–	1,217,942	–	242,363	1,460,305
Charge for the year	–	154,884	5,700	114,693	275,277
Disposals	–	–	–	(7,526)	(7,526)
Impairment loss	–	562	–	–	562
At 31 December 2019 and 1 January 2020	**–**	**1,373,388**	**5,700**	**349,530**	**1,728,618**
Charge for the year	**–**	**155,284**	**11,249**	**102,824**	**269,357**
Disposals	**–**	**(927)**	**–**	**(426)**	**(1,353)**
At 31 December 2020	**–**	**1,527,745**	**16,949**	**451,928**	**1,996,622**
Net Book value					
At 31 December 2020	**–**	**2,221,480**	**1,366,005**	**576,256**	**4,163,741**
At 31 December 2019	–	2,308,665	1,377,254	546,813	4,232,732

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

21. GOODWILL

	2020 RMB'000	2019 RMB'000
Cost		
At 1 January	**1,448,813**	1,448,813
Addition	**–**	–
At 31 December	**1,448,813**	1,448,813
Impairment		
At 1 January	**121,291**	16,011
Impairment loss	**94,156**	105,280
At 31 December	**215,447**	121,291
Net book value		
At 31 December	**1,233,366**	1,327,522

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

	2020 RMB'000	2019 RMB'000
Laicheng Power Plant	**–**	19,031
Huadian Weifang Power Generation Company Limited	**20,845**	20,845
Hebei Huadian Shijiazhuang Thermal Power Company Limited	**99,946**	99,946
Hangzhou Huadian Banshan Power Generation Company Limited	**59,322**	59,322
Hebei Huarui Energy Group Corporation Limited	**38,491**	38,491
Huadian Longkou Power Generation Company Limited	**327,420**	327,420
Shaoguan Pingshi Power Plant Company Limited (Plant B)	**163,055**	235,096
Lixian Star River Hydropower Company Limited	**89,184**	89,184
Hebei Huadian Kangbao Power Generation Company Limited	**–**	3,062
Hubei Power Generation (as defined below)	**427,679**	427,679
Others	**7,424**	7,446
Total	**1,233,366**	1,327,522

During the year ended 31 December 2020, the Group recognised an impairment loss of RMB94 million (2019: RMB105 million).

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

The recoverable amounts of the CGUs are determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a five-year period (2019: a five-year period). Cash flows beyond the five-year period are projected using zero growth rates (2019: zero growth rates). The cash flows are discounted using a discount rate of 7.88% (2019: 8.17%). The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

22. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	2020 ***RMB'000***	2019 *RMB'000*
Share of net assets	**12,122,513**	11,875,894
Less: impairment loss	**(99,290)**	(99,290)
	12,023,223	11,776,604
Fair value of listed investment	**279,120**	240,057

The recoverable amount of interests in associates has been determined based on value in use calculations. These calculations use cash flow projections based on financial forecasts prepared by management of the Company covering a five-year period (2019: a five-year period). Cash flows beyond the five-year period are projected using zero growth rates (2019: zero growth rates). The cash flows are discounted using a discount rate of 9.40% (2019: 9.40%). The discount rates used are pre-tax and reflect specific risks relating to the relevant group of assets.

(a) General information of associates

The following list contains only the particulars of associates as at 31 December 2020, all of which are limited liability companies established and operating in the PRC, which principally affected the results, assets or liabilities of the Group:

		Proportion of owner ship interest and voting rights		
Name of company	**Paid by capital** *RMB'000*	**Held the company** *%*	**Held by subsidiaries** *%*	**Principal activities**
Huadian Property Company Limited 華電置業有限公司 (note (i))	2,697,500	8.31	–	Property development
Huadian Coal Industry Group Company Limited 華電煤業集團有限公司 ("**Huadian Coal**") note (i))	3,647,143	11.82	1.16	Provision of coal procurement service
China Huadian Finance Corporation Limited 中國華電集團財務有限公司 ("**China Huadian Finance**") (note(i))	5,000,000	16.46	–	Provision of corporate financial service to its group companies
Hengshui Hengxing Power Generation Company Limited 衡水恒興發電有限責任公司	475,000	–	30	Generation and sale of electricity and heat
Hebei Jiantou Yuzhou Wind Power Company Limited 河北建投蔚州風能有限公司	364,000	–	44.08	Generation and sale of electricity
Hebei Xibaipo Second Power Generation Company Limited 西柏坡第二發電有限責任公司	880,000	–	35	Generation and sale of electricity and heat
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited 國電內蒙古東勝熱電有限公司	500,000	–	20	Generation and sale of electricity and heat
Xingtai Guotai Power Generation Company Limited 邢臺國泰發電有限責任公司	400,000	–	35	Generation and sale of electricity and heat
Guodian Huai'an Thermal Power Company Limited 國電懷安熱電有限公司	514,800	–	35	Generation and sale of electricity and heat
Otog Front Banner Changcheng Mine Company Limited 鄂托克前旗長城煤礦有限公司 ("**Changcheng Mine**")	756,270	35	–	Sale of mines machinery and accessory
Inner Mongolia Fucheng Mining Company Limited 內蒙古福城礦業有限公司 ("**Fucheng Mining Company**")	937,369	35	–	Sale of ores steels products
Otog Front Banner Changcheng No.3 Mining Company Limited 鄂托克前旗長城三號礦業有限公司 ("**Changcheng No.3 Mining**")	1,110,594	35	–	Production and sale of coal
Otog Front Banner Changcheng No. 5 Mining Company Limited 鄂托克前旗長城五號礦業有限公司 ("**Changcheng No.5 Mining**")	519,483	35	–	Production and sale of coal

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

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

Name of company	Paid by capital *RMB'000*	Proportion of owner ship interest and voting rights: Held the company *%*	Held by subsidiaries *%*	Principal activities
Otog Front Banner Zhengtai Trading Company Limited 鄂托克前旗正泰商貿有限公司	6,770	35	–	Production and sale of coal
Ningxia Western Venture Industrial Co., Ltd 寧夏西部創業實業股份有限公司 ("**Ningxia West**") (note (i))	1,458,375	4.87	–	Railway development and management
Ningxia Yinxing Coal Company Limited 寧夏銀星煤業有限公司 ("**Yinxing Coal**") (note (ii))	1,069,950	50	–	Production and sale of coal
Huadian Jinshajiang Upstream Hydropower Development Company Limited 華電金沙江上游水電開發有限公司 ("**Jinshajiang Hydropower Company**") (note (i))	4,711,666	12	–	Generation and sale of electricity
Sichuan Huayingshan Longtan Coal Company Limited 四川華鎣山龍灘煤電有限責任公司 ("**Longtan Coal Company**")	150,000	–	45	Production and sale of coal
Sichuan Balanghe Hydropower Development Company Limited 四川巴郎河水電開發有限公司	120,000	–	20	Generation and sale of electricity
Datang Xiangcheng Tangdian Hydropower Development Company Limited 大唐鄉城唐電水電開發有限公司	712,749	–	49	Generation and sale of electricity
Datang Derong Tangdian Hydropower Development Company Limited 大唐得榮唐電水電開發有限公司	197,700	–	49	Generation and sale of electricity
CNNP CHD Hebei Nuclear Power Company Limited 中核華電河北核電有限公司 ("**Hebei Nuclear Power**")	322,640	39	–	Generation and sale of electricity
Huadian Huazhong Clean Energy Company Limited 華電華中清潔能源有限公司	300,000	–	35	Generation and development of gas

Notes:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

(b) Summary financial information of material associates

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

(i) Huadian Coal

	2020 **RMB'000**	2019 RMB'000
Current assets	**8,106,267**	7,276,026
Non-current assets	**48,926,909**	49,851,976
Current liabilities	**(14,841,848)**	(17,316,111)
Non-current liabilities	**(18,838,008)**	(19,158,348)

	2020 **RMB'000**	2019 RMB'000
Revenue	**20,886,596**	20,267,336
Profit for the year	**3,696,653**	2,229,020
Total comprehensive income for the year	**3,696,653**	2,229,020
Dividends received during the year	**100,000**	–

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

	2020 **RMB'000**	2019 RMB'000
Net assets	**23,353,320**	20,653,543
Non-controlling interests of Huadian Coal	**(9,095,901)**	(8,119,783)
Proportion of the Group's ownership interest	**12.98%**	12.98%
Carrying amount of the Group's interest	**1,850,613**	1,626,882

(ii) China Huadian Finance

	2020 **RMB'000**	2019 RMB'000
Current assets	**6,499,614**	8,930,110
Non-current assets	**43,886,157**	33,792,634
Current liabilities	**(40,995,129)**	(33,473,802)
Non-current liabilities	**(1,038,724)**	(1,056,610)

	2020 **RMB'000**	2019 RMB'000
Revenue	**1,325,066**	1,267,648
Profit for the year	**918,869**	882,697
Other comprehensive income for the year	**35,236**	61,608
Total comprehensive income for the year	**954,105**	944,305
Dividends received during the year	**130,766**	85,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

(b) Summary financial information of material associates *(Continued)*

(ii) China Huadian Finance *(Continued)*

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

	2020 ***RMB'000***	2019 *RMB'000*
Net assets	**8,351,918**	8,192,332
Proportion of the Group's ownership interest	**16.46%**	16.462%
Goodwill recognised at acquisition	**21,435**	21,435
Carrying amount of the Group's interest	**1,396,161**	1,370,057

(iii) Yinxing Coal

	2020 ***RMB'000***	2019 *RMB'000*
Current assets	**105,987**	344,623
Non-current assets	**2,075,934**	2,265,615
Current liabilities	**(750,881)**	(986,119)
Non-current liabilities	**(558,134)**	(715,597)

	2020 ***RMB'000***	2019 *RMB'000*
Revenue	**586,026**	760,909
Profit for the year	**6,267**	171,556
Total comprehensive income for the year	**6,267**	171,556
Dividends received during the year	**25,000**	–

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

	2020 ***RMB'000***	2019 *RMB'000*
Net assets	**872,906**	908,522
Proportion of the Group's ownership interest	**50%**	50%
Effect of fair value adjustments at acquisition	**359,655**	359,655
Carrying amount of the Group's interest	**796,108**	813,916

(c) Aggregate information of associates and joint ventures that are not individually material

	2020 ***RMB'000***	2019 *RMB'000*
The Group's share of profit	**(112,666)**	236,731
The Group's share of total comprehensive income	**(112,666)**	236,731
Aggregate carrying amount of the Group's interests in these associates and joint ventures	**7,980,340**	7,965,749

The joint ventures held by the Group are not material to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

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

(d) Disposal of investments in associates

In the current year, the Group disposed all of its 50% and 30% equity interest in Ningxia Zhongning Power Generation Company Limited ("寧夏中寧發電有限責任公司") and Longyao Tianwei Thermal Power Company Limited ("隆堯天唯熱電有限公司") respectively. The carrying amount of investment disposed of was RMB120 million. The cash consideration of RMB190 million were received.

	2020 *RMB'000*
Proceeds of disposal	**190,387**
Less: carrying amount of the investment disposed	**(120,507)**
Gain recognised (note 8)	**69,880**

	2020 *RMB'000*
Total consideration received in cash	**190,387**

(e) Where the Group has unrecognised share of losses of associates

	2020 *RMB'000*	2019 *RMB'000*
The unrecognised share of loss of an associate for the year	**–**	–

	2020 *RMB'000*	2019 *RMB'000*
Cumulative unrecognised share of loss of an associate	**(48,128)**	(50,377)

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 *RMB'000*	2019 *RMB'000*
Unlisted investments:		
– Equity securities		
At FVPL	**307,890**	279,439

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC.

From 1 January 2019, the Group has made an irrecoverable election to recognise the financial assets at FVPL and there is no subsequent reclassification of fair value gain or losses to other comprehensive income. The fair value of unlisted equity securities is measured using valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy.

In last year, the Group disposed of an unlisted equity security with fair value of RMB24 million. A disposal gain of RMB0.2 million was recognised in profit or loss for the last year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

24. OTHER NON-CURRENT ASSETS

	2020	2019
	RMB'000	*RMB'000*
Financial assets		
– Other long-term receivables with fixed-rate and non-current feature (note (i))	**170,066**	231,358
Deductible Value Added Tax and other tax	**2,775,488**	2,192,737
Deferred differences arising from sales and leaseback arrangements and others (note (ii))	**180,893**	237,343
	3,126,447	2,661,438

Notes :

(i) Other long-term receivables are balances due from an associate (note 39(a)).

(ii) Deferred differences arising from sale and leaseback arrangements represent the deficit of sale proceeds over the carrying amounts of the assets disposed under the sale and leaseback arrangements which resulted in finance lease. The differences are deferred and amortised as adjustments to the depreciation of the assets over their estimated useful lives.

25. SERVICE CONCESSION ARRANGEMENT

The Group entered into to certain service concession agreements with local governments (the "**Grantors**") to construct and operate wind power plants during the concession period, which is normally for 25 years of operation. The Group is responsible for construction and maintenance of the wind power plants during the concession period. At the end of the concession period, the Group needs to dispose of the wind power plants to local government at nil consideration. Service concession construction revenue represents the revenue recognised during the construction stage of the service concession period. The same amount of cost is recorded since substantially all construction activities are sub-contracted. In 2020, the additions to concession assets incurred for service concession arrangement amounts to RMB68 million (2019: Nil).

The Group has recognised intangible assets (note 20) related to the service concession arrangement representing the right the Group receives to charge a fee for sales of electricity. The Group has not recognised service concession receivables as the Grantor will not provide the Group any guaranteed minimum payment for the operating period of the wind power plants.

The Group recognises the intangible assets at the fair value of the concession construction service and amortises the intangible assets over the operating period of the service concession projects.

26. INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Coal, gas and stalk	**1,622,707**	2,269,513
Fuel oil	**49,066**	51,874
Materials, components and spare parts	**676,037**	901,549
	2,347,810	3,222,936

All of the inventories for future usage and sales are expected to be utilised within one year.

27. TRADE DEBTORS AND BILLS RECEIVABLE

	2020	2019
	RMB'000	*RMB'000*
Trade debtors and bills receivable for the sale of electricity	**9,437,658**	10,705,213
Trade debtors and bills receivable for the sale of heat	**846,628**	645,722
Trade debtors and bills receivable for the sale of coal	**1,709,518**	1,199,203
	11,993,804	12,550,138
Less: allowance for impairment	**(274,361)**	(288,254)
	11,719,443	12,261,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

27. TRADE DEBTORS AND BILLS RECEIVABLE *(Continued)*

	2020 **RMB'000**	2019 RMB'000
Analysed into:		
– At amortised cost	**10,411,862**	12,550,138
– At FVOCI (note (i))	**1,581,942**	–
	11,993,804	12,550,138

Notes:

(i) As at 31 December 2020, bank acceptance bills discounted of RMB3,537 million (2019: RMB3,487 million) were derecognised by the Group (the "**Derecognised Bills**"). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant. Losses related to derecognition of the Derecognised Bills was RMB50 million (2019: RMB8.21 million) in total and charged into profit or loss.

(ii) As at 31 December 2020, trade receivables amounted to RMB5,288 million (2019: RMB3,964 million) had been factored to a bank on a non-recourse basis. These trade receivables were derecognised as the Group had transferred the significant risks and rewards relating to the trade receivables to the bank under the non-recourse factoring agreements. Losses related to derecognition of the derecognised trade receivables was RMB1.8 million (2019: RMB1.1 million) in total and charged into profit or loss.

(a) Ageing analysis

As at 31 December 2020, the ageing analysis of trade debtors and bills receivable (net of allowance for impairment), presented based on the invoice date, which approximated to the revenue recognition date, is as follows:

	2020 **RMB'000**	2019 RMB'000
Within 1 year	**10,493,513**	10,757,651
1 to 2 years	**835,637**	1,342,010
2 to 3 years	**279,437**	142,988
Over 3 years	**110,856**	19,235
	11,719,443	12,261,884

(b) Impairment of trade debtors and bills receivable

Impairment loss in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 2(m)(i)).

The movement in allowance for impairment during the year is as follows:

	2020 **RMB'000**	2019 RMB'000
At 1 January	**288,254**	253,431
Impairment loss recognised	**15,042**	34,831
Reversal of impairment loss	**(303)**	(8)
Write-off	**(28,632)**	–
At 31 December	**274,361**	288,254

At 31 December 2020, the Group's trade debtors and bills receivable totalling of RMB15 million (2019: RMB35 million) were individually determined to be impaired. A write-off of trade debtors and bills receivable with a gross carrying amount of RMB697 million (2019: RMB663 million) resulted in a decrease in loss allowance of RMB29 million. The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

27. TRADE DEBTORS AND BILLS RECEIVABLE *(Continued)*

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Neither past due nor impaired	**7,817,823**	8,127,912
Less than 1 year past due	**2,675,690**	2,629,739
1 to 2 years past due	**835,637**	1,342,010
2 to 3 years past due	**279,437**	142,988
More than 3 years past due	**110,856**	19,235
At 31 December	**11,719,443**	12,261,884

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that ECL allowance is immaterial in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The information about the ECLs on the Group's trade debtors and bills receivable are disclosed in note 43(b).

28. DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2020 *RMB'000*	2019 *RMB'000*
Financial assets		
– Dividends receivable	**536,672**	674,258
– Deposits	**94,186**	87,209
– Other receivables	**1,238,783**	1,548,761
	1,869,641	2,310,228
Less: allowance for impairment (Note)	**(558,784)**	(533,636)
	1,310,857	1,776,592
Deductible Value Added Tax	**1,722,095**	2,076,022
Prepayments	**842,651**	526,378
Others	**157,890**	96,552
	4,033,493	4,475,544

Note:

ECLs are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

As at 31 December 2020, ECLs of deposits and other receivables of the Group amounted to RMB559 million (31 December 2019: RMB534 million), including allowance for impairment on receivables on Certified Emission Reductions of RMB85 million (31 December 2019: RMB85 million).

The information about the ECLs on the Group's deposits and other receivables are disclosed in note 43(b).

29. RESTRICTED DEPOSITS

Restricted deposits mainly represent performance bonds and frozen deposits at banks and other financial institutions with maturity of over three months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

30. CASH AND CASH EQUIVALENTS

	2020	201
	RMB'000	*RMB'000*
Cash at bank and in hand	**905,651**	916,108
Cash at other financial institutions	**5,592,806**	5,549,452
	6,498,457	6,465,560

31. BORROWINGS

(a) Bank loans

	2020	2019
	RMB'000	*RMB'000*
Due:		
Within 1 year		
– short-term bank loans	**18,627,711**	20,762,734
– current portion of long-term bank loans	**6,939,117**	8,692,061
	25,566,828	29,454,795
After 1 year but within 2 years	**7,268,564**	8,714,872
After 2 years but within 5 years	**16,608,228**	20,323,814
After 5 years	**26,613,856**	28,086,036
	50,490,648	57,124,722
	76,057,476	86,579,517

As at 31 December 2020, all of the bank loans are unsecured, except for amounts of RMB18,200 million (2019: RMB19,599 million) in total which are secured by the income stream in respect of the sale of electricity and trade debtors for the sale of electricity and heat of certain subsidiaries, amounts of RMB1,644 million (2019: RMB2,994 million) in total which are secured by lease prepayments and property, plant and equipment with an aggregate carrying amount of RMB2,999 million (2019: RMB5,208 million) of certain subsidiaries and amounts of RMB552 million (2019: RMB1,306 million) in total are secured by guarantee from China Huadian (as defined below) and independent third parties. None of the bank loans contain financial covenants.

Details of the currencies, interest rates and maturity dates of bank loans are as follows:

	2020	2019
	RMB'000	*RMB'000*
RMB loans		
Floating interest rates mainly ranging from 2.30% to 5.87% per annum as at 31 December 2020 (2019: 3.70% to 6.09%), with maturities up to 2043.	**61,685,196**	71,048,146
Fixed interest rates mainly ranging from 1.85% to 5.22% per annum as at 31 December 2020 (2019: 2.80% to 5.22%), with maturities up to 2033.	**14,360,311**	15,371,695
Euro loans		
Fixed interest rate of 2.50% per annum as at 31 December 2020 (2019: 2.50%), with maturity up to 2022.	**11,969**	22,256
USD loans		
Fixed interest rate of 3.86% per annum as at 31 December 2019, with maturity up to 2020.	**–**	137,420
	76,057,476	86,579,517

The Group has the remaining balance of Euro bank loans amounting to Euro1.49 million (2019: Euro2.85 million) as at 31 December 2020 and the remaining balance of USD bank loans amounting to USD20 million as at 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

31. BORROWINGS *(Continued)*

(b) Loans from shareholders

	2020	2019
	RMB'000	*RMB'000*
Due:		
Within one year	**700,000**	400,000
After 1 year but within 2 years	**500,000**	600,000
After 2 years but within 5 years	**4,407,768**	1,150,000
After 5 years	**1,100,000**	443,730
	6,707,768	2,593,730

All of the loans from shareholders are unsecured and denominated in RMB. Details of the interest rates and maturity dates of loans from shareholders are as follows:

	2020	2019
	RMB'000	*RMB'000*
Loans from China Huadian		
Floating interest rates ranging from 4.28% to 4.75% per annum as at 31 December 2020 (2019: 4.28% to 4.75%), with maturities up to 2021.	**600,000**	1,400,000
Fixed interest rates ranging from 3.34% to 5.00% per annum as at 31 December 2020 (2019: 3.89% to 6.40%), with maturities up to 2030.	**6,100,000**	1,170,000
Others		
Floating interest rate of 4.90% per annum as at 31 December 2020 (2019: 4.90%), with maturities up to 2030.	**7,768**	23,730
	6,707,768	2,593,730

(c) State loans

	2020	2019
	RMB'000	*RMB'000*
Due:		
Within 1 year		
– current portion of long term state loans	**1,926**	4,466
After 1 year but within 2 years	**1,926**	1,876
After 2 years but within 5 years	**5,778**	5,628
After 5 years	**44,668**	45,377
	52,372	52,881
	54,298	57,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

31. BORROWINGS *(Continued)*

(c) State loan *(Continued)*

Details of the currencies, interest rates and maturity dates of state loans are as follows:

	2020 **RMB'000**	2019 RMB'000
RMB loans		
Fixed interest rates mainly ranging from 2.55% to 2.82% per annum as at 31 December 2019, with maturities up to 2020.	**–**	1,227
Floating interest rate of 1.80% per annum as at 31 December 2019, with maturities up to 2020.	**–**	1,364
Euro loan		
Fixed interest rate of 0.75% per annum as at 31 December 2020 (2019: 0.75%), with maturities up to 2048.	**54,298**	54,756
	54,298	57,347

The RMB state loans as at 31 December 2019 represented loans obtained from Ministry of Finance of the PRC in 2006 and Ministry of Finance of Weifang Municipal Government in 2005. The loan obtained from Ministry of Finance amounts to RMB1.23 million, Ministry of Finance of Weifang Municipal Government amounts to RMB1.36 million. Two loans were repaid during the 2020. The RMB state loans were unsecured.

The Euro state loan represents a loan facility maximum of Euro14.50 million granted by the KfW Bankengruppe of Germany to the PRC State Government pursuant to a loan agreement entered into in December 2008 based on a series of bilateral financial cooperation agreements between The Federal Republic of Germany and the PRC State Government. The loan is to finance the Qingdao central heating system under the Energy Efficiency programme. The PRC State Government on-lent the loan facility to Qingdao Heat Company through China Agricultural Bank and is guaranteed by Qingdao Finance Bureau. As at 31 December 2020, the total amount of the above state loan is Euro6.77 million (2019: Euro7.01 million).

(d) Other loans

	2020 **RMB'000**	2019 RMB'000
Due:		
Within 1 year		
– short term other loans	**2,151,000**	3,304,000
– current portion of long term other loans	**1,094,524**	1,397,694
	3,245,524	4,701,694
After 1 year but within 2 years	**2,059,982**	1,560,530
After 2 years but within 5 years	**3,187,933**	2,748,836
After 5 years	**2,604,057**	942,831
	7,851,972	5,252,197
	11,097,496	9,953,891

Other loans are borrowed from China Huadian Finance, an associate of the Company and a fellow subsidiary of the Company. Other loans bear interest rates ranging from 1.50% to 6.09% per annum as at 31 December 2020 (2019: 1.50% to 6.09% per annum), with maturities from 2020 to 2035 (2019: 2020 to 2035).

During the year, the Group has 5 newly signed sales and leaseback agreements with a fellow subsidiary of the Company (note 39) and three third party financial leasing companies with contract terms of 3 years and 8 years respectively in order to sell certain property, generator and related machinery and equipment (note 17) and at the meantime, leased back those assets. According to the agreements, the Group has an option to buy back the equipment at a nominal price (RMB1 or 0) when the lease term expires. The substance of the transaction was to obtain financing secured by relevant assets within the leasing period and repay them in instalment. Meanwhile, the Group has certain financing agreements with a fellow subsidiary (note 39). As at year ended 31 December 2020, the loans mentioned above bear interest rate ranging from 1.50% to 5.64% per annum (2019: 1.50% to 5.64%) and will be due from 2022 to 2032 (2019: 2022 to 2029).

As at 31 December 2020, the other loans borrowed from China Huadian Finance totalling RMB171 million (31 December 2019: RMB211 million) are secured by the income stream in respect of the sale of electricity. As at 31 December 2020, (borrowed from third party financial leasing company are secured by the income stream in respect of the sale of electricity totaling RMB68 million (31 December 2019: RMB75 million). Apart from the aforementioned secured loans, all of the other loans are unsecured. All of the other loans are denominated in RMB. Details of the interest rates and maturity dates of other loans are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

31. BORROWINGS *(Continued)*

(d) Other loans *(Continued)*

	2020	2019
	RMB'000	*RMB'000*
Loans from China Huadian Finance		
Floating interest rates ranging from 2.90% to 4.90% per annum as at 31 December 2020 (2019: 3.92% to 4.90%), with maturities up to 2035.	**6,627,201**	6,219,131
Fixed interest rates ranging from 3.36% to 4.90% per annum as at 31 December 2020 (2019: 3.92% to 4.90%), with maturities up to 2030.	**2,075,000**	2,271,000
Others		
Floating interest rates ranging from 1.80% to 5.20% per annum as at 31 December 2020 (2019: 1.80% to 5.15%), with maturities up to 2032.	**1,888,047**	768,118
Fixed interest rates of ranging from 1.50% to 6.09% per annum as at 31 December 2020 (2019: 1.50% to 6.09%), with maturities up to 2031.	**507,248**	695,642
	11,097,496	9,953,891

(e) Short-term debentures payable

	2020	2019
	RMB'000	*RMB'000*
Fourth tranche of super short-term debentures for the year of 2019	**–**	3,037,009
First tranche of super short-term debentures for the year of 2019 – Hubei	**–**	504,328
	–	3,541,337

On 11 June 2020, the Group issued the first tranche of super short-term debentures – Hubei of 2020 in PRC interbank debenture market. The super short-term debentures was issued at a total par value of RMB300 million with a maturity period of 180 days and bears interest at 1.95% per annum. The tranche is unsecured.

On 22 July 2020, the Group issued the first tranche of super short-term debentures in PRC interbank debenture market. The super short-term debentures was issued at a total par value of RMB1,500 million with a maturity period of 120 days and bears interest at 1.75% per annum. The tranche is unsecured.

During the current year, the Group repaid four tranches of super short-term debentures with a total principal amount of RMB5,300 million (31 December 2019: repaid six tranches of super short-term debentures with a total principal amount of RMB20,000 million) at par value.

The effective interest rates of above debentures are ranging from 1.85% % to 3.30% (2019: from 2.20% to 4.55%) per annum after considering the effect of issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

31. BORROWINGS *(Continued)*

(f) Long-term debentures payable

	2020 RMB'000	2019 RMB'000
First tranche of medium-term notes for the year of 2016	**1,996,838**	1,992,113
First tranche of medium-term notes for the year of 2017	**3,497,794**	3,496,139
Second tranche of medium-term notes for the year of 2017	**–**	1,998,796
First tranche of medium-term notes for the year of 2019	**2,998,161**	2,997,594
First tranche of company debentures for the year of 2019	**1,999,888**	1,999,825
Third tranche of medium-term notes for the year of 2020	**1,999,554**	–
	12,492,235	12,484,467
Less: Long-term debentures due within one year	**(1,996,838)**	(1,998,796)
	10,495,397	10,485,671

During the current year, the Group has not issued any long-term debenture and non-public private placement bond.

On 13 May 2020, the Group issued the third tranche of medium-term notes for the year of 2020 in PRC interbank debenture market. The medium term notes was issued at a total par value of RMB2,000 million with a maturity period of 3 years and bears interest at 2.53% per annum. The tranche is unsecured.

During the year, the Group repaid one tranche of medium-term notes with principal amount of RMB2,000 million (31 December 2019: repaid one tranche of medium-term notes with principal amount of RMB2,600 million) at par value.

The effective interest rates of above long-term debentures are ranged from 2.54% to 4.97% (2019: from 3.47% to 4.97%) per annum after considering the effect of issue costs.

32. TRADE CREDITORS AND BILLS PAYABLE

As at 31 December 2020, the aging analysis of trade creditors and bills payable, presented based on the invoice date, is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	**13,566,685**	12,089,916
1 to 2 years	**2,761,574**	3,563,282
Over 2 years	**1,162,686**	1,983,035
	17,490,945	17,636,233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

33. OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Financial liabilities		
– Construction deposits	**1,560,738**	1,517,143
– Consideration payables on acquisitions	**344,577**	633,969
– Interest payables	**428,793**	509,482
– Wages payable	**231,515**	236,568
– Payables for installed capacity quota	**263,530**	273,530
– Payables for sewage charges	**20,214**	32,933
– Dividend payables to non-controlling interests	**644,756**	252,825
– Distribution payables to holder of perpetual capital security	**229,065**	68,740
– Current portion of long-term payables (note 34)	**63,065**	54,950
– Others (note (i))	**1,919,895**	1,831,448
	5,706,148	5,411,588
Other tax payables	**1,187,943**	1,015,380
Contract liabilities (note 5)	**1,939,642**	1,757,069
	8,833,733	8,184,037

Notes:

(i) Others mainly include payables on service fees, water charges and other miscellaneous items.

(ii) Other than construction deposits, consideration payables on acquisitions and payables for installed capacity quota, the Group does not have other material other payables, which are over the aging of 1 year. All other payables are repayable on demand.

Contract liabilities

	31 December 2020 RMB'000	31 December 2019 RMB'000
Contract liabilities arising from:	**1,939,642**	1,757,069
Included:		
Sale of heat	**1,671,956**	1,408,318
Sale of coal	**24,027**	71,835
Total	**1,939,642**	1,757,069

Typical payment terms which impact on the amount of contract liabilities are as follows:

Sale of heat and sale of coal

Contract liabilities mainly relate to the deposits received from customers for sale of heat and sale of coal. The Group expects to deliver the goods to satisfy the performance obligations of these contract liabilities within one year or less.

34. LONG-TERM PAYABLES

An amount of RMB325 million (2019: RMB369 million) represents payables to local governments for mining rights, by using a pre-tax discount rate that reflects current assessments of the time value of money and interest expenses was recognised with the passage of time. In accordance with the repayment schedule set out in the relevant agreement, the current portion and non-current portion of this long term payable were RMB63 million and RMB262 million (2019: RMB55 million and RMB314 million) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

35. INCOME TAX IN THE CONSOLIDATION STATEMENT OF FINANCIAL POSITION

(a) Taxation in the consolidation statement of financial position represents:

	2020 *RMB'000*	2019 *RMB'000*
Net tax payable at 1 January	**544,964**	307,560
Provision for the year (note 14(a))	**1,574,744**	1,374,200
Under provision in respect of prior years (note 14(a))	**12,850**	7,024
Income tax paid	**(1,583,837)**	(1,143,820)
Net tax payable at 31 December	**548,721**	544,964
Representing:		
Tax payable	**625,496**	596,975
Tax recoverable	**(76,775)**	(52,011)

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	At 1 January 2019 *RMB'000*	Credited to profit or loss *RMB'000* (note 14(a))	Through acquisition of subsidiary *RMB'000*	At 31 December 2019 and 1 January 2020 *RMB'000* (note 14(a))	(Charged)/ Credited to profit or loss *RMB'000*	At 31 December 2020 *RMB'000*
Written-off of inventories and impairment of receivables, property, plant and equipment and construction in progress	77,823	6,856	–	84,679	24,974	109,653
Accelerated tax depreciation of property, plant and equipment	(1,145,251)	320,975	–	(824,276)	16,452	(807,824)
Fair value adjustments on property, plant and equipment, construction in progress, intangible assets and equity investment arising from business combination	(1,246,443)	–	6,087	(1,240,356)	99,562	(1,140,794)
Long-term payables discounting	(76,918)	–	–	(76,918)	–	(76,918)
Unpaid staff cost	7,945	513	–	8,458	6,526	14,984
Tax losses	354,587	16,440	–	371,027	301,919	672,946
Others (note)	87,979	–	–	87,979	(78,041)	9,938
	(1,940,278)	344,784	6,087	(1,589,407)	371,392	(1,218,015)

Note: Others represent deferred tax arising from provision for miscellaneous expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

35. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised *(Continued)*

Reconciliation to the consolidated statement of financial position is as follows:

	2020 RMB'000	2019 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**748,228**	614,436
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,966,243)**	(2,203,843)
	(1,218,015)	(1,589,407)

In accordance with the accounting policy set out in note 2(v), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately RMB2,017 million (2019: RMB3,763 million) and deductible temporary differences of approximately RMB4,227 million (2019: RMB4,335 million) due to the unpredictability of future profit streams. The expiration of tax losses under current tax legislation is as follows:

	2020 RMB'000	2019 RMB'000
2020	**–**	314,636
2021	**347,901**	544,874
2022	**270,210**	780,321
2023	**475,402**	1,670,449
2024	**452,331**	452,344
2025	**471,379**	–
	2,017,223	3,762,624

36. DEFERRED INCOME

Deferred income represents the unearned portion of upfront installation fees received from customers for connecting the customers' premises to the heat network of the Group. The amount is deferred until completion of the installation work and recognised in profit or loss in equal instalments over the expected service terms of the relevant services.

The upfront installation fee recognised for the year amounting to RMB211 million (2019: RMB177 million) is included in "Other revenue" in the consolidated statement of profit or loss and other comprehensive income (note 9).

37. PROVISIONS

The provisions represent the Group's best estimate of the remediation costs for Group's liability on mine disposal and environmental restoration, which is based on industry standards and historical experience.

	2020 RMB'000	2019 RMB'000
At 1 January	**127,532**	117,625
Accretion expense	**109,185**	9,907
At 31 December	**236,717**	127,532

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

38. SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2020 RMB'000	2019 RMB'000
Final dividend proposed after the end of reporting period of RMB0.25 per share (2019: RMB0.146 per share)	**2,465,744**	1,439,995

Pursuant to a resolution passed at the directors' meeting held on 30 March 2021, final dividend of RMB0.25 per share will be payable to shareholders for 2020, subject to the approval of the shareholders at the coming annual general meeting.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2020 RMB'000	2019 RMB'000
Final dividend in respect of the previous financial year approved and paid during the year, of RMB0.146 per share (2019: RMB0.066 per share)	**1,439,995**	650,956

(b) Share capital

	2020 and 2019 No. of shares '000	 RMB'000
Ordinary shares, registered, issued and fully paid at 1 January 2019, 31 December 2019 and 31 December 2020		
A shares of RMB1 each	**8,145,743**	**8,145,743**
H shares of RMB1 each	**1,717,234**	**1,717,234**
Total	**9,862,977**	**9,862,977**

38. SHARE CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Reserve

(i) Capital reserve

Capital reserve represents premium received from issuance of shares, share of a joint venture or an associate's capital reserve movements which are required to be included in this reserve by the PRC regulations and the difference between the fair value of the interest-free loans provided by the parent company initially recognised in the financial statements and the nominal amount of loans received by the Group.

(ii) Statutory surplus reserve

General reserve

According to the Company's Articles of Association, the Company is required to transfer at least 10% (at the discretion of the board of directors) of its profit after taxation, as determined under PRC accounting rules and regulations, to a statutory general surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

The statutory general surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

Specific reserve

Pursuant to the relevant PRC regulations for coal mining companies, the Group is required to set aside an amount to maintenance and production funds. The funds can be used for maintenance of production and improvements of safety at the mines, and are not available for distribution to shareholders.

(iii) Revaluation reserves

Revaluation reserve represents the fair value adjustment of acquisition of Weifang Company (as defined below) relating to the previously held interest of the Group.

(iv) Fair value reserve

The fair value reserve comprises the Group's share of the cumulative net change in the fair value of financial asset at other comprehensive income of an associate at the end of the reporting period and is dealt with in accordance with the accounting policies in notes 2(k).

(d) Distributability of reserve

According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under PRC accounting rules and regulations and the amount determined under IFRSs. As of 31 December 2020, the retained profits available for distribution were RMB9,820 million (2019: RMB8,297 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

38. SHARE CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Perpetual capital securities

During the current year, the Company issued 6 tranches of public perpetual capital securities, which included (1) 1st Tranche of medium-term note of 2020 (Type 1); (2) 1st Tranche of medium-term note of 2020 (Type 2); (3) 2nd Tranche of medium-term note of 2020 (Type 1); (4) 2nd Tranche of medium-term note of 2020 (Type 2); (5) 4th Tranche of medium-term note of 2020; (6) 5th Tranche of medium-term note of 2020, to third parties with an aggregate principal amount of RMB8.5 billion.

In prior year, the Company issued 6 tranches of public perpetual capital securities, which included (1) 2nd tranche of medium-term note of 2019 (Type 1); (2) 2nd tranche of medium-term note of 2019 (Type 2); (3) 3rd tranche of medium-term note of 2019 (Type 1); (4) 3rd tranche of medium-term note of 2019 (Type 2); (5) 4th tranche of medium-term note of 2019 (Type 1); (6) 4th tranche of medium-term note of 2019 (Type 2), to third parties with an aggregate principal amount of RMB7 billion.

Type of securities	Issuance date	Category	Issue Price *RMB'000*	Number	Par value *RMB'000*
1st Tranche of medium-term note of 2020 (Type 1)	January 2020	Equity Instrument	0.1	15,000,000	1,500,000
1st Tranche of medium-term note of 2020 (Type 2)	January 2020	Equity Instrument	0.1	5,000,000	500,000
2nd Tranche of medium-term note of 2020 (Type 1)	February 2020	Equity Instrument	0.1	25,000,000	2,500,000
2nd Tranche of medium-term note of 2020 (Type 2)	February 2020	Equity Instrument	0.1	5,000,000	500,000
4th Tranche of medium-term note of 2020	October 2020	Equity Instrument	0.1	15,000,000	1,500,000
5th Tranche of medium-term note of 2020	November 2020	Equity Instrument	0.1	20,000,000	2,000,000
					8.500,000

The perpetual capital securities are issued at par value with a range of initial distribution rate from 3.36% to 5.20%. The interests of perpetual capital securities are recorded as distributions, which are payable annually after the approval of the directors of the Company and may be deferred at the discretion of the Company unless compulsory distribution payment events (distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company) occurred.

The perpetual capital securities have no fixed maturity date and are redeemable at the Company's discretion in whole in July 2021, July 2023, August 2021, August 2023, October 2021, November 2021, June 2022, June 2024, September 2022, September 2024, November 2022, November 2024, January 2023, January 2025, February 2023, February 2025, October 2023 and November 2022 respectively, the payment of the principal may be deferred for each renewable period as 2, 3 or 5 years. The applicable distribution rate will be reset on first call date and each renewal period after first call date, to the sum of the applicable benchmark interest rate, the initial spread and 300 basis points per annum.

The directors of the Company are of the opinion that the Group has no contractual obligation to repay the principal or to pay any distribution for the perpetual capital securities. Therefore, the perpetual capital securities are classified as equity instrument and recorded in equity in the consolidated statement of financial position. During the year ended 31 December 2020, the profit attributable to holders of perpetual capital securities, based on the applicable distribution rate, was approximately RMB201 million (2019: RMB178 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

38. SHARE CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Perpetual capital securities *(Continued)*

Movement of the Perpetual Capital Securities is as follows:

	Principal *RMB'000*	Distribution *RMB'000*	Total *RMB'000*
As at 1 January 2019	8,963,199	145,576	9,108,775
Issue of perpetual capital securities	6,988,156	–	6,988,156
Profit attributable to holders of perpetual capital securities (note 16(a))	–	543,594	543,594
Distributions payable to holders of perpetual capital securities	–	(511,470)	(511,470)
As at 31 December 2019 and 1 January 2020	**15,951,355**	**177,700**	**16,129,055**
Issue of perpetual capital securities	**8,492,665**	**–**	**8,492,665**
Profit attributable to holders of perpetual capital securities (note 16(a))	**–**	**917,861**	**917,861**
Distributions payable to holders of perpetual capital securities	**–**	**(894,406)**	**(894,406)**
As at 31 December 2020	**24,444,020**	**201,155**	**24,465,175**

(f) Capital management

The Group's capital management objectives are:

– to ensure the Group's ability to continue as a going concern;

– to provide an adequate return to shareholders; and

– to maintain an optimal capital structure to reduce cost of capital.

In order to maintain and improve the capital structure, the Group may, for the purpose of business expansion, issue new shares to reduce its liabilities to assets ratio.

The Group monitors its capital structure on the basis of liabilities to assets ratio. This ratio is calculated as total liabilities divided by total assets.

The liabilities to assets ratios as at 31 December 2020 and 2019 were as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Total liabilities	**142,297,826**	151,556,712
Total assets	**236,690,935**	232,164,355
Liabilities to assets ratio	**60%**	65%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

39. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with shareholders, fellow subsidiaries and associates

Shareholders, fellow subsidiaries and associates that had material transactions with the Group are as follows:

Name of related parties	Nature of relationship
China Huadian	Parent and ultimate holding company of the Company
China Huadian Engineering Corporation and its subsidiaries	Fellow subsidiaries of the Company
Huadian Shanxi Energy Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Guodian Nanjing Automation Company Limited and its subsidiaries	Fellow subsidiaries of the Company
CHD Power Plant Operation Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Huadian Sichuan Power Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Materials Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Huadian Inner Mongolia Energy Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Capital Holdings Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Huadian Energy Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Advanced Training Centre	A fellow subsidiary of the Company
China Huadian Electrical Construction Technical and Economic Consulting Centre	A fellow subsidiary of the Company
Huadian Shaanxi Energy Company Limited	A fellow subsidiary of the Company
Huadian Fuxin Energy Limited Company and its subsidiaries	Fellow subsidiaries of the Company
Anhui Huadian Lu'an Power Generation Company Limited	A fellow subsidiary of the Company
China Huadian Clean Energy Company Limited	A fellow subsidiary of the Company
Huadian Jiangsu Energy Limited Company and its subsidiaries	Fellow subsidiaries of the Company
Hunan Huadian Changsha Power Generation Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Hunan Huadian Changde Power Generation Company Limited	A fellow subsidiary of the Company
Guizhou Wujiang Hydroelectric Development Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Hong Kong Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Group Science and Technology Research Institutes Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Huadian Xinjiang Power Generation Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Zhejiang Huadian Wuxijiang Hydropower Company Limited	A fellow subsidiary of the Company
Huadian Electric Power Research Institute Company Limited	A fellow subsidiary of the Company
Huadian Jinshan Energy Company Limited	A fellow subsidiary of the Company
Huadian Tibet Energy Company Limited	A fellow subsidiary of the Company
Hangzhou Huadian Zhakou Power Generation Company Limited	A fellow subsidiary of the Company
Hunan Huadian Yongzhou Wind Power Company Limited	A fellow subsidiary of the Company
China Huadian Finance	An associate of the Group
Longtan Coal Company	An associate of the Group
Huadian Coal	An associate of the Group
Yinxing Coal	An associate of the Group
Fucheng Mining Company	An associate of the Group
Shuozhou Tong-coal Wantongyuan Coal Transportation and Sales Company Limited	An associate of the Group
Hebei Nuclear Power	An associate of the Group
Changcheng Mine	An associate of the Group
Changcheng No.3 Mining	An associate of the Group
Changcheng No.5 Mining	An associate of the Group
Lu'an Municipal Thermal Power Company Limited	An associate of the Group
Suzhou Industrial Investment Group Co., Ltd	An associate of the Group
Jinshajiang Hydropower Company	An associate of the Group
Beijing Huabin Investment Company Limited	A subsidiary of an associate of the Group
Beijing Huabin Property Management Company Limited	A subsidiary of an associate of the Group
Ningxia Ningdong Railway Corporation Limited	A subsidiary of an associate of the Group
Yanzhou Coal Mining Company Limited ("**Yanzhou Coal**") (note (i))	A connected person of the Group
Shaanxi Coal Transportation and Marketing (Group) Company Limited ("**Shaanxi Coal Transportation and Marketing**") (note (ii))	A connected person of the Group
Shandong Development & Investment Holding Group Co., Ltd	A connected person of the Group

Notes:

(i) Yanzhou Coal is a substantial minority shareholder of a non-wholly owned subsidiary of the Company.

(ii) Shaanxi Coal Transportation and Marketing is a company of a substantial minority shareholder of a non-wholly owned subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with shareholders, fellow subsidiaries and associates *(Continued)*

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the years ended 31 December 2020 and 2019:

	2020 ***RMB'000***	2019 *RMB'000*
Sale of electricity to		
Fellow subsidiaries	**47,514**	41,172
Purchase of electricity from		
Fellow subsidiaries	**69,490**	89,708
Sale of coal to		
An associate	**8,817**	–
Fellow subsidiaries	**11,199,824**	11,045,698
Purchase of coal from		
Associates	**4,288,007**	3,286,643
Fellow subsidiaries	**793,980**	1,517,670
Connected persons	**2,891,341**	3,143,945
Purchase of natural gas from		
A fellow subsidiary	**281,010**	751,181
Purchase of construction service and equipment from		
An associate	**32,840**	16,296
Fellow subsidiaries	**4,554,110**	3,657,944
Sales of equipment to		
Fellow subsidiaries	**8,157**	31,878
Other services income from		
Associates	**–**	311
Fellow subsidiaries	**13,368**	14,966
Loans provided to		
An associate	**96,412**	73,408
Loans proceeds obtained from		
China Huadian	**4,930,000**	1,070,000
An associate	**15,632,400**	9,755,990
A fellow subsidiary	**1,310,002**	622,162
Loans repaid to		
China Huadian	**800,000**	250,000
An associate	**15,420,330**	9,427,840
A fellow subsidiary	**42,500**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with shareholders, fellow subsidiaries and associates *(Continued)*

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the years ended 31 December 2020 and 2019: *(Continued)*

	2020 *RMB'000*	2019 *RMB'000*
Bills receivable discounted to		
Associates	**281,974**	736,929
Derecognised bills receivable collected by		
Associates	**285,032**	774,000
Lease payment under sales and leaseback arrangement to		
A fellow subsidiary	**610,790**	127,412
Interest paid to		
China Huadian	**233,681**	85,674
An associate	**348,713**	366,069
A fellow subsidiary	**42,050**	6,770
Interest received from		
Associates	**95,622**	98,820
Rental and property management service expenses paid to		
Associates	**61,917**	60,339
Fellow subsidiaries	**21,484**	18,765
Rental and property management service income from		
An associate	**–**	–
Fellow subsidiaries	**4,150**	1,357
Guarantee service expenses paid to		
China Huadian	**1,572**	1,603
Other service expenses paid to		
China Huadian	**101,470**	107,232
Associates	**19,241**	45,726
Fellow subsidiaries	**423,552**	369,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with shareholders, fellow subsidiaries and associates *(Continued)*

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the years ended 31 December 2020 and 2019: *(Continued)*

	2020 RMB'000	2019 RMB'000
Additional capital injection in		
Associates	**138,462**	186,545
Purchase of equipment from		
A fellow subsidiary	**–**	92,040
Consideration of acquiring a subsidiary from		
China Huadian	**–**	469,776

The balances due from (to) shareholders, fellow subsidiaries and associates are as follows:

	2020 RMB'000	2019 RMB'000
Construction in progress-construction and construction material prepayments		
An associate	**–**	7,809
Fellow subsidiaries	**168,612**	331,958
Trade debtors and bills receivable		
An associate	**–**	–
Fellow subsidiaries	**1,268,463**	869,435
Deposits, other receivables and prepayments		
Associates	**158,037**	97,197
Fellow subsidiaries	**102,812**	238,288
A connected person	**228,243**	54,854
Other long-term receivables		
An associate (note 24)	**170,066**	231,358

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with shareholders, fellow subsidiaries, associates *(Continued)*

The balances due from (to) shareholders, fellow subsidiaries and associates are as follows: *(Continued)*

	2020 ***RMB'000***	2019 *RMB'000*
Cash and cash equivalents and restricted deposits		
An associate	**5,707,813**	5,621,452
Loans from a shareholder		
China Huadian	**(6,700,000)**	(2,570,000)
Other loans		
An associate	**(8,702,202)**	(8,490,131)
A fellow subsidiary	**(1,889,663)**	(622,162)
Trade creditors and bills payable		
China Huadian	**(10,390)**	(11,374)
Associates	**(184,724)**	(146,588)
Fellow subsidiaries	**(2,708,674)**	(2,732,741)
Connected persons	**(88,105)**	(123,400)
Other payables		
China Huadian	**(31,947)**	(34,827)
Associates	**(16,433)**	(15,687)
Fellow subsidiaries	**(381,224)**	(509,041)
Connected persons	**(298)**	(100)
Contract liabilities		
An associate	**–**	(32,000)
A fellow subsidiary	**(10,969)**	(32,589)
Lease liabilities		
A fellow subsidiary	**(1,025,914)**	(1,480,952)

Notes:

(i) At 31 December 2020, the Group provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB43.58 million (2019: RMB43.58 million).

(ii) At 31 December 2020, China Huadian provided guarantee to banks for loans granted to the Group amounting to RMB552 million (2019: RMB1,102 million).

(b) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 12 and certain highest paid employees as disclosed in note 13, is as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Salaries and other emoluments	**2,890**	3,066
Retirement benefits	**402**	472
Bonuses	**3,001**	3,587
	6,293	7,125

Total remuneration is included in "personnel costs" (see note 6).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

39. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments and China Huadian for its staff. As at 31 December 2020 and 2019, there was no material outstanding contribution to post-employment benefit plans.

(d) Transactions with other government-related entities in the PRC

China Huadian is a PRC state-owned enterprise. Government-related entities, other than entities under China Huadian, over which the PRC government has control, joint control or significant influence are also considered as related parties of the Group ("**other government-related entities**"). The majority of the business activities of the Group are conducted with other government-related entities.

The transactions between the Group and other government-related entities are conducted in the ordinary course of the Group's business within normal business operations. The Group has established its approval process for sales of electricity, purchase of products and services and its financing policy for borrowing. Such approval processes and financing policy do not depend on whether the counterparties are government-related entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and information that would be necessary for an understanding of the potential effect of the relationship on the consolidated financial statements, the directors believe that the following transactions are collectively significant for disclosure purpose:

– sale of electricity to the grid

The Group sells substantially all its electricity to local government-related power grid companies, and the tariff of electricity is regulated by relevant government. For the year ended 31 December 2020, management estimates that the aggregate amount of the Group's significant transactions with other government-related entities are at least 97% of its sale of electricity.

– depositing and borrowing

The Group deposits most of its cash in government-related financial institutions, and also obtains short-term and long-term loans from these banks in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China.

– other transactions

Other collectively significant transactions with other government-related entities include a large portion of fuel purchases, property, plant and equipment construction. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are government-related entities or not.

(e) Commitment with related parties

	2020 ***RMB'000***	2019 *RMB'000*
Capital commitment	**621,240**	1,451,644
Commitment on properties rental and management fees	**150,594**	7,559

40. RETIREMENT PLANS

The Group is required to make contributions to retirement plans operated by the State at range from 15% to 20% (2019: 15% to 20%) of the staff salaries. A member of the plan is entitled to receive from the State a pension equal to a fixed proportion of his or her salary prevailing at the retirement date. In addition, the Group participates in a retirement plan managed by China Huadian to supplement the above-mentioned plan. The Group has no other material obligation to make payments in respect of pension benefits associated with these plans other than the annual contributions described above.

The Group's contribution to these plans amounted to RMB690 million during the year (2019: RMB963 million) which was charged to the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

41. COMMITMENTS

Capital commitments

The Group had capital commitments at 31 December as follows:

	2020 RMB'000	2019 RMB'000
Contracted for but not provided in the financial statements		
– Development of power plants	**8,414,195**	10,359,153
– Improvement projects and others	**924,424**	311,393
	9,338,619	10,670,546

42. CONTINGENT LIABILITIES

During 2020, some subsidiaries of the Company were the defendants in certain lawsuits for events incurred before the acquisition date. At the end of reporting period, the lawsuits were in progress whose final outcomes cannot be determined at present. The directors of the Company considered that the outcome of these outstanding lawsuits will not result in significant adverse effect on the financial position and operating results of the Group.

Apart from the above guarantees disclosed in note 39(a)(i), the Group has no other material contingent liabilities as at 31 December 2020 (2019: Nil).

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
At amortised cost		
– Other non-current assets	**170,066**	231,358
– Trade debtors and bills receivable	**10,137,501**	12,261,884
– Other receivables	**1,468,747**	1,873,144
– Restricted deposits	**180,624**	122,233
– Cash and cash equivalents	**6,498,457**	6,465,560
At FVOCI		
– Trade debtors and bills receivable	**1,581,942**	–
At FVPL		
– Financial assets at FVPL	**307,890**	279,439
	20,345,227	21,233,618
Financial liabilities		
At amortised cost	**128,378,884**	138,138,375

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(a) Interest rate risk

The interest rates and terms of repayment of the outstanding interest-bearing liabilities of the Group is disclosed in note 31. At 31 December 2020, fixed rate borrowings comprise 36% of total borrowings of the Group (2019: 30%).

Sensitivity analysis

At 31 December 2020, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would have decreased the Group's profit after tax and total equity by approximately RMB585 million (2019: RMB653 million).

The sensitivity analysis above indicates the Group's exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period. The impact on the Group's profit after tax (and retained profits) and consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for prior year.

(b) Credit risk

The Group's credit risk is primarily attributable to trade debtors, bills receivable, deposits and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade debtors and bills receivable, individual credit evaluations are performed regularly on all customers granted with credit period. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer. Trade debtors are due within 30 to 90 days from the date of billing. For bills received from customers, the Group generally accepts only bank acceptance bills in order to minimise the risk of default payment. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 11% and 53% (2019: 16% and 55%) of the total trade debtors and bills receivable were due from the Group's largest customer and the five largest customers respectively.

The Group measures loss allowances for trade debtors and bills receivable at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases, which are based on days past due for groupings of various customer segments that have similar loss patterns. ECLs rates are based on actual loss experience. These rates are adjusted to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Over 86% of trade debtors with past due more than 3 years are related to the local government-related power grid companies. After considering the historical loss patterns, the management considers that the impairment loss provided is adequate. No further impairment for trade debtors and bills receivable is provided as the amount of additional impairment measured under the ECLs model is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Credit risk *(Continued)*

In respect of other receivables, the Group adopts individual credit evaluations continuously assessing the credit risk and financial situation of different customers. Movement in the loss allowance account in respect of other financial assets measured at amortised cost (i.e. deposits and other receivables) during the year is as follows:

	2020			
Loss allowance	**12-month ECLs (Stage 1)** ***RMB'000***	**Lifetime ECL, non-credit impaired (Stage 2)** ***RMB'000***	**Lifetime ECL, credit-impaired (Stage 3)** ***RMB'000***	**Total** ***RMB'000***
At 1 January	**–**	**–**	**533,636**	**533,636**
Impairment loss recognised	**–**	**–**	**56,796**	**56,796**
Reversal of impairment loss	**–**	**–**	**(22,322)**	**(22,322)**
Write-off	**–**	**–**	**(9,326)**	**(9,326)**
At 31 December	**–**	**–**	**558,784**	**558,784**

	2019			
Loss allowance	12-month ECLs (Stage 1) *RMB'000*	Lifetime ECL, non-credit impaired (Stage 2) *RMB'000*	Lifetime ECL, credit-impaired (Stage 3) *RMB'000*	Total *RMB'000*
At 1 January	–	–	418,354	418,354
Impairment loss recognised	–	–	116,553	116,553
Reversal of impairment loss	–	–	(220)	(220)
Write-off	–	–	(1,051)	(1,051)
At 31 December	–	–	533,636	533,636

Except for the financial guarantees given by the Group as set out in note 39(a)(i), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 39(a)(i).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and bills receivable are set out in note 27.

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

At the end of the reporting period, the Group had net current liabilities of RMB34,289 million (2019: RMB40,730 million). With regards to its future capital commitments and other financing requirements, the Group has unutilised banking facilities of RMB143.6 billion (2019: RMB139.5 billion) and an aggregate amount of debentures and bonds of RMB39.4 billion (2019: RMB43.5 billion) registered in the PRC interbank debenture market which has not been issued as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Liquidity risk *(Continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2020						2019					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*	Within 1 year or on demand *RMB'000*	More than 1 year but less than 2 years *RMB'000*	More than 2 years but less than 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*	Carrying amount *RMB'000*
Short-term debentures payable	–	–	–	–	–	–	3,552,498	–	–	–	3,552,498	3,541,337
Bank loans	28,331,003	9,271,602	20,671,182	34,536,880	92,810,667	76,057,476	33,143,969	11,323,169	25,805,108	36,034,682	106,306,928	86,579,517
Loans from shareholders	944,408	637,788	5,486,062	1,427,473	8,495,731	6,707,768	546,123	779,576	1,460,153	569,311	3,355,163	2,593,730
State loans	2,598	2,457	7,192	57,966	70,213	54,298	6,097	2,437	7,146	58,219	73,899	57,347
Other loans	3,667,099	2,627,662	3,967,813	3,379,292	13,641,866	11,097,496	5,294,060	2,027,585	3,490,192	1,209,662	12,021,499	9,953,891
Trade creditors and bills payable	17,490,945	–	–	–	17,490,945	17,490,945	17,636,233	–	–	–	17,636,233	17,636,233
Amount due to the parent company	42,337	–	–	–	42,337	42,337	72,785	–	–	–	72,785	72,785
Lease liabilities	695,705	348,440	577,426	457,541	2,079,112	1,817,015	833,762	815,909	1,051,682	400,843	3,102,196	2,799,327
Other payables	2,341,316	–	–	–	2,341,316	2,341,316	2,089,043	–	–	–	2,089,043	2,089,043
Long-term debentures payable (including current portion of long-term debentures obligations)	2,455,266	5,785,823	5,170,466	–	13,411,555	12,492,235	2,463,509	2,404,805	8,887,528	–	13,755,842	12,484,467
Retirement benefit obligations	267	409	3,503	13,678	17,857	15,538	213	256	1,342	17,734	19,545	16,907
Long-term payables	–	–	–	933,540	933,540	262,460	–	54,950	67,465	630,671	753,086	313,791
Financial guarantee contracts	43,575	–	–	–	43,575	–	43,575	–	–	–	43,575	–
	56,014,519	18,674,181	35,883,644	40,806,370	151,378,714	128,378,884	65,681,867	17,408,687	40,770,616	38,921,122	162,782,292	138,138,375

(d) Currency risk

(i) Recognised assets and liabilities

The Group is exposed to currency risk primarily arising from borrowings which are denominated in US$ and Euro, as well as cash and cash equivalents denominated in HK$. Depreciation or appreciation of US$, Euro and HK$ against RMB would affect the financial position and operating results of the Group.

(ii) Exposure to currency risk

The following table details the Group's major exposure at the end of the reporting period to currency risk arising from monetary assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	2020			2019		
	US$ *RMB'000*	Euro *RMB'000*	HK$ *RMB'000*	US$ *RMB'000*	Euro *RMB'000*	HK$ *RMB'000*
Cash and cash equivalents	26	–	–	28	–	10
Bank loans	–	(12,808)	–	–	(22,255)	–
State loans	–	(53,455)	–	–	(54,757)	–
Net exposure	26	(66,263)	–	28	(77,012)	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and consolidated equity in that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2020			2019		
	Decrease in foreign exchange rate *%*	**Effect on profit after tax and retained profits** *RMB'000*	**Effect on consolidated equity** *RMB'000*	Decrease in foreign exchange rate *%*	Effect on Profit after tax and retained profits *RMB'000*	Effect on consolidated equity *RMB'000*
US$	**(10)**	**2**	**2**	(10)	2	2
Euro	**(10)**	**4,971**	**4,971**	(10)	5,776	5,776
HK$	**(10)**	**–**	**–**	(10)	–	–

A 10% weakening of RMB against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2019.

(e) Fair values

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable (note 2(b)).

Financial assets	**Fair value as at** **At 31 December 2020** *RMB'000*	At 31 December 2019 *RMB'000*	**Fair value Hierarchy**	**Valuation technique(s) and key input(s)**
Bills receivable measured at FVOCI (included in trade debtors and bills receivable)	**1,581,942**	–	Level 2	Future cash flows are estimated based on discount rate observed in the available market. The fair value of bills receivable was close to their carrying amounts given all bills receivable will mature within 1 year.
Financial assets at FVPL – unlisted equity securities in the consolidated statement of financial position	**307,890**	279,439	Level 3	The financial assets at FVPL are unlisted equity securities. The fair value is provided by the valuer. The fair value is measured by applying income approach and after considering the expected distributable profits of the investment discounted by a range of discount rate from 9.40% to 13.51% (2019: from 9.40% to 13.51%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Fair value *(Continued)*

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis *(Continued)*

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	2020 *RMB'000*	2019 *RMB'000*
Financial assets at FVPL:		
At 1 January	**279,439**	280,330
Addition	**29,702**	12,300
Disposal	**–**	(13,391)
Loss on fair value	**(1,251)**	–
At 31 December	**307,890**	279,439

During the reporting period there is no transfer between instruments in Level 1 and Level 2.

(ii) Financial instruments carried at other than fair value

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	2020		2019	
	Carrying amount *RMB'000*	**Fair value** *RMB'000*	Carrying amount *RMB'000*	Fair value *RMB'000*
Fixed rate borrowings and debentures payable	**18,569,523**	**18,367,351**	12,996,541	12,955,189

The fair value measurements of above financial liabilities are within the level 2 category, which have been determined based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of the Group entities.

44. PARENT AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be China Huadian, which is a state-owned enterprise established in the PRC. China Huadian does not produce financial statements available for public use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. SUBSIDIARIES

(a) General information of subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2020, all of which are limited liability companies established and operating in the PRC, which principally affect the results, assets or liabilities of the Group:

Name of company	Paid up capital RMB'000	Proportion of ownership interest and voting rights: Held by the Company %	Held by subsidiaries %	Principal activities
Sichuan Guang'an Power General Company Limited 四川廣安發電有限責任公司	1,826,135	80	–	Generation and sale of electricity
Huadian Qingdao Power Generation Company Limited 華電青島發電有限公司	847,436	55	–	Generation and sale of electricity and heat
Huadian Weifang Power Company Limited 華電濰坊發電有限公司 ("**Weifang Company**")	1,328,889	45 (note(x))	–	Generation and sale of electricity and heat
Huadian Zibo Thermal Power Company Limited 華電淄博熱電有限公司	773,850	100	–	Generation and sale of electricity and heat
Huadian Zhangqiu Power Generation Company Limited 華電章丘發電有限公司	758,114	87.5	–	Generation and sale of electricity and heat
Huadian Tengzhou Xinyuan Thermal Power Company Limited 華電滕州新源熱電有限公司	514,205	93.26	–	Generation and sale of electricity
Huadian Xinxiang Power Generation Company Limited 華電新鄉發電有限公司	853,386	90	–	Generation and sale of electricity
Anhui Huadian Suzhou Power Generation Company Limited 安徽華電宿州發電有限公司	1,479,118	56.07 (note(vi))	–	Generation and sale of electricity
Huadian Ningxia Lingwu Power Generation Company Limited 華電寧夏靈武發電有限公司	2,050,239	65	–	Generation and sale of electricity
Sichuan Huadian Luding Hydropower Company Limited 四川華電瀘定水電有限公司	1,516,090	100	–	Generation and sale of electricity
Huadian Zouxian Power Generation Company Limited 華電鄒縣發電有限公司 ("**Zouxian Company**")	3,000,000	69	–	Generation and sale of electricity
Huadian International Ningxia New Energy Power Company Limited 華電國際寧夏新能源發電有限公司	2,825,187	63.92 (note(iii))	–	Generation and sale of electricity
Anhui Huadian Wuhu Power Generation Company Limited 安徽華電蕪湖發電有限公司	1,658,733	65	–	Generation and sale of electricity and heat
Inner Mongolia Huadian Mengdong Energy Company Limited 內蒙古華電蒙東能源有限公司	1,453,200	54.85 (note(iv))	–	Generation and sale of electricity
Huadian Luohe Power Generation Company Limited 華電漯河發電有限公司	600,800	75	–	Generation and sale of electricity and heat
Hangzhou Huadian Banshan Power Generation Company Limited 杭州華電半山發電有限公司	1,706,610	64	–	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Thermal Power Company Limited 河北華電石家莊熱電有限公司	1,132,530	82	–	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited 河北華電石家莊裕華熱電有限公司	666,020	60	40	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited 河北華電石家莊鹿華熱電有限公司	500,550	90	–	Generation and sale of electricity and heat
Sichuan Huadian Zagunao Hydroelectric Development Company Limited 四川華電雜谷腦水電開發有限責任公司	980,563	64	–	Generation and sale of electricity
Hebei Huarui Energy Group Corporation Limited 河北華瑞能源集團有限公司	938,000	100	–	Sale of electricity and investment on power resources
Hebei Huadian Yuzhou Wind Power Company Limited 河北華電蔚州風電有限公司	298,110	–	60.38 (note (vii))	Sale of electricity and investment on power resources
Shanxi Maohua Energy Investment Company Limited 山西茂華能源投資有限公司	2,710,000	100	–	Sale of coal and investment in coal, electricity and heat industry

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. SUBSIDIARIES *(Continued)*

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

The following list contains only the particulars of subsidiaries as at 31 December 2020, all of which are limited liability companies established and operating in the PRC, which principally affect the results, assets or liabilities of the Group: *(Continued)*

Name of company	Paid up capital *RMB'000*	Proportion of ownership interest and voting rights: Held by the Company *%*	Proportion of ownership interest and voting rights: Held by subsidiaries *%*	Principal activities
Hebei Huadian Guyuan Wind Power Company Limited 河北華電沽源風電有限公司	721,018	61.87 (note (viii))	–	Generation and sale of electricity
Huadian Longkou Power Generation Plant Company Limited 華電龍口發電股份有限公司	488,000	84.31	–	Generation and sale of electricity and heat
Shaoguan Pingshi Power Plant Company Limited (Plant B)韶關市坪石發電廠有限公司 (B廠)	1,123,770	100	–	Generation and sale of electricity
Huadian Laizhou Power Generation Company Limited 華電萊州發電有限公司 ("**Laizhou Power Generation**")	2,632,803	75	–	Generation and sale of electricity
Hebei Huadian Kangbao Wind Power Company Limited 河北華電康保風電有限公司	996,576	100	–	Generation and sale of electricity
Anhui Huadian Lu'an Power Plant Company Limited 安徽華電六安電廠有限公司	921,500	95	–	Generation and sale of electricity
Huadian Qudong Power Generation Company Limited 華電渠東發電有限公司	568,000	90	–	Generation and sale of electricity and heat
Shantou Huadian Power Generation Company Limited 汕頭華電發電有限公司	590,000	51	–	Generation and sale of electricity
Shijiazhuang Huadian Heat Corporation Limited 石家莊華電供熱集團有限公司	553,370	100	–	Sale of heat
Huadian Laizhou Port Company Limited 華電萊州港務有限公司	215,130	65	–	Port construction and operation
Huadian Laizhou Wind Power Company Limited 華電萊州風力發電有限公司	275,557	55	–	Generation and sale of electricity
Inner Mongolia Haoyuan Coal Company Limited 內蒙古浩源煤炭有限公司	3,000	85	–	Sales of mining equipment and components
Inner Mongolia Alax League Shunge Mining Industry Corporation Company Limited 內蒙古阿拉善盟順舸礦業集團順舸礦業有限責任公司	81,000	100	–	Coal mine improvement and sales of mining equipment
Sichuan Liangshan Shuiluohe Hydropower Development Company Limited 四川涼山水洛河電力開發有限公司	1,001,996	–	57	Generation and sale of electricity
Tianjin Huadian Fuyuan Thermal Power Company Limited 天津華電福源熱電有限公司	407,004	63.14 (note (ix))	–	Generation and sale of electricity and heat
Hangzhou Huadian Xiasha Thermal Power Company Limited 杭州華電下沙熱電有限公司	259,338	56	–	Generation and sale of electricity and heat
Huadian Zhejiang Longyou Thermal Company Limited 華電浙江龍遊熱電有限公司	285,000	100	–	Generation and sale of electricity and heat
Hangzhou Huadian Jiangdong Thermal Power Company Limited 杭州華電江東熱電有限公司	600,000	70	–	Generation and sale of electricity and heat
Inner Mongolia Huatong Ruisheng Energy Company Limited 內蒙古華通瑞盛能源有限公司	35,000	90	–	Production and sale of coal
Huadian Xuwen Wing Power Company Limited 華電徐聞風電有限公司	353,000	100	–	Generation and sale of electricity
Huadian Shangdu Wind Power Company Limited 華電商都風電有限公司	20,000	100	–	Generation and sale of electricity
Huadian Guangdong Shunde Energy Company Limited 華電廣東順德能源有限公司	216,856	90	–	Generation and sale of electricity
Huadian Foshan Energy Company Limited 華電佛山能源有限公司	194,910	100	–	Generation and sale of electricity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. SUBSIDIARIES *(Continued)*

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

The following list contains only the particulars of subsidiaries as at 31 December 2020, all of which are limited liability companies established and operating in the PRC, which principally affect the results, assets or liabilities of the Group: *(Continued)*

Name of company	Paid up capital *RMB'000*	Proportion of ownership interest and voting rights: Held by the Company %	Proportion of ownership interest and voting rights: Held by subsidiaries %	Principal activities
Ningxia Huadian Yongli Power Generation Company Limited 寧夏華電永利發電有限公司	87,630	100	–	Generation and sale of electricity and heat
Huadian Hubei Power Generation Company Limited 華電湖北發電有限公司 ("**Hubei Power Generation**")	4,134,082	82.5627 (note(ii))	–	Generation and sale of electricity and heat
Huadian Guangdong Energy Sales Company Limited 華電廣東能源銷售有限公司	200,010	100	–	Sale of electricity and heat
Huadian Anhui Energy Sales Company Limited 華電安徽能源銷售有限公司	110,000	100	–	Sale of electricity and heat
Huadian Henan Energy Sales Company Limited 華電河南能源銷售有限公司	50,000	100	–	Sale of electricity and heat
Huadian Ningxia Energy Sales Company Limited 華電寧夏能源銷售有限公司	21,000	100	–	Sale of electricity and heat
Huadian Shandong Energy Sales Company Limited 華電山東能源銷售有限公司	210,000	100	–	Sale of electricity and heat
Huadian Shandong New Energy Power Generation Company Limited 華電山東新能源有限公司	1,191,032	100 (note (v))	–	Generation and sale of electricity
Ningxia Huadian Heat Company Limited 寧夏華電供熱有限公司	1,366,650	53	–	Sale of heat
Huadian Taiqian Photovoltaic Power Generation Company Limited 華電台前光伏發電有限公司 ("**Taiqian Photovoltaic**")	160,000	50 (note(i))	–	Generation and sale of electricity
Shanxi Huadian Pinglu New Energy Company Limited 山西華電平魯新能源有限公司	181,600	100	–	Generation and sale of electricity
Huadian (Zhengxiangbai Banner) New Energy Company Limited 華電(正鑲白旗)新能源有限公司	94,840	100	–	Generation and sale of electricity
Shanxi Huadian Ying County New Energy Company Limited 山西華電應縣新能源有限公司	99,000	100	–	Generation and sale of electricity

Notes:

(i) On 2 January 2019, the Company control over Taiqian Photovoltaic with 50% equity interest by the amendment of articles of association related to appointment of the directors.

(ii) On 1 September 2019, the Group completed its acquisition of 100% issued share capital of Huadian Hubei Power Generation Company Limited ("**Wuchang Company**") from China Huadian according to the corresponding equity transfer agreement.

(iii) In last year, ABC Financial Asset Investment Co. Ltd made the capital injection to the Huadian International Ningxia New Energy Power Company Limited by equity transfer agreement.

(iv) In last year, CCB Financial Asset Investment Co. Ltd made the capital injection to the Inner Mongolia Huadian Mengdong Energy Company Limited by equity transfer agreement.

(v) In last year, Shandong New Energy Company merged a former subsidiary, Huadian Zaozhuang New Energy Generation Company Limited ("**華電棗莊新能源發電有限公司**").

(vi) In current year, Shaanxi Financial Asset Management Co. Ltd made the capital injection to the Anhui Huadian Suzhou Power Generation Company Limited.

(vii) In current year, Central SOEs Industrial Investment Fund for Poor Area made the capital injection to the Hebei Huadian Yuzhou Wind Power Company Limited by equity transfer agreement.

(viii) In current year, Central SOEs Industrial Investment Fund for Poor Area made the capital injection to the Hebei Huadian Guyuan Wind Power Company Limited by equity transfer agreement.

(ix) In current year, BOC Financial Asset Investment Co., Ltd made the capital injection to the Tianjin Huadian Fuyuan Thermal Power Company Limited by equity transfer agreement.

(x) According to the articles of association of these companies, the Company holds majority of members in the board of directors which is the governing body of these companies and therefore has the power to direct the relevant activities of these companies, and is exposed, or has rights, to variable returns from the involvement with the investee, and has the ability to use its power to affect the amount of those returns.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of the subsidiary	Place of establishment and principal place of business	Proportion of ownership Interests and voting Rights held by Non-controlling interests		Profit allocated to Non-controlling interests		Accumulated Non-controlling interests	
		2020	2019	**2020** *RMB'000*	2019 *RMB'000*	**2020** *RMB'000*	2019 *RMB'000*
Weifang Company	the PRC	**55%**	55%	**147,216**	86,044	**1,848,088**	1,756,012
Zouxian Company	the PRC	**31%**	31%	**47,887**	17,039	**1,095,885**	1,063,271
Hubei Power Generation	the PRC	**17.4373%**	17.4373%	**405,237**	503,952	**3,970,606**	3,779,757
Laizhou Power Generation	the PRC	**25%**	25%	**164,252**	184,570	**1,049,463**	885,211
Individually immaterial subsidiaries with non-controlling interests						**13,463,706**	10,521,653
Total						**21,247,748**	18,005,905

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information including goodwill and effect of fair value adjustments of assets and liabilities recognised upon acquisition of these subsidiaries but before inter-company eliminations is as follows:

(i) Weifang Company and its subsidiary

	2020 *RMB'000*	2019 *RMB'000*
Current assets	**329,474**	418,850
Non-current assets	**4,049,180**	4,107,771
Current liabilities	**(535,017)**	(823,993)
Non-current liabilities	**(474,992)**	(517,747)
Total equity	**3,368,645**	3,184,881
Non-controlling interests of Weifang Company	**(21,997)**	(21,838)

	2020 *RMB'000*	2019 *RMB'000*
Revenue	**3,319,182**	3,648,326
Expenses	**(3,048,963)**	(3,489,213)
Profit for the year	**270,219**	159,113
Non-controlling interests of Weifang Company	**(298)**	(156)
Dividends paid to non-controlling interests	**55,140**	400
Net cash inflow from operating activities	**747,106**	652,978
Net cash outflow from investing activities	**(281,389)**	(332,589)
Net cash outflow from financing activities	**(452,384)**	(335,505)
Net cash inflow/(outflow)	**13,333**	(15,116)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

(ii) Zouxian Company

	2020 *RMB'000*	2019 *RMB'000*
Current assets	**197,241**	236,415
Non-current assets	**4,136,538**	4,221,928
Current liabilities	**(696,226)**	(1,025,774)
Non-current liabilities	**(102,880)**	(2,880)
Total equity	**3,534,673**	3,429,689

	2020 *RMB'000*	2019 *RMB'000*
Revenue	**3,277,609**	3,280,822
Expenses	**(3,123,135)**	(3,225,857)
Profit for the year	**154,474**	54,965
Dividends paid to non-controlling interests	**15,273**	91,070
Net cash inflow from operating activities	**571,855**	819,497
Net cash outflow from investing activities	**(190,203)**	(184,058)
Net cash outflow from financing activities	**(377,029)**	(647,327)
Net cash inflow/(outflow)	**4,623**	(11,888)

(iii) Hubei Power Generation and its subsidiaries

	2020 *RMB'000*	2019 *RMB'000*
Current assets	**2,912,578**	3,374,133
Non-current assets	**15,184,035**	15,442,509
Current liabilities	**(5,295,685)**	(5,348,848)
Non-current liabilities	**(4,497,027)**	(5,834,787)
Total equity	**8,303,901**	7,633,007
Non-controlling interests of Hubei Power Generation	**(2,387,251)**	(2,361,938)

	2020 *RMB'000*	2019 *RMB'000*
Revenue	**10,087,344**	12,619,223
Expenses	**(8,997,944)**	(11,359,260)
Profit for the year	**1,089,400**	1,259,963
Non-controlling interests of Hubei Power Generation	**(279,895)**	(363,436)
Dividends paid to non-controlling interests	**394,388**	130,547
Net cash inflow from operating activities	**2,258,586**	3,363,006
Net cash outflow from investing activities	**(1,129,022)**	(1,024,736)
Net cash outflow from financing activities	**(1,688,079)**	(2,451,276)
Net cash outflow	**(558,515)**	(113,006)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

45. SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

(iv) Laizhou Power Generation

	2020 RMB'000	2019 RMB'000
Current assets	412,291	755,461
Non-current assets	10,562,502	11,175,004
Current liabilities	(3,017,600)	(3,156,169)
Non-current liabilities	(3,759,339)	(4,983,068)
Total equity	4,197,854	3,791,228

	2020 RMB'000	2019 RMB'000
Revenue	5,624,065	4,333,349
Expenses	(4,967,059)	(3,595,071)
Profit for the year	657,006	738,278
Dividends paid to non-controlling interests	75,000	121,333
Net cash inflow from operating activities	2,009,161	812,045
Net cash outflow from investing activities	(403,751)	(1,888,524)
Net cash outflow from financing activities	(1,587,667)	1,106,314
Net cash inflow	17,743	29,835

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Debenture RMB'000	Loans RMB'000	Lease liabilities RMB'000	Bills financing RMB'000	Dividend payables RMB'000	Perpetual capital securities RMB'000	Total RMB'000
At 1 January 2019	17,209,648	104,009,336	3,014,378	(161,013)	331,176	9,108,775	133,512,300
Initial application of IFRS 16	–	–	394,100	–	–	–	394,100
Restated balance as at 1 January 2019	17,209,648	104,009,336	3,408,478	(161,013)	331,176	9,108,775	133,906,400
Financing cash flows	(1,100,200)	(6,485,866)	(897,956)	176,504	(1,217,139)	6,545,418	(2,979,239)
New leases	–	–	145,072	–	–	–	145,072
Acquisition of subsidiaries	–	1,268,854	–	–	–	–	1,268,854
Other adjustments	–	392,161	–	–	–	–	392,161
Dividends of perpetual securities recognised as distribution	–	–	–	–	–	(68,732)	(68,732)
Dividends recognised as distribution	–	–	–	–	650,956	–	650,956
Dividends declared to non-controlling interests	–	–	–	–	487,832	–	487,832
Interest expenses	–	–	143,733	–	–	–	143,733
Interest income	(83,644)	–	–	–	–	–	(83,644)
Profit attributable to holders of perpetual capital securities	–	–	–	–	–	543,594	543,594
At 31 December 2019 and 1 January 2020	16,025,804	99,184,485	2,799,327	15,491	252,825	16,129,055	134,406,987
Financing cash flows	(3,500,000)	(6,191,269)	(1,196,613)	(87,712)	(2,358,255)	7,758,585	(5,575,264)
New leases	–	–	118,518	–	–	–	118,518
Other adjustments	–	923,822	–	–	–	–	923,822
Dividends of perpetual securities recognised as distribution	–	–	–	–	–	(160,326)	(160,326)
Dividends recognised as distribution	–	–	–	–	1,439,995	–	1,439,995
Dividends declared to non-controlling interests	–	–	–	–	1,539,256	–	1,539,256
Interest expense	(33,569)	–	95,783	–	–	–	62,214
Profit attributable to holders of perpetual capital securities	–	–	–	–	–	917,861	917,861
At 31 December 2020	12,492,235	93,917,038	1,817,015	(72,221)	873,821	24,645,175	133,673,063

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current assets		
Property, plant and equipment	**15,644,681**	16,343,174
Right-of-use assets	**941,531**	1,013,264
Construction in progress	**5,002,669**	2,888,345
Intangible assets	**73,943**	33,324
Goodwill	**34,413**	46,524
Interests in subsidiaries	**47,306,546**	44,682,863
Interests in associates and joint ventures	**9,121,189**	8,826,896
Financial asset at fair value through profit or loss	**45,898**	27,500
Other non-current assets	**763,060**	746,761
Deferred tax assets	**361,092**	–
	79,295,022	74,608,651
Current assets		
Inventories	**350,715**	486,061
Trade debtors and bills receivable	**719,554**	721,280
Amounts due from subsidiaries	**13,340,626**	12,540,275
Deposits, other receivables and prepayments	**2,604,314**	1,392,473
Restricted deposits	**3,009**	–
Cash and cash equivalents	**933,830**	986,596
	17,952,048	16,126,685
Current liabilities		
Bank loans	**6,208,229**	6,483,220
State loans	**–**	1,018
Other loans	**1,024,961**	1,919,024
Short-term debentures payable	**–**	3,037,009
Long-term debentures payable – current portion	**1,996,837**	1,998,796
Amount due to the parent company	**12,804**	17,640
Amounts due to subsidiaries	**1,611,340**	1,005,880
Trade creditors and bills payable	**1,396,935**	1,588,812
Other payables	**780,177**	1,731,398
	13,031,283	17,782,797
Net current assets/(liabilities)	**4,920,765**	(1,656,112)
Total assets less current liabilities	**84,215,787**	72,952,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

	2020 *RMB'000*	2019 *RMB'000*
Non-current liabilities		
Bank loans	**9,069,764**	8,259,591
State loans	**200,000**	–
Other loans	**1,184,400**	1,340,491
Long-term debentures payable	**10,495,397**	10,485,671
Long-term payables	**35,311**	35,311
Deferred government grants	**123,023**	109,105
Deferred tax liabilities	**422**	59,157
Lease liabilities	**36,721**	67,204
	21,145,038	20,356,530
Net assets	**63,070,749**	52,596,009
Capital and reserves		
Share capital	**9,862,977**	9,862,977
Perpetual capital securities	**24,645,175**	16,129,055
Reserves	**28,562,597**	26,603,977
Total equity	**63,070,749**	52,596,009

Movement in the Company's reserves

	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Discretionary surplus reserve *RMB'000*	Perpetual capital securities *RMB'000*	Retained profits *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2019	9,862,977	14,835,394	3,104,840	68,089	9,108,775	7,371,523	44,351,598
Dividends recognised as distribution	–	–	–	–	–	(650,956)	(650,956)
Issue of perpetual capital securities	–	–	–	–	6,988,156	–	6,988,156
Appropriation of general reserve	–	–	298,392	–	–	(235,616)	62,776
Distributions payable to holders of perpetual capital securities	–	–	–	–	(511,470)	–	(511,470)
Total comprehensive income for the year	–	–	–	–	543,594	1,812,311	2,355,905
Balance at 31 December 2019 and 1 January 2020	**9,862,977**	**14,835,394**	**3,403,232**	**68,089**	**16,129,055**	**8,297,262**	**52,596,009**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**–**	**(1,439,995)**	**(1,439,995)**
Issue of perpetual capital securities	**–**	**–**	**–**	**–**	**8,492,665**	**–**	**8,492,665**
Appropriation of general reserve	**–**	**–**	**436,379**	**–**	**–**	**(432,762)**	**3,617**
Distributions payable to holders of perpetual capital securities	**–**	**–**	**–**	**–**	**(894,406)**	**–**	**(894,406)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**917,861**	**3,394,998**	**4,312,859**
Balance as at 31 December 2020	**9,862,977**	**14,835,394**	**3,839,611**	**68,089**	**24,645,175**	**9,819,503**	**63,070,749**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2020

48. EVENT AFTER THE REPORTING PERIOD AND EFFECT OF COVID-19

(a) On 26 February 2021, the Company, together with China Huadian, entered into the Ningxia Lingwu Equity Transfer Agreement, pursuant to which, the Company agreed to dispose of, and China Huadian agreed to acquire, 65% equity interests in Huadian Ningxia Lingwu Power Generation Company Limited ("**Ningxia Lingwu**") held by the Company with the cash consideration of RMB2,823 million.

On the same date, the Group, together with China Huadian, entered into the Ningxia Heating Equity Transfer Agreement, pursuant to which, the Company agreed to dispose of, and China Huadian agreed to acquire, 53% equity interests in Ningxia Huadian Heating Corporation Limited ("**Ningxia Heating**") held by the Group with the cash consideration of RMB1,250 million, respectively. Upon the completion of the Equity Disposals, the Group will no longer hold any interests in Ningxia Lingwu and Ningxia Heating, while Ningxia Lingwu and Ningxia Heating will cease to be the subsidiaries of the Company.

(b) On 25 March 2021, the Company entered into the equity transfer agreement with BOC Financial Asset Investment Co. and CCB Financial Asset Investment Co. Ltd., pursuant to which, the Company agreed to acquire and transferor agreed to dispose 36.86% equity interest in Tianjin Huadian Fuyuan Thermal Power Company Limited ("**Fuyuan Thermal**") and 45.15% equity interest in Inner Mongolia Huadian Mengdong Energy Company Limited ("**Mengdong Energy**") with the consideration of RMB1,500,162,615.52. The consideration will be determined by the Company (i) based on issuing 6,508,376 consideration shares in issue price of RMB4.61 per share; and (ii) totaling to RMB1,470,159,000 consideration of convertible bond to issue for payment. Fuyuan Thermal and Mengdong Energy will be wholly owned subsidiaries of the Company after the abovementioned acquisition.

(c) The World Health Organisation declared Covid-19 a global health emergency on 30 January 2020. During 2020, the success in prevention and control of the Covid-19 pandemic in China and the quick restoration of the economic and social order have gradually stimulated the increase in electricity consumption, and the development trend of long-term economic upturn in China remains unchanged. Annual impairment test for financial and non-financial assets has been carried out with key assumptions and factors been considered for necessary revisions as the result of the Covid-19 outbreak.

The management are continuing to assess the implications of Covid-19 pandemic to the business in which the Group operates. Depending on the duration of the Covid-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2021. However, the exact impact in the remainder of 2021 and thereafter cannot be predicted.

FIVE YEARS FINANCIAL SUMMARY

	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	**2020** ***RMB'000***
Turnover	62,837,027	78,463,912	87,419,418	91,752,980	**89,382,243**
Profit before taxation	5,972,773	1,152,960	2,738,894	5,361,142	**6,891,833**
Income tax expenses	(1,677,547)	(458,484)	(826,862)	(1,036,440)	**(1,216,202)**
Profit for the year	4,295,226	694,476	1,912,032	4,324,702	**5,675,631**
Attributable to:					
Equity holders of the Company	3,127,799	435,905	1,445,736	3,385,324	**4,166,756**
Non-controlling interests	1,167,427	258,571	466,296	939,378	**1,508,875**
Profit for the year	4,295,226	694,476	1,912,032	4,324,702	**5,675,631**
Total non-current assets	191,912,000	193,817,104	201,724,007	205,564,187	**211,834,333**
Total current assets	21,163,716	25,160,602	25,772,114	26,600,168	**24,856,602**
Total assets	213,075,716	218,977,706	227,496,121	232,164,355	**236,690,935**
Total current liabilities	(74,154,430)	(80,317,325)	(75,534,410)	(67,329,784)	**(59,145,559)**
Total non-current liabilities	(80,550,362)	(81,458,588)	(83,719,847)	(84,226,928)	**(83,152,267)**
Net assets	58,370,924	57,201,793	68,241,864	80,607,643	**94,393,109**
Equity holders of the Company	43,838,317	42,909,159	53,131,142	62,601,738	**73,145,361**
Non-controlling interests	14,532,607	14,292,634	15,110,722	18,005,905	**21,247,748**
Total equity	58,370,924	57,201,793	68,241,864	80,607,643	**94,393,109**

SUPPLEMENTAL INFORMATION

1. DIFFERENCE ON ACCOUNTING FIGURES BY ADOPTING DOMESTIC AND FOREIGN ACCOUNTING PRINCIPLES

RECONCILIATION OF THE FINANCIAL STATEMENTS PREPARED UNDER CAS AND IFRSs

Effects of major differences between the CAS and IFRSs on net profit assets attributable to equity holders of the Company are analysed as follows:

	Notes	Net profit attributable to equity holders of the Company		Net asset attributable to equity holders of the Company	
		2020 *RMB'000*	2019 *RMB'000*	**2020** *RMB'000*	2019 *RMB'000*
Amounts under CAS		**4,179,447**	3,406,920*	**72,088,981**	61,510,437*
Adjustments:					
Business combination involving entities under common control	(1)	**(249,191)**	(251,999)	**2,063,003**	2,312,194
Government grants	(2)	**33,592**	33,592	**(286,801)**	(320,393)
Maintenance and production safety funds	(3)	**61,603**	51,404	**78,320**	38,354
Separation and transfer of equipment	(4)	**1,779**	(5,522)	**–**	–
Taxation impact of the adjustments		**51,113**	58,683	**(426,407)**	(477,520)
Attributable to minority Interest		**88,413**	92,246	**(371,735)**	(461,334)
Amounts under IFRSs		**4,166,756**	3,385,324	**73,145,361**	62,601,738

* The figures are extracted from the audited report prepared under China Accounting Standards for Business Enterprise and issued on Shanghai Stock Exchange for the year ended 31 December 2019.

Notes:

(1) According to the accounting policies adopted in the Group's financial statements prepared under IFRSs, assets and liabilities acquired by the Group during business combination, irrespective of whether such business combination is involving entities under common control or not, are measured at the fair value of identifiable assets and liabilities of the acquiree at the date of acquisition. In preparing the consolidated financial statements, the respective financial statements of subsidiaries are adjusted based on the fair value of individual identifiable assets and liabilities at the date of acquisition. The excess of purchase consideration paid by the Company over its share of fair value of identifiable net assets of the acquired was recognised as goodwill.

In accordance with CAS, assets and liabilities acquired by the Group in business combination involving entities under common control are measured at their carrying value at the date of combination. The excess of carrying value of purchase consideration paid by the Company over its share of carrying value of identifiable net assets of the acquiree for business combination involving entities under common control reduces the share premium of capital reserve or retained profits.

In addition, according to CAS, in respect of business combination involving entities under common control, when preparing consolidated financial statements, the opening balances as well as the comparative figures of the financial statements should be adjusted as if the current structure and operations resulting from the acquisitions had been in existence since prior periods (no earlier than the later of both parties were under common control).

(2) According to IFRSs, conditional government grants should be first recorded in long-term liabilities and amortised to profit or loss using the straight line method over the useful lives of the relevant assets after fulfilling the requirements from the government in respect of the construction projects.

According to CAS, government grants related to assets (required to be recorded in capital reserve pursuant to the relevant government notice) are not recognised as deferred income.

(3) Pursuant to the relevant PRC regulations for coal mining companies, the funds for production maintenance and production safety are accrued by the Group at fixed rates based on coal production volume. Provision for maintenance and production funds is recognised as expense in profit or loss with a corresponding adjustment to the specific reserve. The maintenance and production funds and special fees on other similar mining enterprises could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve back to retained earnings.

According to IFRSs, coal mining companies are required to set aside an amount to a fund for production maintenance, production safety and other similar funds through transferring from retained earnings to specific reserve. When qualifying revenue expenditures are incurred, such expenses are recorded in the profit or loss as incurred. When capital expenditures are incurred, an amount is transferred to property, plant and equipment and is depreciated in accordance with the depreciation policy of the Group. Internal equity items transfers take place based on the actual application amount of such expenses whereas specific reserve is offset against retained earnings to the extent of zero.

(4) Pursuant to the relevant PRC regulations for the separation and transfer of "Water/Electricity/Gas Supply and Property Management", the Group was required to transfer certain equipment to relevant parties without any consideration, which the loss will directly recognise to equity.

According to IFRSs, the loss from the separation and transfer of equipment should be first recorded in profit or loss as incurred, then to equity as reduced the retained profits for the Group.

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