華電國際電力股份有限公司
HUADIAN POWER INTERNATIONAL CORPORATION LIMITED *

Stock Code: 1071

www.hdpi.com.cn

* For identification purposes only


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CONTENTS

COMPANY PROFILE

Huadian Power International Corporation Limited (the "**Company**") and its subsidiaries (together the "**Group**") are one of the largest comprehensive energy companies in the People's Republic of China (the "**PRC**"), and primarily engaged in the construction and operation of power plants, including large-scale efficient coal- or gas-fired generating units and various hydropower projects. The Group's power generating assets are located in 12 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 42 controlled power plants which have commenced operations involving a total of approximately 53,355.55 MW controlled installed capacity, primarily including approximately 42,360 MW attributable to coal-fired generating units, approximately 8,589.05 MW attributable to gas-fired generating units and approximately 2,403 MW attributable to hydropower 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. On 28 September 2021, the Company issued approximately 6.8816 million A shares and 14,701,590 convertible corporate bonds by way of non-public issuance, and such A shares and convertible corporate bonds are listed on the Shanghai Stock Exchange. Currently, the Company has an issued share capital comprising 8,152,624,615 A shares and 1,717,233,600 H shares, accounting for approximately 82.60% and 17.40%, respectively, of the total issued share capital of the Company. As of 31 December 2021, the total number of employees of the Group amounted to 25,139.

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:

Category		Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
Coal-fired	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	Huadian Zouxian Power Generation Company Limited ("**Zouxian Company**")	2,000	69%	2 x 1,000 MW
	7	Huadian Laizhou Power Generation Company Limited ("**Laizhou Company**")	4,000	75%	4 x 1,000 MW
	8	Huadian Weifang Power Generation Company Limited ("**Weifang Company**")	2,000	64.29%	2 x 670 MW + 2 x 330 MW
	9	Huadian Qingdao Power Generation Company Limited ("**Qingdao Company**")	1,220	55%	1 x 320 MW + 3 x 300 MW
	10	Huadian Zibo Thermal Power Company Limited ("**Zibo Company**")	950	100%	2 x 330 MW + 2 x 145 MW
	11	Huadian Zhangqiu Power Generation Company Limited ("**Zhangqiu Company**")	925	87.5%	1 x 335 MW + 1 x 300 MW + 2 x 145 MW
	12	Huadian Tengzhou Xinyuan Thermal Power Company Limited ("**Tengzhou Company**")	930	93.26%	2 x 315 MW + 2 x 150 MW
	13	Huadian Longkou Power Generation Company Limited ("**Longkou Company**")	880	100%	4 x 220 MW
	14	Sichuan Guang'an Power Generation Company Limited ("**Guang'an Company**")	2,400	80%	2 x 600 MW + 4 x 300 MW
	15	Huadian Xinxiang Power Generation Company Limited ("**Xinxiang Company**")	1,320	90%	2 x 660 MW
	16	Huadian Luohe Power Generation Company Limited ("**Luohe Company**")	660	75%	2 x 330 MW

COMPANY PROFILE (CONTINUED)

Category		Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
Coal-fired	17	Huadian Qudong Power Generation Company Limited ("**Qudong Company**")	660	90%	2 x 330 MW
	18	Anhui Huadian Suzhou Power Generation Company Limited ("**Suzhou Company**")	1,260	98.27%	2 x 630 MW
	19	Anhui Huadian Wuhu Power Generation Company Limited ("**Wuhu Company**")	2,320	65%	1 x 1,000 MW + 2 x 660 MW
	20	Anhui Huadian Lu'an Power Generation Company Limited ("**Lu'an Company**")	1,320	95%	2 x 660 MW
	21	Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("**Yuhua Company**")	600	100%	2 x 300 MW
	22	Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("**Luhua Company**")	660	90%	2 x 330 MW
	23	Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B) ("**Pingshi Power Company**")	600	100%	2 x 300 MW
	24	Guangdong Huadian Shaoguan Thermal Power Company Limited ("**Shaoguan Thermal Power Company**")	700	100%	2 x 350 MW
	25	Huadian Hubei Power Generation Company Limited ("**Hubei Company**") *Note 1*	6,855.6	82.56%	2 x 680 MW + 2 x 660 MW + 2 x 640 MW + 6 x 330 MW + 1 x 300 MW + 2 x 185 MW + 2 x 122.8 MW
	26	Hunan Huadian Changsha Power Generation Company Limited ("**Changsha Company**")	1,200	70%	2 x 600 MW
	27	Hunan Huadian Changde Power Generation Company Limited ("**Changde Company**")	1,320	48.98%	2 x 660 MW
Gas-fired	28	Guangdong Huadian Shenzhen Energy Company Limited ("**Shenzhen Company**")	365	100%	1 x 120 MW + 2 x 82 MW + 1 x 81 MW
	29	Hangzhou Huadian Banshan Power Generation Company Limited ("**Hangzhou Banshan Company**")	2,415	64%	3 x 415 MW + 3 x 390 MW
	30	Hangzhou Huadian Xiasha Thermal Power Company Limited ("**Xiasha Company**")	246	56%	1 x 88 MW + 2 x 79 MW
	31	Hangzhou Huadian Jiangdong Thermal Power Company Limited ("**Jiangdong Company**")	960.5	70%	2 x 480.25 MW
	32	Huadian Zhejiang Longyou Thermal Power Company Limited ("**Longyou Company**")	405	100%	1 x 130.3 MW + 2 x 127.6 MW + 1 x 19.5 MW
	33	Hebei Huadian Shijiazhuang Thermal Power Company Limited ("**Shijiazhuang Thermal Power Company**")	1,310.2	82%	2 x 453.6 MW + 2 x 200 MW + 3 MW *Note 2*
	34	Shijiazhuang Huadian Heat Corporation Limited ("**Shijiazhuang Heat Corporation**")	12.55	100%	2 x 4.275 MW + 2 x 2 MW
	35	Huadian Foshan Energy Company Limited ("**Foshan Energy Company**")	329	90%	4 x 59 MW + 47.5 MW + 45.5 MW
	36	Tianjin Huadian Fuyuan Thermal Power Company Limited ("**Fuyuan Thermal Power Company**")	400	100%	2 x 200 MW
	37	Tianjin Huadian Nanjiang Thermal Power Company Limited ("**Nanjiang Thermal Power Company**")	930	65%	2 x 315 MW + 1 x 300 MW
	38	Guangdong Huadian Qingyuan Energy Company Limited ("**Qingyuan Company**")	1,003.2	100%	2 x 501.6 MW

COMPANY PROFILE (CONTINUED)

Note 1: Details of the installed generating units of Hubei Company are as follows:

Category	Name of power plant/company	Installed capacity *(MW)*	Shareholding percentage of Hubei Company	Generating units
Coal-fired	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	60.1%	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
Gas-fired	Hubei Huadian Wuchang Thermal Power Company Limited ("**Wuchang Thermal Power**")	370	100%	2 x 185 MW
	Hubei Huadian Xiangyang Gas Turbine Thermal Power Company Limited ("**Xiangyang Thermal Power**")	245.6	51%	2 x 122.8 MW

Note 2: Generating units of Shijiazhuang Thermal Power Company include 3 MW photovoltaic generating units for own use.

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

Category		Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
Hydropower	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	Sichuan Huadian Power Investment Company Limited ("**Sichuan Investment Company**") *Note 1*	827	100%	3 x 70 MW + 3 x 62 MW + 2 x 56 MW + 3 x 46 MW + 3 x 38 MW + 3 x 11 MW + 4 x 8.5 MW
	4	Hebei Huadian Complex Pumping-storage Hydropower Company Limited ("**Hebei Hydropower Company**")	65.5	100%	1 x 16 MW + 2 x 15 MW + 1 x 11 MW + 2 x 3.2 MW + 1 x 1.6 MW *Note 2* + 0.5 MW *Note 2*

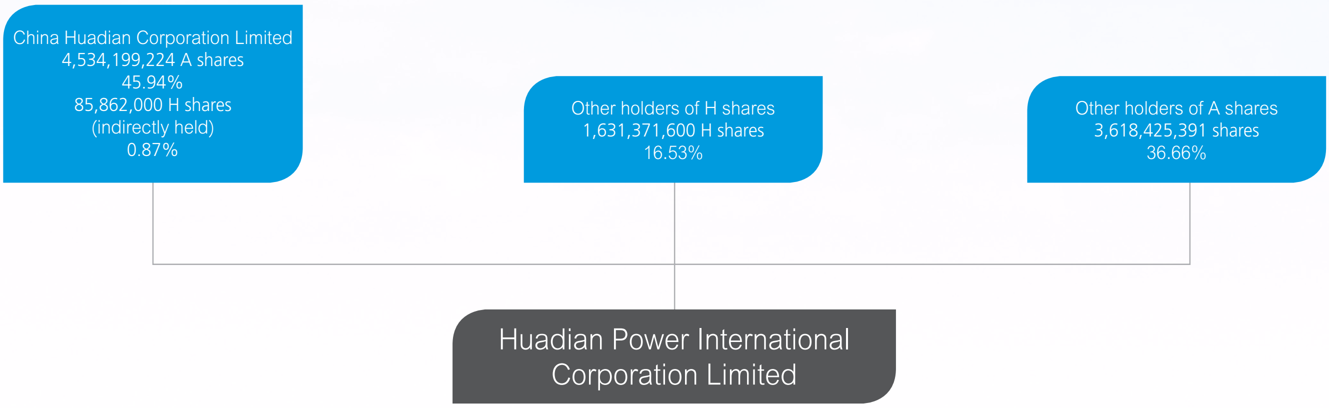
Note 1: Details of the installed generating units of Sichuan Investment Company are as follows:

Category	Name of power plant/company	Installed capacity *(MW)*	Shareholding percentage of Sichuan Investment Company	Generating units
Hydropower	Lixian Xinghe Power Company Limited ("**Lixian Company**")	67	100%	3 x 11 MW + 4 x 8.5 MW
	Sichuan Liangshan Shuiluohe Hydropower Development Company Limited ("**Shuiluohe Company**")	760	57%	3 x 70 MW + 3 x 62 MW + 2 x 56 MW + 3 x 46 MW + 3 x 38 MW

Note 2: Generating units of Hebei Hydropower Company include 0.5 MW photovoltaic generating units for own use, and 1.6 MW hydropower generating units for own use.

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 2021, the Group earnestly implemented various decisions and arrangements made by the Board of Directors of the Company (the "**Board**"), proactively served and participated in the new development paradigm, actively responded to the complicated and changing business forms, coordinated the epidemic prevention and control, production, operation and development, with a focus on carrying out operation, ensuring supply, promoting development and deepening reform to improve its vitality, and standardized its governance to create excellence, thus making new achievements in various work.

In terms of results of operations, in 2021, turnover of the Group was approximately RMB100,984 million, exceeding RMB100,000 million for the first time. Power generation amounted to 232.80 million MWh, representing a year-on-year increase of approximately 7.52%. Heat generation amounted to 154 million GJ, representing a year-on-year increase of 4.82%. The liabilities to assets ratio at the end of the year was 66%, representing an increase of 6 percentage points from the beginning of the year.

In terms of project development, in 2021, the Group actively responded to the complicated and severe business development situation, by deepening the reform to improve its vitality and standardizing its governance to achieve excellence, carrying out high-quality development to make new achievements, thus achieving a good start for the "14th Five-Year Plan." The power supply projects that have been put into operation amounted to 3,885.9 MW for the year, primarily including the installed capacity of 2,520 MW from coal-fired generating units, 1,248.8 MW from gas-fired generating units and 113.6 MW from hydropower generating units. As at the date of this report, the installed capacity of the Group was approximately 53,355.55 MW, in which clean energy accounted for approximately 20.60%. The Group implemented the new development philosophy and formulated the "14th Five-Year" development plan according to the Company's development orientation and regional development environment. The Group strengthened the research on policies for industries including pumped-storage hydropower, energy storage, hydrogen energy and geothermal energy, and put forward the development priorities and guarantee measures. The Group vigorously developed clean energy projects, actively secured hydropower and geothermal projects, accelerated the development of new business forms of green development, built and had in the pipeline, a number of comprehensive energy projects. Based on significant improvement in quality and efficiency, the Group achieved steady growth in scale and strength, continuously adjusted the industrial structure, so as to realize low-carbon transition and upgrading as soon as possible.

In terms of production safety, in 2021, the Group earnestly fulfilled its social responsibilities and made every effort to ensure a safe and reliable supply of energy. The Group understood and grasped the financial condition of its coal-fired power enterprises and provided them with capital support, thus ensuring sufficient supply of fuel, orderly and safe production and stable supply of electricity and heat. The Group strictly implemented the requirements of local governments in respect of prevention and control of the COVID-19 outbreak, regularly studied the outbreak, actively arranged epidemic prevention tasks and distributed epidemic prevention materials in a timely manner, so as to minimize the adverse impact of the outbreak on the personal health of employees and the production and operation of the Company. The Group actively formulated and published work plans for seasonal inspection, flood prevention, "production safety month" and winter power production safety. The Group strengthened the control of potential safety hazards, and put forward suggestions on management and continuously followed up relevant matters.

CHAIRMAN'S STATEMENT (CONTINUED)

In terms of environmental protection, the Group comprehensively performed the responsibilities for environmental protection management, strengthened the environmental protection supervision, and thus the pollutants were discharged in accordance with laws and standards. The Group actively followed up the work under the inspection system of the central government for environmental protection, and no environmental incidents affecting the Company's image occurred. The Group strengthened the study on carbon emission policies and regulations, and tracked the carbon emissions trading, and properly carried out carbon emission management. The Group strengthened the supervision of major energy consumption indicators and the implementation of consumption reduction measures, continuously optimized the energy efficiency level of power generating units, thus reducing the coal consumption of power supply by 2.84g/kWh year on year.

In terms of shareholders' returns, the Group implemented a continuous, stable and active profit distribution policy under the principle of focusing on reasonable investment returns for shareholders, in consideration of the overall interests of all shareholders, the long-term interests and reasonable capital needs of the Company. On 30 June 2021, the Shareholders' Return Plan for the Years 2020-2022 was considered and approved at the annual general meeting of the Company for 2020. From 2020 to 2022, in principle, the profit to be distributed in cash by the Company will not be less than 50% of the distributable profits for the year as indicated in the consolidated statements, and the dividend per share will not be less than RMB0.2. The Board proposes a final cash dividend of RMB0.25 per share (tax inclusive) for the financial year ended 31 December 2021.

In 2021, employees of the Group united as one and made great achievements. The Group won the "Best ESG Award" by the China Financial Market for the first time, the "Outstanding Enterprise in Responsibility, Communication and Innovation" award for the enterprises in the power industry in China for the second year running, the "Best Listed Company" award in the China Securities Golden Bauhinia Award for the third year running, the rating of A in information disclosure in the Shanghai Stock Exchange for the seventh year running, and the general manager of the Company was awarded the "Best CEO of Listed Company" in the Bauhinia Award 2021. Our excellent results and valuable practical experience depend on the courage and initiative of our staff, the constant trust and support of our shareholders and the continuous care and help from all walks of life. I would like to express my heartfelt thanks to them!

2022 is the key year for the Company to advance the implementation of the "14th Five-Year" Plan. Based on doing well in various tasks for this year, the Group will specify new tasks, implement new measures, achieve new results and create new situations. The Group will make efforts to contend for first place and take on the responsibility. The Group will accelerate the establishment of a first-class listed energy company with an international reputation.

BUSINESS REVIEW AND OUTLOOK

Luo Xiaoqian

Executive Director and General Manager

BUSINESS REVIEW

(1) Power Generation

As of the date of this report, the Group's total controlled installed capacity amounted to 53,355.55 MW. Power generation of the Group in 2021 amounted to 232.80 million MWh, representing an increase of approximately 7.52% over the same period of last year; the volume of on-grid power sold amounted to 218.82 million MWh, representing an increase of approximately 7.67% over the same period of last year. The annual utilization hours of the Group's generating units were 4,066 hours, representing a year-on-year increase of 422 hours, among which the utilization hours of coal-fired generating units were 4,547 hours, representing a year-on-year increase of 506 hours. The coal consumption for power supply was 287.55g/KWh in aggregate.

(2) Turnover

In 2021, the Group's turnover amounted to approximately RMB100,984 million, representing an increase of approximately 12.98% over 2020; revenue generated from sale of electricity amounted to approximately RMB81,899 million, representing an increase of approximately 16.69% over 2020; revenue generated from sale of heat amounted to approximately RMB7,468 million, representing an increase of approximately 12.20% over 2020; revenue from sale of coal amounted to approximately RMB11,617 million, representing a decrease of approximately 7.37% over 2020.

(3) Loss

In 2021, the Group's operating loss amounted to approximately RMB14,399 million, while its operating profit amounted to approximately RMB8,790 million in 2020. The drop in operating profit was mainly due to the significant increase in coal prices. For the year ended 31 December 2021, the loss for the year attributable to equity holders of the Company amounted to approximately RMB3,342 million, the loss for the year attributable to equity shareholders of the Company amounted to approximately RMB4,365 million, and the basic loss per share were approximately RMB0.443.

(4) The Capacity of Newly-added Generating Units

From 1 January 2021 to the date of this report, the details of the Group's newly-added generating units are as follows:

Projects	Category	Capacity *(MW)*
Qingyuan Company	Gas-fired	1,003.2
Xiangyang Thermal Power	Gas-fired	245.6
Changsha Company	Coal-fired	1,200
Changde Company	Coal-fired	1,320
Shuiluohe Company	Hydropower	112
Hebei Hydropower Company	Hydropower	1.6
Hebei Hydropower Company	Photovoltaic	0.5
Shijiazhuang Thermal Power Company	Photovoltaic	3
Total		**3,885.9**

(5) Generating Units under Construction

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

Company Name	Planned New Installed Capacity
Tianjin Development Area Branch of Huadian Power International ("**Tianjin Branch**")	Three 170 MW coal-fired generating units
Shantou Huadian Power Generation Company Limited ("**Shantou Company**")	Two 660 MW coal-fired generating units
Hunan Huadian Pingjiang Power Generation Company Limited ("**Pingjiang Company**")	Two 1,000 MW coal-fired generating units
Longkou Company	One 660 MW coal-fired generating unit
Shuiluohe Company	One 56 MW hydropower generating unit
Total	**4,546 MW**

(6) Generating units no longer included in the Group's consolidated statements

From 1 January 2021 to the date of this report, the details of generating units no longer included in the Group's consolidated statements are as follows:

Company Name	Installed capacity *(MW)*
Huadian Ningxia Lingwu Power Generation Company Limited	3,320
Huadian Laizhou Wind Power Company Limited	40.5
Hebei Huadian Kangbao Wind Power Company Limited	729.5
Huadian Kezuozhongqi Wind Power Company Limited	49.5
Huadian Ningxia Ningdong Shangde Solar Power Company Limited	10
Huadian Laizhou Wind Power Generation Company Limited	146
Longkou Dongyi Wind Power Company Limited	80
Hebei Huadian Guyuan Wind Power Company Limited	490.5
Huadian Power International Ningxia New Energy Power Company Limited	1,541.6
Huadian Longkou Wind Power Company Limited	99.3
Huadian Laizhou Wind Energy Power Company Limited	149.4
Huadian Xuwen Wind Power Company Limited	198
Huadian Xiaxian Wind Power Company Limited	100
Huadian Zhangjiakou Saibei New Energy Generation Company Limited	4
Huadian Wengniuteqi Wind Power Company Limited	49.5
Zezhou County Huadian Wind Power Company Limited	197.7
Shaanxi Huadian Xunyi Wind Power Company Limited	100
Huadian Huzhou New Energy Power Generation Company Limited	38.2
Huadian Ningbo New Energy Generation Company Limited	10
Huadian Henan New Energy Power Generation Company Limited	40
Huadian Shandong New Energy Company Limited	763
Shanxi Huadian Pinglu New Energy Company Limited	99.2
Huadian Taiqian Photovoltaic Power Generation Company Limited	100
Huadian (Zhengxiangbai Banner) New Energy Company Limited	99
Shanxi Huadian Ying County New Energy Company Limited	50

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

Company Name	Installed capacity *(MW)*
Hebei Huadian Yuzhou Wind Power Company Limited	99
Hubei Huadian Suixian Yindian Photovoltaic Power Generation Company Limited	100
Hubei Huadian Zaoyang Photovoltaic Power Generation Company	100
Hubei Huadian Wuxue New Energy Company Limited	120
Hebei Huadian Complex Pumping-storage Hydropower Company Limited Zanhuang New Energy Branch Company	270
Huadian Hubei Power Generation Company Limited Huangshi Photovoltaic Power Generation Branch Company	6.4
Huadian Hubei Power Generation Company Limited Wuhan Photovoltaic Power Generation Branch Company	8
Huadian Laizhou Power Generation Company Limited (only photovoltaic business)	1.1
Huadian Zhejiang Longyou Thermal Company Limited (only photovoltaic business)	32.8
Huadian Weifang Power Company Limited (only photovoltaic business)	2.4
Hangzhou Huadian Banshan Power Generation Company Limited (only photovoltaic business)	0.7
Inner Mongolia Huadian Mengdong Energy Company Limited	399
Zanhuang County Mingchengyumeng Energy Technology Company Limited	20
Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B), Lechang Wind Power Branch	100
Total	**9,764.3**

Note: Huadian Ningxia Lingwu Power Generation Company Limited, a subsidiary of the Group, completed the equity transfer on 19 May 2021 and ceased to be included in the Group's consolidation since 20 May 2021; Zanhuang County Mingchengyumeng Energy Technology Company Limited completed the equity transfer on 14 December 2021 and ceased to be included in the Group's consolidation since 15 December 2021; Inner Mongolia Huadian Mengdong Energy Company Limited completed the equity transfer on 22 December 2021 and ceased to be included in the Group's consolidation since 23 December 2021; Shaoguan City Pingshi Electric Power Plant Company Limited (Plant B), Lechang Wind Power Branch completed the equity transfer on 24 December 2021 and ceased to be included in the Group's consolidation since 25 December 2021; the transfer of remaining companies' equity and/or assets were completed on 30 June 2021, and the relevant equity and/or assets would no longer be included in the Group's consolidation from 1 July 2021.

BUSINESS OUTLOOK

(1) Competitive landscape in the industry and development trend

The National Action Plan for Carbon Dioxide Peaking Before 2030 was published. During the "14th Five-Year Plan" period, the construction of a new power system will be accelerated, so that by 2025, the carbon dioxide emissions per unit of GDP will be 18% lower than in 2020, laying a solid foundation for achieving carbon peaking. During the "15th Five- Year Plan" period, a clean, low-carbon, safe and efficient energy system will be initially established, so that by 2030, the carbon dioxide emissions per unit of GDP will be over 65% lower than in 2005, thus achieving carbon peaking before 2030. In the green and low-carbon transition of energy, subject to ensuring energy security, China will vigorously advance the replacement with renewable energy, and accelerate the construction of a clean, low-carbon, safe and efficient energy system. The coal consumption standard of the newly-built coal- fired generating units will reach the international advanced level. Efforts will be made to accelerate the energy-saving upgrading and flexibility transformation of the existing units, actively promote the heating reconstruction, and the transition of coal-fired power into a power source that is for ensuring basic needs and serves as a system regulating source. China will deepen the power system reform and accelerate the construction of a unified national electricity market system. China will develop new medium to long-term pumped-storage hydropower development plans and improve the policy mechanism to promote the development of pumped-storage. By 2030, installed pumped-storage hydropower capacity will reach approximately 120 million KW. China will accelerate the demonstration, promotion and application of new types of energy storage. By 2025, the installed capacity of new types of energy storage installed capacity will exceed 30 million KW.

According to the forecast of the China Electricity Council, the power consumption of the entire society for the year in 2022 will reach 8.7 trillion KWh – 8.8 trillion KWh, representing a year-on-year increase of 5%-6%, with a quarter-by-quarter increase in the growth rate of the power consumption of the entire society. It is expected that the installed capacity of new generating units in infrastructure in 2022 will be approximately 230 million KW, of which the installed capacity of approximately 180 million KW will be generated from non-fossil energy, and as at the end of 2022, the installed capacity of generating units in China will be approximately 2,600 million KW. The installed capacity of coal-fired power generating units will be approximately 1,140 million KW. With the persistent epidemic in the world, the external situation becomes more complicated and changeable. Macroeconomy, fuel supply, temperature, precipitation and other factors bring greater uncertainty to the power supply and demand. It is expected that the electricity supply and demand will be balanced in 2022 in China, with supply less than demand in some regions with peak load during summer and winter.

In the world, under the background of global emission and carbon reduction, due to factors including significant fluctuations in the supply of new energy, there were severe challenges to energy security in the world. In terms of supply and demand in China, as a result of China's energy resource conditions of plenty of coal but shortage of oil and gas, coal-fired power will continue to play the role of ensuring the satisfaction of basic needs for a long time.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

(2) Development Strategies of the Group

At the new development stage, the Group will follow a new development philosophy and foster a new development paradigm. The Group will adhere to the general tone of making progress while maintaining stability. The Group will take reform and innovation as the driving force to continuously optimize and adjust the arrangement structure, with a focus on high-quality development, based on quality improvement, efficiency enhancement, corporate governance by law, and compliant operation, so as to improve its vitality in the reform and development, and accelerate the establishment of a first-class listed energy company with international reputation.

(3) Operation Plan of the Group in 2022

Where external conditions remain relatively stable, the Group expects to complete the goal of power generation of about 230 billion KWh in 2022, and the utilisation hours of power generating units are expected to remain stable. According to the actual progress of each project, in 2022, 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 2022, the Group will focus on the following four aspects:

The Group will strengthen strategic guidance and persist in innovation as a driver. In order to meet the long-term development needs of the power industry after the national goals of "carbon peaking and carbon neutrality" is proposed, as a platform China Huadian Corporation Limited ("China Huadian") to integrate the assets of power generation from conventional energy, the Group will expand power generation from conventional energy, by way of controlling supplemented by establishment and mergers. With hydropower generating units and gas-fired generation units, the Group will substantially increase the proportion of clean energy installed capacity. The Group will hold a large percentage of shares in professional platforms of new energy, actively promote the development of overseas investments, accelerate the development of new business forms and new models, and give full play to the basic and auxiliary functions in the new power system.

The Group will strengthen management and control, improve quality and efficiency in an all-round way. The Group will pay attention to overall planning, increase overall revenue and reduce expenditure, so as to continuously improve its profitability The Group will strengthen the monitoring of key indicators, pay attention to the control of coal prices, make efforts to increase the contract coverage rate and completion rate of the coal with long-term agreements, effectively grasp the inventory structure and purchase schedules, and control and reduce the fuel cost to the maximum extent. The Group will strengthen marketing, research on market conditions, policies and regulations, focus on medium- and long-term transactions, spot market transactions, application for favorable policies, and supporting services, and will stabilize the prices, increase the volume and participate in market competition. The Group will scientifically expand its presence in the heating market based on marginal contribution.

The Group will ensure energy security and deepen environmental protection. The Group will resolutely implement the National Security Strategy (2021-2025), by strengthening the overall allocation of resources, properly carrying out prevention and control of the epidemic, production, operation and development, and ensuring safety, so as to lay a solid foundation for safe development. The Group will earnestly implement the Opinions on Deepening the Fight against Pollution published by the CPC Central Committee, by ensuring that pollutants are discharged in accordance with laws and standards. The Group will systematically study the carbon emission trading, accelerate the transformation of environmental protection facilities, so as to consolidate and maintain the security and stability of the Group.

The Group will strengthen compliance management and improve its governance. The Group will promote the modernization of the corporate governance system and governance capabilities, strengthen the standardized operation, enhance the training and guidance for newly established and newly acquired enterprises, and promote the compliant implementation of work. The Group will strengthen information disclosure and management of daily connected transactions to ensure compliance with regulatory requirements. The Group will strengthen internal control management, further promote the integration of internal control and compliance risk management, explore the establishment of a new internal control and compliance supervision model integrating offline and online channels, on-site and remote monitoring, so as to realize full-process, multi-dimension and all-round real-time inspection. The Group will promote the building of the rule of law and properly carry out legal reviews in respect of rules and regulations, economic contracts and major decisions to prevent legal risks proactively. The Group will strengthen the employees' awareness of the rule of law, promote compliant operations and safeguard the legitimate rights and interests of the Company.

BUSINESS REVIEW AND OUTLOOK (CONTINUED)

(4) Possible Risks and Measures

The Central Economic Work Conference pointed out that China's economy was under three pressures, namely shrinking demand, supply shock and weaker expectation. The power industry was subject to accelerated reform, industry upgrading and intensified competition. Due to the "three pressures", there was a very severe and complicated operating situation for the Group, and the risks to which the Group may be subject mainly include:

Firstly, the risk from the COVID-19 outbreak. Despite the effective control of the COVID-19 outbreak and the overall stability of the epidemic prevention form, there were risks of local outbreak, which may have a certain impact on macroeconomic recovery, electricity demand and supply, coal production, transportation, etc.

The Group will strictly implement measures for normalized prevention and control of COVID-19 outbreak, and closely track the changes in the outbreak, so as to ensure that risks in respect of personnel safety, power production, material support and fuel supply are controllable and under control, and to overcome the adverse effects of the epidemic.

Secondarily, power market risk. In order to achieve the strategic goals of "carbon peaking and carbon neutrality", China promotes the construction of a new power system with new energy as the mainstay. At present, the proportion of the installed capacity of thermal generating units of the Group is relatively high, and the problem of unbalanced and uncoordinated power source structure and asset allocation still exists.

The Group will actively participate in and serve the construction of a new power market based on the actual national conditions of China such as energy resource conditions, economic and social development. In advancing the transformation and upgrading of coal-fired power generating units, the Group will give overall consideration to the energy-saving transformation of coal-fired power generating units, the heating reconstruction and flexibility transformation, enable the coal-fired power generating units to play a greater role in peak load, frequency, voltage regulation and standby of the power system, so as to meet the basic need and ensure the supply. The Group will explore a comprehensive energy service market, actively participate in the response to the demand in the power grid, and promote the development of new business models including "multi-energy complementation", "integration of wind power generation, photovoltaic power generation, hydropower generation, thermal power generation and energy storage" and "integration of power source, power grid, load and energy storage." The Group will accelerate the development of new business forms of green development including energy storage and vigorously promote the development of pumped storage projects.

Thirdly, coal market risk. Since September 2021, domestic thermal coal prices have increased significantly due to the supply less than demand of energy as a result of various factors at home and abroad. Due to the new mechanism of pricing under long-term agreements and the reduction in the purchase price by large coal enterprises, the coal prices in the producing areas and ports decreased continuously and significantly. However, thermal coal prices remain high. It will take a while for the prices to return to a reasonable range.

The Group will strengthen the research on the coal market and make efforts to control the purchase cost of coal through measures including executing more long-term contracts, optimizing the structure of coal purchase and strengthening seasonal reserve.

Fourthly, carbon market risk. All thermal power enterprises of the Group are included in the first list of enterprises under management and control for trading in the national carbon market. With the continuous improvement in the carbon market, it is expected that the benchmark for allocation of carbon allowances may be gradually tightened in the future, which will further increase the production and operation costs of coal-fired power enterprises.

The Group will continuously strengthen carbon emissions management, and actively explore and participate in carbon emission trading, and make efforts to complete the performance of agreements for trading in the national carbon market as scheduled, at a lower cost.

Fifthly, environmental protection risk. In February 2022, the Administrative Measures for the Disclosure of Environmental Information by Enterprises by Law published by the Ministry of Ecology and Environment came into force, which confirms the discloser, contents and time limit of the disclosure of environmental information in accordance with the law, and specifies the supervision, management and punishment. The stricter environmental protection policies impose higher requirements on the Group's transformation and upgrading and expose the Group to environmental protection risks to a certain extent.

The Group will actively follow up the concerns of environmental protection authorities, actively carry out water pollution prevention and control work, and rectification and improvement of comprehensive wastewater treatment, while strengthening the operation and maintenance of the ultra-low emission facilities of coal-fired power plants. The Group will increase the comprehensive utilization of fly ash, desulfuration gypsum and other general solid waste. The Group will pay attention to the treatment of hazardous wastes such as waste catalysts and reduce the storage of solid wastes. The Group will defend the blue sky, clear water and clean land under a higher standard.

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 currently the Chairman 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 thirty 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, with a master's degree in Executive Master of Business Administration (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 thirty 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 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. Mr. Luo is currently a Director, a General Manager of the Company. Mr. Luo successively worked at Guizhou Wujiangdu Power Plant, Guizhou Wujiang Hydropower Development Co., Ltd., China Huadian Corporation Guizhou Branch, Huadian Power International Corporation Limited, 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 successively 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 acts as a Director of the Company, and concurrently serves as the head of the Capital Operation Department of Shandong Development Investment Holding Group Co., Ltd. (山東發展投資控股集團有限公司), a Director of Shandong Huapeng Glass Co., Ltd. (山東華鵬玻璃股份有限公司). 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 thirty years of working experience in capital operation, corporate management, etc.

Feng Rong (馮榮) Chinese nationality, born in June 1968, a senior accountant. He graduated from Changsha Normal College of Water Resources and Electric Engineering. He currently serves as a Director and Chief Financial Officer of the Company, a Director of China Huadian Finance Corporation Limited, a Director of Huadian Hubei Power Generation Company Limited and a Director of Huadian New Energy Group Co., Ltd.. Mr. Feng previously worked for Baozhusi Hydropower Construction Administration Bureau, Baozhusi Power Plant, Sichuan Electric Power Corporation, Sichuan Branch of China Huadian Corporation, Huadian Sichuan Power Company Limited, Huadian Jinshajiang Upstream Hydropower Development Company Limited and Sichuan Branch of Huadian Power International Corporation Limited. Mr. Feng has over thirty years of working experience in operation management and financial management.

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 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.

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 acts as an independent Director of the Company, the manager and executive Director of Wanzhen Investment Management (Beijing) Co., Ltd. (萬稹投資管理(北京)有限公司), general manager of Leadbank Capital Management Co., Ltd. (利得資本管理有限公司), executive Director and general manager of Leadbank Information Services Co., Ltd. (利得信息服務有限公司), chairman and general manager of Leadbank Technology Co., Ltd. (利得科技有限公司), chairman and general manager of Shanghai Leadbank Fund Sales Co., Ltd. (上海利得基金銷售有限公司), chairman and general manager of Kunpeng Qinghai Asset Management Co., Ltd. (昆朋青海資產管理股份有限公司), chairman and general manager of Shanghai Leadbank Shanjin Asset Management Co., Ltd (上海利得山金資產管理有限公司), executive director of Shanghai Leadbank Financial Services Group Co., Ltd. (上海利得金融服務集團有限公司), general manager and executive director of Leadbank Asset Management Co., Ltd. (利得資產管理有限公司), director of Western Leadbank Fund Management Co., Ltd. (西部利得基金管理有限公司), deputy chairman and executive director of Shandong Chenming Paper Holdings Limited, executive member of China Mergers & Acquisition Association and deputy chairman of its Shanghai Branch, and visiting professor of Shanghai Finance University. Mr. Li successively served in Jiangxi Xinyu Food Union Corporation (江西新餘食品聯合總公司), 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 thirty years of experience in industry, securities, trust, etc.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Li Menggang (李孟剛), Chinese nationality, born in April 1967, a professor of economics and doctoral supervisor. Mr. Li graduated from Beijing Jiaotong University majoring in industrial economics, with a doctorate degree in 2006. Mr. Li currently acts as an independent Director of the Company and the dean of the National Academy of Economic Security, Beijing Jiaotong University, deputy chairman of China Human Resource Development Association and deputy chairman of Guanghua Engineering Science and Technology Award Foundation (光華工程科技獎勵基金會), independent Director of Hunan Copote Science & Technology Co., Ltd. (stock code: 600476) and independent director of China Merchants Bank Co., Ltd. (stock code: 600036). Research interests: Industrial economics, industrial security and national economic security.

Mr. Wang Yuesheng (王躍生), Chinese nationality, born in July 1960, a professor and doctoral supervisor. Since he graduated from School of Economics of Peking University in 1985, Mr. Wang has been teaching in Peking University. He acts as an independent director of the Company, the head of the Department of International Economics and Trade of Peking University, executive director of the EU Economic and Strategic Research Center jointly established by Peking University and Bank of China. He also serves as an executive director at China Association of World Economic Research, and China Association of International Economic Relations, member of the Expert Committee of China Council for the Promotion of International Trade, and adjunct professor of the Business School of China University of Political Science and Law. Research interests: New system economics and economic transition issues, economy in transitional countries; enterprise theory, enterprise system and corporate governance; and contemporary international economy and multinational corporations. His research has mainly covered international comparison of economic transition, enterprise theory, international enterprise system and the contemporary international economy in recent years.

Chen Wei (陳煒) Chinese nationality, born in April 1975, a doctor of law. She currently serves as the Chairman of the Supervisory Committee of the Company, and concurrently serves as the Chief Risk Officer and the head of the audit and law department of Shandong Development Investment Holding Group Co., Ltd., the chairman of Shandong Green Development Investment Group Co., Ltd.. Ms. Chen has worked for the tax authorities in Shandong Province. Ms. Chen has twenty-one 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 is currently a Supervisor, the secretary of the discipline committee of the Company. 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 over thirty years of working experience in various aspects such as corporate culture and labor union.

Zhang Peng (張鵬) Chinese nationality, 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, deputy chief economist 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 thirty years of experience in power production and operation, human resource management, etc.

Zhang Gelin (張戈臨), Chinese nationality, born in November 1969, a senior engineer. He graduated from the Department of Electrical Power Engineering of Shanghai Jiaotong University in 1991 with a bachelor's degree in engineering and graduated from the Texas Tech University in 1999 with an MBA degree. He is now currently 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 thirty 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.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

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. Mr. Peng successively served in Qingshan Thermal Power Plant, Wuchang Thermal Plant and Anhui Huadian Wuhu Power Generation Company Limited. Mr. Peng has more than thirty years of working experience in power production and management, etc.

Chen Bin (陳斌) Chinese nationality, born in September 1973, graduated from the Hunan University majoring in applied 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 twenty-five 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. He serves as the Chief Engineer of the Company, the vice chairman of CNNP CHD Hebei Nuclear Power Co., Ltd., a director at Huadian Jinshajiang Upstream Hydropower Development Company Limited, and the director of Huadian Group Beijing Fuel Logistics Co., Ltd., Huadian Hubei Power Generation Company Limited, Otog Front Banner Changcheng No.3 Mining Company Limited, Otog Front Banner Changcheng No. 5 Mining Company Limited, Inner Mongolia Fucheng Mining Company Limited, and Otog Front Banner Changcheng Mine Company Limited. Mr. Song 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 thirty years of working experience in power engineering technology, production and operation, corporate management, etc.

Qin Jiehai (秦介海) Chinese nationality, born in February 1968, a senior engineer. He graduated from the Department of Power Engineering in Harbin Institute of Technology majoring in thermal power engineering with a master's degree in engineering, and obtained a master of business administration degree from Texas Tech University. Mr. Qin is currently a deputy General Manager of the Company. Mr. Qin worked for Shandong Electric Power Engineering Consulting Institute, Huadian Power International Corporation Limited and Huadian Fuxin Energy Development Company Limited successively. Mr. Qin has twenty-nine years of working experience in strategic investment, power engineering, 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 concurrently serves as the director of Huadian Property Company Limited and the director of Huadian Beijing Fuel Logistics Co, Ltd.. He 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 twenty-nine years of working experience in power generation and operation, development of power supply projects, human resources management, etc.

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 year in 2021 amounted to RMB114,367.0 billion, representing an increase of 8.1% over the last year. Power consumption of the entire society totalled 8,312.8 billion KWh, representing a year-on-year increase of 10.3%, representing an increase of 14.7% over the same period in 2020. With regard to different industries, the consumption by the primary industry accounted for 102.3 billion KWh, representing a year-on-year increase of 16.4%; the consumption by the secondary industry accounted for 5,613.1 billion KWh, representing a year-on-year increase of 9.1%; and the consumption by the tertiary industry accounted for 1,423.1 billion KWh, representing a year-on-year increase of 17.8%; and the consumption by urban and rural residents accounted for 1,174.3 billion KWh, representing a year-on-year increase of 7.3%.

(2) Turnover

In 2021, the turnover of the Group was approximately RMB100,984 million, representing an increase of approximately 12.98% over 2020, mainly due to the increase in power generation volume.

(3) Major Operating Expenses

In 2021, the operating expenses of the Group amounted to approximately RMB115,383 million, representing an increase of approximately 43.17% over 2020. The particulars are as follows:

Fuel costs of the Group amounted to approximately RMB74,472 million in 2021, representing an increase of approximately 79.91% over 2020, mainly due to the significant increase in coal price.

Cost of coal sale of the Group amounted to approximately RMB11,352 million in 2021, representing a decrease of approximately 0.96% over 2020, mainly due to the decrease in sales volume.

Depreciation and amortisation expenses of the Group amounted to approximately RMB11,506 million in 2021, representing a decrease of approximately 2.15% over 2020, mainly due to the combined effect of transfer of the new energy assets to Fuxin Development Company and the operation of new generating units.

In 2021, the repairs, maintenance and inspection expenses of the Group were approximately RMB3,779 million, representing a decrease of approximately 4.11% over 2020, mainly due to the transfer of new energy assets to Fuxin Development Company and reduction in maintenance.

In 2021, the staff cost of the Group was approximately RMB6,958 million, representing an increase of approximately 9.87% over 2020, mainly due to the increase in the salary of the staff of the Group and the impact of the number of new generating units put into operation.

In 2021, the administration expenses of the Group were approximately RMB4,827 million, representing an increase of approximately 46.27% over 2020, mainly due to the increase in assets' impairment losses.

(4) Investment Income

Investment income of the Group amounted to approximately RMB6,462 million in 2021, and amounted to approximately RMB45 million in 2020. This was mainly due to the impact of the disposal of certain equity interests in 2021.

(5) Other Revenue

Other revenue of the Group amounted to approximately RMB1,371 million in 2021, representing an increase of approximately 31.85% over 2020. This was mainly due to the increase in subsidies for power generation, heating and coal purchases.

(6) Other Net Income

Other net income of the Group amounted to approximately RMB1,360 million in 2021, representing an increase of approximately 46.32% over 2020. 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 RMB4,353 million in 2021, representing a decrease of approximately 3.97% over 2020. This was mainly due to the 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 RMB2,470 million in 2021, and amounted to approximately RMB522 million in 2020. This was mainly due to the increase in the Group's share of profits of the coal mining enterprises and Fuxin Development Company.

(9) Income Tax

Income tax credit of the Group amounted to approximately RMB1,775 million in 2021, and income tax expense amounted to approximately RMB1,216 million in 2020. This was mainly due to the loss for the year.

(10) Pledge and Mortgage of Assets

As at 31 December 2021, the Company's subsidiaries have pledged their income stream in respect of the sale of electricity and heat to secure loans amounting to approximately RMB11,894 million.

As at 31 December 2021, some of the Company's subsidiaries have mortgaged their generating units and relevant equipment, land use rights and mining rights to secure loans of amounting to approximately RMB2,536 million.

(11) Indebtedness

As at 31 December 2021, the total borrowings of the Group amounted to approximately RMB118,726 million, of which borrowings denominated in Euro amounted to approximately EUR6.66 million. The liabilities to assets ratio (representing the total liabilities divided by total assets of the Group as at 31 December 2021) was approximately 65.70%. Borrowings of the Group were mainly of floating rates. Short-term borrowings and long-term borrowings due within one year amounted to approximately RMB36,079 million, and long-term borrowings due after one year amounted to approximately RMB56,682 million. The closing balance of the short-term and 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 RMB25,397 million. The closing balance of lease liabilities of the Group amounted to approximately RMB568 million.

(12) Contingent Liabilities

As of 31 December 2021, the Group did not have material contingent liability.

(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 2021, the balance of the Group's provisions amounted to approximately RMB64 million.

(14) Impairment Loss

In 2021, the Group disposed of its entire equity interest in Shanxi Maohua Energy Investment Company Limited and its subsidiaries and completed the disposal on 8 December 2021. A loss on disposal and transitional consideration of approximately RMB1,805 million has been recognised in the consolidated statement of profit or loss and other comprehensive income under the China Accounting Standards for Business Enterprises. In addition, under the China Accounting Standards for Business Enterprises, the impairment loss of the Group was approximately RMB1,601 million, which reduced the net profit attributable of the parent company of RMB1,438 million from the consolidated financial statements. The Board is of view that the above 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 2021, the net cash outflow from operating activities of the Group amounted to approximately RMB10,721 million, and the net cash inflow from operating activities amounted to approximately RMB20,286 million in 2020, mainly due to the impact of significant increase in coal prices in 2021; the net cash outflow used in investing activities amounted to approximately RMB13,791 million, decreased by approximately RMB4,260 million over 2020, mainly due to the impact of the increase in income from disposal of equity and assets in 2021; the net cash inflow from financing activities amounted to approximately RMB23,958 million, and net cash outflow amounted to approximately RMB2,202 million in 2020, mainly due to the impact of increase in financing such as the issuance of equity financial instruments and bonds, the drawdown of loans by the Company in 2021.

(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

During the reporting period, the COVID-19 pandemic did not have a material adverse impact on the Group. As of the date of this report, the Group maintained sufficient liquidity and working capital. In accordance with the results of pandemic control measures adopted by China, it is expected that the COVID-19 pandemic would not have a material adverse impact on the Group in the future.

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 2021 (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 2021, the Group had strictly complied with relevant laws and regulations and industrial rules that impose significant influence on the operation of the Group. 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 2021 and the Group's and the Company's financial positions as of that date prepared in accordance with IFRSs are set out on pages 52 to 126 of the annual report.

DIVIDENDS

Pursuant to a resolution passed at the twenty-fourth meeting of the ninth session of the Board, the Board proposes to declare a final cash dividend of RMB0.25 per share (tax inclusive, based on the total share capital of 9,869,858,215 shares) for the financial year ended 31 December 2020, totaling approximately RMB2,467.465 million (tax inclusive). The dividend distribution proposal is subject to approval by the shareholders at the upcoming 2021 annual general meeting. The notice of the 2021 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 2021 annual general meeting, the Company expects to distribute such cash dividends on or before 26 August 2022. As at the date of this annual report, there was no arrangement under which any Shareholder has waived or agreed to waive any dividend.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Particulars of the Company's subsidiaries, associates and joint ventures as at 31 December 2021 are set out in notes 46 and 22 respectively to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

BANK LOANS AND OTHER LOANS

Details of bank loans and other loans of the Group and the Company as at 31 December 2021 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 2021 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 2021 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 2021 are set out in the consolidated statement of changes in equity in the consolidated financial statements and note 51 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report, respectively.

DONATIONS

During the year of 2021, the Group made donations for charitable purpose in an aggregate amount of approximately RMB3,397,560 (2020: approximately RMB13,737,000).

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 2021, 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.

As at the date of this report, all of the 95 coal-fired generating units of the Group 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 16% of its staffs' salaries, subject to a maximum specified by national or local regulations. 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 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 2021, which are set out in note 41 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

EMPLOYEES' MEDICAL INSURANCE

During 2021, there was no change in employees' medical insurance policies of the Group as compared with that of 2020. 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 2021 and as at 31 December 2021 are set out in the Company's statement of changes in equity in the financial statements prepared in accordance with IFRSs and note 39(b) to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The Group is committed to maintaining long-term close business cooperation with customers and suppliers, realizing friendly communication and win-win collaboration and establishing bidding and bargaining mechanism to adapt to market changes. For the financial year of 2021, 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	30.55%	/
The five largest customers combined	56.30%	/
The largest supplier	/	7.19%
The five largest suppliers combined	/	21.59%

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 is 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 2021 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 2021, 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 2021.

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)	45.94%	55.62%	–	Beneficial owner
	H shares	85,862,000 (L)[Note]	0.87%	–	5.00%	Interests in a controlled corporation
Shandong Development Investment Holding Group Co., Ltd.	A shares	757,226,729 (L)	7.67%	9.29%	–	Beneficial owner

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

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

Save as disclosed above and so far as the Directors are aware, as at 31 December 2021, 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 would fall to be 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.

DIRECTORS' REPORT (CONTINUED)

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 2021 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
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 re-elected as the vice Chairman at the first meeting of the ninth session of the Board held on 30 June 2020
Peng Xingyu	Non-executive Director	Elected as a non-executive Director at the annual general meeting of the Company held on 30 June 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
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
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 re-elected as the Chief Financial Officer at the first meeting of the ninth session of the Board 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
Li Xingchun	Independent Non-executive Director	Elected at the annual general meeting of the Company held on 30 June 2020
Li Menggang	Independent Non-executive Director	Elected at the annual general meeting of the Company held on 30 June 2021
Wang Yuesheng	Independent Non-executive Director	Elected at the annual general meeting of the Company held on 30 June 2021
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
Ma Jing'an	Supervisor	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 ninth session of the Board held on 30 June 2020
Chen Bin	Deputy General Manager, General Legal Counsel	Re-appointed at the first meeting of the ninth session of the Board held on 30 June 2020
Song Jingshang	Chief Engineer	Appointed at the eighth meeting of the ninth session of the Board held on 27 January 2021
Qin Jiehai	Deputy General Manager	Appointed at the twenty-fourth meeting of the ninth session of the Board held on 25 March 2022
Wu Yuejie	Deputy General Manager	Appointed at the eighth meeting of the ninth session of the Board held on 27 January 2021
Zhang Gelin	Company Secretary, Former Secretary to the Board	Appointed as the Company Secretary on 24 December 2019, and resigned as the Secretary to the Board at the twenty-first meeting of the ninth session of the Board held on 26 October 2021

The Directors' and Supervisors' remunerations for the year ended 31 December 2021 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 13 to 16 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 2021, 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 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 or 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 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 required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") adopted by the Company (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).

In 2021, 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 2021, the Company has purchased liability insurance for its Directors, Supervisors and members of senior management to provide appropriate guarantee to the Directors, Supervisors and members of senior management 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 2021, there was no management or administration contract in respect of all or substantial part of the Company's business.

SIGNIFICANT EVENTS

1. Issuance of A Shares and A Share Convertible Bonds for the Equity Acquisitions

On 25 March 2021, the Company entered into equity acquisition agreements with CCB Financial Asset Investment Company Limited and BOC Financial Assets Investment Co., Ltd.. On 28 May 2021, the Company held the 2021 third extraordinary general meeting, at which the relevant proposals on the issuance of A shares and A share convertible bonds for acquisitions of target subsidiaries' equity interests were approved.

On 30 July 2021, the Company convened the 18th meeting of the ninth session of the Board, at which, the revised draft report on the issuance of A shares and A share convertible bonds for asset acquisitions, and relevant extended audit reports, pro forma review reports and evaluation reports were reviewed and approved. On 19 August 2021, upon the vetting by the Listed Company Merger and Reorganization Vetting Committee of the China Securities Regulatory Commission ("**CSRC**") at its 21st working meeting for the year of 2021, the Asset Acquisition through Issuance of A Shares and Convertible Corporate Bonds was approved unconditionally. The Approval in Relation to Asset Acquisition Through Issuance of Shares and Convertible Corporate Bonds by Huadian Power International Corporation Limited to CCB Financial Asset Investment Co., Ltd. issued by the CSRC was received on 2 September 2021. After receiving the approval from CSRC, the Company carried out the work in relation to the transfer of the underlying assets in a timely manner. The transfer of the underlying assets in the transaction, namely a 45.15% equity interest in Inner Mongolia Huadian Mengdong Energy Company Limited ("**Mengdong Energy**") and a 36.86% equity interest in Tianjin Huadian Fuyuan Thermal Power Company Limited ("**Fuyuan Thermal Power**") has been completed.

On 28 September 2021, the Company submitted the relevant registration materials to China Securities Depository and Clearing Corporation Limited, Shanghai Branch, in respect of the new shares and convertible corporate bonds. The number of new shares in the non-public issuance was 6,881,562 and the number of convertible corporate bonds in the non-public issuance was 14,701,590. Details relating to the convertible bonds are set out in note 32 to the consolidated financial statements prepared in accordance with IFRSs included in this annual report. The Securities Registration Certificate was issued by China Securities Depository and Clearing Corporation Limited, Shanghai Branch.

DIRECTORS' REPORT (CONTINUED)

As the highest applicable percentage ratio (as defined under the Hong Kong Listing Rules) of the Acquisitions is less than 5% and the considerations under the Equity Acquisition Agreements (as supplemented by the Equity Acquisition Supplemental Agreements) are satisfied by way of issuance of Consideration Shares and Consideration Convertible Bonds, the Acquisitions constitute share transactions of the Company and are therefore subject to the reporting and announcement requirements, but are exempt from the Shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

Although the Acquisitions are exempt from the Shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules, the 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 the CSRC. The Consideration Shares and the Conversion Shares will be issued under the General Mandate.

For details, see the announcements of the Company dated 25 March 2021, 29 April 2021, 28 May 2021, 30 July 2021, 19 August 2021, 2 September 2021 and 30 September 2021 and the circular of the Company dated 6 May 2021.

2. Change of the Non-Executive Directors, Member of the Remuneration and Appraisal Committee, the Strategic Committee and the Audit Committee

On 27 January 2021, Mr. Zhang Zhiqiang and Mr. Li Pengyun were appointed as non-executive directors of the Company at the 2021 first extraordinary general meeting of the Company.

On 27 January 2021, Mr. Zhang Zhiqiang was appointed as a member of the Remuneration and Appraisal Committee, and Mr. Li Pengyun was appointed as a member of the Strategic Committee at the eighth meeting of the ninth session of the Board of the Company.

On 27 January 2021, due to work arrangement, Mr. Gou Wei ceased to be a non-executive director of the ninth session of the Board and a member of the Remuneration and Appraisal Committee, and Mr. Hao Bin ceased to be a non-executive director of the ninth session of the Board and a member of the Strategic Committee.

On 30 June 2021, Mr. Li Pengyun was appointed as a member of the Audit Committee, and Mr. Peng Xingyu ceased to be a member of the Audit Committee at the seventeenth meeting of the ninth session of the Board of the Company.

For details, see the announcements of the Company dated 8 January 2021, 27 January 2021 and 30 June 2021.

3. Appointment of the Chief Engineer and the Deputy General Manager

On 27 January 2021, Mr. Song Jingshang was appointed as the chief engineer of the Company, and Mr. Wu Yuejie was appointed as the deputy general manager of the Company at the eighth meeting of the ninth session of the Board of the Company.

On 25 March 2022, Mr. Qin Jiehai was appointed as the deputy general manager of the Company at the twenty-fourth meeting of the ninth session of the Board of the Company.

For details, see the announcements of the Company dated 27 January 2021 and 25 March 2022.

4. Change of the Independent Non-Executive Directors, Members of the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee

In accordance with relevant requirements of China Securities Regulatory Commission, independent directors of listed companies shall not serve for more than six consecutive years. Mr. Wang Dashu shall cease to be an independent non-executive Director of the ninth session of the Board, the chairman of the Remuneration and Appraisal Committee, and a member of the Audit Committee and the Nomination Committee upon the conclusion of the Company's 2020 Annual General Meeting (the "**AGM**") held on 30 June 2021, with effect from the same date, and Mr. Zong Wenlong shall cease to be an independent non-executive Director of the ninth session of the Board, the chairman of the Audit Committee and a member of the Remuneration and Appraisal Committee upon the conclusion of the AGM, with effect from the same date.

At the AGM, Mr. Li Menggang and Mr. Wang Yuesheng were elected as the independent non-executive Directors of the ninth session of the Board for a term commencing from the conclusion of the AGM and ending at the expiry of the term of the ninth session of the Board. At the seventeenth meeting of the ninth session of the Board held on 30 June 2021, Mr. Li Menggang was appointed as the chairman of the Audit Committee and a member of the Remuneration and Appraisal Committee, and Mr. Wang Yuesheng was appointed as the chairman of the Remuneration and Appraisal Committee and a member of the Audit Committee and the Nomination Committee.

For details, see the announcements of the Company dated 28 May 2021 and 30 June 2021.

5. Resignation of the Secretary to the Board

On 26 October 2021, Mr. Zhang Gelin resigned as the Secretary to the Board of the Company due to work adjustment at the twenty-first meeting of the ninth session of the Board of the Company.

For details, see the announcement of the Company dated 26 October 2021.

6. Sale of Ningxia Asset to China Huadian

On 26 February 2021, the Company entered into the Ningxia Lingwu Agreement with China Huadian, pursuant to which, the Company agreed to dispose of and China Huadian agreed to purchase 65% equity interest held by the Company in Huadian Ningxia Lingwu Power Generation Company Limited ("**Ningxia Lingwu**") and the dividends receivable from Ningxia Lingwu.

On 26 February 2021, the Company and China Huadian entered into Ningxia Heating Agreement, pursuant to which the Company agreed to dispose of and China Huadian agreed to purchase 53% equity interests held by the Company in Ningxia Huadian Heating Corporation Limited ("**Ningxia Heating**").

As China Huadian is the controlling shareholder of the Company, China Huadian is 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 of the Hong Kong Listing Rules, as one or more of the percentage ratios 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 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 exempt from shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

As of the date of this report, the transfer in the above transactions has been completed, and the final considerations for transactions under Ningxia Lingwu Agreement and Ningxia Heating Agreement were RMB2,850 million and RMB1,486 million, respectively. As of the date of this report, Ningxia Lingwu and Ningxia Heating have ceased to be the subsidiaries of the Company.

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

7. Integration of New Energy Assets

During the year 2021, the Company (and its subsidiaries and branches) entered into a series of new energy asset disposal transactions with Huadian Fuxin Energy Corporation Limited ("**Huadian Fuxin**") and Huadian Fuxin Energy Development Company Limited ("**Fuxin Development**") (and its subsidiaries and branches) for the purpose of business development. As China Huadian was the controlling shareholder of the Company, Huadian Fuxin, Fuxin Development and its subsidiaries are subsidiaries of China Huadian, and therefore China Huadian, Huadian Fuxin, Fuxin Development and its subsidiaries are connected persons of the Company, and the new energy asset disposal transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

On 24 May 2021, the Company entered into a capital increase agreement with Huadian Fuxin and Fuxin Development, pursuant to which the Company agreed to make a capital contribution of approximately RMB21,237 million to Fuxin Development by way of a transfer of the equity interests held by the Company in 27 subsidiaries of the Company ("**New Energy Companies**") to Fuxin Development, representing an amount of not more than approximately RMB13,609 million; and a cash payment of not lower than approximately RMB7,628 million by the Company to Fuxin Development.

On 24 May 2021, certain subsidiaries and branches of the Company entered into the Equity and Assets Disposal Agreements with certain subsidiaries of Fuxin Development, pursuant to which the subsidiaries of Fuxin Development agreed to purchase and the subsidiaries and branches of the Company agreed to dispose of the New Energy Equity and Assets, and the consideration for transaction was approximately RMB2,082 million.

After adjustments for the profit and loss for the transitional period, the final consideration for the Company's cash contribution to Fuxin Development was RMB7,687 million, and the final consideration for the purchase by Fuxin Development of the new energy equity and assets in the Group was RMB2,209 million.

As the Transactions involve both the Acquisitions (i.e., acquisition of 37.19% equity interests in Fuxin Development and acquisition of Hunan Area Companies as described below) and the Disposals (i.e., disposal of New Energy Companies and New Energy Assets and Equity), pursuant to Rule 14.24 of the Hong Kong Listing Rules, they will be classified by reference to the larger of the Acquisitions or the Disposals, and subject to the reporting, announcement and/or shareholders' approval requirements applicable to that classification.

Pursuant to Rules 14.22 and 14A.81 of the Hong Kong Listing Rules, the Disposals would be aggregated with the Previous Transactions (i.e. the aforesaid Ningxia Asset Sale) and be treated as if they were one transaction for the purpose of Chapters 14 and 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the Acquisitions exceed 25% but are less than 100% and one or more of the applicable percentage ratios of the Disposals (as aggregated with the Previous Transactions) exceed 25% but are less than 75%, the Transactions constitute major transactions of the Company under Chapter 14 of the Hong Kong Listing Rules and connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Therefore, the Transactions are subject to the reporting, announcement and independent shareholders' approval requirements under Chapters 14 and 14A of the Hong Kong Listing Rules.

On 28 October 2021, the Company, its subsidiaries and branches, and Fuxin Development, its subsidiaries and branches entered into the Equity Disposal Agreements, the Assets Disposal Agreements and the Preliminary Project Transfer Agreement respectively, pursuant to which Fuxin Development, its subsidiaries and branches agreed to purchase and the Company agreed to dispose of relevant new energy assets, new energy equity and preliminary new energy projects for a total consideration of approximately RMB5,289 million.

After adjustments for the profit and loss for the transitional period, the final consideration for the purchase by Fuxin Development, its subsidiaries and branches of, and the disposal by the Company of, relevant new energy assets, new energy equity and preliminary new energy projects was RMB5,608 million.

In addition, the Disposals would be aggregated with the Previous Transactions, pursuant to Rules 14.22 and 14A.81 of the Hong Kong Listing Rules. As (i) one or more of the percentage ratios in respect of the Disposals exceed 5% but are less than 25%; (ii) the applicable percentage ratios of the Disposals, as aggregated with the Previous Transactions, exceed 25% but are less than 75%; and (iii) the Previous Transactions constituted a major transaction of the Company and fully complied with the reporting, announcement and Shareholders' approval requirements, therefore, pursuant to Chapter 14 of the Hong Kong Listing Rules, the Disposals constitute a discloseable transaction 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; pursuant to Chapter 14A of the Hong Kong Listing Rules, the Disposals are subject to the announcement, circular and independent shareholders' approval requirements.

On 17 December 2021, certain branches of subsidiaries of the Company entered into the Huangshi Disposal Agreement and the Shaoguan Disposal Agreement with a subsidiary and a branch of a subsidiary of Fuxin Development, pursuant to which the branches of subsidiaries of the Company agreed to dispose of and the subsidiary and the branch of subsidiary of Fuxin Development agreed to purchase certain target projects (i.e. Zhenhua Distributed Photovoltaic First Phase 20MW Power Generation Project, 98MW Fishery-Solar Hybrid Photovoltaic Power Generation Project and Chima 50MW Agriculture-Solar Hybrid Project). The total consideration of the transaction was approximately RMB335 million.

Pursuant to Rules 14.22 and 14A.81 of the Hong Kong Listing Rules, as (i) one or more of the percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) in respect of the Disposals on an aggregate basis are less than 5% but exceed 0.1%; (ii) the applicable percentage ratios of the Disposals, as aggregated with the Previous Transactions, exceed 25% but are less than 75%, and the Previous Transactions constituted a major transaction of the Company and fully complied with the reporting, announcement and Shareholders' approval requirements; and (iii) the applicable percentage ratio for the latest transaction in the Previous Transactions (for details, please see the announcement of the Company dated 28 October 2021) aggregated with the Disposals exceeds 5% but is less than 25%, the Disposals only constitute a connected transaction of the Company, and are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, but are exempt from the independent shareholders' approval requirements.

The transactions involved in the above new energy integration were approved at the annual general meeting for 2020, the 5th extraordinary general meeting for 2021 and the 22nd meeting of the ninth session of the Board of the Company respectively. Except for the Chima Project, the transfer of the companies and assets involved in each transaction have been fully completed as of the date of this report and deconsolidated from the consolidated financial statements of the Company.

For details, please see the announcements of the Company dated 24 May 2021, 4 June 2021, 15 June 2021, 30 June 2021, 28 October 2021, 14 December 2021 and 17 December 2021 and the circulars of the Company dated 15 June 2021 and 24 November 2021.

8. Acquisition of Hunan Area Companies

On 24 May 2021, the Company entered into an equity purchase agreement with China Huadian, pursuant to which the Company agreed to acquire and China Huadian agreed to dispose of its equity interests in the companies of the Hunan area, including its 70% equity interest in Changsha Company, 48.98% equity interest in Changde Company, and 100% equity interest in Pingjiang Company, for a total consideration of RMB3,146 million. The equity acquisition was completed on 1 July 2021, and their financial statements were consolidated into the Group's consolidated financial statements from 1 July 2021.

For detailed information on the implications of acquisition of Hunan Area Companies under the Hong Kong Listing Rules, please refer to the aforementioned section headed "Directors' Report – Significant Events – 7. Integration of New Energy Assets" in this report.

As of the date of this report, the above transactions have been completed, and the total final consideration for the transactions was RMB3,495 million.

For details, please refer to the announcements of the Company dated 24 May 2021, 4 June 2021, 15 June 2021 and 30 June 2021 and the circular dated 15 June 2021.

9. Transfer of equity interests and debts in Shanxi Maohua Energy Investment Company Limited ("Maohua Company") to China Huadian

On 27 September 2021, the Company and China Huadian signed the Agreement between Huadian Power International Corporation Limited and China Huadian Corporation Limited on the Transfer of Equity Interests and Debts in Shanxi Maohua Energy Investment Company Limited, pursuant to which the Company agreed to transfer to China Huadian, a 100% equity interest held by the Company in Maohua Company, for a consideration of RMB1 and debts held by the Company in Maohua Company, for a consideration of approximately RMB2,852 million. The total agreed consideration for the above transaction was RMB2,852 million, and the transaction of the equity interest was completed on 18 November 2021. As of the date of this report, the transfer in the above transaction has been completed and Maohua Company has been deconsolidated from the consolidated financial statements of the Company.

As China Huadian is the controlling shareholder of the Company, China Huadian is a connected person of the Company under the Hong Kong Listing Rules. Pursuant to Chapter 14A of the Hong Kong Listing Rules, the Transfers constitute a connected transaction of the Company. As one or more of the percentage ratios in respect of the Transfers 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 exceed 5% but are less than 25%, pursuant to Chapter 14 of the Hong Kong Listing Rules, the Transfers also constitute a discloseable transaction of the Company, and are subject to the reporting and announcement requirements but are exempt from shareholders' approval requirement under Chapter 14 of the Hong Kong Listing Rules.

As of the date of this report, the transfer in the above transaction has been completed, and the final consideration for the transaction was RMB2,868 million.

For details, please see the announcements of the Company dated 27 September 2021, 4 October 2021 and the circular dated 27 October 2021.

10. Amendments to the Articles of Association

As of 28 September 2021, 6,881,562 new shares issued by the Company were registered. The total share capital of the Company was changed from 9,862,976,653 shares to 9,869,858,215 shares, and the registered capital was changed from RMB9,862,976,653.00 to RMB9,869,858,215.00. Considering the above changes in the total share capital and registered capital of the Company, the Company shall amend Articles 16 and 19 of the existing Articles of Association accordingly. Pursuant to the Board authorization approved by way of a special resolution at the third extraordinary general meeting of the Company in 2021, the amendments to the Articles of Association were considered and approved by the Board.

For details, see the announcements of the Company dated 28 May 2021 and 26 October 2021.

11. Change of Auditors

On 30 March 2021, the eleventh meeting of the ninth session of the Board resolved to propose the appointment of Baker Tilly China Certified Public Accountants (Special General Partnership) as the domestic auditor (internal control auditor) of the Company and Baker Tilly Hong Kong Limited as the overseas auditor of the Company, respectively, which was considered and approved at the 2020 AGM. The respective term of service of Baker Tilly China Certified Public Accountants (Special General Partnership) and Baker Tilly Hong Kong Limited has commenced from the date of the approval at the 2020 AGM up to the date of the next annual general meeting of the Company.

For details, please refer to the announcements of the Company dated 30 March 2021 and 30 June 2021.

12. 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 of the Company 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 shall not be less than 50% of the distributable profits achieved in that year as indicated in the consolidated statements, and the dividend per share shall not be less than RMB0.2. Aforesaid Shareholders' Return Plan has come into effect after it is considered and approved at the 2021 third extraordinary general meeting.

For details, please refer to the announcements of the Company dated 25 March 2021 and 28 May 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 2021 are as follows:

CONNECTED TRANSACTIONS

1. Ningxia Asset Sale Agreements with China Huadian

On 26 February 2021, the Company entered into the Ningxia Lingwu Agreement with China Huadian, pursuant to which, the Company agreed to dispose of and China Huadian agreed to purchase 65% equity interest held by the Company in Ningxia Lingwu and the dividends receivable from Ningxia Lingwu. On 26 February 2021, the Company and China Huadian entered into Ningxia Heating Agreement, pursuant to which the Company agreed to dispose of and China Huadian agreed to purchase 53% equity interests held by the Company in Ningxia Heating. As of the date of this report, the transfer in the above transactions has been completed, Ningxia Lingwu and Ningxia Heating have ceased to be the subsidiaries of the Company and the final considerations for transactions under Ningxia Lingwu Agreement and Ningxia Heating Agreement were RMB2,850 million and RMB1,486 million, respectively.

As China Huadian is the controlling shareholder of the Company, China Huadian is a connected person of the Company under the Hong Kong Listing Rules. Therefore, the Transfers shall constitute connected transactions of the Company.

For details of the connected transaction, please refer to (6) in "Significant Events".

2. Integration of New Energy Assets

During the year 2021, the Company (and its subsidiaries and branches) entered into a series of new energy asset disposal transactions with Huadian Fuxin and Fuxin Development (and its subsidiaries and branches) for the purpose of business development. As China Huadian was the controlling shareholder of the Company, Huadian Fuxin, Fuxin Development and its subsidiaries are subsidiaries of China Huadian, and therefore China Huadian, Huadian Fuxin, Fuxin Development and its subsidiaries are connected persons of the Company, and the new energy asset disposal transactions constitute connected transactions of the Company.

On 24 May 2021, the Company entered into a capital increase agreement with Huadian Fuxin and Fuxin Development, pursuant to which the Company agreed to make a capital contribution of approximately RMB21,237 million to Fuxin Development by way of a transfer of the equity interests held by the Company in New Energy Companies to Fuxin Development, representing an amount of not more than approximately RMB13,609 million; and a cash payment of not lower than approximately RMB7,628 million by the Company to Fuxin Development.

On 24 May 2021, certain subsidiaries and branches of the Company entered into the Equity and Assets Disposal Agreements with certain subsidiaries of Fuxin Development, pursuant to which the subsidiaries of Fuxin Development agreed to purchase and the subsidiaries and branches of the Company agreed to dispose of the New Energy Equity and Assets, and the consideration for transaction was approximately RMB2,082 million.

On 28 October 2021, the Company, its subsidiaries and branches, and Fuxin Development, its subsidiaries and branches entered into the Equity Disposal Agreements, the Assets Disposal Agreements and the Preliminary Project Transfer Agreement respectively, pursuant to which Fuxin Development, its subsidiaries and branches agreed to purchase and the Company agreed to dispose of relevant new energy assets, new energy equity and preliminary new energy projects for a total consideration of approximately RMB5,289 million.

On 17 December 2021, Huangshi Photovoltaic Power Generation Company, a majority-owned subsidiary of the Company, and Jinquan Huangshi Company, a wholly-owned subsidiary of Fuxin Development, entered into the Huangshi Disposal Agreement, pursuant to which Huangshi Photovoltaic Power Generation Company agreed to dispose of and Jinquan Huangshi Company agreed to purchase the Yangxin Project and the Zhenhua Project with a total planned installed capacity of 118 MW. On the same day, Shaoguan Nanxiong Company, a wholly-owned subsidiary of the Company and Fuxin Nanxiong Company, a wholly-owned subsidiary of Fuxin Development, entered into the Shaoguan Disposal Agreement, pursuant to which Shaoguan Nanxiong Company agreed to dispose of and Fuxin Nanxiong Company agreed to purchase the Chima Project with a planned installed capacity of 50 MW. The Yangxin Project, the Zhenhua Project and the Chima Project have not been put into formal operation. The total consideration for the transaction was approximately RMB335 million.

For details of the connected transaction, please refer to (7) in "Significant Events".

3. Acquisition of Hunan Area Companies

On 24 May 2021, the Company entered into an equity purchase agreement with China Huadian, pursuant to which the Company agreed to acquire and China Huadian agreed to dispose of its equity interests in the companies of the Hunan area, including its 70% equity interest in Changsha Company, 48.98% equity interest in Changde Company, and 100% equity interest in Pingjiang Company, for a total consideration of RMB3,146 million. The equity acquisition was completed on 1 July 2021, and their financial statements were consolidated into the Company's consolidated financial statements from 1 July 2021. As of the date of this report, the above transactions have been completed, and the total final consideration for the transactions was RMB3,495 million.

For details of the connected transaction, please refer to (8) in "Significant Events".

4. Transfer of Equity Interests and Debts in Maohua Company to China Huadian

On 27 September 2021, the Company and China Huadian signed the Agreement between Huadian Power International Corporation Limited and China Huadian Corporation Limited on the Transfer of Equity Interests and Debts in Shanxi Maohua Energy Investment Company Limited, pursuant to which the Company agreed to transfer to China Huadian, a 100% equity interest held by the Company in Maohua Company, for a consideration of RMB1 and debts held by the Company in Maohua Company, for a consideration of approximately RMB2,852 million. The total agreed consideration for the above transaction was RMB2,852 million, and the transaction of the equity interest was completed on 18 November 2021. As of the date of this report, Maohua Company has been deconsolidated from the consolidated financial statements of the Company.

As China Huadian is the controlling shareholder of the Company, China Huadian is a connected person of the Company under the Hong Kong Listing Rules. Therefore, the Transfers shall constitute connected transactions of the Company.

For details of the connected transaction, please refer to (9) in "Significant Events".

5. Capital Reduction of Weifang Company and Longkou Company

On 28 October 2021, the Company, Shandong Development Investment Holding Group Co., Ltd. (山東發展投資控股集團有限公司) ("**Shandong Development**"), Weifang Investment Group Co., Ltd. (濰坊市投資集團有限公司) ("**Weifang Investment Group**") and Huadian Weifang Power Generation Company Limited ("**Weifang Company**") entered into the Weifang Capital Reduction Agreement, pursuant to which Weifang Company will carry out the capital reduction and Shandong Development will accordingly withdraw from Weifang Company. Weifang Company will repurchase the shares held by Shandong Development in respect of such capital reduction, for a consideration of RMB939 million. Upon completion of the capital reduction, Shandong Development will no longer hold any equity interest in Weifang Company, and the shareholding percentages of the Company and Weifang Investment in Weifang Company will increase to 64.29% and 35.71%, respectively.

On 28 October 2021, the Company, Shandong Development, Weihai Industrial Investment Group Co., Ltd. (威海產業投資集團有限公司) ("**Weihai Industrial Investment**"), Laixi State-owned Assets Investment Service Center (萊西市國有資產投資服務中心) ("**Laixi State-owned Investment**") and Huadian Longkou Power Generation Company Limited (華電龍口發電股份有限公司) ("**Longkou Company**") entered into the Longkou Capital Reduction Agreement, pursuant to which Longkou Company will carry out the capital reduction, and Shandong Development, Weihai Industrial Investment and Laixi State-owned Investment will accordingly withdraw from Longkou Company. Longkou Company will repurchase the shares held by Shandong Development, Weihai Industrial Investment and Laixi State-owned Investment in respect of such capital reduction, for a consideration of RMB181 million. Longkou Company has changed from a non-wholly-owned subsidiary of the Company to a wholly-owned subsidiary of the Company as at 14 December 2021.

As China Huadian is the controlling shareholder of the Company, Weifang Company and Longkou Company are subsidiaries of China Huadian, and therefore are connected persons of the Company under the Hong Kong Listing Rules. Pursuant to Rule 14A.81 of the Listing Rules, the capital reductions of Weifang Company and Longkou Company should be aggregated and be treated as if they were one transaction for the purpose of Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Capital Reductions (other than the profit ratio), on an aggregated basis, exceed 0.1% but are less than 5%, the capital reduction of Weifang Company and Longkou Company is subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details, please see the announcement of the Company dated 28 October 2021.

CONTINUING CONNECTED TRANSACTIONS

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

A. Continuing Connected Transactions During 2021

On 8 January 2021, the Company and Huadian Factoring signed the Commercial Factoring Services Framework Agreement, pursuant to which Huadian Factoring will provide the Company and its subsidiaries with factoring business services, for a term from the effective date of the Commercial Factoring Services Framework Agreement to 31 December 2021. Huadian Factoring agrees to provide the Company and its subsidiaries with non-recourse debt factoring business services as required by the Company, including reverse factoring and factoring businesses. The 2th extraordinary general meeting for 2021 held on 28 April 2021 considered the Commercial Factoring Services Framework Agreement between the Company and Huadian Factoring, and the resolution was approved and became effective at the extraordinary general meeting. The Directors of the Company propose the cap (including any expenses payable by the Group to Huadian Factoring) 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.

The factoring business between the Group and Huadian Factoring was RMB3,016 million, including reverse factoring of RMB2,916 million and standard factoring of RMB100 million.

For details, please see the announcements of the Company dated 8 January 2021 and 28 April 2021 and the circular dated 29 January 2021.

B. Renewal of Factoring Services Framework Agreement

On 26 October 2021, the Company and Huadian Factoring signed and renewed the Commercial Factoring Services Framework Agreement. The term of the renewed Commercial Factoring Services Framework Agreement is from 1 January 2022 to 31 December 2024. The annual cap for commercial factoring business for the period from 1 January 2022 to 31 December 2024 in the transactions contemplated under the Commercial Factoring Services Framework Agreement shall not exceed RMB7,500 million. The 5th extraordinary general meeting for 2021 held on 14 December 2021 considered the Commercial Factoring Services Framework Agreement between the Company and Huadian Factoring, and the resolution was approved and became effective at the extraordinary general meeting.

China Huadian is a controlling shareholder of the Company, directly and indirectly holding approximately 46.81% of the issued share capital of the Company. Huadian Factoring is a wholly-owned subsidiary of China Huadian and therefore is a connected person of the Company. Therefore, the execution 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 see the announcements of the Company dated 26 October 2021 and 14 December 2021 and circular dated 24 November 2021.

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

A. Renewal of Financial Services Framework Agreement

On 26 October 2021, the Company and Huadian Finance signed and renewed the Financial Services Framework Agreement. The term of the renewed Financial Services Framework Agreement is from 1 January 2022 to 31 December 2024. The average daily balance of the deposits for the period from 1 January 2022 to 31 December 2024 in the transactions contemplated under the Financial Services Framework Agreement shall not exceed RMB9,000 million or the average daily financing balance from Huadian Finance to the Group. The 5th extraordinary general meeting for 2021 held on 14 December 2021 considered the Financial Services Framework Agreement between the Company and Huadian Finance, and the resolution was approved and became effective at the extraordinary general meeting.

Huadian Finance is held as to 36.148% by China Huadian, a controlling shareholder of the Company. Therefore, Huadian Finance is an associate of China Huadian and a connected person of the Company under the Hong Kong Listing Rules.

With regard to deposit services under the Financial Services Framework Agreement, 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. RMB9,000 million, exceed 5% but are less than 25%, 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.

With regard to settlement services and other financial services under the Financial Services Framework Agreement, 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 exempt continuing connected transactions under 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 fees charged by Huadian Finance for the services provided to the Group are not higher than those charged by other commercial banks and financial institutions in the PRC for the same services, the transactions involving the provision of financial assistance by Huadian Finance to the Group are on normal commercial terms or better to the Group, and 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.

For details, please see the announcements of the Company dated 26 October 2021 and 14 December 2021 and circular dated 24 November 2021.

B. Continuing Connected Transactions During 2021

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 RMB9,000 million and shall not be more than the average daily loan balance from Huadian Finance to the Group.

In 2021, the maximum average daily balance of the deposits placed by the Group with Huadian Finance was RMB8,930 million, which did not exceed RMB9,000 million or the average daily loan balance from Huadian Finance to the Group.

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

3. Fuel, Equipment and Services Purchase (Supply) Framework Agreement with China Huadian

A. Execution of Supplementary Agreement to the Framework Agreement

On 26 October 2021, the Company and China Huadian signed the Supplementary Agreement to the Fuel, Equipment and Services Purchase (Supply) Framework Agreement. Under the Supplementary Agreement, the annual cap for the continuing connected transactions involving the purchase of fuel for the period from 2021 to 2023 is changed from RMB8,000 million to RMB14,000 million, and other terms remain unchanged. The 5th extraordinary general meeting for 2021 held on 14 December 2021 considered the Supplementary Agreement to the Fuel, Equipment and Services Purchase (Supply) Framework Agreement between the Company and China Huadian, and the resolution was approved and became effective at the extraordinary general meeting.

China Huadian is the controlling shareholder of the Company and therefore is a connected person of the Company. Therefore, the transactions contemplated under the existing Fuel, Equipment and Services Purchase (Supply) Framework Agreement constitute continuing connected transactions of the Company. As the highest applicable percentage ratios for the revised annual caps for the purchase of fuel contemplated under the existing Fuel, Equipment and Services Purchase (Supply) Framework Agreement exceed 5%, the revisions to the annual caps are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

For details, please see the announcements of the Company dated 26 October 2021 and 14 December 2021 and circular dated 24 November 2021.

B. Continuing Connected Transactions During 2021

On 11 September 2020, the Company and China Huadian entered into the Fuel, Equipment and Services Purchase (Supply) Framework Agreement, to specify the purchase of fuel by the Group from China Huadian, the provision of engineering equipment, 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, Equipment and Services Purchase (Supply) Framework Agreement commenced on 1 January 2021 and will expire on 31 December 2023. Pursuant to the Fuel, Equipment and Services Purchase (Supply) Framework Agreement, and the above supplementary agreement, the adjust annual cap for the purchase of fuel by the Group from China Huadian is RMB14,000 million, the annual cap for the provision of engineering equipment, systems, products, engineering and construction contracting projects, environmental protection system renovation projects, supplies procurement services and miscellaneous and relevant services by China Huadian is RMB8,000 million and the annual cap for the sale of fuel and the provision of relevant services to China Huadian by the Group is RMB13,000 million.

In 2021, the actual amount of purchase of fuel by the Group from China Huadian was approximately RMB10,081 million; the actual amount of provision of engineering equipment, products, and relevant services by China Huadian (including the cost of environmental protection and technological transformation) was approximately RMB3,273 million, and the actual amount of the sale of fuel and the provision of relevant services to China Huadian by the Group was approximately RMB12,490 million.

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

4. Lease Agreement with Beijing Huabin

On 7 December 2020, 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 2021 to 31 December 2023, 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 2021 amounted to approximately RMB42.1252 million.

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

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

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 have been approved by the independent shareholders.

In 2021, the maximum financing balance obtained by the Group from Huadian Financial Leasing was RMB788 million, of which the amounts of the direct lease services and the sale and leaseback services were RMB587 million and RMB500 million respectively for the period from 1 July 2020 to 30 June 2021, and the amounts of the direct lease services and the sale and leaseback services were RMB253 million and RMB350 million respectively for the period from 1 July 2021 to 31 December 2021.

For details, please see the announcements of the Company dated 8 May 2020 and 30 June 2020, and the circular dated 15 May 2020.

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

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 2021, the actual amount of coal purchased by the Group from Shaanxi Coal Transportation was approximately RMB737 million.

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

7. 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.

In 2021, the actual amount of coal purchased by the Group from Yanzhou Coal was approximately RMB2,873 million.

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

8. Continuing Loan Framework Agreement with China Huadian

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 and its subsidiaries (excluding the Group) 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 2021, China Huadian and its subsidiaries (excluding the Group) provided to the Group an annual average loan balance amounted to RMB17.166 billion.

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

The Company has engaged external auditors to report on the Group's seven 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. (7) 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 and/or on general meetings;

(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.

DIRECTORS' REPORT (CONTINUED)

In respect of the Company's material related party transactions set out in note 40 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 40 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 2021, in order to meet its operational needs, the Group has successfully issued five tranches of super short-term debentures at a total par value of RMB10.5 billion and the interest rates ranging from 2.16% to 2.58% per annum; the Group has successfully issued five tranche of medium-term notes at a par value of RMB11.1 billion and the interest rate ranging from 3.06% to 3.57% per annum. For details, please see 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 2021, in order to meet its operational needs, the Company has successfully issued two tranches of perpetual capital securities at a total par value of RMB4.5 billion. For details, please see note 39(e) to the consolidated financial statements prepared in accordance with IFRSs included in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2021, 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 2021 prepared in accordance with IFRSs are set out on page 127. The Company is not aware of any matter taking place in the year ended 31 December 2021 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 2021, 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 2021, 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 2021 and the financial statements prepared under IFRSs for the financial year ended 31 December 2021.

AUDITORS

At the annual general meeting held on 30 June 2021, the Company changed the domestic auditor from BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) to Baker Tilly China Certified Public Accountants (Special General Partnership) and changed the international auditor from BDO Limited to Baker Tilly Hong Kong Limited. The respective term of service of Baker Tilly China Certified Public Accountants (Special General Partnership) and Baker Tilly Hong Kong Limited is proposed to commence from the date of the 2021 annual general meeting up to the date of next annual general meeting of the Company. Apart from these, there have been no other changes of auditors in the past three years.

By Order of the Board
Ding Huande
Chairman

Beijing, the PRC
25 March 2022

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 of the Company (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 of the Company;

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 2021 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 2021, a total of sixteen 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 2021, 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
Zhang Zhiqiang	Non-executive Director
Li Pengyun	Non-executive Director
Wang Xiaobo	Non-executive Director
Feng Rong	Executive Director
Feng Zhenping	Independent Non-executive Director
Li Xingchun	Independent Non-executive Director
Li Menggang	Independent Non-executive Director
Wang Yuesheng	Independent Non-executive Director

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 no less than one-third of all Directors) are independent non-executive Directors. Among them, Director Li Menggang is an accounting professional, who plays an important role of check and balance and safeguards the interests of the shareholders and the Company as a whole. The Board is of the opinion that all independent non-executive Directors are able to deliver effective independent judgments under the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules, and are independent in accordance with such guidelines.

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

The Directors of the Company received the following trainings with an emphasis related to the roles, functions and duties of a director of a listed company during the year ended 31 December 2021:

Name	Trainings (Note 1)
Ding Huande	A
Ni Shoumin	A
Peng Xingyu	A
Luo Xiaoqian	A
Gou Wei (Note 2)	A
Hao Bin (Note 2)	A
Zhang Zhiqiang	A, B
Li Pengyun	A, B
Wang Xiaobo	A
Feng Rong	A
Feng Zhenping	A
Li Xingchun	A
Wang Dashu (Note 2)	A
Zong Wenlong (Note 2)	A
Li Menggang	A
Wang Yuesheng	A

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. Gou Wei and Mr. Hao Bin ceased to be the Director of the Company with effect from 27 January 2021. Mr. Wang Dashu and Mr. Zong Wenlong ceased to be the Director of the Company with effect from 30 June 2021.

The current Company Secretary has taken no less than 15 hours of relevant professional training for the year ended 31 December 2021.

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. Ding Huande (served as the Chairman since 28 October 2020); the position of General Manager was served by Mr. Luo Xiaoqian (served as the General Manager since 30 June 2020). 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.

The Secretary to the Board 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;

(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.

Sixteen Board meetings were held by the Company in the financial year from 1 January 2021 to 31 December 2021, 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
Ding Huande	Chairman, Executive Director	16/16
Ni Shoumin	Vice Chairman, Non-executive Director	16/16
Peng Xingyu	Non-executive Director	16/16
Luo Xiaoqian	Executive Director	16/16
Gou Wei(Note 2)	Former Non-executive Director	1/1
Hao Bin(Note 2)	Former Non-executive Director	1/1
Zhang Zhiqiang	Non-executive Director	15/15
Li Pengyun	Non-executive Director	15/15
Wang Xiaobo	Non-executive Director	16/16
Feng Rong	Executive Director	16/16
Feng Zhenping	Independent Non-executive Director	16/16
Li Xingchun	Independent Non-executive Director	16/16
Wang Dashu(Note 2)	Former Independent Non-executive Director	10/10
Zong Wenlong(Note 2)	Former Independent Non-executive Director	10/10
Li Menggang	Independent Non-executive Director	6/6
Wang Yuesheng	Independent Non-executive Director	6/6

CORPORATE GOVERNANCE REPORT (CONTINUED)

One annual general meeting and five extraordinary general meetings were held by the Company in the financial year from 1 January 2021 to 31 December 2021, 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
Ding Huande	Chairman, Executive Director	6/6
Ni Shoumin	Vice Chairman, Non-executive Director	5/6
Peng Xingyu	Non-executive Director	3/6
Luo Xiaoqian	Executive Director	4/6
Gou Wei	Former Non-executive Director	0/1
Hao Bin	Former Non-executive Director	0/1
Zhang Zhiqiang	Non-executive Director	5/5
Li Pengyun	Non-executive Director	3/5
Wang Xiaobo	Non-executive Director	4/6
Feng Rong	Executive Director	6/6
Feng Zhenping	Independent Non-executive Director	4/6
Li Xingchun	Independent Non-executive Director	3/6
Wang Dashu	Former Independent Non-executive Director	4/4
Zong Wenlong	Former Independent Non-executive Director	2/4
Li Menggang	Independent Non-executive Director	2/2
Wang Yuesheng	Independent Non-executive Director	2/2

Note: Mr. Peng Xingyu, non-executive Director, Mr. Gou Wei, former non-executive Director, Mr. Hao Bin, former non-executive Director, Mr. Zong Wenlong, former independent non-executive Director were unable to be present at the extraordinary general meeting of the Company held on 27 January 2021 due to personal work commitment. Mr. Ni Shoumin, deputy chairman and non-executive Director, Mr. Luo Xiaoqian, executive Director, Mr. Peng Xingyu, non-executive Director, Mr. Li Pengyun, non-executive Director, and Mr. Li Xingchun, independent non-executive Director were unable to be present at the extraordinary general meeting of the Company held on 28 April 2021 due to personal work commitment. Mr. Peng Xingyu, non-executive Director, Mr. Luo Xiaoqian, executive Director, Mr. Zong Wenlong, former independent non-executive Director, Mr. Feng Zhenping, independent non-executive Director and Mr. Li Xingchun, independent non-executive Director were unable to be present at the extraordinary general meeting of the Company held on 28 May 2021 due to personal work commitment. Mr. Li Pengyun, non-executive Director, Mr. Wang Xiaobo, non-executive Director and Mr. Li Xingchun, independent non-executive Director were unable to be present at the annual general meeting of the Company held on 30 June 2021 due to personal work commitment. Mr. Wang Xiaobo, non-executive Director and Mr. Feng Zhenping, independent non-executive Director were unable to be present at the extraordinary general meeting of the Company held on 14 December 2021 due to personal work commitment.

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. Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as going concern.

The responsibility statement made by the Company's auditor in respect of the financial statements of the Company is set out in the 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 2021.

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. One of the five members is an independent non-executive director who 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 are published on the webpage of the Company at http://www.hdpi.com.cn/. During the reporting period, the Audit Committee of the Company is chaired by former independent non-executive Director Mr. Zong Wenlong (ceased to be the chairman on 30 June 2021) and independent non-executive Director Mr. Li Menggang, and is comprised of members including non-executive Directors Mr. Peng Xingyu (ceased to be a member on 30 June 2021) and Mr. Li Pengyun (served as members since 27 January 2021), Mr. Wang Xiaobo and Mr. Wang Yuesheng (served as members since 30 June 2021), independent non-executive Directors Mr. Li Xingchun, former independent non-executive Directors Mr. Wang Dashu (ceased to be a member on 30 June 2021). 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. Li Menggang is an accounting professional.

The Audit Committee held seven meetings respectively on 5 January, 25 March, 21 May, 30 June, 27 August, 26 October and 15 December 2021 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 proposals on connected transactions and continuing connected transactions, examined relevant information in the annual and interim financial reports of the Company, considered and approved the proposal on appointment of domestic and foreign auditors, carefully reviewed the Directors' Report, the Auditor's Report and Internal Control Audit Report. In respect of corporate governance, the Audit Committee has developed and reviewed the Company's policies and practices on corporate governance and make recommendations to the Board; reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; developed, reviewed and monitored the code of conduct and compliance manual applicable to the Company's employees and Directors; and reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROL

Main Features of the Risk Management and Internal Control Systems

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

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

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

Process Used to Identify, Evaluate and Manage Major Risks

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

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

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

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

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

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

The management of the Company, with assistance of the internal control department, is responsible for the design, implementation, supervision and evaluation 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 2021, 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 2021 assessment report on internal control which was approved on the twenty-fourth meeting of the ninth session of the Board. The 2021 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 2021, 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 2021, 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 2021 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 former independent non-executive Director Mr. Wang Dashu (ceased to be the chairman on 30 June 2021) and independent non-executive Director Mr. Wang Yuesheng, and is comprised of members including non-executive Director Mr. Zhang Zhiqiang (serves as members on 27 January 2021) and Mr. Wang Xiaobo, former independent non-executive Director Mr. Zong Wenlong (ceased to be a member on 30 June 2021), independent non-executive Directors Mr. Li Xingchun and Mr. Li Menggang (served as members since 30 June 2021).

The Remuneration and Appraisal Committee held three meetings on 25 March, 30 June and 27 August 2021. All Directors who were members of the Committee were present at all of the meetings in person instead of by proxy. During the reporting period, the Remuneration and Appraisal Committee considered and approved the plans for review and payment of annual salaries of the general manager and other senior management members for 2020, the annual work report 2020 of the Remuneration and Appraisal Committee, the resolution on the plan for the annual salary for the general manager in 2021, the resolution on the election of the committee chairman, and the resolution on the formulation of a work plan for term limit and contract-based management of managers of the Company.

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 2021

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2021 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 2021

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2021 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 2021 in line with principles such as integration of incentives and constraints, priority to efficiency while giving considerations to impartiality, and combination of material and ideological incentives, subject to the approval of the shareholders or Board before implementation of such plan.

MOTIVATION AND APPRAISAL METHODS FOR OTHER SENIOR MANAGEMENT IN 2021

In order to secure the accomplishment of the strategic targets in 2021 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 2021 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 2021, the total number of employees of the Group amounted to 25,139. 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 2021, the Company paid each of the independent non-executive Directors, namely, Mr. Feng Zhenping and Mr. Li Xingchun, an independent Director's allowance of RMB140,000; each of the independent non-executive Directors, namely, Mr. Li Menggang and Mr. Wang Yuesheng, an independent Director's allowance of RMB70,000; each of the former independent non-executive Directors, namely, Mr. Wang Dashu and Mr. Zong Wenlong, an independent Director's allowance of RMB70,000.

Remuneration (allowance) of Directors, Supervisors and senior management of the Company in 2021

Name	Position in the Company	Remuneration (allowance) *(RMB0'000)*
Ding Huande	Chairman, Executive Director	4.5
Ni Shoumin	Vice Chairman, Non-executive Director	–
Peng Xingyu	Non-executive Director	–
Luo Xiaoqian	Executive Director, General Manager	85.29
Gou Wei	Former Non-executive Director	–
Hao Bin	Former Non-executive Director	–
Zhang Zhiqiang	Non-executive Director	–
Li Pengyun	Non-executive Director	–
Wang Xiaobo	Non-executive Director	–
Feng Rong	Executive Director, Chief Financial Officer	76.04
Feng Zhenping	Independent Non-executive Director	14
Li Xingchun	Independent Non-executive Director	14
Wang Dashu	Former Independent Non-executive Director	7
Zong Wenlong	Former Independent Non-executive Director	7
Li Menggang	Independent Non-executive Director	7
Wang Yuesheng	Independent Non-executive Director	7
Chen Wei	Chairman of the Supervisory Committee	–
Ma Jing'an	Supervisor	73.67
Zhang Peng	Employee Supervisor	69.95
Peng Guoquan	Vice General Manager	77.84
Chen Bin	Vice General Manager, General Legal Counsel	77.84
Song Jingshang	Chief Engineer	73.82
Wu Yuejie	Vice General Manager	73.67
Zhang Gelin	Current Company Secretary, Former Secretary to the Board	58.64

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 2021, 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. Based on the Company's existing business model and specific needs, the current composition of the Board satisfies the Board Diversity Policy in 2021.

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 is chaired by independent non-executive Director Mr. Feng Zhenpin, and is comprised of members including executive Director Mr. Luo Xiaoqian, non-executive Director Mr. Wang Xiaobo, independent non-executive Directors Mr. Li Xingchun and Mr. Wang Yuesheng, and former independent non-executive Director Mr. Wang Dashu (ceased to be a member on 30 June 2021).

The Nomination Committee held three meetings on 27 January, 25 March and 28 May 2021, and all directors who were members of the committee were presented at the meetings in person instead of by proxy. During the reporting period, the Nomination Committee considered and approved the work report 2020 on the nomination of committee members, and the resolution on the nomination of Mr. Li Menggang and Mr. Wang Yuesheng as independent Director candidates to the Board of the Company and submitted them to the general meeting for consideration, and the Board for consideration and approval.

DIVIDEND DISTRIBUTION POLICY

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

On 28 May 2021, the Shareholders' Return Plan (2020-2022) was considered and approved at the 2020 third extraordinary general meeting 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.

AUDITORS

At the annual general meeting held on 30 June 2021, the Company changed the domestic auditor from BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership) to Baker Tilly China Certified Public Accountants (Special General Partnership) and changed the international auditor from BDO Limited to Baker Tilly Hong Kong Limited in 2021. The respective term of service of Baker Tilly China Certified Public Accountants (Special General Partnership) and Baker Tilly Hong Kong Limited is proposed to commence from the date of the 2021 annual general meeting up to the date of next annual general meeting of the Company.

During the year ended 31 December 2021, the Company paid an aggregate of RMB8.20 million of audit service fees to its auditors, Baker Tilly China Certified Public Accountants (Special General Partnership) and Baker Tilly Hong Kong Limited, including fees for audit of internal control provided by Baker Tilly China Certified Public Accountants (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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 extraordinary 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 extraordinary 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 2021, 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 which 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 (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. The Company maintained smooth channels of communication with investors by reception of shareholders, roadshow and reverse roadshow activities, online communication via telephone and Internet, etc., to answer inquiries from investors in a timely and accurate manner. During the reporting period, the Company assessed and reviewed various communication channels and believed that the above policy was effectively implemented in 2021.

AMENDMENTS TO THE ARTICLES

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 and other relevant laws and regulations in 2021. The information relating to the environmental, social and governance policies and performance of the Company in 2021 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
25 March 2022

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), Feng Zhenping (Independent Non-executive Director), Li Xingchun (Independent Non-executive Director), Li Menggang (Independent Non-executive Director) and Wang Yuesheng (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	Baker Tilly Hong Kong Limited Registered Public Interest Entity Auditors 2nd Floor, 625 King's Road, North Point, Hong Kong Baker Tilly China Certified Public Accountants (Special General Partnership) Building 12, Foreign Cultural and Creative Garden, No. 19 Chegongzhuang West Road, Haidian District, Beijing The People's Republic of China
Legal advisers to the Company as to Hong Kong law	Fangda Partners 26/F, One Exchange Square, 8 Connaught Place Central, Hong Kong PRC
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 2021 annual report was published in April 2022. Copies of the annual report are available for inspection at:

PRC	Huadian Power International Corporation Limited No. 2 Xuanwumennei Street, Xicheng District, Beijing 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 52 to 126, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2021, 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 Standards 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.

Acquisition of equity interests in Huadian Fuxin Energy Development Company Limited ("Fuxin Development")

Key Audit Matter	How our audit addressed the key audit matter
Refer to note 47 to the consolidated financial statements. During the year ended 31 December 2021, the Company acquired 37.19% equity interests in Fuxin Development by making a capital contribution of RMB21,541,700,000 (determined by business valuations by external valuers), settled by a cash payment of RMB7,686,554,000 and equity interests in 27 subsidiaries (together the "New Energy Companies") with value amounting RMB10,851,272,000, resulting in a gain on disposal of subsidiaries of RMB3,003,874,000. We identified the transaction as a key audit matter due to the significant unobservable inputs and significant judgements associated with determining the fair values of equity interests of Fuxin Development and the New Energy Companies.	Our procedures in relation to the acquisition of equity interests in Fuxin Development included: • Reviewing relevant supporting documents, including board minutes, equity transfer agreements, announcement and circular related to the transaction and evaluating management's accounting treatment for the acquisition with reference to the terms set out in the equity transfer agreement and the prevailing accounting standards; • Obtaining and inspecting the valuation reports prepared by the external valuers on which the directors' assessment of the fair values of equity interests in Fuxin Development and the New Energy Companies was based; • Evaluating the competence, capability and objectivity of the external valuers engaged by the management; • Evaluating the appropriateness of the valuation methodologies and the key assumptions and bases adopted; • Verifying the arithmetic accuracy of the calculation included in the valuation reports; and • Assessing the adequacy of disclosures in connection with the transaction with reference to the prevailing accounting standards.

KEY AUDIT MATTERS *(Continued)*

Impairment review of goodwill and property, plant and equipment/right-of-use assets with impairment indicators

Key Audit Matter	How our audit addressed the key audit matter
Management performed an impairment review on the goodwill and property, plant and equipment/right-of-use assets with impairment indicators which are allocated to the cash generating units ("CGUs") of power generation, by taking into account the Group's future operating plans for power generation 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. We identified the impairment review of goodwill and property, plant and equipment/right-of-use assets with impairment indicators as a key audit matter due to significant accounting estimations involved in estimating the recoverable amounts of the relevant assets and CGUs arising thereof.	Our procedures in relation to impairment review of the goodwill and property, plant and equipment/right-of-use assets with impairment indicators included: • Obtaining an understanding, evaluating the design, and testing the operating effectiveness of controls over the management's key process of the Group's impairment review; • Evaluating the appropriateness of the management's identification of impairment indicators, if any, with reference to the internal and external sources of information; • Assessing the appropriateness of the methodology adopted by management in its preparation of the discounted cash flow forecasts, whether these were prepared in a manner consistent with the requirement of with prevailing accounting standards and how the external valuer's work was relied on by management; • Evaluating the competence, capability and objectivity of the external valuers engaged by the management; • Comparing the key assumptions used in the discounted cash flow forecasts, including the future sales volumes and selling prices, future fuel prices and discount rate applied, with the historical performance of each CGU, management's approved budgets and forecasts and industry and other externally available information; • Performing sensitivity analysis of the key assumptions described by assessing the changes to the recoverable amounts of the CGUs resulting from change in these assumptions; and • Verifying the mathematical accuracy of the calculation in the impairment review.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statement on 30 March 2021.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, 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 AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

The engagement director on the audit resulting in the independent auditor's report is Gao Yajun.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Hong Kong, 25 March 2022
Gao Yajun
Practising certificate number P06391

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021
(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Turnover	5	**100,983,552**	89,382,243
Operating expenses			
Fuel costs		**(74,471,831)**	(41,394,152)
Costs of coal sold		**(11,352,083)**	(11,461,662)
Depreciation and amortisation		**(11,506,347)**	(11,759,219)
Repairs, maintenance and inspection		**(3,778,694)**	(3,940,470)
Personnel costs	6	**(6,958,393)**	(6,333,469)
Administration expenses		**(4,827,353)**	(3,300,386)
Taxes and surcharges	7	**(976,501)**	(1,099,224)
Other operating expenses	11(b)	**(1,511,678)**	(1,303,510)
		(115,382,880)	(80,592,092)
Operating (loss)/profit		**(14,399,328)**	8,790,151
Investment income	8	**6,461,917**	45,120
Other revenue	9	**1,370,714**	1,039,567
Other net income	9	**1,359,670**	929,271
Interest income from bank deposits		**136,259**	100,078
Fair value loss on financial assets at fair value through profit or loss		**(37,228)**	(1,251)
Finance costs	10	**(4,352,826)**	(4,532,660)
Share of results of associates and joint ventures		**2,470,209**	521,557
(Loss)/profit before taxation	11(a)	**(6,990,613)**	6,891,833
Income tax credit/(expense)	14	**1,774,724**	(1,216,202)
(Loss)/profit for the year		**(5,215,889)**	5,675,631
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive income of investees accounted for under the equity method (with nil tax effect)		**38,391**	5,800
Items that will not be reclassified to profit or loss:			
Share of other comprehensive income (non-recycling) of investees accounted for under the equity method (with nil tax effect)		**41,412**	–
Other comprehensive income for the year (net of tax)	15	**79,803**	5,800
Total comprehensive (expense)/income for the year		**(5,136,086)**	5,681,431
(Loss)/profit for the year attributable to:			
Equity holders of the Company		**(3,341,982)**	4,166,756
Non-controlling interests		**(1,873,907)**	1,508,875
		(5,215,889)	5,675,631
Total comprehensive (expense)/income for the year attributable to:			
Equity holders of the Company		**(3,262,382)**	4,172,556
Non-controlling interests		**(1,873,704)**	1,508,875
		(5,136,086)	5,681,431
Basic and diluted (loss)/earnings per share	16	**RMB(0.443)**	RMB0.329

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021
(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	17	**125,676,926**	160,304,083
Right-of-use assets	18(a)	**6,497,402**	7,533,405
Construction in progress	19	**15,807,420**	22,361,667
Investment properties		**61,828**	32,283
Intangible assets	20	**1,900,627**	4,163,741
Goodwill	21	**1,199,701**	1,233,366
Interests in associates and joint ventures	22	**37,266,831**	12,023,223
Financial assets at fair value through profit or loss	23	**330,064**	307,890
Other non-current assets	24	**1,762,095**	3,126,447
Deferred tax assets	36(b)	**2,289,323**	748,228
		192,792,217	211,834,333
Current assets			
Inventories	26	**6,130,892**	2,347,810
Trade debtors and bills receivable	27	**9,265,280**	11,719,443
Deposits, other receivables and prepayments	28	**7,554,257**	4,033,493
Tax recoverable	36(a)	**552,862**	76,775
Restricted deposits	29	**145,463**	180,624
Cash and cash equivalents	30	**5,945,067**	6,498,457
		29,593,821	24,856,602
Current liabilities			
Bank loans	31(a)	**29,968,493**	25,566,828
Loans from shareholders	31(b)	**617,054**	700,000
State loans	31(c)	**1,733**	1,926
Other loans	31(d)	**5,491,491**	3,245,524
Short-term debentures payable	31(e)	**2,023,880**	–
Long-term debentures payable – current portion	31(f)	**5,861,218**	1,996,838
Amount due to the parent company		**27,599**	42,337
Lease liabilities	18(b)	**240,830**	641,932
Trade creditors and bills payable	33	**14,793,426**	17,490,945
Other payables and contract liabilities	34	**6,431,258**	8,833,733
Tax payable	36(a)	**205,952**	625,496
		65,662,934	59,145,559
Net current liabilities		**(36,069,113)**	(34,288,957)
Total assets less current liabilities		**156,723,104**	177,545,376

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2021
(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Bank loans	31(a)	**45,353,610**	50,490,648
Loans from shareholders	31(b)	**5,579,400**	6,007,768
State loans	31(c)	**45,384**	52,372
Other loans	31(d)	**5,703,716**	7,851,972
Long-term debentures payable	31(f)	**16,078,002**	10,495,397
Convertible bonds – liability components	32	**1,433,637**	–
Lease liabilities	18(b)	**327,557**	1,175,083
Long-term payables	35	**–**	262,460
Provisions	38	**64,242**	236,717
Deferred government grants		**1,266,742**	1,569,874
Deferred income	37	**2,896,818**	3,028,195
Deferred tax liabilities	36(b)	**1,690,353**	1,966,243
Retirement benefit obligations		**15,078**	15,538
		80,454,539	83,152,267
Net assets		**76,268,565**	94,393,109
Capital and reserves			
Share capital	39(b)	**9,869,858**	9,862,977
Perpetual capital securities	39(e)	**22,473,349**	24,645,175
Reserves	39(c)	**31,365,210**	38,637,209
Equity attributable to equity holders of the Company		**63,708,417**	73,145,361
Non-controlling interests		**12,560,148**	21,247,748
Total equity		**76,268,565**	94,393,109

The consolidated financial statements on pages 52 to 126 were approved and authorised for issue by the board of directors on 25 March 2022 and are signed on its behalf by:

Ding Huande
Director

Feng Rong
Director

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021
(Expressed in Renminbi)

	Attributable to equity holders of the Company											
	Share capital RMB'000 (note 39(b))	Capital reserve RMB'000 (note 39(c)(i))	Statutory surplus reserve RMB'000 (note 39(c)(ii))	Discretionary surplus reserve RMB'000	Revaluation reserve RMB'000 (note 39(c)(iii))	Fair value reserve RMB'000 (note 39(c)(iv))	Retained profits RMB'000	Convertible bonds reserve RMB'000 (note 39(c)(v))	Perpetual capital securities RMB'000 (note 39(e))	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 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 39(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 39(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)
Balance at 31 December 2020 and 1 January 2021	**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**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(4,365,243)**	**–**	**1,023,261**	**(3,341,982)**	**(1,873,907)**	**(5,215,889)**
Other comprehensive income for the year (note 15)	**–**	**–**	**–**	**–**	**–**	**79,600**	**–**	**–**	**–**	**79,600**	**203**	**79,803**
Total comprehensive income/(expense) for the year	**–**	**–**	**–**	**–**	**–**	**79,600**	**(4,365,243)**	**–**	**1,023,261**	**(3,262,382)**	**(1,873,704)**	**(5,136,086)**
Issue of shares	**6,881**	**22,914**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**29,795**	**–**	**29,795**
Issue of convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**41,250**	**–**	**41,250**	**–**	**41,250**
Acquisition of non-controlling interests	**–**	**(338,008)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(338,008)**	**(3,308,431)**	**(3,646,439)**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**705,696**	**705,696**
Issue of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,496,319**	**4,496,319**	**–**	**4,496,319**
Redemption of perpetual capital securities	**–**	**(19,976)**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,630,024)**	**(6,650,000)**	**–**	**(6,650,000)**
Dividends recognised as distribution (note 39(a))	**–**	**–**	**–**	**–**	**–**	**–**	**(2,465,744)**	**–**	**–**	**(2,465,744)**	**–**	**(2,465,744)**
Dividends declared to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,381,129)**	**(1,381,129)**
Distributions payable to holders of perpetual capital securities (note 39(e))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,061,382)**	**(1,061,382)**	**–**	**(1,061,382)**
Appropriation of general reserve	**–**	**–**	**503,409**	**–**	**–**	**–**	**(503,409)**	**–**	**–**	**–**	**–**	**–**
Appropriation of specific reserve	**–**	**–**	**61,105**	**–**	**–**	**–**	**(61,105)**	**–**	**–**	**–**	**–**	**–**
Utilisation of specific reserve	**–**	**–**	**(48,821)**	**–**	**–**	**–**	**48,821**	**–**	**–**	**–**	**–**	**–**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,851,585**	**1,851,585**
Loss of control of subsidiaries	**–**	**(76,792)**	**(173,885)**	**–**	**–**	**–**	**–**	**–**	**–**	**(250,677)**	**(4,687,569)**	**(4,938,246)**
Share of reserve of associates	**–**	**23,885**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23,885**	**–**	**23,885**
Others	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,952**	**5,952**
Balance at 31 December 2021	**9,869,858**	**14,977,092**	**4,319,628**	**68,089**	**44,726**	**65,990**	**11,848,435**	**41,250**	**22,473,349**	**63,708,417**	**12,560,148**	**76,268,565**

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021
(Expressed in Renminbi)

	Note	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash received from customers and others		**118,862,700**	107,005,134
Cash paid to suppliers, employees and others		**(124,082,962)**	(80,173,145)
Cash (used in)/generated from operations		**(5,220,262)**	26,831,989
Interest paid		**(4,168,760)**	(4,962,571)
PRC enterprise income tax paid	36(a)	**(1,331,681)**	(1,583,837)
Net cash (used in)/generated from operating activities		**(10,720,703)**	20,285,581
Cash flows from investing activities			
Payment of purchase of property, plant and equipment, construction in progress, investment properties and intangible assets		**(12,875,373)**	(18,653,784)
Proceeds from disposal of property, plant and equipment and intangible assets		**622,010**	–
Net cash outflows for the acquisition of subsidiaries	48	**(3,198,712)**	–
Net cash inflow from loss of control of subsidiaries	49	**10,583,718**	–
Proceeds from disposal of associates	22(d)	**2,759,101**	190,387
Payment of investments in associates		**(7,806,938)**	(138,462)
Payment for acquiring additional equity interest in subsidiaries		**(4,620,663)**	–
Increase in other long-term receivables		**–**	(96,412)
Payment of purchase of financial assets at fair value through profit or loss		**(82,365)**	(29,702)
Proceeds from disposal of financial assets at fair value through profit or loss		**4,169**	–
Interest received		**106,488**	105,338
Withdrawal of restricted deposits		**102,490**	57,390
Placement of restricted deposits		**(62,754)**	(115,781)
Dividends received		**609,447**	459,325
Other investing activities		**68,742**	170,819
Net cash used in investing activities		**(13,790,640)**	(18,050,882)
Cash flows from financing activities			
Debentures			
– Net proceeds from debentures		**21,600,000**	3,800,000
– Repayment of debentures		**(10,500,571)**	(7,300,000)
Loans			
– Proceeds from loans		**82,708,531**	61,849,206
– Repayment of loans		**(60,655,859)**	(68,040,475)
Lease liabilities			
– Repayment of principal portion of the lease liabilities		**(1,275,275)**	(1,109,751)
Bills financing			
– Proceeds from bank acceptance bills discounted		**596,811**	1,000,313
– Repayment of bank acceptance bills		**(2,133,778)**	(1,088,025)
Capital injection from non-controlling interests		**418,177**	3,257,469
Issue of perpetual capital securities		**4,500,000**	8,500,000
Repayment of perpetual capital securities		**(6,650,000)**	–
Dividends paid to non-controlling interests		**(1,162,658)**	(853,170)
Dividends distribution		**(2,465,744)**	(1,439,995)
Dividends paid to holders of perpetual capital securities		**(1,060,780)**	(734,080)
Other financing activities		**39,152**	(43,294)
Net cash generated from/(used in) financing activities		**23,958,006**	(2,201,802)
Net (decrease)/increase in cash and cash equivalents		**(553,337)**	32,897
Effect of foreign exchange rate on cash and cash equivalents		**(53)**	–
Cash and cash equivalents at beginning of the year		**6,498,457**	6,465,560
Cash and cash equivalents at end of the year	30	**5,945,067**	6,498,457

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(Expressed in Renminbi)

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**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 2021 comprise the Group and its interests in associates and joint ventures.

At 31 December 2021, the Group had net current liabilities of approximately RMB36,069 million and certain capital commitments (see note 42). The directors of the Company are of the opinion that, taking into account the current operation of the Group; the unutilised banking facilities available to the Group as well as debentures and bonds registered in the PRC interbank debenture market which has not been issued, the Group has sufficient working capital to enable it to meet in full its financial obligations as and when they fall due in the coming twelve months from the date of consolidated statement of financial position. Therefore, these consolidated financial statements have been prepared on a going concern basis.

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* ("**IFRS 16**"), 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* ("**IAS 36**").

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the consolidated financial statements *(Continued)*

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.

(c) Subsidiaries and non-controlling interests

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

– has power over the investee;

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

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

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

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

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

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

– rights arising from other contractual arrangements; and

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests *(Continued)*

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.

(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.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting issued in September 2010*).

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;

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
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2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

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.

(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 rights	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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
(Expressed in Renminbi)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases *(Continued)*

As a lessee *(Continued)*

(ii) Lease liability (Continued)

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.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

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 *Revenue from Contracts with Customers* ("**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 borrowings within the scope of IFRS 9 *Financial Instruments* ("**IFRS 9**").

(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)).

Depreciation is recognised so as to write off the cost of investment properties after taking into account of their estimated residual value, using the straight-line method over their estimated useful lives of 20 to 45 years. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(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 note 2(d)) less accumulated impairment losses (see note 2(m)(ii)), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
(Expressed in Renminbi)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Goodwill *(Continued)*

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.

(j) Intangible assets (other than goodwill)

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

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

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

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

Both the period and method of amortisation are reviewed annually.

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

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

(k) Interests in associates and joint ventures

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
(Expressed in Renminbi)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

When there is an objective evidence indicating that the net investments in associates and joint ventures may be impaired, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 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.

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

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

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

(l) Other investments in securities

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

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

Investments other than equity securities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
(Expressed in Renminbi)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Equity securities

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Dividends from an investment in equity securities classified as at FVPL are recognised in profit or loss as other income in accordance with the policy set out in note 2(t)(iv).

(m) Impairment of assets

(i) Impairment of financial assets

The Group recognises loss allowances for expected credit loss (the "**ECL**") on trade debtors and bills receivable related to sales of electricity, heat and coal, other receivables, 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 performs impairment assessment based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For restricted deposits and cash and cash equivalents placed in high credit-rated financial institutions are considered to be low credit risk. Thus the impairment provision recognised during the year was limited to 12-month ECLs.

For other financial assets measured at amortised cost, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

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

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 2021
(Expressed in Renminbi)

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;
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position; 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, if measurable, 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 values 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
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2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Inventories *(Continued)*

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

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

Trade debtors and bills receivable, deposits 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. For investments in debt securities that are measured at FVOCI (recycling), the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

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) Convertible bonds that contain equity component

The component parts of the convertible bonds are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to capital reserve. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
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2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Financial liabilities and equity instruments *(Continued)*

(iii) 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 initially measured at fair value and 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.

(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 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 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;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Revenue recognition *(Continued)*

- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

(i) Electricity Income

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

(ii) Heat Income

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

(iii) Sale of coal

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Translation of foreign currencies

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

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

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

(v) Income tax

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
(Expressed in Renminbi)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Income tax *(Continued)*

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

  – the same taxable entity; or

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

(w) Borrowing costs

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

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

(x) Employee benefits

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

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

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

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

(ii) Termination benefits

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

(y) Research expenditure

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

(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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
(Expressed in Renminbi)

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(z) Related parties *(Continued)*

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

(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.

3 APPLICATION OF AMENDMENTS TO IFRSs

(a) Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions* beyond 30 June 2021.

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022.
[2] Effective for annual periods beginning on or after 1 January 2023.
[3] Effective for annual periods beginning on or after a date to be determined.

Except as disclosed below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
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3 APPLICATION OF AMENDMENTS TO IFRSs *(Continued)*

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

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.

The Group's existing accounting policy is to account for sale proceeds during construction period as reduction of cost of the construction in progress. Upon application of the amendments, such sale proceeds and the related costs will be included in profit and loss with corresponding adjustments to the cost of construction in progress. During the year ended 31 December 2021, sale proceeds and related costs included in construction in progress amounted to approximately RMB186 million and RMB225 million, respectively.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the availability of funding from various sources to enable the Group to operate as a going concern and meet its liabilities as they fall due. Details are explained in note 2(b) to the consolidated financial statements.

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) Estimated impairment of goodwill

The Group performs impairment assessment annually on goodwill or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Recoverable amount is the higher of its value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU(s) in which the goodwill is allocated, and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, further impairment loss may arise. As at 31 December 2021, the carrying amount of goodwill is RMB1,199,701,000 (2020: RMB1,233,366,000) (net of accumulated impairment loss of RMB638,650,000 (2020: RMB215,447,000)). Details of the impairment assessment are disclosed in note 21.

(b) Estimated impairment of property, plant and equipment

In determining whether an property, plant and equipment is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset's recoverable amount; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions, including future sales volumes and selling price, future fuel prices and discount rate applied in preparing cash flow projections. Changes in the assumptions selected by management to determine the level of impairment, including the discount rate assumptions in the cash flow projections, could affect the net present value used in the impairment assessment. Impairment loss amounting to RMB302,906,000 (2020: RMB1,476,924,000) was recognised in the consolidated financial statements for the year ended 31 December 2021 (note 11(a)) and details of the impairment assessment are set out in note 17.

(c) 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.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(d) Depreciation and amortisation

Property, plant and equipment, right-of-use assets, investment properties 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.

(e) Deferred tax assets

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

(f) 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.

(g) Provision on remediation costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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5 TURNOVER AND SEGMENT INFORMATION

(a) Disaggregation of turnover

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

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
– Sale of electricity	**81,898,723**	70,185,438
– Sale of heat	**7,468,176**	6,656,108
– Sale of coal	**11,616,653**	12,540,697
	100,983,552	89,382,243

The revenue from sale of electricity, heat and coal is recognised at a point in time.

(b) Segment information

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.

Geographical information

The Group's non-current assets are mainly located in the PRC as the Group's major customers are based in the PRC which are the power grid operators in relation to the sale of electricity.

Information about major customers

In 2021, the revenue from power grid operators under common control of State Grid Corporation of China accounted for 81% of external revenue (2020: 77%). The sales to subsidiaries of State Grid Corporation of China contributing over 10% of the total sales of the Group are as follows:

	2021 RMB'000	2020 RMB'000
State Grid Shandong Electric Power Company*	**30,851,776**	25,168,838
State Grid Hubei Electric Power Company*	**11,539,187**	9,669,483

* Revenue from sale of electricity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
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6 PERSONNEL COSTS

	2021 RMB'000	2020 RMB'000
Wages, welfare and other benefits	**4,526,316**	4,608,664
Retirement benefits (note 41)	**1,211,742**	690,459
Other staff costs	**1,220,335**	1,034,346
	6,958,393	6,333,469

7 TAXES AND SURCHARGES

During the year, taxes and surcharges of the Group with the amount of approximately RMB977 million (2020: RMB1,099 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

	2021 RMB'000	2020 RMB'000
Dividend income from financial assets measured at FVPL	**24,176**	9,128
Dilution gain on investment in an associate (note 22(e))	**1,690,603**	–
Gain on loss of control of subsidiaries (notes 47 and 49)	**4,649,443**	616
Gain on disposal of associates (note 22(d))	**119,154**	69,880
Interest on loans and receivables	**15,200**	15,278
Loss on disposal of financial assets measured at FVOCI	**(36,659)**	(49,782)
	6,461,917	45,120

9 OTHER REVENUE AND NET INCOME

	2021 RMB'000	2020 RMB'000
Other revenue		
Government grants (Note (i))	**751,233**	358,260
Revenue from upfront installation fees for heating networks (note 37)	**263,737**	211,487
Others	**355,744**	469,820
	1,370,714	1,039,567
Other net income		
Gain on disposal of property, plant and equipment	**325,292**	59,274
Net income from sale of materials	**1,362,118**	1,135,770
Others	**(327,740)**	(265,773)
	1,359,670	929,271

Note:

(i) Government grants mainly represent the grants from the PRC government for purchase of coal, power generation, heat supply and environmental protection. There is no unfulfilled condition relating to those grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
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10 FINANCE COSTS

	2021 ***RMB'000***	2020 *RMB'000*
Interest on loans and other financial liabilities	**4,497,310**	4,725,017
Interest on lease liabilities	**38,616**	95,783
Interest on convertible bonds (note 32)	**14,657**	–
Other finance costs	**117,961**	113,565
Net foreign exchange gain	**(5,702)**	(767)
Less: interest capitalised	**(310,016)**	(400,938)
	4,352,826	4,532,660

The borrowing costs have been capitalised at an average rate of 4.08% (2020: 4.32%) per annum for construction in progress.

11 (LOSS)/PROFIT BEFORE TAXATION

(a) (Loss)/profit before taxation is arrived at after charging:

	2021 ***RMB'000***	2020 *RMB'000*
Amortisation		
– Intangible assets	**205,379**	269,357
Depreciation		
– Property, plant and equipment	**10,986,316**	11,089,213
– Right-of-use assets	**314,102**	400,180
– Investment properties	**550**	469
Total amortisation and depreciation	**11,506,347**	11,759,219
Auditor's remuneration		
– Audit services	**6,950**	8,300
– Non-audit services	**1,250**	1,300
Cost of inventories recognised	**89,602,608**	56,796,284
Impairment losses under expected credit loss model, net (included in administration expenses)		
– Trade debtors and bills receivable	**97,631**	14,739
– Deposits, other receivables and prepayments	**373,446**	34,474
Write down of inventories, net	**42,298**	21,107
Impairment losses on non-financial assets (included in administration expenses):		
– Property, plant and equipment	**302,906**	1,476,924
– Construction in progress	**361,305**	11,999
– Goodwill	**423,203**	94,156
Expense relating to short-term leases	**21,451**	46,204
Research and development costs	**2,761**	28,224

(b) Other operating expenses:

	2021 ***RMB'000***	2020 *RMB'000*
Heating	**508,334**	376,978
Power charges	**573,076**	457,668
Water charges	**389,414**	368,877
Environmental restoration expenses	**13,782**	78,722
Other expense relating to short-term leases	**27,072**	21,265
Total other operating expenses	**1,511,678**	1,303,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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12 DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' EMOLUMENTS

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

2021	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					
Ding Huande	45	–	–	–	45
Luo Xiaoqian*	–	347	69	437	853
Feng Rong	–	311	65	384	760
Non-executive directors					
Ni Shoumin	–	–	–	–	–
Peng Xingyu	–	–	–	–	–
Zhang Zhiqiang	–	–	–	–	–
Li Pengyun	–	–	–	–	–
Wang Xiaobo	–	–	–	–	–
Gou Wei (Note i)	–	–	–	–	–
Hao Bin (Note ii)	–	–	–	–	–
Independent non-executive directors					
Feng Zhenping	140	–	–	–	140
Li Xingchun	140	–	–	–	140
Li Menggang (Note iii)	70	–	–	–	70
Wang Yuesheng (Note iv)	70	–	–	–	70
Wang Dashu (Note v)	70	–	–	–	70
Zong Wenlong (Note vi)	70	–	–	–	70
Supervisors					
Chen Wei	–	–	–	–	–
Ma Jingan	–	302	63	371	736
Zhang Peng	–	287	63	349	699
	605	1,247	260	1,541	3,653

* Mr. Luo Xiaoqian, executive director, was also general manager of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Notes:

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

(ii) Mr. Hao Bin resigned as non-executive director on 27 January 2021.

(iii) Mr. Li Menggang was appointed as independent non-executive director on 30 June 2021.

(iv) Mr. Wang Yuesheng was appointed as independent non-executive director on 30 June 2021.

(v) Mr. Wang Dashu resigned as non-executive director on 30 June 2021.

(vi) Mr. Zong Wenlong resigned as non-executive director on 30 June 2021.

(vii) No directors, supervisors, or the chief executive of the Company waived any remuneration in 2021 (2020: Nil) and their emoluments shown above were mainly for their services as directors of the Company.

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

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

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	–	–	–	–	–
Wang Xiaobo	–	–	–	–	–
Ni Shoumin	–	–	–	–	–
Chen Haibin (Note vii)	–	–	–	–	–
Tao Yunpeng (Note viii)	–	–	–	–	–
Hao Bin (Note ix)	–	–	–	–	–
Peng Xingyu (Note x)	–	–	–	–	–
Independent non-executive directors					
Ding Huiping (Note xi)	70	–	–	–	70
Wang Dashu	140	–	–	–	140
Zong Wenlong	140	–	–	–	140
Wang Chuanshun (Note xii)	70	–	–	–	70
Feng Zhenping (Note xiii)	70	–	–	–	70
Li Xingchun (Note xiv)	70	–	–	–	70
Supervisors					
Peng Xingyu (Note xv)	–	–	–	–	–
Yuan Yanan (Note xvi)	–	44	9	56	109
Zha Jianqiu (Note xvii)	–	60	–	–	60
Ma Jingan	–	296	53	389	738
Chen Wei	–	–	–	–	–
Zhang Peng (Note xviii)	–	144	28	187	359
	560	1,409	242	1,785	3,996

* Before 25 March 2020, Mr. Tian Hongbao, executive director, was also general manager of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

** Since 30 June 2020, Mr. Luo Xiaoqian, executive director, was also general manager of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

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. Chen Haibin resigned as non-executive director on 30 June 2020.

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

(ix) Mr. Hao Bin was appointed as non-executive director on 30 June 2020.

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

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

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

Notes: *(Continued)*

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

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

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

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

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

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

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

13 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid employees of the Group during the year included two director (2020: one director), details of whose remuneration are set out in note 12 above. Details of the remuneration for the year of the remaining three (2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries and other emoluments	**937**	1,217
Retirement benefits	**201**	213
Bonus	**1,157**	1,605
	2,295	3,035

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

	2021 **Number of Individuals**	2020 Number of Individuals
Nil – Hong Kong Dollars ("**HK$**") 1,000,000	**3**	4

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

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

	2021 **RMB'000**	2020 RMB'000
Current tax – PRC Enterprise Income Tax (note 36(a))		
Charge for the year	**416,058**	1,574,744
(Over)/under-provision in respect of prior years	**(11,729)**	12,850
	404,329	1,587,594
Deferred tax (note 36(b))		
Origination and reversal of temporary differences and tax losses	**(2,179,053)**	(371,392)
Income tax (credit)/expense in the consolidated statement of profit or loss and other comprehensives income	**(1,774,724)**	1,216,202

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

(b) Reconciliation between income tax and accounting (loss)/profit at applicable tax rates:

	2021 **RMB'000**	2020 RMB'000
(Loss)/profit before taxation	**(6,990,613)**	6,891,833
Notional PRC enterprise income tax expense at a statutory tax rate of 25% (2020: 25%)	**(1,747,653)**	1,722,958
Tax effect of non-deductible expenses	**91,032**	82,966
Tax effect of non-taxable income	**(1,051,325)**	(6,100)
Preferential tax rate on subsidiaries' profit or loss (Note (a))	**(224,970)**	(204,470)
Tax credit (Note (b))	**–**	(40,613)
Tax effect of share of results of associates and joint ventures	**(617,552)**	(130,389)
Tax effect of tax losses and deductible temporary differences not recognised	**1,795,520**	250,077
Utilisation of tax losses and deductible temporary differences previously not recognised	**(8,047)**	(471,077)
(Over)/under-provision in respect of prior years	**(11,729)**	12,850
	(1,774,724)	1,216,202

Notes:

(a) The charge for PRC Enterprise Income Tax is calculated at the statutory rate of 25% (2020: 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 Group, which are tax exempted or taxed at preferential rates of 7.5%, 12%, 12.5% or 15% (2020: 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

	2021 ***RMB'000***	2020 *RMB'000*
Share of other comprehensive income of investees accounted for under the equity method	**38,391**	5,800
Share of other comprehensive income (non-recycling) of investees accounted for under the equity method	**41,412**	–
Other comprehensive income, net of income tax	**79,803**	5,800

16 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/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.

	2021 ***RMB'000***	2020 *RMB'000*
(Loss)/profit attributable to equity holders of the Company	**(3,341,982)**	4,166,756
Less: Profit attributable to holders of perpetual capital securities (note 39(e))	**(1,023,261)**	(917,861)
(Loss)/profit attributable to equity shareholders	**(4,365,243)**	3,248,895
Weighted average number of ordinary shares in issue (Rounded to the nearest thousand)	**9,864,768**	9,862,977
Basic (loss)/earnings per share (RMB)	**(0.443)**	0.329

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16 (LOSS)/EARNINGS PER SHARE *(Continued)*

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise/conversion of all dilutive potential ordinary shares. During the year ended 31 December 2021, the Company has 1 category of dilutive potential ordinary shares: convertible bonds (note 32).

For the convertible bonds, they are assumed to have been converted into ordinary shares, and the (loss)/profits attributable to the equity holders of the Company is adjusted to eliminate the interest expenses of the convertible bonds.

The computation of diluted loss per share for the year ended 31 December 2021 did not assume the conversion of convertible bonds because the conversion will have an anti-dilutive effect.

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 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 and 1 January 2021	**70,086,505**	**177,773,140**	**10,212,352**	**6,901,729**	**264,973,726**
Additions	**246,401**	**1,123,765**	**–**	**367,150**	**1,737,316**
Acquisition of subsidiaries (note 48)	**1,763,438**	**4,115,640**	**–**	**164,894**	**6,043,972**
Transferred from construction in progress (note 19)	**1,241,899**	**13,567,998**	**–**	**512,615**	**15,322,512**
Transfer to investment properties	**(32,739)**	**–**	**–**	**–**	**(32,739)**
Disposals/write-offs	**(985,941)**	**(3,029,424)**	**(2,650,743)**	**(234,842)**	**(6,900,950)**
Disposal of subsidiaries	**(6,195,509)**	**(47,131,704)**	**(1,540,036)**	**(2,954,434)**	**(57,821,683)**
At 31 December 2021	**66,124,054**	**146,419,415**	**6,021,573**	**4,757,112**	**223,322,154**
Accumulated depreciation and impairment					
At 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
Written back on 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 and 1 January 2021	**21,407,165**	**74,379,719**	**5,083,697**	**3,799,062**	**104,669,643**
Charge for the year	**2,385,341**	**7,810,447**	**–**	**790,528**	**10,986,316**
Written back on disposals	**(634,842)**	**(1,432,105)**	**(29,247)**	**(166,342)**	**(2,262,536)**
Disposal of subsidiaries	**(1,626,503)**	**(12,572,018)**	**(158,356)**	**(1,684,897)**	**(16,041,774)**
Transfer to investment properties	**(9,327)**	**–**	**–**	**–**	**(9,327)**
Impairment loss (note (i))	**43,700**	**226,699**	**–**	**32,507**	**302,906**
At 31 December 2021	**21,565,534**	**68,412,742**	**4,896,094**	**2,770,858**	**97,645,228**
Net book value					
At 31 December 2021	**44,558,520**	**78,006,673**	**1,125,479**	**1,986,254**	**125,676,926**
At 31 December 2020	48,679,340	103,393,421	5,128,655	3,102,667	160,304,083

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17 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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 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, the management takes into account the changes in the external market, such as the pandemic of Covid-19, the coal production and operation efficiency of the Group. Based on the impairment testing results, the carrying value of property, plant and equipment of the Group were impaired by approximately RMB303 million (2020: RMB1,477 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 (2020: five-year period). Cash flows beyond the five-year period are projected using zero growth rates (2020: zero growth rates). The cash flows are discounted using a discount rate from 7.00% to 11.00% (2020: 7.88% to 12.11%). 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 approximately RMB2,399 million as at 31 December 2021 (2020: RMB3,159 million).

(iii) At 31 December 2021, 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 approximately RMB1,185 million (2020: RMB1,103 million).

18 LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings, generators, machinery and equipment, land use rights, sea use rights 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 (2020: between 6 months and 45 years), while land use rights and sea use rights generally have lease terms between 10 and 70 years (2020: between 10 and 70 years). For motor vehicles, generally have lease terms of 12 months or less as at 31 December 2021 and 2020. 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:

	2021 **RMB'000**	2020 RMB'000
Buildings	**146,512**	86,077
Generators, machinery and equipment	**771,831**	1,935,145
Land use rights and sea use rights	**5,579,059**	5,512,183
Total	**6,497,402**	7,533,405

Additions to the right-of-use assets during the year ended 31 December 2021 were RMB268,105,000 (2020: RMB269,266,000).

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

	2021 **RMB'000**	2020 RMB'000
Buildings	**63,791**	62,881
Generators, machinery and equipment	**103,763**	177,178
Land use rights and sea use rights	**146,548**	160,105
Motor vehicles, furniture, fixtures, equipment and others	**–**	16
Total	**314,102**	400,180

18 LEASES *(Continued)*

(b) Lease liabilities

Future lease payments are due as follows:

	At 31 December 2021		
	Minimum lease payments *RMB'000*	**Interest** *RMB'000*	**Present value** *RMB'000*
Not later than one year	**262,894**	**22,064**	**240,830**
Later than one year and not later than two years	**281,153**	**19,123**	**262,030**
Later than two years and not later than five years	**58,127**	**7,209**	**50,918**
Later than five years	**24,165**	**9,556**	**14,609**
	626,339	**57,952**	**568,387**

	At 31 December 2020		
	Minimum lease payments *RMB'000*	Interest *RMB'000*	Present value *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

	2021 *RMB'000*	2020 *RMB'000*
Analysed into:		
Current portion	**240,830**	641,932
Non-current portion	**327,557**	1,175,083

The weighted average incremental borrowing rates applied to lease liabilities range from 4.66% to 5.39% (2020: 4.17% to 5.39%). The total cash outflow for leases for the year ended 31 December 2021 was RMB1,449,210,000 (2020: RMB1,264,082,000).

19 CONSTRUCTION IN PROGRESS

	2021 *RMB'000*	2020 *RMB'000*
At 1 January	**22,361,667**	16,657,612
Additions	**9,421,147**	18,310,905
Acquisition of subsidiaries (note 48)	**1,379,762**	–
Transferred to property, plant and equipment (note 17)	**(15,322,512)**	(12,594,851)
Disposal of subsidiaries	**(1,671,339)**	–
Impairment loss (Note)	**(361,305)**	(11,999)
At 31 December	**15,807,420**	22,361,667

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 approximately RMB361 million (2020: RMB12 million) was fully impaired as of 31 December 2021. The recoverable amounts of these assets are based on their fair value less costs of disposal. In addition, amounting to approximately RMB320 million of certain preliminary projects which had been fully impaired was written off in 2021 (2020: RMB13.2 million). As of 31 December 2021, the accumulated impairment loss of construction in progress was approximately RMB405 million (2020: RMB364 million).

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20 INTANGIBLE ASSETS

	Concession assets RMB'000	Development right of hydropower RMB'000	Others RMB'000	Total RMB'000
Cost				
At 1 January 2020	3,682,053	1,382,954	896,343	5,961,350
Additions (note 25)	68,099	–	143,280	211,379
Disposals	(927)	–	(11,439)	(12,366)
At 31 December 2020 and 1 January 2021	**3,749,225**	**1,382,954**	**1,028,184**	**6,160,363**
Additions	**–**	**–**	**144,932**	**144,932**
Disposal of subsidiaries	**(3,682,186)**	**–**	**(248,956)**	**(3,931,142)**
Disposals	**–**	**–**	**(59,804)**	**(59,804)**
At 31 December 2021	**67,039**	**1,382,954**	**864,356**	**2,314,349**
Accumulated amortisation				
At 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
Written back on disposals	(927)	–	(426)	(1,353)
At 31 December 2020 and 1 January 2021	**1,527,745**	**16,949**	**451,928**	**1,996,622**
Charge for the year	**120,265**	**14,685**	**70,429**	**205,379**
Disposal of subsidiaries	**(1,644,137)**	**–**	**(129,667)**	**(1,773,804)**
Written back on disposals	**–**	**–**	**(14,475)**	**(14,475)**
At 31 December 2021	**3,873**	**31,634**	**378,215**	**413,722**
Net book value				
At 31 December 2021	**63,166**	**1,351,320**	**486,141**	**1,900,627**
At 31 December 2020	2,221,480	1,366,005	576,256	4,163,741

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.

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 has started after related hydropower plants are put into operation over its estimated useful life on a straight-line basis.

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21 GOODWILL

	2021 *RMB'000*	2020 *RMB'000*
Cost		
At 1 January	**1,448,813**	1,448,813
Arising on acquisition of subsidiaries (note 48)	**389,538**	–
At 31 December	**1,838,351**	1,448,813
Impairment losses		
At 1 January	**215,447**	121,291
Impairment loss recognised during the year (note 11)	**423,203**	94,156
At 31 December	**638,650**	215,447
Net book value		
At 31 December	**1,199,701**	1,233,366

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

	2021 *RMB'000*	2020 *RMB'000*
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 ("**Longkou Company**")	**5,111**	327,420
Shaoguan Pingshi Power Plant Company Limited (Plant B) ("**Pingshi Plant B**")	**62,161**	163,055
Lixian Star River Hydropower Company Limited	**89,184**	89,184
Hubei Power Generation	**427,679**	427,679
Hunan Area Companies (note 48)	**389,538**	–
Others	**7,424**	7,424
Total	**1,199,701**	1,233,366

During the year ended 31 December 2021, the Group recognised an impairment loss of approximately RMB423 million (2020: RMB94 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 (2020: a five-year period). Cash flows beyond the five-year period are projected using zero growth rates (2020: zero growth rates). The cash flows are discounted using a discount rate of 8.53% (2020: 7.88%). The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs. Management believes that, except for Longkou Company and Pingshi Plant B, any reasonably possible change in any of these assumptions would not cause the carrying amount to exceed the recoverable amount of these units. For Longkou Company and Pingshi Plant B, as the carrying values of these CGUs have been reduced to their recoverable amounts, any adverse change in the assumptions used in the calculations of recoverable amounts would result in further impairment losses.

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.

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22 INTERESTS IN ASSOCIATES AND JOINT VENTURES

	2021 *RMB'000*	2020 *RMB'000*
Share of net assets	**37,366,121**	12,122,513
Less: impairment loss	**(99,290)**	(99,290)
	37,266,831	12,023,223
Fair value of listed investment (Note)	**299,266**	279,120

Note: The fair value of the listed investment is determined based on the quoted market bid price at the Shenzhen stock exchange in the PRC multiplied by the quantity of share held by the Group.

(a) General information of associates

The following list contains only the particulars of associates as at 31 December 2021, all of which are limited liability companies established and operating in the PRC, which principally affected the results, assets or liabilities of the Group:

Name of company	Paid 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
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**")	1,246,307	35	–	Production and sale of coal
China Huadian Finance Corporation Limited ("**China Huadian Finance**") 中國華電集團財務有限公司	5,541,117	14.85 (Note (i))	–	Provision of corporate financial service to its group companies
Huadian Coal Industry Group Company Limited ("**Huadian Coal**") 華電煤業集團有限公司	3,657,143	11.82 (Note (i))	1.16	Provision of coal procurement service
Ningxia Yinxing Coal Company Limited ("**Yinxing Coal**") 寧夏銀星煤業有限公司	1,069,950	50 (Note (ii))	–	Production and sale of coal
Otog Front Banner Changcheng No. 5 Mining Company Limited ("**Changcheng No.5 Mining**") 鄂托克前旗長城五號礦業有限公司	653,995	35	–	Production and sale of coal
Otog Front Banner Zhengtai Trading Company Limited 鄂托克前旗正泰商貿有限公司	6,770	35	–	Production and sale of coal
Huadian Property Company Limited 華電置業有限公司	2,697,500	8.31 (Note (i))	1.08	Property development
Huadian Jinshajiang Upstream Hydropower Development Company Limited ("**Jinshajiang Hydropower Company**") 華電金沙江上游水電開發有限公司	4,977,486	12 (Note (iii))	–	Generation and sale of electricity
Otog Front Banner Changcheng Mine Company Limited ("**Changcheng Mine**") 鄂托克前旗長城煤礦有限公司	756,270	35	–	Sale of mines machinery and accessory
Inner Mongolia Fucheng Mining Company Limited ("**Fucheng Mining Company**") 內蒙古福城礦業有限公司	937,369	35	–	Sale of ores steels products
Ningxia Western Venture Industrial Co., Ltd. ("**Ningxia West**") 寧夏西部創業實業股份有限公司	1,458,375	4.87 (Note (i))	–	Railway development and management
CNNP CHD Hebei Nuclear Power Company Limited ("**Hebei Nuclear Power**") 中核華電河北核電有限公司	369,202	39	–	Generation and sale of electricity
Huadian Fuxin Energy Development Co., Ltd. ("**Fuxin Development**") 華電福新能源發展有限公司	5,897,473	31.03 (Note (iv))	–	Generation and sale of electricity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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 financial and operating policy decisions do not require unanimous consent of the parties sharing control. Thus, Yinxing Coal is accounted for as an associate of the Company.

(iii) During the year ended 31 December 2021, the Company has made an additional capital injection in Jinshajiang Hydropower Company amounting to RMB120,384,000.

(iv) On 15 June 2021, the Company has made a capital injection in Fuxin Development amounting to RMB21,541,700,000 in exchange for its 37.19% equity interests (note 47). In December 2021, following a capital increase agreement of Fuxin Development, the shareholding of the Company has been subsequently diluted to 31.03% (note 22(d)).

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

(b) Summarised 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

	2021 *RMB'000*	2020 *RMB'000*
Current assets	**18,882,326**	8,106,267
Non-current assets	**53,562,318**	48,926,909
Current liabilities	**(18,201,945)**	(14,841,848)
Non-current liabilities	**(20,226,412)**	(18,838,008)

	2021 *RMB'000*	2020 *RMB'000*
Revenue	**39,776,525**	20,886,596
Profit for the year	**13,675,761**	3,696,653
Other comprehensive income for the year	**213,784**	–
Total comprehensive income for the year	**13,889,545**	3,696,653
Dividends received during the year	**207,680**	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:

	2021 *RMB'000*	2020 *RMB'000*
Net assets	**34,016,287**	23,353,320
Non-controlling interests of Huadian Coal	**(12,942,874)**	(9,095,901)
Proportion of the Group's ownership interest	**12.98%**	12.98%
Carrying amount of the Group's interest	**2,735,329**	1,850,613

(ii) China Huadian Finance

	2021 *RMB'000*	2020 *RMB'000*
Current assets	**8,916,047**	6,499,614
Non-current assets	**56,420,595**	43,886,157
Current liabilities	**(55,444,381)**	(40,995,129)
Non-current liabilities	**(86,645)**	(1,038,724)

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

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

(ii) China Huadian Finance *(Continued)*

	2021 RMB'000	2020 RMB'000
Revenue	**1,529,621**	1,325,066
Profit for the year	**949,025**	918,869
Other comprehensive income for the year	**180**	35,236
Total comprehensive income for the year	**949,205**	954,105
Dividends received during the year	**80,390**	130,766

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

	2021 RMB'000	2020 RMB'000
Net assets	**9,805,616**	8,351,918
Proportion of the Group's ownership interest	**14.85%**	16.46%
Goodwill recognised at acquisition	**21,435**	21,435
Carrying amount of the Group's interest	**1,477,569**	1,396,161

(iii) Yinxing Coal

	2021 RMB'000	2020 RMB'000
Current assets	**319,115**	105,987
Non-current assets	**2,741,059**	2,075,934
Current liabilities	**(1,162,077)**	(750,881)
Non-current liabilities	**(459,885)**	(558,134)

	2021 RMB'000	2020 RMB'000
Revenue	**987,123**	586,026
Profit for the year	**246,205**	6,267
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**246,205**	6,267
Dividends received during the year	**84,884**	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:

	2021 RMB'000	2020 RMB'000
Net assets	**1,438,212**	872,906
Proportion of the Group's ownership interest	**50%**	50%
Effect of fair value adjustments at acquisition	**358,418**	359,655
Carrying amount of the Group's interest	**1,077,524**	796,108

(iv) Fuxin Development

	2021 RMB'000	2020 RMB'000
Current assets	**43,517,091**	–
Non-current assets	**189,166,009**	–
Current liabilities	**(63,343,620)**	–
Non-current liabilities	**(89,918,397)**	–

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

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

(iv) Fuxin Development *(Continued)*

	2021 RMB'000	2020 RMB'000
Revenue	21,158,799	–
Profit for the year	7,428,872	–
Other comprehensive income for the year	102,582	–
Total comprehensive income for the year	7,531,454	–
Dividends received during the year	327,980	–

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

	2021 RMB'000	2020 RMB'000
Net assets	79,421,083	–
Non-controlling interests of Fuxin Development	(3,067,722)	–
Proportion of the Group's ownership interest	31.03%	–
Carrying amount of the Group's interest	23,692,448	–

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

	2021 RMB'000	2020 RMB'000
The Group's share of loss and total comprehensive expenses for the year	(466,131)	(112,666)
Aggregate carrying amount of the Group's interests in these associates and joint ventures	8,283,960	7,980,340

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

(d) Disposal of investments in associates

During the year ended 31 December 2021, the Group disposed of its 38.13% equity interest in Hebei Huadian Guyuan Wind Power Company Limited ("河北華電沽源風電有限公司"); 39.62% equity interest in Hebei Huadian Yuzhou Wind Power Company Limited ("河北華電蔚州風電有限公司") and 36.08% equity interest in Huadian International Ningxia New Energy Power Company Limited ("華電國際寧夏新能源發電有限公司"), respectively. The carrying amount of investment was RMB2,639,947,000 at the date of disposal and the cash consideration was RMB2,759,101,000, resulting in a gain on disposal of RMB119,154,000.

During the year ended 31 December 2020, the Group disposed 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 was RMB120,507,000 at the date of disposal and the cash consideration was RMB190,387,000, resulting in a gain on disposal of RMB69,880,000.

	2021 RMB'000	2020 RMB'000
Proceeds of disposal	2,759,101	190,387
Less: carrying amount of the investment disposed	(2,639,947)	(120,507)
Gain recognised (note 8)	119,154	69,880
Total consideration received in cash	2,759,101	190,387

(e) Deemed partial disposal of Fuxin Development

In December 2021, Fuxin Development further entered into a capital increase agreement with multiple parties, who have injected approximately RMB15 billion in exchange for approximately 16.57% equity interest in Fuxin Development. Accordingly, the Group's equity interest in Fuxin Development was diluted from 37.19% to approximately 31.03% and a dilution gain on investment in an associate of RMB1,690,603,000 (note 8) was recognised during the year ended 31 December 2021.

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

(f) Where the Group has unrecognised share of losses of associates

	2021 RMB'000	2020 RMB'000
The unrecognised share of loss of associates for the year	**(136,085)**	–
Cumulative unrecognised share of loss of associates	**(184,213)**	(48,128)

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Unlisted investments:		
– Equity securities		
At FVPL	**330,064**	307,890

The above unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC.

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.

24 OTHER NON-CURRENT ASSETS

	2021 RMB'000	2020 RMB'000
Financial assets		
– Other long-term receivables with fixed-rate and non-current feature (Note (i))	**254,430**	170,066
Deductible Value Added Tax and other tax	**1,434,315**	2,775,488
Deferred differences arising from sales and leaseback arrangements and others (Note (ii))	**73,350**	180,893
	1,762,095	3,126,447

Notes :

(i) Other long-term receivables are balances due from an associate (note 40(a)).

(ii) Deferred differences arising from sales and leaseback arrangements represent the deficit of sale proceeds over the carrying amounts of the assets disposed under the sales 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 2021, no additions to concession assets were recognised for service concession arrangement (2020: approximately RMB68 million) (note 20).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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26 INVENTORIES

	2021 RMB'000	2020 RMB'000
Coal, gas and stalk	**5,405,703**	1,622,707
Fuel oil	**52,340**	49,066
Materials, components and spare parts	**672,849**	676,037
	6,130,892	2,347,810

All of the inventories for future usage and sales are expected to be utilised within one year.

27 TRADE DEBTORS AND BILLS RECEIVABLE

	2021 RMB'000	2020 RMB'000
Trade debtors and bills receivable for the sale of electricity	**8,187,764**	9,437,658
Trade debtors and bills receivable for the sale of heat	**841,053**	846,628
Trade debtors and bills receivable for the sale of coal	**565,380**	1,709,518
	9,594,197	11,993,804
Less: allowance for impairment	**(328,917)**	(274,361)
	9,265,280	11,719,443

	2021 RMB'000	2020 RMB'000
Analysed into:		
– At amortised cost	**8,839,157**	10,411,862
– At FVOCI (Note (i))	**755,040**	1,581,942
	9,594,197	11,993,804

Notes:

(i) The Group's bills receivables are managed with a business model under which bills receivables are held to collect contractual cash flows or endorsed to suppliers prior to their expiry date. Accordingly, these bills receivables are classified as financial assets at fair value through other comprehensive income.

(ii) As at 31 December 2021, bank acceptance bills discounted of approximately RMB1,858 million (2020: RMB3,537 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 approximately RMB37 million (2020: RMB50 million) in total and charged into profit or loss.

(iii) As at 31 December 2021, trade receivables amounted to approximately RMB2,959 million (2020: RMB5,288 million) had been factored to a bank on a non-recourse basis. These trade receivables were derecognised as the Group had transferred substantially all 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 approximately RMB0.8 million (2020: RMB1.8 million) in total and charged into profit or loss.

(a) Ageing analysis

As at 31 December 2021, 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:

	2021 RMB'000	2020 RMB'000
Within 1 year	**9,174,783**	10,493,513
1 to 2 years	**24,385**	835,637
2 to 3 years	**22,115**	279,437
Over 3 years	**43,997**	110,856
	9,265,280	11,719,443

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
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27 TRADE DEBTORS AND BILLS RECEIVABLE *(Continued)*

(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:

	2021 **RMB'000**	2020 RMB'000
At 1 January	**274,361**	288,254
Impairment loss recognised	**103,590**	15,042
Reversal of impairment loss	**(5,959)**	(303)
Write-off	**(43,075)**	(28,632)
At 31 December	**328,917**	274,361

At 31 December 2021, the Group's trade debtors and bills receivable totalling of approximately RMB104 million (2020: RMB15 million) were individually determined to be impaired. A write-off of trade debtors and bills receivable with a gross carrying amount of approximately RMB47 million (2020: RMB697 million) resulted in a decrease in loss allowance of approximately RMB43 million (2020: RMB29 million). The Group does not hold any collateral over these balances.

The information about the ECLs on the Group's trade debtors and bills receivable are disclosed in note 44(b).

28 DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2021 **RMB'000**	2020 RMB'000
Financial assets		
– Dividends receivable	**591,647**	536,672
– Deposits	**28,214**	94,186
– Consideration receivables	**933,554**	25,667
– Machinery and equipment related receivables	**543,123**	–
– Other receivables	**1,092,270**	1,213,116
	3,188,808	1,869,641
Less: allowance for impairment (Note)	**(503,868)**	(558,784)
	2,684,940	1,310,857
Deductible Value Added Tax	**2,728,996**	1,722,095
Prepayments	**2,066,807**	842,651
Others	**73,514**	157,890
	7,554,257	4,033,493

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 2021, ECLs of deposits and other receivables of the Group amounted to approximately RMB504 million (2020: RMB559 million), including allowance for impairment on other receivables on Certified Emission Reductions of approximately RMB51 million (2020: RMB85 million).

The information about the ECLs on the Group's deposits and other receivables are disclosed in note 44(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.

30 CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash at bank and in hand	**688,571**	905,651
Cash at other financial institutions	**5,256,496**	5,592,806
	5,945,067	6,498,457

31 BORROWINGS

(a) Bank loans

	2021 RMB'000	2020 RMB'000
Due:		
Within 1 year		
– short-term bank loans	**23,908,939**	18,627,711
– current portion of long-term bank loans	**6,059,554**	6,939,117
	29,968,493	25,566,828
After 1 year but within 2 years	**7,760,968**	7,268,564
After 2 years but within 5 years	**19,251,362**	16,608,228
After 5 years	**18,341,280**	26,613,856
	45,353,610	50,490,648
	75,322,103	76,057,476

As at 31 December 2021, all of the bank loans are unsecured, except for amounts of approximately RMB11,361 million (2020: RMB18,200 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 approximately RMB1,354 million (2020: RMB1,644 million) in total which are secured by lease prepayments and property, plant and equipment with an aggregate carrying amount of approximately RMB1,851 million (2020: RMB2,999 million) of certain subsidiaries and amounts of approximately RMB1 million (2020: RMB552 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:

	2021 RMB'000	2020 RMB'000
RMB loans		
Floating interest rates ranging from 2.80% to 5.39% (2020: 2.30% to 5.87%) per annum with maturities up to 2043	**50,060,599**	61,685,196
Fixed interest rates ranging from 2.35% to 4.60% (2020: 1.85% to 5.22%) per annum with maturities up to 2024	**25,260,528**	14,360,311
Euro loans		
Fixed interest rate of 2.50% (2020: 2.50%) per annum with maturity up to 2022	**976**	11,969
	75,322,103	76,057,476

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31 BORROWINGS *(Continued)*

(b) Loans from shareholders

	2021 **RMB'000**	2020 RMB'000
Due:		
Within 1 year		
– current portion of long term loans from shareholders	**617,054**	700,000
After 1 year but within 2 years	**4,100,000**	500,000
After 2 years but within 5 years	**679,400**	4,407,768
After 5 years	**800,000**	1,100,000
	5,579,400	6,007,768
	6,196,454	6,707,768

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:

	2021 **RMB'000**	2020 RMB'000
Loans from China Huadian		
Floating interest rates ranging from 3.39% to 4.00% (2020: 4.28% to 4.75%) per annum, with maturities up to 2023	**662,527**	600,000
Fixed interest rates ranging from 3.34% to 5.00% (2020: 3.34% to 5.00%) per annum, with maturities up to 2024	**5,526,070**	6,100,000
Others		
Floating interest rate of 4.90% per annum as at 31 December 2020, with maturities up to 2030	**–**	7,768
Fixed interest rate of 4.60% per annum as at 31 December 2021, with maturities up to 2023	**7,857**	–
	6,196,454	6,707,768

(c) State loans

	2021 **RMB'000**	2020 RMB'000
Due:		
Within 1 year		
– current portion of long-term state loans	**1,733**	1,926
After 1 year but within 2 years	**917**	1,926
After 2 years but within 5 years	**5,198**	5,778
After 5 years	**39,269**	44,668
	45,384	52,372
	47,117	54,298

31 BORROWINGS *(Continued)*

(c) State loans *(Continued)*

Details of the currencies, interest rates and maturity dates of state loans are as follows:

	2021 RMB'000	2020 RMB'000
Euro loan		
Fixed interest rate of 0.75% (2020: 0.75%) per annum, with maturities up to 2048	**47,117**	54,298

The Euro state loan represents a loan facility maximum of approximately 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. At 31 December 2021, the total amount of the above state loan is approximately Euro6.53 million (2020: Euro6.77 million).

(d) Other loans

	2021 RMB'000	2020 RMB'000
Due:		
Within 1 year		
– short-term other loans	**3,735,606**	2,151,000
– current portion of long-term other loans	**1,755,885**	1,094,524
	5,491,491	3,245,524
After 1 year but within 2 years	**1,641,986**	2,059,982
After 2 years but within 5 years	**2,614,058**	3,187,933
After 5 years	**1,447,672**	2,604,057
	5,703,716	7,851,972
	11,195,207	11,097,496

Other loans are borrowed from China Huadian Finance Corporation Limited ("**China Huadian Finance**"), an associate of the Group, and fellow subsidiaries of the Company. Other loans bear interest rates ranging from 2.85% to 5.64% per annum as at 31 December 2021 (2020: 1.50% to 6.09% per annum), with maturities from 2021 to 2041 (2020: 2020 to 2035).

During the year, the Group has 4 newly signed sales and leaseback agreements with fellow subsidiaries of the Company (note 40) and three third party financial leasing companies with contract terms of 1 year and 4 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 nil) when the lease term expires. The substance of the transaction was to obtain financing secured by relevant assets within the leasing period and repaid them in instalment. Meanwhile, the Group has certain financing agreements with fellow subsidiaries (note 40). As at year ended 31 December 2021, the loans mentioned above bear interest rate ranging from 1.50% to 5.64% (2020: 1.50% to 5.64%) per annum and will be due from 2022 to 2036 (2020: 2022 to 2032).

At 31 December 2021, the other loans borrowed from China Huadian Finance totalling of approximately RMB533 million (2020: RMB171 million) are secured by the income stream in respect of the sale of electricity.

At 31 December 2021, no borrowing (31 December 2020: RMB68 million) from third party financial leasing company are secured by the income stream in respect of the sale of electricity.

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31 BORROWINGS *(Continued)*

(d) Other loans *(Continued)*

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:

	2021	2020
	RMB'000	*RMB'000*
Loans from China Huadian Finance		
Floating interest rates ranging from 2.90% to 4.75% (2020: 2.90% to 4.90%) per annum, with maturities up to 2035	**7,507,777**	6,627,201
Fixed interest rates ranging from 3.35% to 4.35% (2020: 3.36% to 4.90%) per annum, with maturities up to 2024	**2,124,329**	2,075,000
Others		
Floating interest rates ranging from 3.48% to 5.64% (2020: 1.80% to 5.20%) per annum, with maturities up to 2041	**1,332,808**	1,888,047
Fixed interest rates of ranging from 2.85% to 3.10% (2020: 1.50% to 6.09%) per annum, with maturities up to 2022	**230,293**	507,248
	11,195,207	11,097,496

(e) Short-term debentures payable

	2021	2020
	RMB'000	*RMB'000*
First tranche of super short-term debentures for the year of 2021	**2,023,880**	–

On 16 July 2021, the Group issued the first tranche of super short-term debentures of 2021 in PRC interbank debenture market. The super short-term debenture was issued at a par value of RMB2,000 million with a maturity period of 180 days and bears interest at 2.58% 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 RMB8,500 million (2020: repaid four tranches of super short-term debenture with a total principal amount of RMB5,300 million) at par value.

The effective interest rates of above debentures are ranging from 2.16% to 2.58% per annum after considering the effect of issue costs.

(f) Long-term debentures payable

	2021	2020
	RMB'000	*RMB'000*
First tranche of medium-term notes for the year of 2016	**–**	1,996,838
First tranche of medium-term notes for the year of 2017	**3,611,991**	3,497,794
First tranche of medium-term notes for the year of 2019	**3,090,492**	2,998,161
First tranche of company debentures for the year of 2019	**2,014,834**	1,999,888
Third tranche of medium-term notes for the year of 2020	**2,032,044**	1,999,554
Second tranche of medium-term notes for the year of 2021	**2,525,693**	–
First tranche of green mid-term notes for the year of 2021	**2,321,601**	–
Third tranche of medium-term notes for the year of 2021	**2,016,250**	–
Fourth tranche of medium-term notes for the year of 2021	**1,813,506**	–
Fifth tranche of medium-term notes for the year of 2021	**2,512,809**	–
	21,939,220	12,492,235
Less: Long-term debentures due within one year	**(5,861,218)**	(1,996,838)
	16,078,002	10,495,397

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31 BORROWINGS *(Continued)*

(f) Long-term debentures payable *(Continued)*

On 20 August 2021, the Group issued the second tranche of medium-term notes for the year of 2021 in PRC interbank debenture market. The medium-term note was issued at a total par value of RMB2,500 million with a maturity period of 3 years and bears interest at 3.07% per annum. The tranche is unsecured.

On 30 August 2021, the Group issued the first tranche of green mid-term notes for the year of 2021 in PRC interbank debenture market. The medium-term note was issued at a total par value of RMB2,300 million with a maturity period of 3 years and bears interest at 3.06% per annum. The tranche is unsecured.

On 16 September 2021, the Group issued the third tranche of medium-term notes for the year of 2021 in PRC interbank debenture market. The medium-term note was issued at a total par value of RMB2,000 million with a maturity period of 3 years and bears interest at 3.12% per annum. The tranche is unsecured.

On 28 September 2021, the Group issued the fourth tranche of medium-term notes for the year of 2021 in PRC interbank debenture market. The medium-term note was issued at a total par value of RMB1,800 million with a maturity period of 5 years and bears interest at 3.57% per annum. The tranche is unsecured.

On 25 October 2021, the Group issued the fifth tranche of medium-term notes for the year of 2021 in PRC interbank debenture market. The medium-term note was issued at a total par value of RMB2,500 million with a maturity period of 3 years and bears interest at 3.32% 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 (2020: repaid one tranche of medium-term notes with principal amount of RMB2,000 million) at par value.

As 31 December 2021, the effective interest rates of the long-term debentures are ranged from 2.53% to 4.85% (2020: from 2.54% to 4.97%) per annum after considering the effect of issue costs.

32 CONVERTIBLE BONDS

On 28 September 2021, the Company completed the issuance of 14,701,590 convertible bonds ("CBs") at a par value of RMB100 each, which were due on 28 September 2024 with an aggregate principal amount of RMB1,470,159,000. The annual coupon rate of the CBs is 2% for the first year, 3% for the second year, and 3% for the third year from the date of completion of the issuance of CBs. The CBs were denominated in Renminbi and entitled the holders to convert them into ordinary A shares of the Company during the conversion period at a conversion price of RMB4.36 per share (adjusted). The conversion period of the CBs shall commence on the first trading day (inclusive) immediately following the expiry of the 12-month period after the completion date of the issuance of CBs and end on the maturity date (inclusive) of the CBs. If the CBs are not converted, they will be redeemed by the Company at maturity at a redemption price of 104% of the nominal value of the CBs (excluding the third year accrued interest). Refer to the Company's announcement dated 30 September 2021 for the details of the terms of the CBs.

At initial recognition, the equity component of the CBs was separated from the liability component. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component is 3.91%.

The movement of the liability component of the convertible loans for the year is set out below:

	Liability components of CBs *RMB'000*
As at 1 January 2020, 31 December 2020 and 1 January 2021	–
Issued during the year	1,418,980
Effective interest expenses (note 10)	14,657
As at 31 December 2021	1,433,637

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33 TRADE CREDITORS AND BILLS PAYABLE

As at 31 December 2021, the aging analysis of trade creditors and bills payable, presented based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**12,487,154**	13,566,685
1 to 2 years	**764,963**	2,761,574
Over 2 years	**1,541,309**	1,162,686
	14,793,426	17,490,945

34 OTHER PAYABLES AND CONTRACT LIABILITIES

	2021	2020
	RMB'000	*RMB'000*
Financial liabilities		
– Construction deposits	**1,074,841**	1,560,738
– Consideration payables on acquisitions	**340,789**	344,577
– Interest payables	**–**	428,793
– Wages payable	**222,627**	231,515
– Payables for installed capacity quota	**257,530**	263,530
– Payables for sewage charges	**10,309**	20,214
– Dividend payables to non-controlling interests	**322,477**	644,756
– Distribution payables to holder of perpetual capital securities	**229,667**	229,065
– Current portion of long-term payables (note 35)	**–**	63,065
– Others (Note (i))	**718,653**	1,919,895
	3,176,893	5,706,148
Other tax payables	**1,378,777**	1,187,943
Contract liabilities	**1,875,588**	1,939,642
	6,431,258	8,833,733

Notes:

(i) Others mainly include payables on service fees, water charges and other miscellaneous items.

(ii) All of the other payables of the Group are expected to be settled or recognised as income within one year or are repayable on demand.

Contract liabilities

	2021	2020
	RMB'000	*RMB'000*
Contract liabilities arising from:		
Sale of heat	**1,729,460**	1,671,956
Sale of coal	**18,539**	24,027
Others	**127,589**	243,659
	1,875,588	1,939,642

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.

The contract liabilities mainly relate to the advance consideration received from customers in relating to sale of heat and coal. RMB1,935 million (2020: RMB1,748 million) of the contract liabilities as of 31 December 2020 has been recognised as revenue for the year ended 31 December 2021 from performance obligations satisfied.

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35 LONG-TERM PAYABLES

The balance of approximately RMB325 million as of 31 December 2020 represented payables to local governments for mining rights, by using a pre-tax discount rate that reflected 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, current portion and non-current portion of this long-term payable amounted to approximately RMB63 million (note 34) and RMB262 million, respectively. The balance has been fully settled during the year ended 31 December 2021.

36 INCOME TAX IN THE CONSOLIDATION STATEMENT OF FINANCIAL POSITION

(a) Taxation in the consolidation statement of financial position represents:

	2021 *RMB'000*	2020 *RMB'000*
Net tax payable at 1 January	**548,721**	544,964
Provision for the year (note 14(a))	**416,058**	1,574,744
Arising on acquisition of subsidiaries (note 48)	**32,049**	–
Disposal of subsidiaries	**(328)**	–
(Over)/under-provision in respect of prior years (note 14(a))	**(11,729)**	12,850
Income tax paid	**(1,331,681)**	(1,583,837)
Net tax (recoverable)/payable at 31 December	**(346,910)**	548,721
Representing:		
Tax payable	**205,952**	625,496
Tax recoverable	**(552,862)**	(76,775)

(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 2020 *RMB'000*	Credited/ (charged) to profit or loss *RMB'000* *(note 14(a))*	**At 31 December 2020 and 1 January 2021** *RMB'000*	**Acquisition/ disposal of subsidiaries, net** *RMB'000*	**Credited/ (charged) to profit or loss** *RMB'000* *(note 14(a))*	**At 31 December 2021** *RMB'000*
Impairment of assets	84,679	24,974	**109,653**	**(5,174)**	**26,648**	**131,127**
Accelerated tax depreciation	(824,276)	16,452	**(807,824)**	**–**	**(460,489)**	**(1,268,313)**
Fair value adjustments on assets arising from business combinations	(1,240,356)	99,562	**(1,140,794)**	**(328,041)**	**485,696**	**(983,139)**
Long-term payables discounting	(76,918)	–	**(76,918)**	**76,918**	**–**	**–**
Accrued staff cost	8,458	6,526	**14,984**	**(44)**	**(6,646)**	**8,294**
Tax losses	371,027	301,919	**672,946**	**(101,169)**	**2,071,971**	**2,643,748**
Others (Note)	87,979	(78,041)	**9,938**	**(4,558)**	**61,873**	**67,253**
	(1,589,407)	371,392	**(1,218,015)**	**(362,068)**	**2,179,053**	**598,970**

Note: Others represent deferred tax arising from provision for miscellaneous expenses.

Reconciliation to the consolidated statement of financial position is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**2,289,323**	748,228
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(1,690,353)**	(1,966,243)
	598,970	(1,218,015)

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36 INCOME TAX IN THE CONSOLIDATION STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised: *(Continued)*

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 RMB10,131 million (2020: RMB2,017 million) and deductible temporary differences of approximately RMB4,806 million (2020: RMB4,227 million) due to the unpredictability of future profit streams. The expiration of tax losses under current tax legislation is as follows:

	2021 *RMB'000*	2020 *RMB'000*
2021	**–**	347,901
2022	**876,430**	270,210
2023	**1,248,517**	475,402
2024	**564,173**	452,331
2025	**177,353**	471,379
2026	**7,265,128**	–
	10,131,601	2,017,223

37 DEFERRED INCOME

Deferred income represents contract liabilities for 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 approximately RMB264 million (2020: RMB211 million) is included in "Other revenue" in the consolidated statement of profit or loss and other comprehensive income (note 9).

38 PROVISIONS

The provisions represent the Group's best estimate of the remediation costs for Group's liability on mine disposal and environmental restoration, which is based on industry standards and historical experience.

	2021 *RMB'000*	2020 *RMB'000*
At 1 January	**236,717**	127,532
Additions	**7,173**	109,185
Loss of control of subsidiaries	**(179,648)**	–
At 31 December	**64,242**	236,717

39 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2021 *RMB'000*	2020 *RMB'000*
Final dividend proposed after the end of reporting period of RMB0.25 per share (2020: RMB0.25 per share)	**2,467,465**	2,465,744

Pursuant to a resolution passed at the directors' meeting held on 25 March 2022, a final dividend of RMB0.25 will be payable to shareholders for 2021, 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:

	2021 *RMB'000*	2020 *RMB'000*
Final dividend in respect of the previous financial year approved and paid during the year, of RMB0.25 per share (2020: RMB0.146 per share)	**2,465,744**	1,439,995

39 SHARE CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Share capital

Movement of the Company's registered, issued and fully paid up capital is tabled below.

	Number of shares		Nominal value	
	2021	2020	**2021**	2020
	'000	*'000*	***RMB'000***	*RMB'000*
A shares of RMB1 each				
At beginning of year	**8,145,743**	8,145,743	**8,145,743**	8,145,743
Issues of shares	**6,881**	–	**6,881**	–
At end of year	**8,152,624**	8,145,743	**8,152,624**	8,145,743
H shares of RMB1 each				
At beginning of year and end of year	**1,717,234**	1,717,234	**1,717,234**	1,717,234
Total of A and H shares:				
At end of year	**9,869,858**	9,862,977	**9,869,858**	9,862,977
At beginning of year	**9,862,977**	9,862,977	**9,862,977**	9,862,977

On 28 September 2021, the Company issued 6,881,562 A shares at a price of RMB4.36 (adjusted) to certain investors. These shares are not transferrable within 12 months from 28 September 2021. All A shares and H shares rank pari passu in all material aspects.

(c) Reserves

(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 reserve

Revaluation reserve represents the fair value adjustment of acquisition of Huadian Weifang Power Company Limited ("**Weifang Company**") 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).

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39 SHARE CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Reserves *(Continued)*

(v) Convertible bonds reserve

	Equity component of CBs *RMB'000*
As at 1 January 2020, 31 December 2020 and 1 January 2021	–
Recognition of the equity component	41,530
Issuance cost	(280)
As at 31 December 2021	41,250

The convertible bonds reserve represents the equity component (conversion rights) of convertible bonds issued by the Company as set out in note 32. Items included in convertible bonds reserve will not be reclassified subsequently to profit or loss.

(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 2021, the retained profits available for distribution were approximately RMB12,928 million (2020: RMB9,820 million).

(e) Perpetual capital securities

During the year ended 31 December 2021, the Company issued 2 tranches of public perpetual capital securities, which included (1) 1st tranche of medium-term notes for the year of 2021; (2) 6th tranche of medium-term notes for the year of 2021.

During the year ended 31 December 2020, 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.

Type of securities	Issuance date	Category	Issue price *RMB'000*	Number	Par value *RMB'000*
1st Tranche of medium-term note of 2021	July 2021	Equity Instrument	0.1	30,000,000	3,000,000
6th Tranche of medium-term note of 2021	October 2021	Equity Instrument	0.1	15,000,000	1,500,000
					4,500,000

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 2021, the profit attributable to holders of perpetual capital securities, based on the applicable distribution rate, was approximately RMB163 million (2020: RMB201 million).

The above financial instruments do not have a definite maturity period, and it will exist until the right of redemption is exercised. The Company has the rights to deferred payment of principal and deferred payment of interest.

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39 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 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 and 1 January 2021	**24,444,020**	**201,155**	**24,645,175**
Issue of perpetual capital securities	**4,496,319**	**–**	**4,496,319**
Profit attributable to holders of perpetual capital securities (note 16(a))	**–**	**1,023,261**	**1,023,261**
Distributions payable to holders of perpetual capital securities	**–**	**(1,061,382)**	**(1,061,382)**
Redemption of perpetual capital securities	**(6,630,024)**	**–**	**(6,630,024)**
As at 31 December 2021	**22,310,315**	**163,034**	**22,473,349**

(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 2021 and 2020 were as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Total liabilities	**146,117,473**	142,297,826
Total assets	**222,386,038**	236,690,935
Liabilities to assets ratio	**66%**	60%

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40 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with shareholders, fellow subsidiaries and associates

Shareholders, fellow subsidiaries and associates that had material transactions with the Group are as follows:

Name of related parties	Nature of relationship
China Huadian Corporation Limited ("**China Huadian**")	Immediate parent and ultimate holding company of the Company
China Huadian Finance Corporation Limited	An associate of the Group
Huadian Coal Industry Group Company Limited	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
Inner Mongolia Fucheng Mining Company Limited	An associate of the Group
Ningxia Ningdong Railway Corporation Limited	A subsidiary of an associate of the Group
Ningxia Yinxing Coal Company Limited	An associate of the Group
Sichuan Huayingshan Longtan Coal Company Limited	An associate of the Group
CNNP CHD Hebei Nuclear Power Company Limited	An associate of the Group
Otog Front Banner Changcheng No.3 Mining Company Limited	An associate of the Group
Otog Front Banner Changcheng No.5 Mining Company Limited	An associate of the Group
Otog Front Banner Changcheng Mine Company Limited	An associate of the Group
Lu'an Municipal Thermal Power Generation Company Limited	An associate of the Group
Huadian Jinshajiang Hydropower Company	An associate of the Group
Huadian Fuxin Energy Corporation Limited	An associate of the Group
China Huadian Engineering Corporation 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
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
China Huadian Materials Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Capital Holdings Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Clean Energy Company Limited	A fellow subsidiary of the Company
Huadian Energy Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Huadian Shanxi Energy Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Huadian Jiangsu Energy Limited Company and its subsidiaries	Fellow subsidiaries of the Company
Huadian Shaanxi Energy Company Limited	A fellow subsidiary of the Company
Huadian Sichuan Power Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Electrical Construction Technical and Economic Consulting Centre	A fellow subsidiary of the Company
Huadian Inner Mongolia Energy Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Anhui Huadian Lu'an Power Generation Company Limited	A fellow subsidiary of the Company
China Huadian Advanced Training Centre	A fellow subsidiary of the Company
Fujian Huadian Furui Energy 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
Guizhou Wujiang Hydroelectric Development 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
Huadian Asset Management (Tianjin) Company Limited and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Group Carbon Assets Operation Company Limited and its subsidiaries	Fellow subsidiaries of the Company
Huadian Yunnan Power Generation Company Limited and its subsidiaries Huadian Commercial Factoring (Tianjin) Company Limited and its subsidiaries	Fellow subsidiaries of the Company
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 ("**Shandong Development**") (note (iii))	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.

(iii) Shandong Development is a substantial minority shareholder of the Company.

40 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with shareholders, fellow subsidiaries and associates *(Continued)*

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the years ended 31 December 2021 and 2020:

	2021 ***RMB'000***	2020 *RMB'000*
Sale of electricity to		
Fellow subsidiaries	**89,449**	47,514
Purchase of electricity from		
Fellow subsidiaries	**163,000**	69,490
Sale of coal to		
An associate	**–**	8,817
Fellow subsidiaries	**12,276,854**	11,199,824
Purchase of coal from		
Associates	**8,102,664**	4,288,007
Fellow subsidiaries	**1,770,386**	793,980
Connected persons	**3,609,850**	2,891,341
Purchase of natural gas from		
A fellow subsidiary	**208,115**	281,010
Purchase of construction service and equipment from		
An associate	**–**	32,840
Fellow subsidiaries	**2,645,185**	4,554,110
Sales of equipment to		
Fellow subsidiaries	**15,806**	8,157
Other services income from		
China Huadian	**13,208**	–
An associate	**40,985**	–
Fellow subsidiaries	**51,231**	13,368
Loans provided to		
An associate	**157,650**	96,412
Loan repayment from		
An associate	**157,650**	–
Loans proceeds obtained from		
China Huadian	**4,219,740**	4,930,000
An associate	**19,387,100**	15,632,400
A fellow subsidiary	**3,831,146**	1,310,002
Loans repaid to		
China Huadian	**4,000,000**	800,000
An associate	**15,772,761**	15,420,330
A fellow subsidiary	**732,518**	42,500
Bills receivable discounted to		
Associates	**2,002,162**	281,974
Derecognised bills receivable collected by		
Associates	**1,037,033**	285,032
Lease payment under sales and leaseback arrangement to		
A fellow subsidiary	**1,033,650**	610,790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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40 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with shareholders, fellow subsidiaries and associates *(Continued)*

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the years ended 31 December 2021 and 2020: *(Continued)*

	2021 **RMB'000**	2020 RMB'000
Interest paid to		
China Huadian	**343,861**	233,681
An associate	**275,654**	348,713
Fellow subsidiaries	**76,053**	42,050
Interest received from		
Associates	**85,704**	95,622
Rental and property management service expenses paid to		
Associates	**72,798**	61,917
Fellow subsidiaries	**17,505**	21,484
Rental and property management service income from		
Fellow subsidiaries	**2,503**	4,150
Guarantee service expenses paid to		
China Huadian	**33**	1,572
Other service expenses paid to		
China Huadian	**100,088**	101,470
Associates	**11,320**	19,241
Fellow subsidiaries	**305,390**	423,552
Additional capital injection in		
Associates	**21,901,889**	138,462

The balances due from/(to) shareholders, fellow subsidiaries and associates are as follows:

	2021 **RMB'000**	2020 RMB'000
Construction in progress-construction and construction material prepayments		
Fellow subsidiaries	**282,603**	168,612
Trade debtors and bills receivable		
Fellow subsidiaries	**719,251**	1,268,463
Deposits, other receivables and prepayments		
China Huadian	**822**	–
Associates	**478,441**	158,037
Fellow subsidiaries	**599,504**	102,812
A connected person	**142,532**	228,243
Other long-term receivables		
An associate (note 24)	**254,430**	170,066
Cash and cash equivalents and restricted deposits		
An associate	**5,376,276**	5,707,813
Loans from a shareholder		
China Huadian	**(6,188,597)**	(6,700,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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40 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with shareholders, fellow subsidiaries and associates *(Continued)*

The balances due from/(to) shareholders, fellow subsidiaries and associates are as follows: *(Continued)*

	2021 RMB'000	2020 RMB'000
Other loans		
An associate	**(9,632,106)**	(8,702,202)
A fellow subsidiary	**(1,095,784)**	(1,889,663)
Trade creditors and bills payable		
China Huadian	**(9,799)**	(10,390)
Associates	**–**	(184,724)
Fellow subsidiaries	**(2,495,962)**	(2,708,674)
Connected persons	**–**	(88,105)
Other payables		
China Huadian	**(17,800)**	(31,947)
Associates	**–**	(16,433)
Fellow subsidiaries	**(333,760)**	(381,224)
Connected persons	**–**	(298)
Contract liabilities		
A fellow subsidiary	**(18,997)**	(10,969)
Lease liabilities		
A fellow subsidiary	**(74,959)**	(1,025,914)

Notes:

(i) As at 31 December 2020, the Group provided guarantees to banks for loans granted to Longtan Coal Company amounting to approximately RMB43.58 million. The loans have been fully repaid as at 30 June 2021.

(ii) As at 31 December 2021, China Huadian provided guarantee to banks for loans granted to the Group amounting to approximately RMB1 million (2020: RMB552 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:

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	**2,789**	2,890
Retirement benefits	**461**	402
Bonuses	**2,698**	3,001
	5,948	6,293

Total remuneration is included in "personnel costs" (see note 6).

(c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments and China Huadian for its staff. As at 31 December 2021 and 2020, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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40 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(d) Transactions with other government-related entities in the PRC *(Continued)*

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 2021, management estimates that the aggregate amount of the Group's significant transactions with other government-related entities are at least 99% of its sale of electricity.

– depositing and borrowing

The Group deposits most of its cash in government-related financial institutions, and also obtains most of short-term and long-term loans from these financial institutions 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 and 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

	2021 **RMB'000**	2020 RMB'000
Capital commitment	**1,470,504**	621,240
Commitment on properties rental and management fees	**15,118**	150,594

41 RETIREMENT PLANS

The Group is required to make contributions to retirement plans operated by the State at range from 15% to 20% (2020: 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.

Contributions to the plans vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The Group's contribution to these plans amounted to approximately RMB1,212 million during the year (2020: RMB690 million) which was charged to the consolidated statement of profit or loss and other comprehensive income.

42 COMMITMENTS

Capital commitments

The Group had capital commitments at 31 December as follows:

	2021 **RMB'000**	2020 RMB'000
Contracted for but not provided in the financial statements		
– Development of power plants	**12,387,053**	8,414,195
– Improvement projects and others	**715,320**	924,424
	13,102,373	9,338,619

43 CONTINGENT LIABILITIES

As at 31 December 2021, some subsidiaries of the Company were the defendant in certain lawsuits for events incurred before the acquisition date. At the end of reporting period, the lawsuits were in progress whose final outcomes cannot be determined at present. The directors of the Company considered that the outcome of these outstanding lawsuits will not result in significant adverse effect on the financial position and operating results of the Group.

Apart from the above and guarantees provided as disclosed in note 40(a)(i), the Group has no other material contingent liabilities as at 31 December 2021 (2020: Nil).

44 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Categories of financial instruments

	2021 ***RMB'000***	2020 *RMB'000*
Financial assets		
At amortised cost		
– Other non-current assets	**254,430**	170,066
– Trade debtors and bills receivable	**8,510,240**	10,137,501
– Other receivables	**2,219,500**	1,468,747
– Restricted deposits	**145,463**	180,624
– Cash and cash equivalents	**5,945,067**	6,498,457
At FVOCI		
– Trade debtors and bills receivable	**755,040**	1,581,942
At FVPL		
– Financial assets at FVPL	**330,064**	307,890
	18,159,804	20,345,227
Financial liabilities		
At amortised cost	**135,847,376**	128,378,884

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Interest rate risk

The interest rates and terms of repayment of the outstanding interest-bearing liabilities of the Group are disclosed in notes 18(b), 31 and 32 At 31 December 2021, fixed rate borrowings comprise 50% of total borrowings of the Group (2020: 36%).

Sensitivity analysis

At 31 December 2021, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would have increased the Group's loss after tax and decreased the Group's total equity by approximately RMB448 million (2020: decreased the Group's profit after tax and total equity by approximately RMB585 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/loss 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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44 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Credit risk *(Continued)*

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, 27% and 65% (2020: 11% and 53%) 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.

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:

	2021			
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	**–**	**–**	**558,784**	**558,784**
Impairment loss recognised	**–**	**–**	**384,359**	**384,359**
Reversal of impairment loss	**–**	**–**	**(10,913)**	**(10,913)**
Write-off	**–**	**–**	**(428,362)**	**(428,362)**
At 31 December	**–**	**–**	**503,868**	**503,868**

	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

Except for the financial guarantees given by the Group as set out in note 40(a)(i), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 40(a)(i).

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and bills receivable are set out in note 27.

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long-term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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44 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Liquidity risk *(Continued)*

At the end of the reporting period, the Group had net current liabilities of approximately RMB36,069 million (2020: RMB34,289 million). With regards to its future capital commitments and other financing requirements, the Group has unutilised banking facilities of approximately RMB133.9 billion (2020: RMB143.6 billion) and an aggregate amount of debentures and bonds of approximately RMB22.4 billion (2020: RMB39.4 billion) registered in the PRC interbank debenture market which has not been issued as at 31 December 2021.

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:

	2021						2020					
	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	2,025,447	–	–	–	2,025,447	2,023,880	–	–	–	–	–	–
Bank loans	32,529,990	9,517,149	22,540,842	23,898,924	88,486,905	75,322,103	28,331,003	9,271,602	20,671,182	34,536,880	92,810,667	76,057,476
Loans from shareholders	862,398	4,196,217	796,572	924,767	6,779,954	6,196,454	944,408	637,788	5,486,062	1,427,473	8,495,731	6,707,768
State loans	2,086	1,258	6,160	45,752	55,256	47,117	2,598	2,457	7,192	57,966	70,213	54,298
Other loans	5,854,428	1,851,686	2,922,245	1,735,558	12,363,917	11,195,207	3,667,099	2,627,662	3,967,813	3,379,292	13,641,866	11,097,496
Trade creditors and bills payable	14,793,426	–	–	–	14,793,426	14,793,426	17,490,945	–	–	–	17,490,945	17,490,945
Amount due to the parent company	27,599	–	–	–	27,599	27,599	42,337	–	–	–	42,337	42,337
Lease liabilities	262,894	281,153	58,127	24,165	626,339	568,387	695,705	348,440	577,426	457,541	2,079,112	1,817,015
Other payables	2,285,268	–	–	–	2,285,268	2,285,268	2,341,316	–	–	–	2,341,316	2,341,316
Long-term debentures payable	6,143,085	2,496,889	14,466,886	47,535	23,154,395	21,939,220	2,455,266	5,785,823	5,170,466	–	13,411,555	12,492,235
Convertible bonds – liability components	29,403	44,105	1,573,070	–	1,646,578	1,433,637	–	–	–	–	–	–
Retirement benefit obligations	293	478	2,698	11,565	15,034	15,078	267	409	3,503	13,678	17,857	15,538
Long-term payables	–	–	–	–	–	–	–	–	–	933,540	933,540	262,460
Financial guarantee contracts	–	–	–	–	–	–	43,575	–	–	–	43,575	–
	64,816,317	18,388,935	42,366,600	26,688,266	152,260,118	135,847,376	56,014,519	18,674,181	35,883,644	40,806,370	151,378,714	128,378,884

(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. Depreciation or appreciation of US$ and Euro 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.

	2021 US$ RMB'000	2021 Euro RMB'000	2020 US$ RMB'000	2020 Euro RMB'000
Cash and cash equivalents	23	–	26	–
Bank loans	–	(976)	–	(11,969)
State loans	–	(47,117)	–	(54,298)
Net exposure	23	(48,093)	26	(66,267)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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44 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Currency risk *(Continued)*

(iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's (loss)/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.

	2021			2020		
	Decrease in foreign exchange rate %	Effect on results after tax and retained profits RMB'000	Effect on consolidated equity RMB'000	Decrease in foreign exchange rate %	Effect on results after tax and retained profits RMB'000	Effect on consolidated equity RMB'000
US$	**(10)**	**2**	**2**	(10)	2	2
Euro	**(10)**	**3,607**	**3,607**	(10)	4,971	4,971

Note: Positive figures in the above table represent an increase in profit after tax/decrease in loss after tax and an increase in retained profits and consolidated equity while negative figures represent corresponding opposite effects.

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 2020.

(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 2021 RMB'000	At 31 December 2020 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Bills receivable measured at FVOCI (included in trade debtors and bills receivable)	**755,040**	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	**330,064**	307,890	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% (2020: from 9.40% to 13.51%).

44 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(e) Fair values *(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:

	2021 ***RMB'000***	2020 *RMB'000*
Financial assets at FVPL:	**330,195**	307,890
At 1 January	**307,890**	279,439
Addition	**82,365**	29,702
Disposal	**(4,169)**	–
Loss on fair value	**(37,228)**	(1,251)
Disposal of subsidiaries	**(18,663)**	–
At 31 December	**330,195**	307,890

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.

	2021		2020	
	Carrying amount ***RMB'000***	**Fair value** ***RMB'000***	Carrying amount *RMB'000*	Fair value *RMB'000*
Fixed rate borrowings and debentures payable	**36,773,258**	**36,243,696**	18,569,523	18,367,351

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.

45 IMMEDIATE PARENT AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its immediate parent and ultimate holding company to be China Huadian, which is a state-owned enterprise established in the PRC. China Huadian does not produce financial statements available for public use.

46 SUBSIDIARIES

(a) General information of subsidiaries

The following list contains only the particulars of subsidiaries as at 31 December 2021, all of which are limited liability companies established and operating in the PRC, which principally affect the results, assets or liabilities of the Group:

		Proportion of ownership interest and voting rights		
Name of company	**Paid up capital** *RMB'000*	**Held by the Company** *%*	**Held by subsidiaries** *%*	**Principal activities**
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 ("**Zouxian Company**") 華電鄒縣發電有限公司	3,000,000	69	–	Generation and sale of electricity

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46 SUBSIDIARIES *(Continued)*

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

The following list contains only the particulars of subsidiaries as at 31 December 2021, all of which are limited liability companies established and operating in the PRC, which principally affect the results, assets or liabilities of the Group: *(Continued)*

Name of company	Paid up capital *RMB'000*	Proportion of ownership interest and voting rights Held by the Company *%*	Held by subsidiaries *%*	Principal activities
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
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
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 Laizhou Power Generation Company Limited ("**Laizhou Power Generation**") 華電萊州發電有限公司	2,632,803	75	–	Generation and sale of electricity
Huadian Weifang Power Company Limited ("**Weifang Company**") 華電濰坊發電有限公司	930,222	64.29 (Note(i))	–	Generation and sale of electricity and heat
Sichuan Huadian Power Investment Company Limited 四川華電電力投資有限公司	1,377,606	100	–	Electricity and power equipment production
Tianjin Huadian Fuyuan Thermal Power Company Limited ("**Fuyuan Thermal**") 天津華電福源熱電有限公司	407,004	100 (Note(ii))	–	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	292,500	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
Huadian Group Beijing Fuel Logistics Company Limited 華電集團北京燃料物流有限公司	400,000	91	–	Coal wholesale business
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited 河北華電石家莊裕華熱電有限公司	726,020	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 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 Xinxiang Power Generation Company Limited 華電新鄉發電有限公司	853,386	98.72	–	Generation and sale of electricity
Anhui Huadian Suzhou Power Generation Company Limited ("**Suzhou Company**") 安徽華電宿州發電有限公司	1,479,118	98.27 (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
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

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46 SUBSIDIARIES *(Continued)*

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

The following list contains only the particulars of subsidiaries as at 31 December 2021, 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	Proportion of ownership interest and voting rights		Principal activities
		Held by the Company	Held by subsidiaries	
	RMB'000	*%*	*%*	
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
Huadian Hubei Power Generation Company Limited ("**Hubei Power Generation**") 華電湖北發電有限公司	4,685,158	82.56	–	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)	1,410,490	100	–	Generation and sale of electricity
Huadian Qingdao Thermal Power Company Limited 華電青島熱力有限公司	30,000	55	–	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
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
Huadian Longkou Power Generation Plant Company Limited 華電龍口發電股份有限公司	471,433	100 (Note(iv))	–	Generation and sale of electricity and heat
Shijiazhuang Huadian Heat Corporation Limited 石家莊華電供熱集團有限公司	553,370	100	–	Sale of heat
Hebei Huadian Hybrid Storage Hydropower Company Limited 河北華電混合蓄能水電有限公司	123,300	100	–	Generation and sale of electricity
Huadian Zoucheng Thermal Power Company Limited 華電鄒城熱力有限公司	80,000	70	–	Generation and sale of electricity and heat
Guangdong Huadian Shaoguan Thermal Power Company Limited 廣東華電韶關熱電有限公司	770,951	100	–	Sales of Coal mine machinery equipment and accessories
Tianjin Huadian Nanjiang Thermal Power Company Limited 天津華電南疆熱電有限公司	501,360	65	–	Generation and sale of electricity and heat
Qingdao Huatuo Technology Company Limited 青島華拓科技有限公司	100,000	100	–	Design and Development
Guangdong Huadian Huizhou Energy Company Limited 廣東華電惠州能源有限公司	4,000	100	–	Generation and sale of electricity and heat
Hunan Huadian Changde Power Generation Company Limited ("**Changde Company**") 湖南華電常德發電有限公司	990,944	48.98 (Note(v))	–	Generation and sale of electricity

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46 SUBSIDIARIES *(Continued)*

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

The following list contains only the particulars of subsidiaries as at 31 December 2021, all of which are limited liability companies established and operating in the PRC, which principally affect the results, assets or liabilities of the Group: *(Continued)*

Name of company	Paid up capital RMB'000	Proportion of ownership interest and voting rights: Held by the Company %	Held by subsidiaries %	Principal activities
Hunan Huadian Changsha Power Generation Company Limited 湖南華電長沙發電有限公司	928,571	70	–	Generation and sale of electricity
Hunan Huadian Pingjiang Power Generation Company Limited 湖南華電平江發電有限公司	837,350	100	–	Generation and sale of electricity
Guangdong Huadian Qingyuan Energy Company Limited 廣東華電清遠能源有限公司	419,731	100	–	Generation and sale of electricity and heat

Notes:

(i) On 28 October 2021, the Group has entered into a capital reduction agreement with the minority shareholders of Weifang Company. Weifang Company would repurchase the shares held by the minority shareholders with a consideration of approximately RMB939 million. Upon completion of the capital reduction, the Group's effective equity interests in Weifang Company increased to 64.29%.

(ii) During the year ended 31 December 2021, the Group acquired additional equity interests in Fuyuan Thermal for a consideration of approximately RMB500 million by issuance of shares and convertible bond. Upon completion of the acquisition, the Group's effective equity interests in Fuyuan Thermal increased to 100%.

(iii) During the year ended 31 December 2021, the Group acquired additional equity interests in Suzhou Company for a consideration of approximately RMB1,000 million. Upon completion of the acquisition, the Group's effective equity interests in Suzhou Company increased to 98.27%.

(iv) On 28 October 2021, the Group has entered into a capital reduction agreement with the minority shareholders of Longkou Company. Longkou Company would repurchase the shares held by the minority shareholders with a consideration of approximately RMB181 million. Upon completion of the capital reduction, the Group's effective equity interests in Longkou Company increased to 100%.

(v) In the opinion of the directors of the Company, the Group controls Changde Company by virtue of having the power to direct the relevant activities of the investee, 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.

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

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of the subsidiary	Place of establishment and principal place of business	Proportion of ownership Interests and voting Rights held by Non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Weifang Company	the PRC	**35.71%**	55%	**(229,584)**	147,216	**709,719**	1,848,088
Zouxian Company	the PRC	**35%**	31%	**(89,853)**	47,887	**963,752**	1,095,885
Hubei Power Generation	the PRC	**17.44%**	17.44%	**(114,054)**	405,237	**954,563**	3,970,606
Laizhou Power Generation	the PRC	**25%**	25%	**(121,903)**	164,252	**779,736**	1,049,463
Individually immaterial subsidiaries with non-controlling interests						**9,152,378**	13,283,706
Total						**12,560,148**	21,247,748

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46 SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

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

	2021 *RMB'000*	2020 *RMB'000*
Current assets	**1,012,423**	329,474
Non-current assets	**4,050,446**	4,049,180
Current liabilities	**(2,133,277)**	(535,017)
Non-current liabilities	**(920,674)**	(474,992)
Total equity	**2,008,918**	3,368,645
Non-controlling interests of Weifang Company	**(21,706)**	(21,977)

	2021 *RMB'000*	2020 *RMB'000*
Revenue	**3,649,805**	3,319,182
Expenses	**(4,072,700)**	(3,048,963)
(Loss)/profit for the year	**(422,895)**	270,219
Non-controlling interests of Weifang Company	**(291)**	(298)
Dividends paid to non-controlling interests	**–**	55,140
Net cash (outflow)/inflow from operating activities	**(795,928)**	747,106
Net cash outflow from investing activities	**(287,856)**	(281,389)
Net cash inflow/(outflow) from financing activities	**1,066,738**	(452,384)
Net cash (outflow)/inflow	**(17,046)**	13,333

(ii) Zouxian Company

	2021 *RMB'000*	2020 *RMB'000*
Current assets	**668,797**	197,241
Non-current assets	**4,249,293**	4,136,538
Current liabilities	**(1,709,213)**	(696,226)
Non-current liabilities	**(100,000)**	(102,880)
Total equity	**3,108,877**	3,534,673

	2021 *RMB'000*	2020 *RMB'000*
Revenue	**3,851,174**	3,277,609
Expenses	**(4,160,145)**	(3,123,135)
(Loss)/profit for the year	**(308,971)**	154,474
Dividends paid to non-controlling interests	**43,036**	15,273
Net cash (outflow)/inflow from operating activities	**(299,824)**	571,855
Net cash outflow from investing activities	**(432,894)**	(190,203)
Net cash inflow/(outflow) from financing activities	**737,042**	(377,029)
Net cash inflow	**4,324**	4,623

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46 SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

(iii) Hubei Power Generation and its subsidiaries

	2021 *RMB'000*	2020 *RMB'000*
Current assets	**4,365,458**	2,912,578
Non-current assets	**13,079,684**	15,184,035
Current liabilities	**(6,086,751)**	(5,295,685)
Non-current liabilities	**(4,199,000)**	(4,497,027)
Total equity	**7,159,391**	8,303,901
Non-controlling interests of Hubei Power Generation	**(1,685,131)**	(2,387,251)

	2021 *RMB'000*	2020 *RMB'000*
Revenue	**12,375,362**	10,087,344
Expenses	**(13,414,526)**	(8,997,944)
(Loss)/profit for the year	**(1,039,164)**	1,089,400
Non-controlling interests of Hubei Power Generation	**(385,086)**	(279,895)
Dividends paid to non-controlling interests	**106,770**	394,388
Net cash (outflow)/inflow from operating activities	**(1,049,743)**	2,258,586
Net cash inflow/(outflow) from investing activities	**43,970**	(1,129,022)
Net cash inflow/(outflow) from financing activities	**1,313,834**	(1,688,079)
Net cash inflow/(outflow)	**308,061**	(558,515)

(iv) Laizhou Power Generation

	2021 *RMB'000*	2020 *RMB'000*
Current assets	**1,151,288**	412,291
Non-current assets	**9,871,944**	10,562,502
Current liabilities	**(3,420,917)**	(3,017,600)
Non-current liabilities	**(4,483,380)**	(3,759,339)
Total equity	**3,118,935**	4,197,854

	2021 *RMB'000*	2020 *RMB'000*
Revenue	**7,592,678**	5,624,065
Expenses	**(8,116,016)**	(4,967,059)
(Loss)/profit for the year	**(523,338)**	657,006
Dividends paid to non-controlling interests	**147,826**	75,000
Net cash (outflow)/inflow from operating activities	**(172,059)**	2,009,161
Net cash outflow from investing activities	**(505,872)**	(403,751)
Net cash inflow/(outflow) from financing activities	**663,521**	(1,587,667)
Net cash (outflow)/inflow	**(14,410)**	17,743

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47 DISPOSAL OF NEW ENERGY COMPANIES FOR EQUITY INTERESTS IN FUXIN DEVELOPMENT

On 24 May 2021, the Company entered into a Capital Increase Agreement ("**Agreement**") with Huadian Fuxin Energy Corporation Limited ("**Huadian Fuxin**"), a fellow subsidiary of the Group, and Huadian Fuxin's subsidiary, Huadian Fuxin Energy Development Company Limited ("**Fuxin Development**"), pursuant to which the Company agreed to make a capital contribution of approximately RMB21,237 million in Fuxin Development, by way of (i) a transfer of the equity interests held by the Company in 27 subsidiaries (together the "**New Energy Companies**") to Fuxin Development, representing an amount of not more than approximately RMB13,609 million; and (ii) a cash payment of not lower than approximately RMB7,628 million by the Company to Fuxin Development. Details of the transaction are set out in the circular issued by the Company dated 15 June 2021.

The transaction has been approved by shareholders in the annual general meeting on 30 June 2021 and the directors considered the date of completion of transaction to be 30 June 2021. Upon the completion of transaction, the Group holds 37.19% interest in Fuxin Development in the amount of approximately RMB21,542 million, which becomes an associate of the Group, and the New Energy Companies cease to be subsidiaries of the Company on the same date.

The Group's equity interests in the New Energy Companies disposed of are as follows:

	Equity interests
Huadian Huzhou New Energy Power Generation Company Limited	100%
Huadian Ningbo New Energy Power Generation Company Limited	100%
Huadian Henan New Energy Power Generation Company Limited	100%
Huadian Taiqian Photovoltaic Power Generation Company Limited	50%
Huadian Laizhou Wind Power Company Limited	55%
Huadian Laizhou Wind Power Generation Company Limited	55%
Huadian Laizhou Wind Energy Power Company Limited	55%
Huadian Longkou Wind Power Company Limited	65%
Longkou Dongyi Wind Power Company Limited	55%
Huadian Shandong New Energy Company Limited	100%
Huadian Xuwen Wind Power Company Limited	100%
Huadian Xiaxian Wind Power Company Limited	100%
Shanxi Huadian Pinglu New Energy Company Limited	100%
Shanxi Huadian Ying County New Energy Company Limited	100%
Zezhou County Huadian Wind Power Company Limited	100%
Shaanxi Huadian Xunyi Wind Power Company Limited	100%
Huadian Chongqing New Energy Power Generation Company Limited	100%
Hebei Huadian Guyuan Wind Power Company Limited (Note (i))	61.87%
Hebei Huadian Kangbao Wind Power Company Limited	100%
Huadian Tangshan Wind Power Company Limited	100%
Huadian Zhangjiakou Saibei New Energy Generation Company Limited	100%
Huadian Power International Ningxia New Energy Power Company Limited (Note (ii))	63.93%
Huadian Ningxia Ningdong Shangde Solar Power Generation Company Limited	60%
Huadian Kezuozhongqi Wind Power Company Limited	100%
Huadian Wengniuteqi Wind Power Company Limited	100%
Huadian Fengzhen City Fengdi Wind Power Generation Company Limited	100%
Huadian (Zhengxiangbai Banner) New Energy Company Limited	100%

Notes:

(i) The Group retained 38.13% in Hebei Huadian Guyuan Wind Power Company Limited. Hence, it becomes an associate of the Group on the same date upon completion of the disposal.

(ii) The Group retained 36.07% in Huadian Power International Ningxia New Energy Power Company Limited. Hence, it becomes an associate of the Group on the same date upon completion of the disposal.

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47 DISPOSAL OF NEW ENERGY COMPANIES FOR EQUITY INTERESTS IN FUXIN DEVELOPMENT *(Continued)*

	RMB'000
Gain on disposal of New Energy Companies	
Net assets of New Energy Companies disposed of (Note (i))	16,298,692
Less: Fair value of investment retained	(2,336,237)
Less: Non-controlling interests	(3,111,183)
Net assets attributable to equity holders of the Company	10,851,272
Add: Cash consideration (Note (ii))	7,686,554
Less: Share of 37.19% of net assets of Fuxin Development (Note (iii))	(21,541,700)
Gain on disposal of subsidiaries	(3,003,874)
Cash outflow arising from disposal of New Energy Companies:	
Cash and cash equivalents disposed of	(553,985)
Cash outflow arising from acquisition of Fuxin Development:	
Cash consideration	(7,686,554)

Notes:

(i) The major classes of assets and liabilities of New Energy Companies at the date of disposal upon the completion of the Agreement as described above was as follows:

	RMB'000
Assets:	
Property, plant and equipment	25,183,956
Right-of-use assets	567,162
Construction in progress	1,110,295
Intangible assets	847,616
Inventories	69,496
Trade debtors and bills receivable	4,962,198
Cash and cash equivalents	553,985
Other assets	1,408,233
	34,702,941
Liabilities:	
Bank loans	(13,525,836)
Trade creditors and bills payable	(2,927,066)
Other liabilities	(1,951,347)
	(18,404,249)
Net assets of New Energy Companies disposed of	16,298,692

(ii) Pursuant to the Agreement, the cash consideration is adjusted for the value of the transferred assets and capital contribution from Huadian Fuxin and the contributed amount for all the dividends received and change in capital of the New Energy Companies by the Company to Fuxin Development during the transitional period (i.e., the period from 1 January to 30 June 2021).

(iii) The amount represents the fair value of 37.19% equity interest in Fuxin Development at completion date. The fair value of approximately RMB57,923 million comprises appraised value of 100% equity interests as at 31 December 2020 in New Energy Companies, Fuxin Development and New Energy Equity, appraised value of New Energy Assets as at 31 December 2020, the cash receipts and payments by Fuxin Development for the New Energy Companies, New Energy Assets and Equity, as well as the adjustments during the transition period (i.e., 1 January 2021- 30 June 2021).

48 ACQUISITION OF SUBSIDIARIES

On 1 July 2021, the Group has completed the acquisition of 48.98%, 70% and 100% equity interests in Hunan Huadian Changde Power Generation Company Limited, Hunan Huadian Changsha Power Generation Company Limited and Hunan Huadian Pingjiang Power Generation Company Limited (together the "**Hunan Area Companies**") respectively held by China Huadian. The acquisition has been accounted for as an acquisition of business using the acquisition method. The cash consideration is RMB3,495,675,000. The acquisition was made by the Group with the aim to provide support to the sustainable and stable development of the business of the Group, and enhance the Group's overall competitiveness through integration of relevant prime assets, expansion of its production scale and optimisation of the assets structure in Hunan region, in order to further improve the Company's profitability and its market position in the industry.

The fair value of identifiable assets and liabilities of Hunan Area Companies as at the completion date of the acquisition was:

	RMB'000
Assets:	
Property, plant and equipment (note 17)	6,043,972
Construction in progress (note 19)	1,379,762
Right-of-use asset	1,035,616
Interests in associates and joint ventures	44,911
Financial assets at fair value through profit or loss	15,217
Inventories	193,892
Trade debtors and bills receivable	546,751
Deposit, other receivables and prepayments	179,895
Restricted deposits	4,576
Cash and cash equivalents	296,963
Deferred tax assets	2,008
Other asset	72,296
	9,815,859
Liabilities:	
Bank loans	(3,255,910)
Trade creditors and bills payable	(419,807)
Other payables	(123,339)
Tax payable	(32,049)
Deferred government grants	(698)
Deferred tax liabilities	(328,041)
Other liabilities	(698,293)
	(4,858,137)
Net asset	4,957,722

The fair value of trade debtors and bills receivable, deposits and other receivables amounted to RMB726,646,000. The gross amount of these receivables is RMB726,646,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	3,495,675
Plus: non-controlling interests	1,851,585
Less: recognised amount of identifiable net assets acquired	(4,957,722)
Goodwill on acquisition (note 21)	389,538

Goodwill arose in the acquisition of Hunan Area Companies because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of future market development in Hunan Province and expected synergies. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

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48 ACQUISITION OF SUBSIDIARIES *(Continued)*

Net cash outflows from the acquisition :

	RMB'000
Cash consideration	3,495,675
Cash and cash equivalents in the subsidiary acquired	(296,963)
Net outflow of cash and cash equivalents included in cash flows from investing activities	3,198,712

Since the acquisition date, Hunan Area Companies have contributed approximately RMB3,087 million and RMB493 million to the Group's turnover and loss, respectively. If the acquisition had occurred on 1 January 2021, the Group's turnover and loss would have been approximately RMB4,857 million and RMB362 million, respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future performance.

49 LOSS OF CONTROL OF SUBSIDIARIES

During the year ended 31 December 2021, the Group has lost control over certain subsidiaries, of which the details are set out as follows. Upon loss of control, the Group derecognised non-controlling interests of RMB1,576,386,000 and the disposed cash and cash equivalents amounting to RMB994,929,000, which resulted in net cash inflows of RMB10,583,718,000 during the year ended 31 December 2021.

		Equity interests
Ningxia Lingwu	(a)	65%
Ningxia Heating	(a)	53%
Shanxi Maohua Energy Investment Company Limited	(b)	100%
Shanxi Shuozhou Pinglu Maohua Bailu Coal Company Limited	(b)	100%
Shanxi Shuozhou Pinglu Maohua Dongyi Coal Company Limited	(b)	70%
Shanxi Shuozhou Pinglu Maohua Wantongyuan Coal Company Limited	(b)	70%
Shanxi Shuozhou Pinglu Maohua Xialiyuan Coal Company Limited	(b)	100%
Hubei Huadian Wuxue New Energy Co., Ltd.	(c)	100%
Hubei Huadian Suixian Yindian Photovoltaic Power Generation Co., Ltd.	(c)	100%
Hubei Huadian Zaoyang Photovoltaic Power Generation Co., Ltd.	(c)	100%
Hebei Huadian Yuzhou Wind Power Co., Ltd.	(c)	100%
Zanhuang County Mingchengyumeng Energy Technology Company Limited	(d)	100%
Inner Mongolia Huadian Mengdong Energy Company Limited	(d)	100%
Huadian Chengwu New Energy Company Limited	(d)	60%
Huadian Liaocheng New Energy Company Limited	(d)	60%
Inner Mongolia Haoyuan Coal Company Limited ("Haoyuan Company")	(e)	100%

	RMB'000
Gain on disposal of subsidiaries	
Net assets of subsidiaries of disposed of (Note)	11,509,464
Less: Non-controlling interests	(1,576,386)
Net assets attributable to equity holders of the Company	9,933,078
Less: Cash consideration	(11,578,647)
Gain on disposal of subsidiaries	(1,645,569)
Cash inflow arising from disposal of subsidiaries:	
Cash consideration	11,578,647
Less: Cash and cash equivalents disposed of	(994,929)
	10,583,718

49 LOSS OF CONTROL OF SUBSIDIARIES *(Continued)*

Note:

The major classes of assets and liabilities of subsidiaries at the date of disposal upon the completion of the agreements as described above was as follows:

	RMB'000
Assets:	
Property, plant and equipment	16,595,953
Construction in progress	561,044
Intangible assets	1,309,722
Cash and cash equivalents	994,929
Other assets	9,628,641
	29,090,289
Liabilities:	
Bank loans	(6,153,110)
Trade creditors and bills payable	(2,008,460)
Other liabilities	(9,419,255)
	(17,580,825)
Net assets of subsidiaries	11,509,464

(a) Disposal of Ningxia Lingwu and Ningxia Heating

On 26 February 2021, the Group entered into 2 sales and purchase agreements with China Huadian, pursuant to which, the Group agreed to sell, and China Huadian agreed to purchase (i) 65% equity interest in Huadian Ningxia Lingwu Power Generation Company Limited ("**Ningxia Lingwu**") and the dividends receivable from Ningxia Lingwu; and (ii) 53% equity interest in Ningxia Huadian Heating Corporation Limited ("**Ningxia Heating**"). Details of the transaction are set out in the circular issued by the Company dated 31 March 2021.

In May 2021, the Group completed the above disposal for a total consideration of RMB4,335,986,000 and recorded a gain on disposal of RMB881,820,000.

(b) Disposal of Maohua Company

On 27 September 2021, the Group entered into a sale and purchase agreement with China Huadian, pursuant to which, the Group agreed to sell, and China Huadian agreed to purchase (i) 100% equity interest in Shanxi Maohua Energy Investment Company Limited ("**Maohua Company**") and its subsidiaries held by the Group; and (ii) the Maohua Debt Receivables. Details of the transaction are set out in the circular issued by the Company dated 27 October 2021.

In November 2021, the Group completed the above disposal for a total consideration of RMB1 and recorded a loss on disposal of RMB137,438,000.

(c) Disposal of subsidiaries and assets group to Fuxin Development and its subsidiaries

On 24 May 2021, the Group entered equity and assets disposal agreements with certain subsidiaries of Fuxin Development, pursuant to which the subsidiaries of Fuxin Development agreed to purchase, and the subsidiaries of the Company agreed to sell 4 subsidiaries and certain assets group. Details of the transaction are set out in the circular issued by the Company dated 15 June 2021.

On 30 June 2021, except for Lechang Branch assets group, the Group completed the above disposal for a total consideration of RMB1,776,338,000 and recorded a loss on disposal of RMB51,252,000.

(d) Disposal of subsidiaries to Fuxin Development and its subsidiaries

On 28 October 2021, the Group entered into multiple equity disposal agreements, the assets disposal agreements and preliminary project transfer agreement with Fuxin Development and certain of its subsidiaries, pursuant to which Fuxin Development and certain of its subsidiaries agreed to purchase, and the Company and certain of its subsidiaries agreed to dispose of the 4 subsidiaries, 3 associates, certain assets groups and preliminary project. Details of the transaction are set out in the circular issued by the Company dated 24 November 2021 and announcement issued by the Company dated 28 October 2021.

On 31 December 2021, the Group completed the above disposal for a total consideration of RMB5,466,323,000 and a gain of RMB139,341,000 was recognised in the profit or loss during the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
(Expressed in Renminbi)

49 LOSS OF CONTROL OF SUBSIDIARIES *(Continued)*

(e) Deconsolidation of a subsidiary

On 10 November 2020, a creditor of Haoyuan Company applied for the bankruptcy and liquidation of Haoyuan Company to the Ordos Dongsheng People's Court (the "Court") on the ground that Haoyuan Company is unable to pay its outstanding debt. Pursuant to the judgement on 31 October 2021, the Court ruled the case in favor of the creditor and designated Inner Mongolia Sanheng Law Firm as the bankruptcy administrator of Haoyuan Company.

The directors of the Company considered that the control over Haoyuan Company had been lost since 31 October 2021 and accordingly, the assets and liabilities of Haoyuan Company was deconsolidated from the Group's consolidated financial statements since then and a gain of RMB813,098,000 was recognised in the profit or loss during the year ended 31 December 2021.

The loan to Haoyuan Company of RMB339,198,000 has been fully impaired. The directors of the Company are of the opinion that the deconsolidation of Haoyuan Company would not incur additional material losses to the Group subsequently.

50 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 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 and 1 January 2021	**12,492,235**	**93,917,038**	**1,817,015**	**(72,221)**	**873,821**	**24,645,175**	**133,673,063**
Financing cash flows	**11,099,429**	**22,052,672**	**(1,275,275)**	**(1,536,967)**	**(4,689,182)**	**(2,150,000)**	**23,500,677**
New leases	**–**	**–**	**175,442**	**–**	**–**	**–**	**175,442**
Other adjustments*	**–**	**(27,334,703)**	**(187,411)**	**–**	**(540,750)**	**16,295**	**(28,046,569)**
Dividends of perpetual securities recognised as distribution	**–**	**–**	**–**	**–**	**1,061,382**	**(1,061,382)**	**–**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**2,465,744**	**–**	**2,465,744**
Dividends declared to non-controlling interests	**–**	**–**	**–**	**–**	**1,381,129**	**–**	**1,381,129**
Interest expense	**371,436**	**4,125,874**	**38,616**	**–**	**–**	**–**	**4,535,926**
Profit attributable to holders of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**1,023,261**	**1,023,261**
At 31 December 2021	**23,963,100**	**92,760,881**	**568,387**	**(1,609,188)**	**552,144**	**22,473,349**	**138,708,673**

* Other adjustments mainly represents net effect from acquisition of subsidiaries, disposal of subsidiaries and capitalisation of loans and dividend payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
(Expressed in Renminbi)

51 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 *RMB'000*	2020 *RMB'000*
Non-current assets		
Property, plant and equipment	**15,128,825**	15,644,681
Right-of-use assets	**1,034,453**	941,531
Construction in progress	**3,783,286**	5,002,669
Investment properties	**22,375**	–
Intangible assets	**20,201**	73,943
Goodwill	**34,413**	34,413
Interests in subsidiaries	**43,753,683**	47,306,546
Interests in associates and joint ventures	**34,647,546**	9,121,189
Financial asset at fair value through profit or loss	**79,971**	45,898
Other non-current assets	**737,988**	763,060
Deferred tax assets	**–**	361,092
	99,242,741	79,295,022
Current assets		
Inventories	**768,778**	350,715
Trade debtors and bills receivable	**1,443,804**	719,554
Amounts due from subsidiaries	**11,470,797**	13,340,626
Deposits, other receivables and prepayments	**2,841,682**	2,604,314
Restricted deposits	**9**	3,009
Cash and cash equivalents	**739,455**	933,830
	17,264,525	17,952,048
Current liabilities		
Bank loans	**6,319,688**	6,219,157
Other loans	**3,249,961**	1,024,960
Short-term debentures payable	**2,023,880**	–
Long-term debentures payable – current portion	**5,861,218**	1,996,838
Amount due to the parent company	**13,068**	12,804
Amounts due to subsidiaries	**1,644,573**	1,611,340
Trade creditors and bills payable	**404,468**	386,081
Other payables	**1,487,287**	1,780,103
	21,004,143	13,031,283
Net current (liabilities)/assets	**(3,739,618)**	4,920,765
Total assets less current liabilities	**95,503,123**	84,215,787
Non-current liabilities		
Bank loans	**12,492,889**	9,269,764
Other loans	**599,990**	1,184,400
Long-term debentures payable	**16,078,002**	10,495,397
Convertible bonds – liability components	**1,433,637**	–
Deferred government grants	**43,334**	35,311
Deferred income	**123,167**	123,023
Deferred tax liabilities	**62,703**	422
Lease liabilities	**93,907**	36,721
	30,927,629	21,145,038
Net assets	**64,575,494**	63,070,749
Capital and reserves		
Share capital	**9,869,858**	9,862,977
Perpetual capital securities	**22,473,349**	24,645,175
Reserves	**32,232,287**	28,562,597
Total equity	**64,575,494**	63,070,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2021
(Expressed in Renminbi)

51 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Movement in the Company's reserves

	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Retained profits RMB'000	Convertible bonds reserve RMB'000	Perpetual capital securities RMB'000	Total equity RMB'000
Balance at 1 January 2020	9,862,977	14,835,394	3,403,232	68,089	8,297,262	–	16,129,055	52,596,009
Profit for the year	–	–	–	–	3,394,998	–	917,861	4,312,859
Profit and total comprehensive income	–	–	–	–	3,394,998	–	917,861	4,312,859
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)
Balance at 31 December 2020 and 1 January 2021	**9,862,977**	**14,835,394**	**3,839,611**	**68,089**	**9,819,503**	**–**	**24,645,175**	**63,070,749**
Profit for the year	**–**	**–**	**–**	**–**	**6,055,646**	**–**	**1,023,261**	**7,078,907**
Profit and total comprehensive income	**–**	**–**	**–**	**–**	**6,055,646**	**–**	**1,023,261**	**7,078,907**
Issue of shares	**6,881**	**22,914**	**–**	**–**	**–**	**–**	**–**	**29,795**
Share of reserve of associates	**–**	**37,261**	**–**	**–**	**–**	**–**	**–**	**37,261**
Issue of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**4,496,319**	**4,496,319**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**(2,465,744)**	**–**	**–**	**(2,465,744)**
Redemption of perpetual capital securities	**–**	**(19,976)**	**–**	**–**	**–**	**–**	**(6,630,024)**	**(6,650,000)**
Issue of convertible bonds	**–**	**–**	**–**	**–**	**–**	**41,250**	**–**	**41,250**
Appropriation of general reserve	**–**	**–**	**478,622**	**–**	**(478,622)**	**–**	**–**	**–**
Distributions payable to holders of perpetual capital securities	**–**	**–**	**–**	**–**	**–**	**–**	**(1,061,382)**	**(1,061,382)**
Others	**–**	**–**	**1,395**	**–**	**(3,056)**	**–**	**–**	**(1,661)**
Balance as at 31 December 2021	**9,869,858**	**14,875,593**	**4,319,628**	**68,089**	**12,927,727**	**41,250**	**22,473,349**	**64,575,494**

52 EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2021, the Group had the following non-adjusting events:

(a) In January 2022, the Group issued the first tranche of medium-term notes for the year of 2022 in PRC interbank debenture market. The medium-term note was issued at a total par value of RMB2,500 million with a maturity period of 3 years and bears interest at 2.92% per annum. The tranche is unsecured.

(b) In January 2022, the Group issued the first tranche of Company's debentures for the year of 2022 in PRC interbank debenture market. The medium-term note was issued at a total par value of RMB2,000 million with a maturity period of 3 years and bears interest at 2.9% per annum. The tranche is unsecured.

Details of above transactions are set out in the announcements issued by the Company dated 7 January 2022 and 18 January 2022, respectively.

FIVE YEARS FINANCIAL SUMMARY

	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	**2021** ***RMB'000***
Turnover	78,463,912	87,419,418	91,752,980	89,382,243	**100,983,552**
Profit/(loss) before taxation	1,152,960	2,738,894	5,361,142	6,891,833	**(6,990,613)**
Income tax(expense)/credit	(458,484)	(826,862)	(1,036,440)	(1,216,202)	**1,774,724**
Profit/(loss) for the year	694,476	1,912,032	4,324,702	5,675,631	**(5,215,889)**
Attributable to:					
Equity holders of the Company	435,905	1,445,736	3,385,324	4,166,756	**(3,341,982)**
Non-controlling interests	258,571	466,296	939,378	1,508,875	**(1,873,907)**
Profit/(loss) for the year	694,476	1,912,032	4,324,702	5,675,631	**(5,215,889)**
Total non-current assets	193,817,104	201,724,007	205,564,187	211,834,333	**192,792,217**
Total current assets	25,160,602	25,772,114	26,600,168	24,856,602	**29,593,821**
Total assets	218,977,706	227,496,121	232,164,355	236,690,935	**222,386,038**
Total current liabilities	(80,317,325)	(75,534,410)	(67,329,784)	(59,145,559)	**(65,662,934)**
Total non-current liabilities	(81,458,588)	(83,719,847)	(84,226,928)	(83,152,267)	**(80,454,539)**
Net assets	57,201,793	68,241,864	80,607,643	94,393,109	**76,268,565**
Equity holders of the Company	42,909,159	53,131,142	62,601,738	73,145,361	**63,708,417**
Non-controlling interests	14,292,634	15,110,722	18,005,905	21,247,748	**12,560,148**
Total equity	57,201,793	68,241,864	80,607,643	94,393,109	**76,268,565**

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 (loss)/profit and net assets attributable to equity shareholders of the Company are analysed as follows:

		Net (loss)/profit attributable to equity holders of the Company		Net asset attributable to equity holders of the Company	
	Notes	**2021** **RMB'000**	2020 RMB'000	**2021** **RMB'000**	2020 RMB'000
Amounts under CAS		**(4,965,346)**	4,179,447*	**61,829,644**	72,088,981*
Adjustments:					
Business combination involving entities under common control	*(1)*	**(351,083)**	(249,191)	**3,642,536**	2,063,003
Government grants	*(2)*	**33,592**	33,592	**(253,209)**	(286,801)
Maintenance and production safety funds	*(3)*	**90,604**	61,603	**–**	78,320
Separation and transfer of equipment	*(4)*	**19,586**	1,779	**–**	–
Dilution gain on investment in an associate	*(5)*	**1,690,603**	–	**–**	–
Taxation impact of the adjustments		**55,051**	51,113	**(686,877)**	(426,407)
Attributable to minority interest		**85,011**	88,413	**(823,677)**	(371,735)
Amounts under IFRSs		**(3,341,982)**	4,166,756	**63,708,417**	73,145,361

* The figures are extracted from the audited financial statements prepared under China Accounting Standards for Business Enterprise and issued on Shanghai Stock Exchange for the year ended 31 December 2020.

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 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.

(5) Under CAS, gains or losses arising from dilution of investments in associates and joint ventures should be recorded in equity while adjusting the carrying amount of the long-term investment. Under IFRS, gains or losses of which should be recorded in profit or loss, while adjusting the carrying amount of the long-term investment.

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