



四川能投發展股份有限公司

Sichuan Energy Investment Development Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1713



2021

Annual Report

CONTENTS

DEFINITIONS	2
CHAIRMAN'S STATEMENT	5
COMPANY PROFILE	6
FINANCIAL HIGHLIGHTS	8
MANAGEMENT DISCUSSION AND ANALYSIS	9
REPORT OF THE BOARD OF DIRECTORS	23
REPORT OF THE SUPERVISORY COMMITTEE	43
CORPORATE GOVERNANCE REPORT	45
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT	58
AUDITOR'S REPORT	65
CONSOLIDATED BALANCE SHEET	71
COMPANY BALANCE SHEET	74
CONSOLIDATED INCOME STATEMENT	76
COMPANY INCOME STATEMENT	78
CONSOLIDATED STATEMENT OF CASH FLOWS	80
COMPANY STATEMENT OF CASH FLOWS	82
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	84
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	86
NOTES TO THE FINANCIAL STATEMENTS	88

DEFINITIONS

In this report, the following expressions shall have the following meanings unless the context requires otherwise.

“14th Five-year Period”	the 14th five-year period for the PRC national economic and social development, being year 2021 to 2025
“Annual General Meeting” or “AGM”	the annual general meeting to be convened by the Company on 17 June 2022
“Articles of Association” or “Articles”	the articles of association of the Company adopted by the written resolution of the Shareholders on 16 May 2017 and as amended, supplemented and otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
“China Accounting Standards for Business Enterprises” or “CASBE”	the accounting standards for business enterprises issued by the Ministry of Finance of the PRC
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司) (stock code: 1713), a company established in the PRC as a joint stock company with limited liability on 29 September 2011
“Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Shares”	domestic ordinary shares in the Company’s registered capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and held by PRC nationals or PRC-incorporated entities, and are not listed or traded on any stock exchange
“EECS business”	electrical engineering construction service and related business, which includes the construction, installation, testing and maintenance of power facilities and related sales of electric equipment and materials

DEFINITIONS

“Energy Investment Group”	Sichuan Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司), a company established in China on 21 February 2011 with limited liability, one of our controlling shareholders
“Group”	the Company and its subsidiaries
“H Share(s)”	the issued ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hydropower Group”	Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司), a company established in China on 17 December 2004 with limited liability, one of our controlling shareholders
“Listing”	listing of the H Shares of the Company on the Main Board of the Stock Exchange
“Listing Date”	28 December 2018, the date on which the H Shares of the Company were listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Prospectus”	the prospectus dated 13 December 2018 in relation to the initial public offering of H Shares
“Reporting Period”	the period from 1 January 2021 to 31 December 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“Share(s)”	the ordinary share(s) of RMB1.00 each in the share capital of the Company, including H Shares, Domestic Shares and Unlisted Foreign Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Sichuan Development”	Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司), a wholly state-owned company established on 24 December 2008 under the laws of the PRC with limited liability, one of our controlling shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed to it in Section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Unlisted Foreign Shares”	ordinary shares issued by the Company that are not listed on any stock exchange, with a nominal value of RMB1.00 each, and held by China Power International Development Limited (a company incorporated in Hong Kong with limited liability)
“% ”	per cent.

CHAIRMAN'S STATEMENT

The year 2021 drew open the 14th Five-year Period, and also coincided with the 10th anniversary of the Company. During the year, global economic pattern experienced in-depth adjustment, China's economic growth continued to pick up amidst stability, and the power industry embraced both major opportunities and challenges against the backdrop of reform and development. Upholding the firm leadership of Energy Investment Group, leveraging the care and support from our Shareholders and all walks of life, and thanks to concerted efforts made by our employees, the Company remained steering towards the right direction, and pooled strength from various sides to tackle numerous hardships and secure multiple development achievements, which contributed to a steady increase in its asset scale, revenue, profit and other operating indicators.

In this competitive world, those who strive the hardest will win. During the year, the Company proactively fulfilled the social responsibilities required of a state-owned enterprise, focused on its principal activities in line with the "1+3+2" industrial landscape set forth by Energy Investment Group, and achieved stable improvement in terms of safety operation of power grid and power supply reliability. During the year, the Company spearheaded in reform, solving tough problems and establishing presence along the energy industrial chain, stepped up development dynamics, earnestly participated in market competition and expanded to integrated energy services and other diversified services, thereby constantly enhancing corporate development quality and efficiency. During the year, the Company attached equal importance to risk control and business growth to improve operation and management capabilities, and its risk resistance capacity was continuously intensified. The Company recorded an increase of 4.8% and 5.1% in operating revenue and profit before taxation, respectively, and a year-on-year increase of 5.3% in net profit attributable to the equity shareholders of the parent company, all of which surpassed our expected operating goals and realized "Good Year-beginning" for the 14th Five-year Period.

We are well-positioned to greet the new year with determined endeavor. In 2022, the Company will maintain an unwavering focus on its established "2111" goal, forge the "two-winged" industrial layout, materialize the "dual transformation" development concept, and cement the pillar role of "three principal business segments". It will stick to the keynote of making progress amid stability through consolidating business foundation, strengthening power grid, optimizing services, exploring markets, preventing risks and broadening revenue streams, proactively adjust itself to the new normal, pattern and trends in respect of economic, energy and innovation-driven development, as well as new requirements put forward for reform of state-owned enterprises and the power industry. Committed to braving all difficulties with unremitting efforts and pragmatism, the Company will seek to deliver remarkable results to the Shareholders and investors.

Last but not the least, on behalf of the Board, I would like to extend my sincere gratitude and best wishes to all of our employees of various posts and their families for their hard work during the past year, to all our Shareholders, leaders at all levels and friends from all walks of life who have long been caring and supporting the development of the Company, as well as the business partners who have worked with us for common development.

Xiong Lin

Chairman

Chengdu, 24 March 2022

COMPANY PROFILE

1. CORPORATE INFORMATION

Chinese Name:

四川能投發展股份有限公司

English Name:

Sichuan Energy Investment Development Co., Ltd.*

Registered Address:

No. 789, Renhe Road
Wenjiang District, Chengdu
Sichuan Province, the PRC

Headquarters/Principal Place of Business in the PRC:

No. 789, Renhe Road
Wenjiang District, Chengdu
Sichuan Province, the PRC

Principal Place of Business in Hong Kong:

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

Company Website:

<http://www.scntgf.com>

Tel:

+86 (28) 86299666

Fax:

+86 (28) 86299666

E-mail:

db@scntgf.com

2. STOCK PROFILE OF THE COMPANY

Classes of Shares:

H Shares, Domestic Shares and Unlisted Foreign Shares

Stock Exchange of H Shares:

Main Board of The Stock Exchange of Hong Kong Limited

Stock Abbreviation of H Shares:

SICHUAN EN INV

Stock Code of H Shares:

1713

3. EXECUTIVE DIRECTORS

Mr. Xiong Lin (*Chairman*)

Mr. Li Hui

Ms. Xie Peixi

4. NON-EXECUTIVE DIRECTORS

Ms. Han Chunhong

Ms. Li Yu

Ms. Liang Hong

Ms. Lv Yan

5. INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kin Kwong Kwok Gary

Ms. He Zhen

Mr. Wang Peng

Prof. Li Jian

6. SUPERVISORS

Mr. Yan Yi (*Chairman*)

Ms. Fu Ruoxue

Ms. Li Jia

Mr. Liao Jun

Mr. Peng Yu

Mr. Tang Hong

7. AUTHORIZED REPRESENTATIVES

Mr. Xiong Lin

Mr. Li Hui

8. AUDIT COMMITTEE

Mr. Kin Kwong Kwok Gary (*Chairman*)

Ms. Han Chunhong

Prof. Li Jian

9. REMUNERATION COMMITTEE

Mr. Wang Peng (*Chairman*)

Ms. He Zhen

Ms. Lv Yan

* For identification purpose only

10. NOMINATION COMMITTEE

Mr. Xiong Lin (*Chairman*)
Ms. He Zhen
Mr. Wang Peng

11. RISK CONTROL COMMITTEE

Prof. Li Jian (*Chairman*)
Ms. Li Yu
Mr. Kin Kwong Kwok Gary

12. JOINT COMPANY SECRETARIES

Mr. Li Hui
Ms. Wong Wai Ling

13. H SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

14. AUDITOR

KPMG Huazhen LLP
8th floor, KPMG building, Oriental Plaza
No. 1, East Chang'an Street, Beijing
PRC

15. LEGAL ADVISORS

As to Hong Kong law:

Jingtian & Gongcheng LLP
Suites 3203–3207, 32/F
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:

Beijing Zhong Yin (Chengdu) Law Firm
13/F, Block B, OCG International Center
No. 158 Tianfu 4th Avenue
Chengdu Hi-tech Industrial Development Zone
Sichuan Province, the PRC

16. PRINCIPAL BANKS

Bank of Communications Co., Ltd., Chengdu Branch,
Wenjiang Sub-branch
(交通銀行股份有限公司成都溫江支行)
Agricultural Bank of China Limited, Chengdu Branch,
Jincheng Sub-branch
(中國農業銀行股份有限公司成都錦城支行)
Industrial Bank Co., Ltd., Chengdu Branch, Jinniu
Sub-branch
(興業銀行股份有限公司成都金牛支行)
Industrial and Commercial Bank of China Limited,
Chengdu Branch, Hi-tech Industry Development Zone
Sub-branch
(工商銀行成都高新支行)
Bank of China Limited, Chengdu Branch, Development
Zone West Sub-branch
(中國銀行成都開發西區支行)
Bank of Chengdu Co., Ltd., Commercial Street
Sub-branch
(成都銀行商業街支行)

FINANCIAL HIGHLIGHTS

Summary of consolidated statement of profit or loss	Year ended 31 December				
	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)
Revenue	3,171,674	3,025,304	2,477,429	2,035,651	1,853,243
Total profit	321,195	305,705	213,308	196,988	143,554
Income tax expense	50,278	48,503	38,451	28,745	18,664
Net profit	270,917	257,202	174,857	168,243	124,890
Attributable to:					
Equity Shareholders of the Company	269,558	256,028	173,673	168,021	125,311
Non-controlling interests	1,359	1,174	1,184	222	(421)
Basic earnings per Share (RMB)	0.25	0.24	0.16	0.21	0.16

Summary of consolidated statement of financial position	As at 31 December				
	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)
Total non-current assets	3,461,642	3,289,669	3,214,344	3,174,276	3,145,940
Total current assets	1,169,811	1,201,949	1,265,794	1,212,997	796,708
Total assets	4,631,453	4,491,618	4,480,138	4,387,273	3,942,648
Total current liabilities	1,432,774	1,465,266	1,468,003	915,170	1,504,434
Total non-current liabilities	202,780	171,892	320,103	873,461	305,532
Total liabilities	1,635,554	1,637,158	1,788,106	1,788,631	1,089,966
Net assets	2,995,899	2,854,460	2,692,032	2,598,642	2,132,682
Including:					
Equity attributable to equity Shareholders of the Company	2,979,660	2,839,580	2,678,053	2,593,127	2,127,389
Equity attributable to non-controlling interests	16,239	14,880	13,979	5,515	5,293

Note: Financial data for the previous years have been updated pursuant to the audit report prepared under the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China (the "MOF").

MANAGEMENT DISCUSSION AND ANALYSIS

1. INDUSTRY OVERVIEW

The value chain of China's power industry consists of power generation, power transmission and distribution as well as power sales. Power generation process converts other types of energy into power, such as hydropower plants using flowing water energy to generate power. The grid transmission and distribution system is the core of power supply, which includes power transmission network that reaches various provinces and cities in China, distribution network for end-use purposes, as well as step-up and step-down substations. Lastly, power sales activities distribute power directly to end users.

In 2021, national total electricity consumption reached 8.3 trillion kWh, a year-on-year increase of 10.3%, of which, total electricity consumption of Sichuan Province was 327.48 billion kWh, a year-on-year growth of 14.3%. Highly guaranteed power supply and a leading position in terms of increase in electricity consumption in Sichuan Province suggested sound economic momentum.

With Sichuan Province's accelerated construction of the Chengdu-Chongqing dual-city economic cycle, and expedition in forging Yibin City into a national-level regional center along the drive towards socialist modernization, we believe that the Company is well-positioned for further growth with respect to power sales, distributed energy, engineering construction and integrated energy services and other businesses.

2. BUSINESS OVERVIEW

2.1 Overview

We are a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full value chain of power supply covering power generation and electricity distribution and sales. We have a stable user base and a comprehensive network of power supply in Yibin City, which allows us to optimize the balance usage of power resources within our power supply network through efficient allocation of electricity. Our businesses currently consist of (i) power business, including production, distribution and sales of power, which is divided into general power supply business and incremental power transmission and distribution business; and (ii) EECS business, which includes electrical engineering construction service and sales of electric equipment and materials.

In 2021, the Company realized revenue of RMB3,171.7 million, representing a year-on-year increase of 4.8%. Our profit before taxation was RMB321.2 million, representing a year-on-year increase of 5.1%. In the same year, the Company achieved net profit of RMB270.9 million, representing a year-on-year increase of 5.3%, and net profit attributable to equity shareholders of the parent company of RMB269.6 million, representing a year-on-year increase of 5.3%.

As of the end of 2021, we had an aggregate of 34 hydropower plants with a total installed capacity of 138,355 kW. We also had 2 units of 220 kV substations with an aggregated capacity of 720,000 kVA, 19 units of 110 kV substations with an aggregated capacity of 942,000 kVA, and 59 units of 35 kV substations with an aggregated capacity of 572,050 kVA.

MANAGEMENT DISCUSSION AND ANALYSIS

2.2 Operating Results

The following table sets forth the breakdown of the principal operating revenue, cost and gross profit by category of business for the years ended 31 December 2020 and 2021, and the percentage of changes.

Principal activities	Year ended 31 December 2021			Year ended 31 December 2020			Percentage of changes (%)/ Percentage points		
	Revenue (RMB'000)	Cost (RMB'000)	Gross profit (RMB'000)	Revenue (RMB'000)	Cost (RMB'000)	Gross profit (RMB'000)	Revenue	Cost of sales	Gross profit
General power supply business	2,300,502	1,840,446	460,056	2,105,535	1,658,094	447,441	9.3	11.0	2.8
Incremental power transmission and distribution business	489,137	470,130	19,007	516,196	492,717	23,479	(5.2)	(4.6)	(19.0)
EECS business ⁽¹⁾	376,130	307,085	69,045	398,555	325,223	73,332	(5.6)	(5.6)	(5.8)
Total	3,165,769	2,617,661	548,108	3,020,286	2,476,034	544,252	4.8	5.7	0.7

Note:

- (1) Include revenue from the sales of electric equipment and materials of RMB8.7 million for the year ended 31 December 2021.

2.2.1 General Power Supply Business

The following table sets forth the breakdown of revenue from our general power supply business by customer category for the periods indicated.

Customer	2021		2020		Percentage of changes (%)/ Percentage points	
	Electricity Sales (MWh)	Revenue (RMB'000)	Electricity Sales (MWh)	Revenue (RMB'000)	Electricity Sales	Revenue
Household	1,422,688	790,703	1,290,095	713,740	10.3	10.8
General industrial and commercial	1,112,936	635,681	983,593	567,459	13.2	12.0
Large industrial	1,522,072	811,882	1,444,633	763,109	5.4	6.4
State Grid	110,889	29,655	94,103	20,353	17.8	45.7
Others	91,769	32,581	116,264	40,874	(21.1)	(20.3)
Total	4,260,354	2,300,502	3,928,688	2,105,535	8.4	9.3

Most of our revenue for the year ended 31 December 2021 was derived from general power supply business, including generation, distribution and sales of power. We generated RMB2,300.5 million of revenue from our general power supply business, which accounted for 72.7% of our principal operating revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

2.2.2 Incremental Power Transmission and Distribution Business

Our revenue from incremental power transmission and distribution business mainly consists of electricity retail business outside our normal power supply service area and other power distribution business related to new-energy vehicles. By implementing measures to diversify the industry chain, we generated RMB489.1 million of revenue from incremental power transmission and distribution business for the year ended 31 December 2021, which accounted for 15.4% of our principal operating revenue.

2.2.3 EECS Business

We also derived revenue from our EECS business, which mainly involves undertaking the engineering construction projects for, and selling electric equipment and materials to, the users and grid companies in our power supply area. For the year ended 31 December 2021, we generated RMB376.1 million of revenue from our EECS business, which accounted for 11.9% of our principal operating revenue.

2.3 Major Operational Measures

2.3.1 Steadily Advancing Reform and Innovation with a Focus on Lean Operation

We are in constant pursuit of the corporate vision of “being a first-class modern integrated energy service provider”. Upholding the philosophy of addressing the changing environment via reform and exerting on-going efforts to explore brand-new development chapter, the Company continued to improve its governance model and management structure, boosted its internal growth engine and development dynamics, and witnessed further improvement in terms of innovation capacity and market competitiveness. In particular, (i) the Company formulated scientific strategic planning, aiming to transform itself into a “modern integrated energy service provider with a focus on power supply”. It also scientifically prepared the “14th Five-year” strategic planning and grid development planning, and proactively solicited opinions from local party committees and government, key customers, Sichuan Province Energy Bureau, Southwest Electric Power Design Institute Co., Ltd. and other institutions, with a view to formulating more reasonable planning and setting clearer development goals; (ii) the Company steadily advanced its reform tasks, and coordinated the three-year reform campaign of state-owned enterprises and improvement initiative in benchmarking to world leading management practices. It was enrolled as one of the 70 pilot “State-owned Enterprises to Undergo Comprehensive Reforms in Sichuan” by the State-owned Assets Supervision and Administration Commission of Sichuan Province for the compliance management system, and secured the “1+3+1” compliance management system construction achievements for trial run, which effectively enhanced operation efficiency; (iii) the Company continued to motivate talents, carried forward reform of internal organizational structure, and comprehensively established the promotion channels and remuneration system based on multiple standards, including management, technique and skill, so as to further broaden the development potential and promotion channels for employees. It also continuously improved the market-oriented talent selection and recruitment mechanism, and pressed ahead with open recruitment, in a move to bridge the imminent talent gap in key and technical posts; and (iv) the Company further promoted the innovation-based development strategy, and its independently developed VR power security experience training system successfully obtained the computer software copyright issued by the National Copyright Administration.

MANAGEMENT DISCUSSION AND ANALYSIS

2.3.2 Improving Service Quality with a Focus on Safeguards for Livelihood

Adhering to the business philosophy of “generating power for the people”, we continued to optimize the operation environment, effectively improved service quality and made every effort to provide satisfactory and convenient services to users. Specifically, (i) the Company endeavored to enhance power supply quality. Its Yibin Comprehensive Information Dispatching Center successfully commenced operation, the capacity increase and technological renovation project of 220 kV substation of Yujing in Gong County was completed as scheduled, and two on-grid interfaces of 110 kV connecting to the State Grid were launched. Meanwhile, it vigorously promoted the rectification of low-voltage power supply areas, and further strengthened the power supply safeguards, service and optimal grid operation capabilities; (ii) the Company continued to improve power operation environment, formulated the “Action Plan on Comprehensive Promotion of ‘Acquisition of Electricity’ Service Quality and On-going Improvement of Business Environment (2021-2022)”, and guided by such plan, the Company continuously improved the business processing, business expansion installation, engineering construction, complaint handling and other procedures. Apart from payment at service outlets, via WeChat and withheld by the bank, the Company also set up convenient facilities such as WeChat QR code scanning terminals, mobile POS machine and self-service terminals, allowing users to complete payment in about five minutes with the proportion of self-service and online payment reaching 70% in 2021; (iii) the Company strictly implemented the “Three Zeros and Three Savings” services to proactively reduce the processes to undergo, time required, materials and costs incurred, and sought to put efforts in innovating service models and optimizing service means, aiming to establish more digital means to save trouble for the people, and reduce burdens and improve efficiency for power installation and utilization. In 2021, more than 5,000 users benefited from the Company’s “Three Zeros and Three Savings” services and over RMB20 million was thus saved; and (iv) the Company effectively enhanced complaint management, stepped up propaganda campaigns on the 12398 energy supervision hotline, launched its own 96598 service hotline, and identified and evaluated the complaints lodged according to Measures for the Implementation of Reward and Punishment Management of Power Supply Services of the Company, with the handling ratio of low-voltage complaints and customer revisit satisfaction both reaching 100%.

2.3.3 Maintaining Stability and Striving for Progress with a Focus on Fulfilling Responsibilities

We have always followed the concept of “putting people and life first and foremost”, kept a close eye on crucial processes and important periods, and promoted safe and stable operation and effectively implemented anti-COVID-19 measures. The Company did not record any general incident of casualties or above, damage to grid or equipment, forest fires, environmental pollution or other incidents throughout the year. Particularly, (i) the Company conducted special rectification of fire hazards in power transmission and distribution facilities in forest and pastoral areas, formulated special rectification schemes, executed responsibility undertakings with persons in charge at each level, and established an organizational structure covering all aspects and extending to the lowest level without dead zone, so as to ensure timely identification and proper handling of fire hazards. The Company did not record any forest fire in its power supply areas throughout the year and unexpected power failure caused by bended bamboos or tree branches also recorded a sharp decline; (ii) the Company steadily advanced the three-year power safety generation special rectification action, continued to consolidate the basis for safety operation, and boosted the scientific and information-based improvement of the safety operation of the Company; (iii) the Company effectively rummaged and rectified safety hazards, carried out extensive safety inspections and investigated into and rectified all safety hazards and management loopholes in the principle of “full coverage, zero tolerance, strict law enforcement and efficiency”; (iv) the Company constantly cemented its safety foundation, earnestly implemented the new Safety Production Law, flexibly conducted safety production theme trainings through “on-line self-learning and off-line training”, and pressed ahead with the propaganda and education on “safety production month” campaign, thereby further enhancing the safety production awareness of the employees of the Company; and (v) the Company took resolute anti-COVID-19 measures, proactively carried out pandemic prevention requirements, formulated comprehensive and effective prevention measures, effectively consolidated its anti-pandemic shield and achieved zero case of infection. Meanwhile, the Company fulfilled the social responsibilities required of a state-owned enterprise, focused on propaganda of anti-pandemic policies, and cooperated with local party committee and governments to implement various prevention measures to jointly build an anti-COVID-19 shield.

MANAGEMENT DISCUSSION AND ANALYSIS

2.3.4 Constantly Promoting the Guiding Role of the Party with a Focus on Party Building

We have been upholding the leadership of the Party, and with a focus on learning the Party's history and celebration of the 100th anniversary of the Party, we initiated activities to study the Party's history, understand its theories, do practical work and make new advances, which set the solid ideological, political and organizational foundation for the quality development of the Company. Firstly, the Company insisted on reinforcing belief during the course of studying the Party's history, and successfully conducted the "do practical things in the interests of the masses" activity. Secondly, the Company kept strengthening the Party spirit among grassroots, meticulously carried out the "re-troubleshooting" special rectification and "case-based improvement" special act, and vigorously promoted the standardization and normalization of Party branches and establishment of distinct Party building brand. Thirdly, the Company persisted in pooling strength through intensifying the guiding role of the Party ideology, thoroughly implemented the ideological accountability system, proactively advanced construction of corporate culture and consolidated and extracted the core philosophy of the corporate culture. Fourthly, the Company adhered to tightening discipline and improving the Party conduct through full and strict governance over the Party. The Company conscientiously implemented the accountability system in construction of a clean Party, proactively coordinated and implemented the Party integrity and production and operation, and continued to step up awareness of discipline and rules, thereby materializing the integrity responsibility at each level.

3. FINANCIAL REVIEW

Analysis of Key Items in the Consolidated Income Statement

Operating revenue

	Year ended 31 December	
	2021 (RMB'000)	2020 (RMB'000)
Principal activities		
General power supply business	2,300,502	2,105,535
Incremental power transmission and distribution business	489,137	516,196
EECS business ⁽¹⁾	376,130	398,555
Total	3,165,769	3,020,286

Note:

(1) Includes revenue from the sales of electric equipment and materials of RMB8.7 million for the year ended 31 December 2021.

Revenue increased by 4.8% from RMB3,020.3 million for the year ended 31 December 2020 to RMB3,165.8 million for the year ended 31 December 2021, primarily due to an increase of RMB145.2 million in revenue from our general power supply business as a result of an increase in electricity sales made to our household and general industrial and commercial customers of 261,936 MWh in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

General Power Supply Business

Revenue generated from general power supply business increased by 9.3% from RMB2,105.6 million for the year ended 31 December 2020 to RMB2,300.5 million for the year ended 31 December 2021, primarily due to an increase in the number of our household and general industrial and commercial customers by 11,542 and 2,169, respectively in 2021 compared to 2020. Revenue generated from general power supply business accounted for 69.7% and 72.7% of our principal operating revenue for the years ended 31 December 2020 and 2021, respectively.

Incremental Power Transmission and Distribution Business

Revenue generated from incremental power transmission and distribution business decreased by 5.2% from RMB516.2 million for the year ended 31 December 2020 to RMB489.1 million for the year ended 31 December 2021, primarily due to a decrease in electricity demands from our customers in 2021 compared to 2020.

EECS Business

Revenue generated from the EECS business decreased by 5.6% from RMB398.6 million for the year ended 31 December 2020 to RMB376.1 million for the year ended 31 December 2021, primarily due to a decrease of the average contract amount of EECS business and relevant projects the Group undertook in 2021.

Operating Cost

	Year ended 31 December	
	2021 (RMB'000)	2020 (RMB'000)
Principal activities		
General power supply business	1,840,446	1,658,094
Incremental power transmission and distribution business	470,130	492,717
EECS business	307,085	325,223
Total	2,617,661	2,476,034

Cost of sales increased by 5.7% from RMB2,476.0 million for the year ended 31 December 2020 to RMB2,617.7 million for the year ended 31 December 2021, mainly due to an increase in electricity purchase from third-party suppliers as a result of expansion in the scale of general power supply business.

General Power Supply Business

Cost of sales associated with our general power supply business increased by 11.0% from RMB1,658.1 million for the year ended 31 December 2020 to RMB1,840.4 million for the year ended 31 December 2021, primarily due to an increase in electricity purchase from third-party suppliers as a result of expansion in the scale of general power supply business in 2021. Cost of sales from our general power supply business accounted for 67.0% and 70.3% of our principal operating cost for the years ended 31 December 2020 and 2021, respectively.

Incremental Power Transmission and Distribution Business

Cost of sales associated with the incremental power transmission and distribution business decreased by 4.6% from RMB492.7 million for the year ended 31 December 2020 to RMB470.1 million for the year ended 31 December 2021, primarily due to a decrease in scale of our incremental power transmission and distribution business in 2021.

EECS Business

Cost of sales associated with the EECS business decreased by 5.6% from RMB325.2 million for the year ended 31 December 2020 to RMB307.1 million for the year ended 31 December 2021, primarily due to the decrease of the average contract amount of EECS business and relevant projects we undertook in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

	Year ended 31 December			
	2021		2020	
Principal activities	Gross Profit (RMB'000)	Gross Profit Margin %	Gross Profit (RMB'000)	Gross Profit Margin %
General power supply business	460,056	20.0	447,441	21.3
Incremental power transmission and distribution business	19,007	3.9	23,479	4.5
EECS business	69,045	18.4	73,332	18.4
Total	548,108	17.3	544,252	18.0

Our gross profit increased by 0.7% from RMB544.3 million for the year ended 31 December 2020 to RMB548.1 million for the year ended 31 December 2021. Our gross profit margin decreased by 0.7 percentage points from 18.0% for the year ended 31 December 2020 to 17.3% for the year ended 31 December 2021, mainly due to a decrease of gross profit margin from general power supply business as we no longer enjoyed a progressive reduction or exemption policy for the payment of basic endowment insurance, unemployment insurance and work-related injury insurance by enterprises and a decrease in scale of our incremental power transmission and distribution business in 2021.

General Power Supply Business

The gross profit of general power supply business increased by 2.8% from RMB447.4 million for the year ended 31 December 2020 to RMB460.1 million for the year ended 31 December 2021, primarily due to an increase in the amount of electricity sales made to our household users and general industrial and commercial users in 2021.

Incremental Power Transmission and Distribution Business

The gross profit of incremental power transmission and distribution business decreased by 19.0% from RMB23.5 million for the year ended 31 December 2020 to RMB19.0 million for the year ended 31 December 2021, primarily due to a decrease in scale of our incremental power transmission and distribution business in 2021.

EECS Business

The gross profit of EECS business decreased by 5.8% from RMB73.3 million for the year ended 31 December 2020 to RMB69.0 million for the year ended 31 December 2021, primarily due to the adverse market conditions.

Credit Impairment Loss

Credit impairment loss decreased by 56.3% from RMB33.5 million for the year ended 31 December 2020 to RMB14.7 million for the year ended 31 December 2021, mainly due to the strengthened management of receivables, thus reducing the expected credit loss rate.

Finance Costs

Finance costs increased by 30.7% from RMB5.6 million for the year ended 31 December 2020 to RMB7.3 million for the year ended 31 December 2021, primarily due to a decrease of net exchange gains in 2021 as we incurred less foreign loans.

Asset Impairment Loss

Asset impairment loss increased by 241.9% from RMB4.7 million for the year ended 31 December 2020 to RMB16.1 million for the year ended 31 December 2021, mainly because we found that certain plant and equipment were physically damaged or ceased for operation during the year, and as a result we provided asset impairment loss in this respect.

MANAGEMENT DISCUSSION AND ANALYSIS

Gain/(loss) on Investment in Associates

Gain/(loss) on investment in associates increased by 274.7% from RMB-1.0 million for the year ended 31 December 2020 to RMB1.7 million for the year ended 31 December 2021, primarily due to an increase of RMB1.6 million in income from two small loan companies, which are the Group's associates with the improvement of market conditions.

Income Tax

Income tax expenses were RMB48.5 million and RMB50.3 million for the years ended 31 December 2020 and 2021 at effective tax rates of 15.9% and 15.7%, respectively. The increase in income tax was primarily attributable to an increase in total profit.

Net Profit

As a result of the above, profit for the year increased from RMB257.2 million for the year ended 31 December 2020 to RMB270.9 million for the year ended 31 December 2021.

Analysis of Key Items of Consolidated Balance Sheet

Fixed Assets, Construction in Progress and Right-of-use Assets

	As at 31 December	
	2021 (RMB'000)	2020 (RMB'000)
Fixed assets	2,785,048	2,555,212
Construction in progress	115,141	197,295
Right-of-use assets	5,845	5,274
Total	2,906,034	2,757,781

Fixed assets, construction in progress and right-of-use assets (mainly including plant and buildings, machinery, vehicles, office equipment, projects under construction and right-of-use assets) increased from RMB2,757.8 million as of 31 December 2020 to RMB2,906.0 million as of 31 December 2021, mainly due to an increase in purchase of fixed assets and an increase of construction in progress completed in 2021.

Intangible Assets

Our intangible assets remained stable, representing RMB128.0 million and RMB128.1 million as at 31 December 2020 and 2021, respectively.

Accounts Receivable

Our accounts receivable were RMB343.7 million and RMB372.0 million as at 31 December 2020 and 2021, respectively, primarily due to an increase of revenue in 2021.

Excluding certain accounts receivable for which bad debts have been provided, the average turnover days of our accounts receivable (calculated by using the average value of the opening and closing balance of the accounts receivable of the relevant period divided by the revenue for the period, and then multiplied by the number of days in the period) remained relatively stable in 2020 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Assets Held for Trading

Financial assets held for trading were RMB160.0 million and RMB0.0 million as at 31 December 2020 and 2021, respectively. The decrease of financial assets held for trading was mainly due to maturity of structured deposits at the end of 2021.

Accounts Payable

Our accounts payable were RMB565.2 million and RMB602.6 million as at 31 December 2020 and 2021, respectively. The increase in accounts payable was mainly due to an increase in accounts payable caused by the increase in quantity of EECS projects.

The average turnover days of our accounts payable (calculated by using the average value of opening and closing balance of the accounts payable of the relevant period divided by the cost for the period, and then multiplied by the number of days in the period) increased from 77.6 days as at 31 December 2020 to 80.2 days as at 31 December 2021. The increase in accounts payable is mainly due to the increase in accounts payable from the increase in quantity of EECS projects in 2021.

Liquidity and Financial Resources

Our Group manages its capital to ensure that entities of our Group will be able to operate as a going concern while maximizing the return to our Shareholders through the optimization of the debt and equity balance. Our Group's overall strategy remains unchanged throughout the year. The capital structure of our Group consists of net debts (which includes borrowings net of cash and cash equivalents) and total equity (comprising paid-in capital/share capital, capital reserve, statutory surplus reserve, retained profits and non-controlling interests). Our Group is not subject to any externally imposed capital requirements.

As at 31 December 2021, our cash and cash equivalents amounted to RMB584.0 million (31 December 2020: RMB500.8 million), among which, the amount for daily operating purpose is approximately RMB300 million, and the remaining consists of unused proceeds and special funds for rural grid upgrade and transformation projects. The increase of the balance of cash and cash equivalents is mainly because of increase of special funds of rural grid upgrade and transformation projects received in 2021.

As at 31 December 2021, the total borrowings of our Group amounted to RMB313.3 million (31 December 2020: RMB381.3 million), including bank and other borrowings. All of our bank and other borrowings bear interest at floating rate.

Gearing Ratio

As at 31 December 2021, the gearing ratio of our Group was 10.5% (31 December 2020: 13.1%). Gearing ratio is calculated based on our total interest-bearing liabilities divided by total equity as of the same date.

4. DIVIDEND

The Board proposed to declare a final dividend of RMB0.12 per Share (tax inclusive) for the year ended 31 December 2021 to Shareholders whose names appeared on the register of members of the Company on 28 June 2022 (the "Record Date"), with the total amount of dividend amounting to approximately RMB128,922,924. Subject to approval of the declaration of dividend by Shareholders at the Annual General Meeting, the final dividend is expected be distributed on or before 20 July 2022. For more details, please refer to "Dividends and Distribution" of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

5. GLOBAL OFFERING AND USE OF PROCEEDS FROM GLOBAL OFFERING

The Company was listed on the Stock Exchange on 28 December 2018 and 268,800,000 H Shares with a nominal value of RMB1.00 each was issued at a price of HK\$1.77 per share (the “Global Offering”). The net proceeds from the Global Offering amounted to approximately RMB380.5 million. The Group has utilized approximately RMB224.9 million of such proceeds from the Global Offering according to those disclosed in the Prospectus as at 31 December 2021. The remaining approximately RMB155.6 million has not been used. The use of proceeds is as follows:

Use of Proceeds as Disclosed in the Prospectus	Percentage of net proceeds from initial public offering (as set out in the Prospectus)	Planned usage of net proceeds from initial public offering (as set out in the Prospectus) (RMB'000)	Amount unused as at 1 January 2021 (RMB'000)	Amount used for the year (RMB'000)	Amount	Estimated schedule
					unused as at 31 December 2021 (RMB'000)	
Acquisition of power-related assets	40%	152,193	152,193	-	152,193	2022
Construction and optimization of power grid	30%	114,145	4,947	4,947	-	N/A
Establishment of centralized power dispatching and control center and promotion of smart grid system	20%	76,097	-	-	-	N/A
Working capital	10%	38,048	3,907	481	3,426	2030
Total	100%	380,483	161,047	5,428	155,619	

Note:

- (1) The estimated schedule for utilizing the remaining proceeds is based on the best estimation made by the Group on future market condition and may change with the current market condition and future development.

As of 31 December 2021, the unused net proceeds from the Global Offering for each business strategy mentioned in the above table have been deposited as deposits in licensed banks in China and will be used in accordance with the progress of the Company's investment projects. As disclosed in the Prospectus, the Company intended to use 40% of the unused net proceeds for the acquisition of power-related assets. However, due to the outbreak of COVID-19 pandemic and the social restrictions caused by regional epidemic prevention and blockade measures, the intended investment project was unable to complete as scheduled considering that both parties of the transaction have not reached an agreement on the transaction conditions as the progress of the investigation and research work related to the project failed to meet the expectation. It is expected to be postponed to the end of 2022 to complete the acquisition of power-related assets. The Company will accelerate the progress of the project and improve the efficiency of the use of proceeds.

The net proceeds from the Global Offering have been and are expected to be used as previously disclosed in the Prospectus. As of 31 December 2021, save as the delay in the acquisition of power-related assets, there have been no major changes or delays in the usage or use of the net proceeds of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

6. CAPITAL COMMITMENTS

We have certain capital commitments relating to the construction of our centralized power dispatching and control center. We will undertake those classified as authorized but not contracted for if our management has identified potential capital commitments and has determined that it is more likely to make the commitment.

The following table sets forth our capital commitments outstanding for the periods indicated:

	As at 31 December	
	2021 (RMB'000)	2020 (RMB'000)
Contracted for	91,909	68,994

7. SIGNIFICANT INVESTMENTS HELD, MAJOR ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2021, we did not have any significant investments held, nor were there acquisitions and disposals of subsidiaries, associates and joint ventures.

8. PLEDGES OF OUR GROUP'S ASSETS

No property, plant and equipment were pledged to banks as at 31 December 2021 (31 December 2020: nil).

9. FOREIGN EXCHANGE RISK

Our Group does not currently hedge its exposure to foreign currencies and recognises the profits and losses resulting from fluctuations as and when they arise. The Group carries out business in the PRC and receives revenue and pay its costs/expenses in RMB. The Group distributes dividends in Hong Kong dollar.

10. CONTINGENT LIABILITIES

As at 31 December 2021, our Group did not have any contingent liabilities (31 December 2020: nil).

11. MAJOR INVESTMENT PLAN

We plan to expedite the construction of the high pressure level power grids, including the investment in the construction of a new 110 kV power transmission and distribution project in Dahe of Xingwen County, which obtained investment approval in January 2022. We plan to build one 110 kV substation and one main transformer with a capacity of 50,000 kVA. The total investment is RMB58.98 million, 40% of which are self-raised funds and 60% of which are bank loans. The project is expected to be completed by June 2023 in order to improve the power supply and support capabilities, operational efficiency and service level of the regional power grid.

MANAGEMENT DISCUSSION AND ANALYSIS

12. EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, the Company had a total of 2,880 full-time employees (31 December 2020: 3,006). The related employee costs (including Directors' fees) for the year were approximately RMB421.4 million. The Company believes that attracting, recruiting and retaining high-quality employees is essential to the success of the Company. Our employee compensation is determined based on current industry practices and employees' educational background, experience and performance. The Company has contributed to a number of employee social security plans managed by local governments for employees, including housing provident funds, pensions, medical insurance, social insurance and unemployment insurance, etc., which are vested in the employees and will not be confiscated by the Company when they leave the Company. Accordingly, there are no forfeited contributions under the employee social security plans which may be used by the Group to reduce its existing level of contributions during the year ended 31 December 2021. The Group also provides employees with adequate job training. To attract outstanding employees, the remuneration committee under the Board regularly reviews employees' remuneration policies and benefits.

13. ALIGNMENT IN PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES AND CHANGE OF AUDITOR

In order to improve working efficiency, lower disclosure costs and audit costs, on 20 April 2021, the Board resolved to propose to the Company to change the international financial reporting disclosure standards from the International Financial Reporting Standards to China Accounting Standards for Business Enterprises. On the same date, the Board also proposed to (i) cease to re-appoint the international auditor of the Company and (ii) select an appropriate firm of practicing accountants which has been approved by the Ministry of Finance of the People's Republic of China and the China Securities Regulatory Commission and eligible to provide auditing services by using the China Standards on Auditing to the Mainland China incorporated issuers listed in Hong Kong to be the Company's auditor for 2021 to undertake other responsibilities of international auditor which are required by the Listing Rules. The above resolutions were proposed and approved at the annual general meeting of the Company held on 18 June 2021, and KPMG Huazhen LLP (the "KPMG Huazhen") has been appointed as the auditor of the Company for 2021. The financial statements and annual results of the Company for the year ended 31 December 2021 have been prepared under the China Accounting Standards for Business Enterprises and relevant requirements. The Company is of the view that the preparation of all of its financial statements in accordance with the China Accounting Standards for Business Enterprises and relevant requirements will not have a significant impact on the financial position, operating results and cash flows of the Company in 2021 and in the future.

Please refer to the announcements dated 20 April 2021 and 17 May 2021 as well as the circular dated 18 May 2021 of the Company for details.

14. SUBSEQUENT EVENTS

Except for the distribution of dividends, there are no material events affecting the Company or any of its subsidiaries after 31 December 2021 and up to the date of this report.

15. IMPACT OF COVID-19 PANDEMIC ON THE COMPANY

On the whole, COVID-19 pandemic had no significant impact on the Company's financial position and operation performance for this year. Our Group strengthened management of receivables during the year, formulated policies about receivables management and assessment, all of which improved receivable turnover in 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

16. OUTLOOK

According to the 14th Five-Year Plan formulated for the country and the industry, we will proactively define development strategies and report to our Shareholders and the Board for decision-making. Dedicated to the goal of building our Company into a first-class domestic modern integrated energy service provider with a focus on power supply at the end of the 14th Five-Year Period, the Company will put emphasis on promoting reform, further enhance capital efficiency, improve corporate management system, and consolidate the foundation for stable power supply to guarantee the successful accomplishment of major issues, tasks and projects.

(1) Striving for further improvement in operating performance with a commitment to reform and innovation

Firstly, the Company will complete its three-year reform, stimulate innovation drive, unlock growth potential and bolster corporate dynamics, with a view to constantly creating new landscape for sustainable development. Secondly, it will focus on the formulation of the strategic planning for the 14th Five-year Period, and based on such blueprints, further improve grid structure, vigorously explore the “power source + power grid” business model, and expedite the transformation from traditional grids to intelligent new grids featuring source-grid-load-storage integration. Thirdly, the Company will proactively grasp opportunities brought about by the “carbon peak and carbon neutrality” campaign, earnestly implement the industrial layout requirements for the development of the low-carbon and green economy, and accelerate the pace of optimization and upgrading of industrial structure and low-carbon transformation of energy mix. Fourthly, it will attach great importance to capital operations, maintain accurate insight into the basic principle underlying quality development, and identify other mergers and acquisitions opportunities in the market, in a move to strengthening the profitability of the Company and broadening its prospects in the capital market.

(2) Endeavoring to further promote security standards leveraging coordinated development

Firstly, the Company will continue to emphasize safety production responsibilities. It will conscientiously implement the new Safety Production Law, and establish safety production responsibilities and working requirements for the primary staff in line with the list-based management requirements. Secondly, the Company will keep inspecting and rectifying safety hazards. Focusing on the three-year planning on power generation safety special rectification, it will cement the foundation of safety management, and further promote security standards. Thirdly, it will persist in normalization of COVID-19 prevention, maintain close track of anti-COVID-19 information relating the Company, effectively implement coordination and deployment, and earnestly conduct pandemic monitoring, in a bid to guard the primary defense in pandemic containment.

(3) Sparring no efforts in enhancing corporate governance via improvement of quality and efficiency

Firstly, the Company will enhance the law-based governance standards. It will carry out in-depth Mr. Xi Jinping’s rule-of-law ideology, and establish and optimize the unified and effective regulatory system with complete coverage and specific contents, as well as compliance management mechanism with clearly defined duties, focused highlights and standard procedures. Secondly, the Company will enhance its management capacity. It will embrace world leading management enhancement practices, take thorough reference from the “eight commitments and eight abilities” initiative, vigorously boost the construction of management systems and capabilities, and effectively improve management level. Thirdly, the Company will strengthen talent efficiency, further optimize talent mix, build up employee quality and reinforce talent pool to support the development of the Company. Besides, it will proactively explore the market-oriented remuneration incentive system of non-grid companies, so as to tap into the guiding role of remunerations in incentive and constraint.

MANAGEMENT DISCUSSION AND ANALYSIS

(4) Seeking to improve service quality with a focus on the customer-oriented strategy

Firstly, the Company will considerably consolidate the power supply foundation. Based on the existing grid network of the Company, it will earnestly promote inspection by unmanned aerial vehicles, forest fire prevention facilities, tripping lightning arresters and other technologies, and comprehensively advance the construction of production management system, distribution automation system and substation intelligent inspection system, thereby further enhancing the power grid resource allocation, security guarantee and intelligent interaction capacity. Secondly, it will improve deployment and management. The Company will give full play to the coordination of regional power grid networking and Yibin Comprehensive Information Dispatching Center, and meticulously prepare its power grid dispatching operation plan, so as to further enhance the safe and economic operation of power grids, power supply safeguard and overall planning. Thirdly, it will comprehensively rectify the inadequate power supply services. For the prominent issues complained by the users, it will formulate a systematic long-term remediation work plan. Fourthly, the Company will comprehensively improve the service standards. It will constantly optimize service means and standards, and proactively promote the “online case acceptance” and “unified online services”, to effectively improve user satisfaction and sense of fulfillment. In addition, it will continue to optimize the 96598 service hotline, formulate service assessment methods that are in line with the actual situation of the Company, and standardize the power utilization services.

(5) Dedicated to promoting Party building while following the ideological leadership of the Party

We will hold fast to the overall requirements of Party building in the new area, capitalize on the political advantages of state-owned enterprises and expedite quality development leveraging remarkable Party building. Upholding the spirit of the Sixth Plenary Session of the 19th CPC Central Party Committee, we will continue to strengthen construction of political ideologies, management team, culture, discipline and the masses, aiming to provide strong ideological guarantee, spiritual driving force and cultural sustainment for the reform and development of the Company.

REPORT OF THE BOARD OF DIRECTORS

In 2021, the Board of Sichuan Energy Investment Development Co., Ltd., in strict accordance with the Company Law, the Listing Rules, the Articles of Association and other relevant laws and regulations, performed its duties in a diligent and faithful manner, carried out the decisions passed at the general meeting, formulated plans for operations and development and focused on the power system reform. All Directors offered suggestions to the Company by leveraging their expertise, providing support for the steady and rapid development of the Company. The work of the Board in 2021 is reported as follows:

PRINCIPAL BUSINESS

The Group is a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation and power distribution and sales. We have a relatively stable user base and a complete power supply network in Yibin City, which allows us to optimize the balanced use of power resources within the power supply network through efficient allocation of electricity. Our current businesses consist of (i) power business, which includes power production, distribution and sales of power which can be divided into general power supply business and incremental power transmission and distribution business; and (ii) EECS business, which consists of power engineering construction services and sales of electrical equipment and materials.

DIVIDEND POLICY

The Company may declare and pay dividends by way of cash or stock or a combination of both. Distribution of dividends will be determined by the Board at its discretion and will be subject to Shareholders' approval. A decision to declare or to pay any dividends, and the amount of any dividends, will depend on, among other things, our operating results, cash flows, financial condition, operating and capital expenditure requirements, distributable profits as determined under generally accepted accounting principles of the PRC (the "PRC GAAP") or IFRS (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC laws and regulations and other factors that our Directors may consider relevant. In any event, the Company will pay dividends out of the profit after tax only after the following allocations is made:

- recovery of accumulated losses, if any;
- allocation to the PRC statutory reserve an amount equivalent to 10% of our profit after tax, as determined under PRC GAAP; and
- allocation, if any, to a discretionary common reserve fund an amount approved by the shareholders at a general meeting.

The minimum allocation to the PRC statutory reserve is 10% of the profit after tax, as determined under PRC GAAP. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocation to this PRC statutory reserve will be required. Any distributable profits that are not satisfied in any given year will be retained and become available for distribution in subsequent years.

DIVIDENDS AND DISTRIBUTION

The Board proposed to declare a final dividend of RMB0.12 per Share (tax inclusive) for the year ended 31 December 2021 to Shareholders whose names appeared on the register of members on 28 June 2022, with the total amount of dividend amounting to approximately RMB128,922,924. The declaration of dividend shall be subject to approval by Shareholders at the Annual General Meeting, and the final dividend will be paid on or before 20 July 2022. As at the date of this annual report, the Company was not aware of any arrangements pursuant to which any Shareholder had waived or agreed to waive any dividends.

For the distribution of dividends, dividends for holders of Domestic Shares and Unlisted Foreign Shares will be distributed and paid in RMB, while dividends for holders of H Shares will be declared in RMB but paid in HK\$. The exchange rate adopted for conversion was the average of the medium conversion price between RMB and HK\$ as announced by China Foreign Exchange Trading Center for the calendar week immediately prior to 24 March 2022, being the date of proposed declaration of dividend (i.e. 17 March 2022 to 23 March 2022) (HK\$1.0 to RMB0.8123). Accordingly, the amount of the final dividends payable in HK\$ will be HK\$0.14773 per Share.

REPORT OF THE BOARD OF DIRECTORS

FINAL DIVIDEND INCOME TAX APPLICABLE TO OVERSEAS SHAREHOLDERS

Under the relevant tax rules and regulations of the PRC (collectively the “**PRC Tax Law**”), the Company is required to withhold enterprise income tax at the rate of 10% when distributing final dividends to non-resident enterprises (such term shall have the meaning as defined under the PRC Tax Law) whose names appear on the H shares register of members of the Company.

In accordance with the PRC Tax Law, the Company is also required to withhold individual income tax when distributing final dividends to individual shareholders whose names appeared on the H shares register of members of the Company. The Company will determine the country of domicile of the individual H Shareholders based on the registered addresses as recorded in the H shares register of members of the Company on the Record Date with details as follows:

For individual H Shareholders who are Hong Kong and Macau residents and those whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them.

For individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of them. If such individual H Shareholders would like to apply for a refund of the additional amount of tax withheld and paid, the Company may make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the tax treaties.

For individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of higher than 10% but lower than 20%, the Company would withhold and pay the individual income tax at the agreed-upon effective tax rate on behalf of them.

For individual H Shareholders who are residents of those countries without any tax treaties with the PRC or having tax treaties with the PRC stipulating a dividend tax rate of 20% or more and other situations, the Company would withhold and pay the individual income tax at a tax rate of 20% on behalf of them.

Should H Shareholders have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax implications in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

The Company will strictly comply with the requirements of relevant government departments, and will withhold and pay the enterprise/individual income tax on behalf of its shareholders whose names appear on the H-share register of the Company on the record date. The Company will take no responsibility and will reject any requests from shareholders whose identity cannot be confirmed within the specified time or cannot be confirmed at all or any disputes arising from the arrangement of withholding tax or paying tax. However, the Company may provide assistance to the extent of its ability.

REPORT OF THE BOARD OF DIRECTORS

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 18 May 2022 to 17 June 2022 (both days inclusive), during which period no transfer of Shares will be effected. In order to be qualified to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Shareholders of H Shares) for registration by holders of H Shares, or to the Company's registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC for registration by holders of Domestic Shares and Unlisted Foreign Shares (for Shareholders of Domestic Shares and Unlisted Foreign Shares) no later than 4:30 p.m. on 17 May 2022.

In order to determine the entitlement of Shareholders for the final dividend, subject to the approval of the Shareholders at the Annual General Meeting, the register of members of the Company will be closed from 23 June 2022 to 28 June 2022 (both days inclusive), during which period no transfer of Shares of the Company will be effected. The Company will distribute final dividends to Shareholders whose names appear on the register of members of the Company on 28 June 2022. In order to be qualified to obtain final dividends, all transfers accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, namely Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by holders of H Shares, or to the Company's registered office at No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC for registration by holders of Domestic Shares and Unlisted Foreign Shares no later than 4:30 p.m. on 22 June 2022.

BUSINESS REVIEW

The business review and performance of the Company for the year ended 31 December 2021 are set out in the section headed "Management Discussion and Analysis" of this annual report. The discussion forms part of this Report of the Board of Directors.

FINANCIAL REVIEW

The financial review of the Company for the year ended 31 December 2021 are set out in the section headed "Management Discussion and Analysis" of this annual report. The discussion forms part of the Report of the Board of Directors.

CORPORATE GOVERNANCE

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

SHARE CAPITAL

Details of the changes in the share capital of the Company during the year ended 31 December 2021 are set out in note V.27 to the consolidated financial statements of this annual report.

CAPITAL RESERVE, SPECIFIC RESERVE AND SURPLUS RESERVE

Details of the changes in the Company's capital reserve, specific reserve and surplus reserve during the year ended 31 December 2021 are set out in note V.28, 29 and 30 to the consolidated financial statements of this annual report.

RETAINED EARNINGS

As at 31 December 2021, the Company's retained earnings are approximately RMB699.5 million.

FIXED ASSETS

Details of the changes in the Company's property, plant and equipment during the year ended 31 December 2021 are set out in note V.12 to the consolidated financial statements of this annual report.

REPORT OF THE BOARD OF DIRECTORS

DONATION

During the year ended 31 December 2021, the Group's outward donations were RMB53,664.02.

DIRECTORS

During the year ended 31 December 2021 and up to the date of this annual report, the Board is composed of:

Xiong Lin	Chairman and Executive Director (appointed on 15 January 2021)
Zeng Yong	Chairman and Executive Director (resigned on 15 January 2021)
Li Hui	Deputy Chairman, Executive Director and General Manager
Xie Peixi	Executive Director
Han Chunhong	Non-executive Director
Li Yu	Non-executive Director
Lv Yan	Non-executive Director (appointed on 18 August 2021)
Xu Zhenhua	Non-executive Director (resigned on 18 August 2021)
Liang Hong	Non-executive Director (appointed on 18 August 2021)
Zhou Yanbin	Non-executive Director (resigned on 18 August 2021)
Kin Kwong Kwok Gary	Independent Non-executive Director
Li Jian	Independent Non-executive Director (appointed on 18 August 2021)
Fan Wei	Independent Non-executive Director (resigned on 18 August 2021)
He Zhen	Independent Non-executive Director
Wang Peng	Independent Non-executive Director

The biographies details of the Directors are set out in the section headed "Directors, Supervisors and Senior Management" in this annual report and details for remuneration of Directors are set out in Note XIV.2 to the consolidated financial statements in this annual report.

INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the year ended 31 December 2021, except for the service contracts, there was no transaction, arrangement or contract of significance to the Company's business in which the Company, any of its subsidiaries, fellow subsidiaries or holding companies was a party, and in which none of the Directors, Supervisors or entities connected with them have or had directly or indirectly material interests.

MANAGEMENT CONTRACT

During the year ended 31 December 2021, the Company did not enter into nor did the Company have any existing contracts for the management and operation of all or part of the Company's material businesses.

DIRECTORS' AND SUPERVISORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 December 2021, none of the Company, controlling shareholders or the companies under the same controlling shareholders with the Company was a party of any arrangement to entitle the Directors and Supervisors of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of them.

REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACT

Each of the executive Directors, non-executive Directors and the independent non-executive Directors has entered into a service contract with the Company which is consistent with the term of the fourth session of the Board of the Company. The service contract may be renewed in accordance with the Articles of Association and applicable laws, rules and regulations.

The Supervisors have entered into contracts with the Company which is consistent with the term of the fourth session of the Supervisory Committee, in respect of, among other things, the compliance with the relevant laws and regulations, the Articles of Association and the provisions on arbitration.

During the year of 2021, none of the Directors or Supervisors has entered into any service contract with the Company which does not expire or is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND SUPERVISORS

Details for remuneration of Directors and Supervisors are set out in note XIV.2 to the consolidated financial statements in this annual report.

DETERMINATION OF AND BASIS FOR DETERMINATION OF REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of 31 December 2021, there were 11 Directors in the Company, including four non-executive Directors who did not receive remuneration from the Company; four independent non-executive Directors, among whom Mr. Kin Kwong Kwok Gary, Ms. He Zhen, Mr. Wang Peng and Prof. Li Jian received remuneration from the Company, for which the remuneration shall be subject to the remuneration standards approved by the general meeting; and three executive Directors, including Mr. Xiong Lin, Mr. Li Hui and Ms. Xie Peixi who did not receive separate directors' fees for their office as executive Directors while receiving the corresponding remuneration for their management-level positions in the Company.

There were six Supervisors in the Company, including two employee Supervisors who received the corresponding remuneration for their posts while not receiving remuneration for Supervisors, and the other four Supervisors who had not received any remuneration from the Company.

Annual remuneration system is applied for the senior management of the Company, where their remuneration consists of basic remuneration, annual performance pay, tenure incentives, medium-and-long-term incentives and bonuses.

Details of the remunerations of the Directors and five highest paid individuals during the Reporting Period are disclosed in note XIV.2 and note XIV.3 of the notes to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2021, to the best knowledge of the Board, none of the Directors of the Company and their respective associates was interested in any business which competed or was likely to compete with the business of the Group, or caused or was likely to cause any other conflict of interest to the Group.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, according to the information obtained by the Company and to the best knowledge of the Company, none of our Directors, Supervisors or chief executives of the Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO, nor is any of them taken to or deemed to have under Divisions 7 and 8 Part XV of the SFO, any interests and short positions in the shares, underlying shares and debentures of the Group or any of its associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be registered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE BOARD OF DIRECTORS

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2021, within the knowledge of the Directors, the following persons (other than the Directors, Supervisors or chief executive of the Company) had an interest or a short position in the shares or underlying shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Class of Shares	Number of Shares (Note 1)	Long position/ short position	Percentage of total Shares (%)	Percentage of Shares of the same class issued (%)
Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限公司) (Note 2)	Beneficial owner and interest of controlled corporations	Domestic Shares	419,336,000	Long	39.03	59.27
Sichuan Energy Investment Group Co., Ltd.* (四川省能源投資集團有限公司) (Note 2)	Interest of controlled corporations	Domestic Shares	394,398,400	Long	36.71	55.74
Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司)	Beneficial owner	Domestic Shares	394,398,400	Long	36.71	55.74
China Power International Development Limited (中國電力國際發展有限公司)	Beneficial owner	Unlisted Foreign Shares	98,039,200	Long	9.13	100
China Three Gorges Corporation* (中國長江三峽集團有限公司) (Note 3)	Interest of controlled corporations	Domestic Shares	98,039,200	Long	9.13	13.86
Three Gorges Capital Holdings Company Limited* (三峽資本控股有限責任公司)	Beneficial owner	Domestic Shares	98,039,200	Long	9.13	13.86
Gao County State-owned Assets Operation and Management Co., Ltd.* (高縣國有資產經營管理有限責任公司)	Beneficial owner	Domestic Shares	92,406,000	Long	8.60	13.06
Yibin Development Holding Group Co., Ltd.* (宜賓發展控股集團有限公司)	Beneficial owner	Domestic Shares	65,359,500	Long	6.08	9.24
Tian Qiu (田秋) (Note 4)	Interest of controlled corporations and interest of spouse	H Shares	62,146,000	Long	5.78	23.12
Wang Wenxiang (王文香) (Note 4)	Interest of controlled corporations and interest of spouse	H Shares	62,146,000	Long	5.78	23.12
Sichuan Jinneng Energy Group Co., Ltd.* (四川金能能源集團有限公司) (Note 4)	Interest of controlled corporations	H Shares	62,146,000	Long	5.78	23.12
Jinneng Holding (Hong Kong) Limited	Beneficial owner	H Shares	62,146,000	Long	5.78	23.12
Beijing Forever Technology Company Limited* (北京恒華偉業科技股份有限公司)	Beneficial owner	H Shares	55,366,000	Long	5.15	20.60
Sichuan Provincial Investment Group Company Limited* (四川省投資集團有限責任公司) (Note 5)	Interest of controlled corporations	H Shares	46,326,000	Long	4.31	17.23
SCIG International Limited	Beneficial owner	H Shares	46,326,000	Long	4.31	17.23
Sichuan Furun Enterprise Reorganization Investment Co., Ltd.* (四川富潤企業重組投資有限責任公司)	Beneficial owner	H Shares	31,072,000	Long	2.89	11.56

REPORT OF THE BOARD OF DIRECTORS

Notes:

1. As at 31 December 2021, the Company has issued 707,518,500 Domestic Shares, 98,039,200 Unlisted Foreign Shares and 268,800,000 H Shares. The total number of issued Shares was 1,074,357,700 shares.
2. As at 31 December 2021, Hydropower Group held 394,398,400 Domestic Shares and Hydropower Group is held as to 77.74% of equity interest by Energy Investment Group which is in turn wholly owned by Sichuan Development. Therefore, Energy Investment Group is deemed to be interested in 394,398,400 Domestic Shares held by Hydropower Group pursuant to Part XV of the SFO; Sichuan Development is also deemed to be interested in the said 394,398,400 Domestic Shares. In addition, Sichuan Development directly held 24,937,600 Domestic Shares of the Company, thus Sichuan Development was deemed to hold a total of 419,336,000 Domestic Shares.
3. As at 31 December 2021, Three Gorges Capital Holdings Company Limited held 98,039,200 Domestic Shares. Three Gorges Capital Holdings Company Limited is directly wholly-owned by China Three Gorges Corporation. Therefore, according to Part XV of the SFO, China Three Gorges Corporation is deemed to be interested in 98,039,200 Domestic Shares.
4. As at 31 December 2021, Jinneng Holding (Hong Kong) Limited held 62,146,000 H Shares. Jinneng Holding (Hong Kong) Limited is directly wholly-owned by Sichuan Jinneng Energy Group Co., Ltd., which was owned as to 70% and 30% by Mr. Tian Qiu and Ms. Wang Wenxiang, respectively. In addition, Mr. Tian Qiu and Ms. Wang Wenxiang are couples. Therefore, according to Part XV of the SFO, Sichuan Jinneng Energy Group Co., Ltd. is deemed to be interested in 62,146,000 H Shares held by Jinneng Holding (Hong Kong) Limited. Mr. Tian Qiu and Ms. Wang Wenxiang are also deemed to be interested in the 62,146,000 H Shares above.
5. As at 31 December 2021, SCIG International Limited held 46,326,000 H Shares. SCIG International Limited is directly wholly-owned by Sichuan Provincial Investment Group Company Limited. Therefore, pursuant to Part XV of the SFO, Sichuan Provincial Investment Group Company Limited is deemed to be interested in 46,326,000 H Shares held by SCIG International Limited.

Save as disclosed above, as of 31 December 2021, the Company was not aware of any other persons (other than the Directors, Supervisors or chief executive of the Company) have an interest or a short position in the shares or underlying shares that would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept pursuant to Section 336 of the SFO.

CHANGES TO INFORMATION ON DIRECTORS AND SUPERVISORS

According to Rule 13.51B(1) of the Listing Rules, changes in information of Directors and Supervisors during the period from the date of the 2021 interim report up to the date of this report are as follows:

Mr. Kin Kwong Kwok Gary ceased to be the chief financial officer of a Hong Kong-based apparel company since November 2021.

After making specific enquiries by the Company and confirmed by the Directors and Supervisors, save as disclosed above, no other changes in the information of any Directors and Supervisors that are required to be disclosed pursuant to paragraphs (a) to (e) and paragraph (g) of Rule 13.51(2) of the Listing Rules have to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the above-mentioned periods.

REPORT OF THE BOARD OF DIRECTORS

NON-EXEMPT CONNECTED TRANSACTIONS

During the year ended 31 December 2021, the Group had the following connected transactions with its controlling shareholders or subsidiaries. As all of the applicable percentage ratios of the transactions contemplated under agreements (1) and (2) below on an aggregated basis are lower than 5%, they are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements set out in Chapter 14A of the Listing Rules.

(1) Subcontracting Agreements

On 25 February 2021, Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd.* (四川能投宜賓電力工程建設有限公司) ("**Sichuan Energy Investment Yibin Electricity Engineering**"), a wholly-owned subsidiary of the Company, entered into the Subcontracting Agreement I and Subcontracting Agreement II with Sichuan Energy Construction Engineering Group Co., Ltd.* (四川能投建工集團有限公司) ("**Sichuan Energy Construction**"), pursuant to which Sichuan Energy Construction agreed to subcontract to Sichuan Energy Investment Yibin Electricity Engineering the construction of the distribution lines and the installation and testing of the relevant power equipment for the Project I (the enhancement and upgrading of rural power grids of 10kV and below in Junlian County, phase two 2020) and the Project II (the enhancement and upgrading of rural power grids of 10kV and below in Gao County, phase two 2020), respectively. Sichuan Energy Construction shall pay consideration of RMB6,508,700 and RMB6,295,600, respectively, to Sichuan Energy Investment Yibin Electricity Engineering pursuant to Subcontracting Agreement I and Subcontracting Agreement II. As Sichuan Energy Construction is a subsidiary of Energy Investment Group, a controlling shareholder of the Company, it therefore is a connected person of the Company. Accordingly, the transactions contemplated under the Subcontracting Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 25 February 2021.

(2) Equipment Procurement Agreements

Between January and April 2021, Sichuan Energy Investment Yibin Electricity Engineering and two other wholly-owned subsidiaries of the Company, being Sichuan Energy Investment Junlian Electricity Co., Ltd.* (四川能投筠連電力有限公司) and Sichuan Yibin County Xuzhou District Changyuan Infrastructure Co., Ltd.* (四川宜賓市敘州區長源實業有限公司), entered into several equipment purchase agreements in a total amount of RMB1,290,980 ("**2021 Equipment Purchase Arrangement**") with Sun Technology Company Limited* (成都太陽高科技有限責任公司) ("**Sun Technology**"). Subsequently, on 16 July 2021, Sichuan Energy Investment Yibin Electricity Engineering entered into the Equipment Procurement Agreements with Sun Technology, pursuant to which Sun Technology agreed to supply certain equipment to Sichuan Energy Investment Yibin Electricity Engineering, including smart meter self-service scan code payment machines, voltage monitoring machines, electricity vending POS machines, multi-functional smart terminals and electricity vending card readers of an aggregate amount of RMB2,429,900 (inclusive of delivery fee and tax). As Sun Technology is a non-wholly owned subsidiary of Hydropower Group, it therefore is a connected person of the Company. Accordingly, the 2021 Equipment Purchase Arrangement and the transactions contemplated under the Equipment Procurement Agreements dated 16 July 2021 constitute connected transactions of the Company under Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 16 July 2021.

For the year ended 31 December 2021, the Group had the following connected transactions with its controlling shareholders or subsidiaries. As all of the applicable percentage ratios of the transactions contemplated under agreements (3) to (7) below on an aggregated basis exceed 5% but are lower than 25% and the total consideration exceeds HK\$10,000,000, the transactions contemplated thereunder constitute (i) disclosable transactions, which are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and (ii) connected transactions which are subject to the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

REPORT OF THE BOARD OF DIRECTORS

(3) EPC Contract in relation to Lianhua 220 kV transformer substation construction project in Xingwen County

On 17 May 2021, Sichuan Energy Investment Xingwen Electricity Co., Ltd.* (四川能投興文電力有限公司) (“**Xingwen Electricity**”), a wholly-owned subsidiary of our Company, entered into the EPC Contract with Sichuan Energy Construction and Southwest Electric Power Design Institute Co., Ltd. of China Power Engineering Consulting Group* (中國電力工程顧問集團西南電力設計院有限公司), an independent third party (collectively, the “**Contractors**”), pursuant to which, the Contractors agreed to provide engineering, procurement and construction services to Xingwen Electricity for the Lianhua 220 kV transformer substation construction project in Xingwen County. Upon receiving the independent Shareholders’ approval for the EPC Contract at the extraordinary general meeting held on 18 August 2021 in accordance with the Listing Rules, the construction period shall be 365 calendar days, commencing from the date of the work commencement notice issued by the supervisor of the project. The contract price of RMB88,383,170 is determined based on the estimated quantities of works for the project under the EPC Contract under which, the final settlement amount shall be subject to the completion settlement audit report issued by a third-party audit agency with corresponding audit qualifications entrusted by Xingwen Electricity. As Sichuan Energy Construction is a subsidiary of Energy Investment Group, one of our controlling shareholders, it therefore is a connected person of the Company. Accordingly, the transaction contemplated under the EPC Contract in relation to Lianhua 220 kV transformer substation construction project in Xingwen County constitutes connected transactions of the Company under Chapter 14A of the Listing Rules. For further details, please refer to the announcement and circular of the Company dated 17 May 2021 and 9 July 2021, respectively.

(4) EPC Contract

On 17 December 2021, Sichuan Energy Investment Yibin City Xuzhou Electricity Co., Ltd.* (四川能投宜賓市敘州電力有限公司) (“**Xuzhou Electricity**”), Sichuan Energy Investment Gao County Electricity Co., Ltd.* (四川能投高縣電力有限公司) (“**Gao County Electricity**”), Sichuan Energy Investment Gong County Electricity Co., Ltd.* (四川能投珙縣電力有限公司) (“**Gong County Electricity**”), Sichuan Energy Investment Junlian Electricity Co., Ltd.* (四川能投筠連電力有限公司) (“**Junlian Electricity**”), Sichuan Energy Investment Pingshan Electricity Co., Ltd.* (四川能投屏山電力有限公司) (“**Pingshan Electricity**”), Xingwen Electricity, being wholly-owned subsidiaries of the Company (collectively, the “**Implementation Units**”) and other EPC Contract Implementation Units entered into the EPC Contract with, among others, Hydropower Group, Sichuan Energy Construction and Sichuan Energy Investment Power Co., Ltd.* (四川能投售電有限責任公司) (“**Sichuan Energy Power**”), pursuant to which, Sichuan Energy Construction and Sichuan Energy Power agreed to provide engineering, procurement and construction services for the 10 kV and below project. The contract price of RMB619,347,209 (out of which the Implementation Units shall share RMB156,633,031) shall be subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company’s past experience and estimation, the final settlement amount of this transaction shall not be more than 15% of the said contract price. Hydropower Group is one of the controlling shareholders of the Company and certain Other EPC Contract Implementation Units are associates of Hydropower Group. Sichuan Energy Construction is a direct subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Sichuan Energy Power is a wholly-owned subsidiary of Hydropower Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sichuan Energy Construction, Sichuan Energy Power and certain Other EPC Contract Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the EPC Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 17 December 2021.

REPORT OF THE BOARD OF DIRECTORS

(5) Equipment and Materials Procurement Contract

On 17 December 2021, Xuzhou Electricity, Gao County Electricity, Gong County Electricity, Junlian Electricity, Pingshan Electricity, Xingwen Electricity, being wholly-owned subsidiaries of the Company (the Implementation Units) and other Equipment and Materials Procurement Contract Implementation Units entered into the Equipment and Materials Procurement Contract with, among others, Hydropower Group and Sichuan Energy Investment Materials Industry Group Co., Ltd* (四川能投物資產業集團有限公司) (“**Materials Industry Group**”), pursuant to which, Materials Industry Group agreed to provide procurement of equipment and materials service for the 10 kV and below project. The contract price of RMB655,776,239.19 (out of which the Implementation Units shall share RMB161,213,958.39) shall be subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company’s past experience and estimation, the final settlement amount of this transaction shall not be more than 15% of the said contract price. Hydropower Group is one of the controlling shareholders of the Company and certain Other Equipment and Materials Procurement Contract Implementation Units are associates of Hydropower Group. Materials Industry Group is a wholly-owned subsidiary of Energy Investment Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Materials Industry Group and certain Other Equipment and Materials Procurement Contract Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Equipment and Materials Procurement Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 17 December 2021.

(6) Construction Supervision Contract

On 17 December 2021, Xuzhou Electricity, Gao County Electricity, Gong County Electricity, Junlian Electricity, Pingshan Electricity, Xingwen Electricity, being wholly-owned subsidiaries of the Company (the Implementation Units) and other Construction Supervision Contract Implementation Units entered into the Construction Supervision Contract with, among others, Hydropower Group and Sichuan Yilian Construction Project Management Co., Ltd.* (四川億聯建設工程項目管理有限公司) (“**Sichuan Yilian**”), pursuant to which, Sichuan Yilian agreed to provide construction supervision service for the power grid consolidation and improvement project. The contract price of RMB7,352,100 (out of which the Implementation Units shall share RMB4,143,500) shall be subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company’s past experience and estimation, the final settlement amount of this transaction shall not be more than 15% of the said contract price. Hydropower Group is one of the controlling shareholders of the Company and certain Other Construction Supervision Contract Implementation Units are associates of Hydropower Group. Sichuan Yilian is indirectly held as to approximately 33.52% by Energy Investment Group, which is one of the controlling shareholders of the Company. Accordingly, Hydropower Group, Sichuan Yilian and certain Other Construction Supervision Contract Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Construction Supervision Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 17 December 2021.

(7) Automation EPC Contract

On 17 December 2021, Xuzhou Electricity, Gao County Electricity, Gong County Electricity, Junlian Electricity, Pingshan Electricity, Xingwen Electricity, being wholly-owned subsidiaries of the Company (the Implementation Units) and other Automation EPC Contract Implementation Units entered into the Automation EPC Contract with, among others, Hydropower Group, Sun Technology and Beijing Forever Technology Co., Ltd (北京恆華偉業科技股份有限公司) (“**Beijing Forever**”), pursuant to which, Sun Technology and Beijing Forever agreed to provide engineering, procurement and construction services for the power grid consolidation and improvement project. The contract price of RMB46,960,000 (out of which the Implementation Units shall share RMB12,743,115) shall be subject to completion and settlement audit report issued by an independent third party audit institution appointed by Hydropower Group. Based on the Company’s past experience and estimation, the final settlement amount of this transaction shall not be more than 15% of the said contract price. Hydropower Group is one of the controlling shareholders of the Company and certain Other Automation EPC Contract Implementation Units are associates of Hydropower Group. Sun Technology is a direct subsidiary of Hydropower Group. Accordingly, Hydropower Group, Sun Technology and certain Other Automation EPC Contract Implementation Units are connected persons of the Company under Rule 14A.07 of the Listing Rules and the transactions contemplated under the Automation EPC Contract constitute connected transactions of the Company pursuant to Chapter 14A of the Listing Rules. For further details, please refer to the announcement of the Company dated 17 December 2021.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Yuqing Project EPC Contract (2019 to 2021)

On 29 November 2019, Gong County Electricity, a wholly owned subsidiary of the Company, entered into the Yuqing Project EPC Contract with Sichuan Energy Construction, a connected person, and Sichuan Electric Power Design & Consulting Co., Ltd.* (四川電力設計諮詢有限責任公司) (“**Sichuan Power Consulting**”), an independent third party, pursuant to which, Sichuan Energy Construction and Sichuan Power Consulting agreed to provide engineering, procurement and construction service to the Company for the Yuqing project (“**Yuqing Project**”) (the “**Yuqing Project EPC Contract**”). Sichuan Energy Construction is a subsidiary of Energy Investment Group and therefore is a connected person of the Company pursuant to 14A.07 of the Listing Rules.

The construction period is 180 calendar days, commencing from the date of the work commencement notice issued by Gong County Electricity to Sichuan Energy Construction and Sichuan Power Consulting.

The final consideration, comprising of construction and installation fee, equipment and materials procurement fee, survey and design fee and other fees related to the project, will be determined after the completion of construction, but in any event not exceed RMB21,047,745. The contract price is the bid price offered by the successful bidder after assessment by the bid evaluation committee (評標委員會), through public tender. The procedures for tender and bidding are subject to the Tender and Bidding Law (《招標投標法》) and other relevant laws and regulations.

The proposed annual caps for intended transactions under the Yuqing Project EPC Contract for the years ended 31 December 2019 and 31 December 2020 are RMB2,104,774.5 and RMB18,942,970.5, respectively. The annual caps were determined based on the following factors: the estimated construction schedule of the Yuqing Project under the Yuqing Project EPC Contract, according to which the major portion of the Yuqing Project completed during the year of 2020; and the maximum contract price, RMB21,047,745, of the Yuqing Project EPC Contract.

There was a delay in the commencement of the Yuqing Project and the construction progressed slower than expected resulting in delay in project completion. As a result, the Board resolved on 30 November 2020 to extend the construction period from 180 calendar days commencing from the date of issuance of the work commencement notice to Sichuan Energy Construction and Sichuan Power Consulting by the end of 31 December 2021 and renew the annual cap for the year ended 31 December 2021 at RMB5,000,000. The existing terms and conditions under the Yuqing Project EPC Agreement remain unchanged.

The renewed annual cap was determined based on (1) the actual amount of services rendered by the Yuqing Contractors under the Yuqing Project EPC Agreement up to October 2020; (2) delay in project construction attributable to, amongst others, the coronavirus and adverse weather conditions; and (3) an expected increase in the amount of compensation payable to the Group arising from the collapse of certain equipment foundation caused by adverse weather conditions and resources expensed in reviving certain subprojects.

For the year ended 31 December 2021, the actual transaction amount under the Yuqing Project was RMB1,827,108. Further details of the Yuqing Project are set forth in the announcement of the Company dated 30 November 2020.

REPORT OF THE BOARD OF DIRECTORS

(2) Leasing of Substations (2021)

On 19 April 2021, Sichuan Energy Investment Yibin Electricity Engineering (as lessor) entered into the Substations Leasing Agreement with Sichuan Changning Natural Gas Development Co., Ltd.* (四川長寧天然氣開發有限責任公司) (“**Changning Natural Gas**”) (as lessee), pursuant to which the former shall lease six temporary substations to the latter for a period beginning from 1 January 2021 and ending on the respective term of each of the six temporary substation rentals, but in any event no later than 31 December 2021.

The total rental under the Substations Leasing Agreement shall not exceed RMB4,801,537.5, which is a sum of the total lease payment of each of the six temporary substations based on their respective monthly rental multiplied by the respective number of months rental as stipulated under the Substations Leasing Agreement. Rental payment should be paid by Changning Natural Gas to Sichuan Energy Investment Yibin Electricity Engineering every three months.

The monthly rental rate of the six substations were determined on arm’s length basis and with reference to prevailing market rates, the tariffs for power transmission and distribution at the relevant locations, and the rent charged by Sichuan Energy Investment Yibin Electricity Engineering to other independent third parties. The current monthly rental rate offered by Sichuan Energy Investment Yibin Electricity Engineering to Changning Natural Gas shall not be lower than the rate offered to independent third parties.

On 17 December 2021, the annual cap for the year ended 31 December 2021 was adjusted from RMB4,801,537.50 to RMB5,078,937.50, which was based on 1) the actual rental of RMB4,801,537.50 paid by Changning Natural Gas to Sichuan Energy Investment Yibin Electricity Engineering during the period from 1 January 2021 to 19 December 2021; and 2) the estimated maximum rental of RMB277,400.00 payable by Changning Natural Gas to Sichuan Energy Investment Yibin Electricity Engineering for the period from 20 December 2021 to 31 December 2021 calculated on a pro rata basis with reference to the monthly rental and the number of days of such extended period.

For the year ended 31 December 2021, the actual transaction amount under the Substations Leasing Agreement was RMB4,494,635. Further details of the leasing of substations are set forth in the announcements of the Company dated 19 April 2021 and 17 December 2021.

As the Substations Leasing Agreement expired on 31 December 2021, on 28 December 2021 (after trading hours), Sichuan Energy Investment Yibin Electricity Engineering (as lessor) entered into the 2022 Substations Leasing Agreement with Changning Natural Gas (as lessee) to renew the 2021 Substations Leasing Agreement. Further details are set out in item (3) below.

(3) Renewal of Leasing of Substations (2022)

On 19 April 2021, Sichuan Energy Investment Yibin Electricity Engineering (as lessor) entered into the Substations Leasing Agreement with Changning Natural Gas (as lessee), pursuant to which the former shall lease six temporary substations to the latter for a period beginning from 1 January 2021 and ending on the respective term of each of the six temporary substation rentals, but in any event no later than 31 December 2021.

On 28 December 2021, after trading hours, Sichuan Energy Investment Yibin Electricity Engineering (as lessor) and Changning Natural Gas (as lessee) entered into the 2022 Substations Leasing Agreement to renew the 2021 Substations Leasing Agreement, pursuant to which the former shall lease six temporary substations to the latter from 1 January 2022 to 31 December 2022.

REPORT OF THE BOARD OF DIRECTORS

The annual cap of the transaction contemplated under the 2022 Substations Leasing Agreement for the one year ending 31 December 2022 is RMB6,169,000, being the total amount of rental payable under the 2022 Substations Leasing Agreement. According to the terms of the 2022 Substations Leasing Agreement, the lease of all six temporary substations to Changning Natural Gas will all expire within the year ending 31 December 2022.

The monthly rental rate of the six temporary substations were determined on arm's length basis and with reference to prevailing market rates, the tariffs for power transmission and distribution at the relevant locations, and the rent charged by Sichuan Energy Investment Yibin Electricity Engineering to other independent third parties. The current monthly rental rate offered by Sichuan Energy Investment Yibin Electricity Engineering to Changning Natural Gas shall not be lower than the rate offered to independent third parties.

(4) Electricity Purchases and Sales Agreement (2019 to 2021)

On 28 March 2019, Gong County Electricity, a wholly-owned subsidiary of the Company, entered into the Electricity Purchases and Sales Agreement with Yunnan Yiliangruiyuan Hydropower Development Co., Ltd* (雲南彝良瑞源水電開發有限公司) (“**Yiliangruiyuan Hydropower**”), pursuant to which, Yiliangruiyuan Hydropower agreed to supply electricity to the Group. Yiliangruiyuan Hydropower is an indirect subsidiary of Hydropower Group and Energy Investment Group, and therefore is a connected person of the Company pursuant to the 14A.07 of the Listing Rules.

The term of the Electricity Purchases and Sales Agreement is from the date of signing the agreement to 31 December 2021.

The proposed annual caps for intended transactions under the Electricity Purchases and Sales Agreement for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 are RMB16,640,000, RMB20,000,000 and RMB20,000,000, respectively. The annual caps were determined based on the following factors: the unit price of electricity to be sold under the Electricity Purchases and Sales Agreement; the estimated amount of annual gross electricity to be generated by the hydropower station of Yiliangruiyuan Hydropower (the “**Hydropower Station**”) which is calculated according to the rated output capacity of electricity generation and the annual utilization hours of the Hydropower Station, taking into account the effect of the water-sufficient and water-deficit seasons; the actual volume of the on-grid electricity per year calculated by deducting the estimated amount of electricity waste during the process of transmission from the amount of annual gross generation electricity of the Hydropower Station.

For the year ended 31 December 2021, the actual transaction amount under the Electricity Purchases and Sales Agreement was RMB12,124,316. Further details of the Electricity Purchases and Sales Agreement are set forth in the announcement of the Company dated 28 March 2019.

As the Electricity Purchases and Sales Agreement expired on 31 December 2021, on 28 December 2021 (after trading hours), Gong County Electricity entered into the renewed Electricity Purchases and Sales Agreement with Yiliangruiyuan Hydropower for a term of three years to renew the existing continuing connected transactions. Further details are set out in item (5) below.

(5) Renewal of Electricity Purchases and Sales Agreement (2022 to 2024)

On 28 March 2019, Gong County Electricity, a wholly-owned subsidiary of the Company, entered into the Electricity Purchases and Sales Agreement with Yiliangruiyuan Hydropower, pursuant to which, Yiliangruiyuan Hydropower agreed to supply electricity to the Group. The Electricity Purchases and Sales Agreement is valid for a term from the date of execution until 31 December 2021, and may be renewed upon expiration subject to requirements regarding continuing connected transactions under the Listing Rules. The Electricity Purchases and Sales Agreement expired on 31 December 2021.

On 28 December 2021, Gong County Electricity entered into the 2022 Electricity Purchases and Sales Agreement with Yiliangruiyuan Hydropower, for a fixed term of three years commencing from 1 January 2022 and ending on 31 December 2024, pursuant to which, Yiliangruiyuan Hydropower agreed to supply electricity to Gong County Electricity.

REPORT OF THE BOARD OF DIRECTORS

The unit price of electricity payable by Gong County Electricity shall be RMB0.32 per kwh (inclusive of tax), which is determined on the basis of the price of electricity Gong County Electricity purchased electricity from other relatively small independent third-party electricity suppliers in Yunnan Province, the PRC, and subject to the adjustment under Notice of the Sichuan Development and Reform Commission on Adjusting the Relevant Issues Concerning Electricity Price Policy for the Water-sufficient and Water-deficit Seasons and Peak and Off-peak Hours of the Power Grid in Sichuan Province* (《四川省發展改革委關於調整四川電網豐枯峰穀電價政策有關事項的通知》). The amount of purchase of electricity shall be the unit price of electricity, namely RMB0.32 per kwh, multiplied by the actual volume of on-grid electricity supplied by Yiliangruiyuan Hydropower to Gong County Electricity.

The parties have agreed that the purchases price of electricity of the 2022 Electricity Purchases and Sales Agreement shall be paid by Gong County Electricity in cash on a monthly basis.

The proposed annual caps of the transactions contemplated under the 2022 Electricity Purchases and Sales Agreement for the years ending 31 December 2022, 2023 and 2024 are RMB16,000,000.

The annual caps were determined based on the following factors: the unit price of electricity to be sold under the 2022 Electricity Purchases and Sales Agreement; the estimated amount of annual gross electricity to be generated by the Hydropower Station which is calculated according to the rated output capacity of electricity generation and the annual utilization hours of the Hydropower Station, taking into account the effect of the water-sufficient and water-deficit seasons; and the actual volume of the on-grid electricity per year calculated by deducting the estimated amount of electricity waste during the process of transmission from the amount of annual gross generation electricity of the Hydropower Station.

(6) Renewal of the Rural Power Grid Assets Management and Maintenance Agreement (2021 to 2023)

On 23 November 2018, the Company entered into the rural power grid assets management and maintenance agreement with Hydropower Group (one of the Company's controlling Shareholders), pursuant to which the Company agreed to provide management and maintenance services for the Excluded Rural Power Grid Projects in the Seven Counties and Districts to Hydropower Group (the "**Rural Power Grid Assets Management and Maintenance Agreement**"). The agreement has a term of three years from the Listing Date and is renewable upon expiration (subject to the requirement about continuing connected transactions contemplated under the Listing Rules). The agreement expired on 31 December 2020.

On 31 December 2020 (after trading hours), the Company entered into the Renewed Rural Power Grid Assets Management and Maintenance Agreement to renew the relevant existing continuing connected transaction with Hydropower Group for a term of three years, pursuant to which the Company agreed to continue to provide management and maintenance services for the Excluded Rural Power Grid Projects in the Seven Counties and Districts to Hydropower Group upon the expiry of the existing term.

The rate of annual service fees payable by Hydropower Group to the Company for the provision of management and maintenance services was determined based on arms' length negotiation between the parties with reference to the cost standards stipulated in the Cost Standards of Overhaul, Maintenance, Operation and Management for Power Grid and Generation of Electric Power Companies in Sichuan (Trial) (Chuan Dian Caiwu [2010] No. 29)* (《四川省電力公司電網及發電檢修運維和運營管理成本標準(試行)》(川電財務[2010] 29號)) and the prevailing market price at the time of signing the agreement, subject to PRC regulations and policies issued by the PRC government from time to time, details of which are set out below:

Type of Assets		Unit cost standard
Transformer substations (RMB/MVA)	35 kV transformer substations	6,452
	110 kV transformer substations	2,875
Power supply lines (RMB/km)	35 kV power transmission lines	3,637
	110 kV power transmission lines	4,704
Power distribution networks (RMB/km)	10 kV distribution networks	1,053

REPORT OF THE BOARD OF DIRECTORS

The actual service fees payable by Hydropower Group to the Company on an annual basis will be settled based on the actual services rendered and with reference to the unit cost standard mentioned above.

For each of the three financial years ending 31 December 2023, the proposed estimated annual caps of the transactions contemplated under the Rural Power Grid Assets Management and Maintenance Agreement are no more than RMB14,550,000, RMB18,020,000 and RMB20,530,000.

The renewed annual caps were determined based on (1) the actual amount of management and maintenance services the Company provided under the Rural Power Grid Assets Management and Maintenance Agreement for the two years ended 31 December 2019 and for the 11 months ended 30 November 2020; and (2) the anticipated increase of the services according to the construction progress and the volume of the power grid assets of the Excluded Rural Power Grid Projects.

For the year ended 31 December 2021, the actual transaction amount under the Rural Power Grid Assets Management and Maintenance Agreement was RMB12,874,317. Further details of the renewed Rural Power Grid Assets Management and Maintenance Agreement are set forth in the announcement of the Company dated 31 December 2020.

(7) Renewal of the Rural Power Grid Assets Usage Agreement (2021 to 2023)

On 23 November 2018, the Company entered into the rural power grid assets usage agreement with Hydropower Group, pursuant to which the Company was entitled to use the Excluded Rural Power Grid Projects (the “**Rural Power Grid Assets Usage Agreement**”). The agreement has a term of three years from the Listing Date and is renewable upon expiration (subject to the requirement about continuing connected transactions contemplated under the Listing Rules). The agreement expired on 31 December 2020.

On 31 December 2020 (after trading hours), the Company entered into the Renewed Rural Power Grid Assets Usage Agreement to renew the relevant existing continuing connected transaction with Hydropower Group for a term of three years, pursuant to which the Company will continue to be entitled to use the Excluded Rural Power Grid Projects controlled by Hydropower Group upon the expiry of the existing term.

The rate of annual usage fee was determined based on arms’ length negotiation between the parties with reference to the volume of the Group’s electricity passing through the power grids under the Excluded Rural Power Grid Projects multiplied by the unit usage price, being RMB0.1138/kWh. The formula for calculating the per kWh usage price is set out below:

$$\text{RMB0.5465/kWh}^{(1)} \times 20.82\%^{(2)} = \text{RMB0.1138/kWh}$$

Notes:

- (1) RMB0.5465/kWh refers to the electricity pricing standards in Sichuan Province under the Notice on the Price of Electricity Transmission and Distribution of Sichuan Grid for the Years from 1 July 2019 (Chuan Fagai Jiage [2019] No. 257)* (《四川電網目錄銷售電價表 (2019年7月1日起執行)》 (川發改價格[2019] 257號)) with reference to the average unit cost of power supply of electricity companies in Sichuan Province, and having considered factors including depreciation costs and operation costs, plus certain profit margin.
- (2) 20.82% refers to the estimated per kWh depreciation rate of the Excluded Rural Power Grid Projects arrived at with the depreciation costs divided by the total costs of the Company for power supply.

The actual usage fees payable by the Company to Hydropower Group on an annual basis will be settled based on the actual electricity sale and adopting the formula above.

REPORT OF THE BOARD OF DIRECTORS

For each of the three financial years ending 31 December 2023, the proposed estimated annual caps of the transactions contemplated under the Rural Power Grid Assets Usage Agreement are no more than RMB26,840,000, RMB30,220,000 and RMB34,090,000.

The renewed annual caps were determined based on (1) the expected development in the operation of the Excluded Rural Power Grid Projects; (2) the actual amount of usage fee under the Rural Power Grid Assets Usage Agreement for the two years ended 31 December 2019 and for the 11 months ended 30 November 2020; and (3) the expected increase in electricity sales in the relevant regions based on the anticipated increase in the volume of electricity in respect of the Excluded Rural Power Grid Projects.

For the year ended 31 December 2021, the actual transaction amount under the Rural Power Grid Assets Usage Agreement was RMB23,752,036. Further details of the renewed Rural Power Grid Assets Usage Agreement are set forth in the announcement of the Company dated 31 December 2020.

(8) Renewal of the Property Management Agreement (2021 to 2023)

On 1 January 2017 and in August 2017 and January 2018, the Company entered into the Property Management Agreement and a supplemental agreement with Sichuan Province Hydropower Group Baishiji Property Management Co., Ltd.* (四川省水電集團百事吉物業管理有限公司), currently renamed Sichuan Energy Investment Baishiji Industries Co., Ltd.* (四川能投百事吉實業有限公司) (“**Baishiji**”), pursuant to which Baishiji agreed to provide property management service to the Company. The agreement has a term of three years from the Listing Date and is renewable upon expiration (subject to the requirement about continuing connected transactions contemplated under the Listing Rules). The agreement expired on 31 December 2020.

On 31 December 2020 (after trading hours), the Company entered into the Renewed Property Management Agreement to renew the relevant existing continuing connected transaction with Baishiji for a term of three years, pursuant to which Baishiji agreed to continue to provide property management services to the Company upon the expiry of the existing term.

The service fees payable by the Company to Baishiji for the provision of property management services was determined based on the rates set out in the Property Management Agreement, which were arrived after arms’ length negotiation between the parties with reference to the market price level and factors such as the area of the properties, number of rooms, greening requirements, daily maintenance, government guided prices and the level of property management service fees for similar office buildings in the vicinity of Wenjiang District, Chengdu.

- (1) For property management service fees, the services include: comprehensive management service, etiquette service, gate service and public utilities and facilities service management (including intelligent integrated system, public security system, power supply and distribution system, public lighting system and water supply and drainage system), environmental sanitation services, greening and maintenance services, etc. The fee charged is calculated based on the unit rate per square meter of the construction area used by the Company.
- (2) For the special property management service fees, Baishiji shall provide administrative front-desk services based on the needs of the Company, and the remuneration structure is based on the remuneration standard applied in the same industry in Chengdu. The social insurance and housing provident fund shall be adjusted with reference to national policies and settled having regard to the actual circumstances.

The actual service fees payable by the Company to Baishiji shall be settled in accordance with the particular service provided, which varies from monthly to quarterly settlements.

For each of the three financial years ending 31 December 2023, the proposed estimated annual caps of the transactions contemplated under the Property Management Agreement are no more than RMB10,300,000 respectively.

The renewed annual caps were determined with reference to the actual amount of service fees paid under the Property Management Agreement for the two years ended 31 December 2019 and for the 11 months ended 30 November 2020, and taking into account the increase in future costs caused by factors such as the increase in the number of service personnel required for property services, increase in labour costs, increase in price costs and seasonal fluctuation of greening services.

REPORT OF THE BOARD OF DIRECTORS

The increase was mainly due to the increase in the number of entities of the Group receiving such services under the Renewed Property Management Agreement from four entities for the three financial years ended 31 December 2020 to seven entities for the three financial years ending 31 December 2023. Other factors leading to the increase of the annual cap include: (i) the increase of the service scope provided by Baishiji; and (ii) the expected increase of the Consumer Price Index in Sichuan and the social insurance payment base in 2022 and 2023. In addition, a certain degree of buffer has been reserved to flexibly cope with the unexpected growth in the demand for property management services in the next three years when the above annual caps were determined.

For the year ended 31 December 2021, the actual transaction amount under the Property Management Agreement was RMB3,952,505. Further details of the renewed Property Management Agreement are set forth in the announcement of the Company dated 31 December 2020.

REVIEW BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have reviewed the above-mentioned continuing connected transactions during the year and confirmed that such transactions were:

- (i) in the ordinary and usual course of business of the Company;
- (ii) carried out on normal commercial terms and no less favorable than those available or provided by an independent third party; and
- (iii) conducted in accordance with the terms of relevant agreements, which were fair and reasonable and in the interests of the Shareholders as a whole.

Save as disclosed above, none of the related-party transactions or continuing related-party transactions set out in note X to the consolidated financial statements in this annual report fall within the scope of discloseable connected transaction or continuing connected transaction under the Listing Rules. The connected and continuing connected transactions of the Group are in compliance with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

AUDITOR'S OPINION

The auditor of the Company has been appointed by the Company to issue a report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements No.3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (Revised) and with reference to the Practice Note No.740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reviewed the transactions in accordance with Rule 14A.56 of the Listing Rules and issued the letter of confirmation to the Board to confirm that as of 31 December 2021 regarding the above-mentioned continuing connected transactions, nothing has come to their attention that causes them to believe that:

- (i) such continuing connected transactions were not approved by the Board;
- (ii) if the transactions involve the provision of goods or services by the Group, they were not in all material respects in accordance with the Group's pricing policy;
- (iii) they were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; or
- (iv) they have exceeded annual caps.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the listed securities of the Company in 2021.

REPORT OF THE BOARD OF DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the total purchasing amount by the Company from five largest suppliers accounted for 43.15% of the total cost of sales amount for the year ended 31 December 2021, of which the purchasing amount from the largest supplier accounted for 28.99% of the total cost of sales amount for the year ended 31 December 2021.

During the year ended 31 December 2021, the total sales amount by the Company from five largest customers accounted for 15.54% of the total sales for the year ended 31 December 2021, of which the sales amount from the largest customer accounted for 8.11% of the total sales for the year ended 31 December 2021.

During the year ended 31 December 2021, to the knowledge of the Directors, none of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors own more than 5.0% of the Company's issued share capital) had an interest in any of the Company's top five customers or suppliers.

RELATIONSHIP WITH EMPLOYEES

The Company attaches importance to the construction of employee relationship through standardized and institutionalized management, adheres to the normative employment in accordance with the laws, and establishes harmonious labor relations. The Company was awarded as "AA Grade Model Enterprise with Harmonious Labor Relations in Chengdu" by Chengdu Tripartite Committee for Coordinating Labor Relations and "Model Pilot Unit for Comprehensive Reform of Harmonious Labor Relations at Provincial Level in Wenjiang District, Chengdu" by the Office of Tripartite Committee for Coordination of Labor Relations in Wenjiang District, Chengdu.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Company's business is based on customer-oriented culture and is committed to establishing a smooth communication and reporting mechanism with provincial, municipal, district and county governments. At the same time, it is very important to maintain good relationship with customers and suppliers for the Company's long-term development. Therefore, the Company has always been committed to providing customers with high-quality and high-level services.

PRE-EMPTIVE RIGHT AND EQUITY-LINKED ARRANGEMENTS

During the year of 2021, the Company had no pre-emptive right and equity-linked arrangements. There are no specific provisions under the PRC laws or the Articles of Association in relation to pre-emptive right.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company strictly complies with laws and regulations in relation to environmental protection and soil and water conservation, and advocates the development philosophy of lower carbon, energy conservation and environmental protection. In practice, the Company carries out environmental impact assessment regularly and implements the "three simultaneities" system of environmental protection during the construction process; actively introduces clean energy such as hydropower into the power grid during the production process; reduces transmission losses through various measures to achieve energy conservation and emission reduction. During the Reporting Period, the Company has repeatedly been inspected by the regional environmental protection administrative authorities and has no non-compliance records.

PUBLIC FLOAT

As at the date of this annual report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company maintained sufficient public float, which the public shareholders held not less than 25% of the issued share capital of the Company as required by the Listing Rules.

REPORT OF THE BOARD OF DIRECTORS

COMPLIANCE WITH NON-COMPETITION AGREEMENT

The controlling shareholders signed a non-competition agreement in favour of the Company on 7 December 2017 (the “**Non-competition Agreement**”). Pursuant to the Non-competition Agreement, each of the controlling shareholders has irrevocably undertaken to the Group that each of them would not, and would procure each of its respective associates (except any member of our Group) would not, directly or indirectly, carry on, participate or be interested or engaged in any business which is or may be in competition with the business of any member of our Group from time to time.

Hydropower Group, the direct controlling shareholder of the Group, agreed to grant the Group irrevocable options to acquire any and all of the excluded rural power grid projects in Seven Counties and Districts, which constitute part of the rural power grid construction project phase III and are controlled by Hydropower Group (the “**Excluded Rural Power Grid Projects**”) and the power generation and power supply businesses of Hydropower Group in Sichuan Province (except our power supply service area) (the “**Other Power Business**”).

Hydropower Group has agreed to grant the Group irrevocable right of first refusal. If Hydropower Group intends to transfer its interests in Excluded Rural Power Grid Projects and Other Power Businesses to any third party, the Group has the right of first refusal to acquire the Excluded Rural Power Grid Projects and Other Power Business at the considerations proposed by third-party valuers in accordance with applicable laws and regulations at the time.

If each of our controlling shareholders and its associates have any business which is or may be in competition with the business of any member of the Group from time to time (the “**Restricted Business**”), it will notify the Group immediately and assist the Group and the subsidiaries of the Group to obtain the business opportunities on the same terms or on more favorable terms.

For details, please refer to the section headed “Relationship with our Controlling Shareholders” in the Prospectus.

For the year ended 31 December 2021, the Company did not exercise the options, right of first refusal or the options for new business opportunities granted by the controlling shareholder(s). After considering the business scale and prospect, financial conditions and other related factors of the Group, and the current conditions of the Excluded Rural Power Grid Projects and the Other Power Business, the independent non-executive Directors decided not to exercise the options. Moreover, to the best knowledge of our controlling shareholders, no business opportunity of Restricted Business was offered to them and they had no intention to transfer its interest in the Excluded Rural Power Grid Projects and Other Power Business to any third party during the Reporting Period. The independent non-executive Directors have reviewed the information provided by the Company and the controlling shareholders regarding compliance with the Non-competition Agreement and determined that the controlling shareholder had fully complied with the Non-competition Agreement during the year of 2021.

RISKS

(1) Industry Policy Risk

Since the implementation of the market-oriented reform of the on-grid power tariff of coal-fired power generation, industrial and commercial users (including the former general industrial and commercial and other large-scale industrial categories) entered into the market, and the catalogue electricity tariff of industrial and commercial users has been cancelled, which will have a great impact on the Company’s business model and profitability.

(2) Operational Risk

The Company is transforming from a traditional electric power provider to an integrated energy service provider. However, the integrated energy service involves a variety of energy supplies, most of which are simply a physical combination without poor organic integration effect and thus generates low economies of scope. The economic efficiency of projects is significantly affected by resource conditions and local policies, which makes it challenging to improve the overall economic benefits of the integrated energy projects.

REPORT OF THE BOARD OF DIRECTORS

(3) Significant Investment Risk

The Company currently is at the rapid development stage and successively rolls out a broad array of significant investment projects and mergers and acquisitions projects. Whether the investment income will meet our expectations will have an impact on the future development of the Company.

(4) Financial Risk

1. Exchange rate risk: the Company primarily operates in mainland China and conducts business mainly in Renminbi. As at the end of 2021, the Company held a small amount of Hong Kong dollars. Fluctuation of Renminbi exchange rate against Hong Kong dollars will lead to certain exchange gains and losses on Hong Kong dollars held by the Company. In general, it has little impact on the Company's financial condition and operating performance.
2. Capital risk: the Company will increase investment activities during its course of development. Capital sufficiency will have a significant impact on the operation and development of the Company, and capital operations are exposed to relevant financial risk.

MATERIAL LEGAL PROCEEDINGS

During the year ended 31 December 2021, the Company had not been involved in any material legal proceedings nor arbitration.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

PERMITTED INDEMNITY

Subject to the Articles of Association, each Director of the Company shall be entitled to receive compensation from the Company for any losses that may be suffered or incurred. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against Directors of the Company as a result of the performance of his/her duties or in other aspects in connection with it.

AUDITOR

Given that the Company aligned in preparation of financial statements and disclosure of relevant financial information in accordance with China Accounting Standards for Business Enterprises commencing from 2021, the Board ceased to re-appoint KPMG as the international auditor of the Company on 20 April 2021, and appointed KPMG Huazhen LLP ("**KPMG Huazhen**") as the auditor of the Company for the year ended 31 December 2021 under the CASBE at the 2020 annual general meeting of the Company, while also undertaking other responsibilities of international auditor as required by the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited. The financial statements of the Company for the year ended 31 December 2021 have been audited by KPMG Huazhen.

On behalf of the Board

Xiong Lin
Chairman

Chengdu, 24 March 2022

REPORT OF THE SUPERVISORY COMMITTEE

1 BASIC COMPOSITION OF THE SUPERVISORY COMMITTEE

The Company established the Supervisory Committee on 8 September 2011. As of the date of this report, the Supervisory Committee consisted of six members, including Mr. Yan Yi, Mr. Peng Yu, Mr. Tang Hong, Ms. Li Jia, Mr. Liao Jun and Ms. Fu Ruoxue, of which Mr. Yan Yi was the chairman of the Supervisory Committee, Ms. Li Jia and Mr. Liao Jun are employee representative Supervisors. The term of office of the Supervisors is 3 years.

The Supervisory Committee is the Company's supervisory body. It strictly performs its duties in accordance with the Company Law, the Articles of Association and the Rules of Procedures of the Supervisory Committee, and is responsible for the Company's general meeting. It supervises the Company's finance, the Board of Directors and its members, and general managers and other senior management personnel, preventing their abuse of power and safeguarding the legitimate interests of Shareholders.

2 MEETINGS OF THE SUPERVISORY COMMITTEE

In 2021, the Supervisory Committee of the Company held four meetings, and reviewed 8 proposals such as the Working Report of the Supervisory Committee of Sichuan Energy Investment Development Co., Ltd. for 2020 and the Proposal in relation to the Deliberation of the 2020 Annual Budget Report. All Supervisors attended the meetings in person or by proxy, and there was no unexcused absence. For more details, please refer to "Corporate Governance Report" in this annual report.

3 THE SUPERVISORY COMMITTEE'S BASIC EVALUATION ON THE OPERATIONS CONDUCTED BY THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

During the Reporting Period, through supervising the Company's Directors and senior management, the Supervisory Committee believed that the Board of Directors strictly implemented the requirements of the Company Law, the Listing Rules, the Articles of Association and relevant laws and regulations, and operated according to law. The Company's major business decision-making procedures were legal and effective; when performing their duties, the Company's Directors and senior management earnestly implemented the laws and regulations of the PRC, the Articles of Association and the resolutions of general meeting and the Board, and there was no behavior that harmed the interests of the Company or Shareholders. No non-compliance committed by the Board or senior management was found during operations.

4 INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE OPERATION OF THE COMPANY

4.1 Independent Opinion on the Company's Legal Operation

The Supervisory Committee supervised the operation according to law, and believed that the decision-making procedures of the general meeting and the Board of Directors were legal. The Board and management team effectively executed each of the resolutions passed by the general meeting, which was in compliance with the relevant provisions of laws, regulations and the Articles of Association.

4.2 Independent Opinion on the Company's Financial Position

The Supervisory Committee supervised the Company's finances and believed that the Company's financial system was sound and its financial operations were in good condition. The Company strictly met the requirements of the accounting system and accounting standards for business enterprises and other relevant financial regulations.

REPORT OF THE SUPERVISORY COMMITTEE

4.3 Independent Opinion on the Company's Connected Transactions

The Supervisory Committee believed that the Company's connected transactions were strictly entered into in accordance with the relevant rules and agreements of connected transaction, and were in line with the principles of fairness and reasonableness, without prejudice to the interests of the Company and its Shareholders.

4.4 Independent Opinion on the Company's Performance of Social Responsibility

The Company made due contributions to economic development and environmental protection, earnestly fulfilled its due social responsibilities and safeguarded the interests of Shareholders, customers and employees.

5 WORK PLAN

In 2022, the Supervisory Committee will strictly comply with the relevant provisions of the Company Law, the Securities Law, the Listing Rules and the Articles of Association, continue to strengthen the implementation of supervisory functions in accordance with the requirements of the modern enterprise system, focusing on overseeing material business decisions, material asset acquisitions, foreign investment, management and utilization of the raised funds, and information disclosure, and supervise and urge the implementation of the resolutions of the general meeting and the Board of Directors to better safeguard the interests of Shareholders.

On behalf of the Supervisory Committee

Yan Yi

Chairman

Chengdu, 24 March 2022

CORPORATE GOVERNANCE REPORT

The Company is fully aware of the importance of maintaining high-standard corporate governance to increase shareholders' equity and enhance the performance of the Group. The Board reviews the Company's corporate governance practices from time to time to meet the expectations of stakeholders and comply with the increasingly stringent regulatory requirements, as well as to fulfill its commitment to adhere to good corporate governance. The corporate governance principles adopted by the Company for the year ended 31 December 2021 are set out as follows.

1. CORPORATE GOVERNANCE STRUCTURE

The Company conducts standard operation by strictly following applicable laws and regulations and regulatory documents such as the Company Law, the Securities Law and the Listing Rules as well as the Articles of Association. The Company has established an internal governance structure comprising the general meeting, the Board and its special committees, the Supervisory Committee and senior management and taken step-by-step measures to improve its system, specify the management mechanism and workflow. The Board and the management always follow good governance principles to manage the Company's business effectively, treat all Shareholders fairly and strive for the long-term, stable and growing return for all Shareholders. During the Reporting Period, the internal governance structure remained independent and efficient operation and performed their responsibilities and obligations effectively.

2. COMPLIANCE WITH THE PROVISIONS OF THE CORPORATE GOVERNANCE CODE

As a company listed on the Main Board of the Stock Exchange, the Company has adopted the Corporate Governance Code as its own code for corporate governance. During the period from 1 January 2021 to 31 December 2021, the Company has complied with all the applicable Corporate Governance Code provisions.

3. COMPLIANCE WITH THE PROVISIONS OF THE MODEL CODE BY DIRECTORS AND SUPERVISORS

The Company formulated and implemented an internal rule that is not below the standard of Model Code and adopted the rule as the code of conduct for the Company's directors and supervisors to purchase securities. Upon specific enquiries, no shares of the Company were held by Directors and Supervisors throughout the Reporting Period and there were no violations of regulations.

4. SHAREHOLDERS

4.1 Shareholders' rights

As stipulated in the Articles of Association, the procedures for Shareholders to convene the extraordinary general meeting, send enquiries and make proposals at the general meeting are as follows:

a) Convene extraordinary general meeting

Two or more shareholders who jointly hold 10% (inclusive) or more of the shares carrying the right to vote at the proposed meeting can request the Board to convene an extraordinary general meeting or class meeting by signing one or several copies of written request(s) in the same form and content, and stating the proposals. The Board shall convene the extraordinary general meeting or class meeting as specified in the request as soon as possible.

b) Make enquiries to the Board

Shareholders who intend to put forward their inquiries about the Company to the Board could email their inquiries to our Investor Relations Department at the email address: db@sctgf.com. The Company will not normally deal with verbal or anonymous inquiries.

CORPORATE GOVERNANCE REPORT

c) *Make proposals to the general meeting*

- (1) Shareholders individually or jointly holding over 3% of shares of the Company are entitled to put forward extraordinary proposals to the Board and submit them in writing 10 days before the convening of the general meeting.
- (2) When the Company convenes a general meeting, a written notice of the meeting shall be given 20 working days before the date of the meeting for annual general meeting and 15 days (or 10 working days, whichever is longer) before the date of the meeting for extraordinary general meeting, to notify all of the shareholders whose names appear in the share register of the matters to be considered and the date and place of the meeting. A shareholder who intends to attend the annual general meeting or the extraordinary general meeting shall deliver to the Company his/her written reply concerning his/her attendance at such meeting 10 days or 8 days before the date of the meeting.

4.2 General meeting

During the year ended 31 December 2021, the Company convened one annual general meeting and three extraordinary general meetings as follows:

Meeting	Date	Convening Method	Number of shareholders or their proxies in attendance	Shares represented (share)	Proportion
2021 first extraordinary general meeting	15 January 2021	On-site	8	766,666,500	71.36%
2020 annual general meeting	18 June 2021	On-site	14	977,799,700	91.01%
2021 second extraordinary general meeting	18 August 2021	On-site	11	507,747,700	77.52%
2021 third extraordinary general meeting	18 August 2021	On-site	11	927,083,700	86.29%

Relevant legal procedures were performed at the above general meetings to ensure shareholders' attendance and enforcement of right.

5. THE BOARD

5.1 Composition of the Board

As at the date of this report, the Board of the Company is composed of:

Xiong Lin	Chairman and Executive Director (appointed on 15 January 2021)
Li Hui	Deputy Chairman, Executive Director and General Manager
Xie Peixi	Executive Director
Han Chunhong	Non-executive Director
Li Yu	Non-executive Director
Lv Yan	Non-executive Director (appointed on 18 August 2021)
Liang Hong	Non-executive Director (appointed on 18 August 2021)
Kin Kwong Kwok Gary	Independent Non-executive Director
Li Jian	Independent Non-executive Director (appointed on 18 August 2021)
He Zhen	Independent Non-executive Director
Wang Peng	Independent Non-executive Director

There is no financial, business, family or other material relationship(s) among the Directors of the Company. The Company has independent non-executive Directors representing over one-third of the Board, one of whom is an accounting and financial management professional with a proper qualification, meeting the requirements of Rule 3.10 and Rule 3.10A of the Listing Rules.

Under the Articles of Association, the term of office of each Director (including non-executive Directors) is three years, which is renewable upon re-election. Each independent non-executive Director may not serve six consecutive years to guarantee its independence. As of the date of this annual report, the Company had received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each independent non-executive Director and the Company confirmed that all independent non-executive Directors are independent.

The Board of Directors exerts its leadership directly and indirectly through its committees, and provides guidance to the management and supervises the operation and financial performance of the Group by formulating strategies and overseeing the implementation of the strategies, so as to ensure a sound internal control and risk management system. The chairman has appointed the secretary of the Board of Directors to draft the agenda of each Board meeting. With the assistance of the executive Directors and the company secretaries, the chairman will ensure that all Directors are provided with sufficient and reliable information in a timely manner so that they can make necessary analysis based on their business expertise.

CORPORATE GOVERNANCE REPORT

5.2 Board meetings

During the year ended 31 December 2021, the Company convened 4 general meetings and 15 Board meetings in total, at which 118 proposals were considered and approved, as well as 5 Remuneration Committee meetings, 7 Audit Committee meetings, 2 Nomination Committee meetings and 1 Risk Control Committee meeting.

The attendance of each Director at general meetings, Board meetings and committee meetings, whether in person or by means of electronic communication, is detailed in the table below:

Director	Number of actual attendances/number of attendances as required					
	General Meeting	Board Meeting	Remuneration Committee Meeting	Risk Control Committee Meeting	Audit Committee Meeting	Nomination Committee Meeting
Zeng Yong (<i>Note 1</i>)	0/1	–	–	–	–	–
Xiong Lin (<i>Note 2</i>)	3/4	15/15	–	–	–	2/2
Li Hui (<i>Note 3</i>)	3/4	15/15	–	–	–	–
Xie Peixi	4/4	15/15	–	–	–	–
Han Chunhong	4/4	15/15	–	–	7/7	–
Li Yu	4/4	15/15	–	1/1	–	–
Xu Zhenhua (<i>Note 4</i>)	4/4	7/7	–	–	–	–
Lv Yan (<i>Note 5</i>)	–	7/8	5/5	–	–	–
Zhou Yanbin (<i>Note 6</i>)	4/4	7/7	–	–	–	–
Liang Hong (<i>Note 7</i>)	–	8/8	–	–	–	–
Kin Kwong Kwok Gary	4/4	15/15	–	1/1	7/7	–
Fan Wei (<i>Note 8</i>)	4/4	7/7	–	1/1	4/4	–
Li Jian (<i>Note 9</i>)	–	8/8	–	–	3/3	–
Wang Peng	4/4	15/15	5/5	–	–	2/2
He Zhen	4/4	15/15	5/5	–	–	2/2

Notes:

1. Mr. Zeng Yong resigned as a Director of the Company on 15 January 2021 and did not attend the 2021 first extraordinary meeting of the Company held on 15 January 2021 due to other work arrangements.
2. Mr. Xiong Lin was appointed as a Director on 15 January 2021.
3. Mr. Li Hui did not attend the 2021 first extraordinary meeting of the Company held on 15 January 2021 due to other work arrangements.
4. Mr. Xu Zhenhua resigned as a Director on 18 August 2021.
5. Ms. Lv Yan was appointed as a Director on 18 August 2021 and did not attend the third meeting of the fourth session of the Board held on 26 August 2021 due to other work arrangements, where she authorized Mr. Xiong Lin, a Director, to vote on her behalf.
6. Mr. Zhou Yanbin resigned as a Director on 18 August 2021.
7. Ms. Liang Hong was appointed as a Director on 18 August 2021.
8. Mr. Fan Wei resigned as a Director on 18 August 2021.
9. Prof. Li Jian was appointed as a Director on 18 August 2021.

CORPORATE GOVERNANCE REPORT

5.3 Directors' continuing professional training

The Company regularly arranges seminars and training for Directors and from time to time provides Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements. As of the year ended 31 December 2021, all Directors, namely Mr. Xiong Lin, Mr. Li Hui, Ms. Xie Peixi, Ms. Han Chunhong, Ms. Li Yu, Ms. Lv Yan, Ms. Liang Hong, Mr. Kin Kwong Kwok Gary, Prof. Li Jian, Ms. He Zhen and Mr. Wang Peng had received special training on insider information and training on notifiable transactions of equity securities under the Listing Rules, environmental, social and governance report. Directors actively participated in training and continuing professional development, learned and updated their knowledge and skills to make correct decisions for the development of the Company.

5.4 Directors and senior management's remuneration

Details for remuneration of Directors are set out in Note XIV.2 to the consolidated financial statements in this annual report.

During the Reporting Period, 13 senior management team members of the Company including Li Rui (the resigned former deputy general manager) were granted remunerations totaling RMB6.1387 million (before tax and including the Company's contribution in social insurance and housing provident funds) based on their salary payables covering the months they were in service.

The following table sets out the remuneration paid to senior management of the Company categorized by range during the year ended 31 December 2021 in this annual report:

Remuneration range <i>(RMB'000)</i>	Number of individuals
0-500	4
500-1,000	9

CORPORATE GOVERNANCE REPORT

5.5 Board and senior management

The Company's chairman and general manager are served by different persons. As at the date of the report, Mr. Xiong Lin acts as the chairman and Mr. Li Hui acts as the general manager of the Company. The Board and the management perform their respective functions and responsibilities with strict division of functions and powers and comply with the stipulations in the Articles of Association, Rules of Procedures for the Meetings of the Board of Directors, Rules for Work of General Manager and relevant laws and regulations.

1) Board

The Board exercises the following functions and powers:

- (1) to convene general meetings, to propose at a general meeting to pass the relevant matters and to report its work to the general meeting;
- (2) to implement the resolutions passed at the general meeting;
- (3) to decide the Company's operation and investment plans;
- (4) to formulate the Company's proposed annual preliminary and final financial budgets;
- (5) to formulate the Company's profit distribution plan and plan for recovery of losses;
- (6) to formulate proposals for increases or reductions of the Company's registered capital and issue of bonds or other securities and listing;
- (7) to draw up plans for the material asset acquisition or disposal, repurchase of shares of the Company or merger, division, dissolution and alternation of corporate form of the Company;
- (8) to decide on the establishment of the Company's internal management structure;
- (9) to appoint or remove the Company's general manager and secretary to the Board; to appoint or remove other senior management staff based on nomination from the general manager; and to determine the matters relating to the remuneration, incentives and punishments of the senior management staff;
- (10) to decide on the proposals for salaries, benefits, incentives and punishments of the Company's staff;
- (11) to draw up the Company's basic management system;
- (12) to draw up proposals for amendments to the Articles of Association;
- (13) to determine the establishment of the Company's domestic or overseas branches;
- (14) to decide on the matters such as merger, division, reorganization or dissolution of the Company's wholly-owned subsidiaries and controlling subsidiaries;
- (15) to decide on the establishment of special committees under the Board and to appoint or remove its person-in-charge;
- (16) to propose at general meetings a resolution in respect of candidates for independent non-executive directors and replacement of independent non-executive directors;

CORPORATE GOVERNANCE REPORT

- (17) to propose at general meetings for the appointment, renewal or removal of accountant's firm conducting auditing for the Company;
- (18) to hear the work report and inspect the work of the general manager;
- (19) to manage information disclosure of the Company;
- (20) to formulate the equity incentives plan;
- (21) to exercise decision-making powers on issues in respect of external investment (including increase in investment and equity transfer), financing, venture capital, entrusted wealth management, provision of external guarantees, save and except for those decisions to be made by the general meeting pursuant to the laws, regulations and the Articles of Association;
- (22) to formulate and review the corporate governance policy and practices of the Company;
- (23) to review and supervise the training and continuing professional development of directors, supervisors and senior management staff;
- (24) to review and supervise the policies and practices of the Company in compliance with legal and regulatory requirements;
- (25) to formulate, review and supervise the code of conduct and compliance manual (if any) applicable to employees and directors;
- (26) to review the Company's compliance with the Corporate Governance Code as set out in the Listing Rules of the Main Board and the disclosure in the Corporate Governance Report;
- (27) to decide on other major affairs of the Company, save for matters to be resolved at general meetings as required by the Company Law and the Articles of Association;
- (28) to exercise other powers conferred by the Articles of Association or general meetings;
- (29) other matters as required by the PRC laws and regulations.

The Board currently sets up four committees, namely, audit committee, remuneration committee, nomination committee, and risk control committee. All committees have drawn up rules of procedures and are responsible to the Board and provide suggestions and advisory opinions for Board's decision-making under the unified leadership of the Board.

During the Reporting Period, to make the Board's decision-making more scientific and promote its standard and efficient operation, the Board expanded channels of information communication and launched special surveys while strengthening communication with the senior management and closely paying an attention to material matters.

CORPORATE GOVERNANCE REPORT

2) *Senior Management*

The Company has one general manager, who is responsible to and report to the Board, and five vice general managers (at the end of the Reporting Period, there were four vice general managers), one chief financial officer (chief accountant), one chief engineer, one chief economist to assist the work of the general manager.

The general manager shall exercise the following functions and powers:

- (1) to be in charge of the production, operation and management of the Company and to report to the Board, and report to chairman when the Board meeting is not in session;
- (2) to organize the implementation of the resolutions of the Board, the annual business plans and investment plans of the Company;
- (3) to draft the plan of the Company's annual finance budgets and final accounts, and propose to the Board;
- (4) to draft the basic management system of the Company and the plan for the establishment of the Company's internal management organization;
- (5) to formulate the specific rules and regulations of the Company;
- (6) to request the Board to employ or dismiss other senior management staff;
- (7) to decide on the employment or dismissal of management personnel other than those to be employed or dismissed by the Board;
- (8) to propose to convene extraordinary board meetings in case of emergency;
- (9) to decide matters of the Company such as investment, financing, contracts and transactions to the extent of powers delegated by the Board;
- (10) other functions and powers delegated by the Articles of Associations and the Board.

5.6 **Special committees of the Board**

5.6.1 *Audit Committee*

The audit committee of the Company ("**Audit Committee**") is responsible for supervising our internal control, risk management, financial information disclosure and financial reporting.

At the end of the Reporting Period, the Audit Committee comprises Mr. Kin Kwong Kwok Gary (independent non-executive Director), Ms. Han Chunhong (non-executive Director) and Prof. Li Jian (independent non-executive Director), with Mr. Kin Kwong Kwok Gary serving as the chairman. During the Reporting Period, the Audit Committee held 7 meetings and considered 15 proposals. The Group's audited annual results for the year ended 31 December 2020 and unaudited interim results for the six months ended 30 June 2021 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group for selection and appointment of the external auditors and the financial management and internal control systems of the Group.

5.6.2 Remuneration Committee

The remuneration committee of the Company (“**Remuneration Committee**”) is responsible for proposing to the Board on remuneration policies and structure for all Directors (including executive Directors) and senior managers of the Company (factors to be considered in the remuneration policies shall include remuneration paid by comparable companies, time commitment and responsibilities and employment conditions of other positions within the Group), and establishment of formal and transparent procedures for the formulation of remuneration policies or plans. The Remuneration Committee has adopted the approach under the code provision B.1.2(c)(ii) of the Corporate Governance Code (the code provision has been renumbered as code provision E.1.2(c)(ii) with effect from 1 January 2022) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

At the end of the Reporting Period, the Remuneration Committee comprises Mr. Wang Peng (independent non-executive Director), Ms. Lv Yan (non-executive Director) and Ms. He Zhen (independent non-executive Director), with Mr. Wang Peng serving as the chairman. During the Reporting Period, the Remuneration Committee held 5 meetings and considered 7 proposals, including matters such as the remuneration packages of the Directors and senior management and other related matters.

5.6.3 Nomination Committee

The nomination committee of the Company (“**Nomination Committee**”) is responsible for proposing to the Board on appointment or dismissal of directors and senior management.

At the end of the Reporting Period, the Nomination Committee comprises Mr. Xiong Lin (Chairman and executive Director), Ms. He Zhen (independent non-executive Director) and Mr. Wang Peng (independent non-executive Director), with Mr. Xiong Lin serving as the chairman. During the Reporting Period, the Nomination Committee held 2 meetings and considered 3 proposals.

Nomination policy

All matters relating to nomination shall be deliberated by the Nomination Committee prior to its submission to the Board of Directors for deliberation. The Nomination Committee shall determine, by a resolution, the appointment criteria, selection procedure and term of office of the Company’s Directors and senior management members pursuant to relevant applicable laws and regulations, the Articles of Association and based on the actual situations of the Company. The resolution should be filed for record and submitted to the Board for approval.

5.6.4 Risk Control Committee

The risk control committee of the Company (“**Risk Control Committee**”) is responsible for formulating risk management policies, regularly evaluating risk level and management conditions, assessing the working procedure and results by the internal audit department, making proposals to improve risk management and internal control, and supervising senior management in credit, market and operation management risks.

At the end of the Reporting Period, the Risk Control Committee comprises Prof. Li Jian (independent non-executive Director), Ms. Li Yu (non-executive Director) and Mr. Kin Kwong Kwok Gary (independent non-executive Director), with Prof. Li Jian serving as the chairman. During the Reporting Period, the Risk Control Committee held 1 meeting and considered 1 proposal.

5.7 Board diversity policy

The Board has adopted the board diversity policy pursuant to the Corporate Governance Code. The Company affirms and accepts the benefits from the board diversity policy and guarantees the Board will strike a balance among the skills, experience and diversity as required by the Company’s business. All appointments by the Board are on the basis of merit and the Board follows a series of diverse standards in selecting candidates, including but not limited to gender, age, cultural and educational background, experience, skills and knowledge.

CORPORATE GOVERNANCE REPORT

5.8 Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Corporate Governance Code (the code provision has been renumbered as code provision A.2.1 with effect from 1 January 2022).

During the Reporting Period, the Board had reviewed the Company's policies and practices on compliance with legal and regulatory requirements, training and continuous professional development of Directors and senior management, the corporate governance policies and practices, the compliance of the Model Code, and the Company's compliance with the Corporate Governance Code and the disclosure in this Corporate Governance Report.

6. SUPERVISORY COMMITTEE

The Supervisory Committee is responsible for supervising the legality of the performance of duties by the Directors and other senior management personnel of the Company, protecting the interests of the Company and its Shareholders as a whole.

As at the date of the report, the Supervisory Committee is comprised of six members, including Mr. Yan Yi, Mr. Peng Yu, Mr. Tang Hong, Ms. Li Jia, Mr. Liao Jun and Ms. Fu Ruoxue. Specifically, Ms. Li Jia and Mr. Liao Jun are employee representative Supervisors.

During the Reporting Period, the Supervisory Committee of the Company held 4 meetings and reviewed and approved 8 proposals including the working report of the Supervisory Committee for 2020, the financial report on the final account for 2020, and the profit distribution proposal for 2020, etc.

Details of the attendance of each Supervisor for the meetings of the Supervisory Committee during the Reporting Period are set out in the following table:

Supervisors	Meetings to be attended	Meetings attended	Attendance
Yan Yi	4	4	100%
Xie Jun (<i>Note 1</i>)	2	2	100%
Tang Hong (<i>Note 2</i>)	2	2	100%
Chen Yingchun (<i>Note 3</i>)	3	3	100%
Peng Yu (<i>Note 4</i>)	1	1	100%
Li Jia	4	4	100%
Hu Changxian (<i>Note 5</i>)	3	3	100%
Liao Jun (<i>Note 6</i>)	1	1	100%
Fu Ruoxue	4	4	100%

Notes:

1. Mr. Xie Jun resigned as a Supervisor on 18 June 2021.
2. Mr. Tang Hong was appointed as a Supervisor on 18 June 2021.
3. Ms. Chen Yingchun resigned as a Supervisor on 18 August 2021.
4. Mr. Peng Yu was appointed as a Supervisor on 18 August 2021.
5. Mr. Hu Changxian resigned as an employee representative Supervisor on 18 August 2021.
6. Mr. Liao Jun was appointed as an employee representative Supervisor on 18 August 2021.

7. JOINT COMPANY SECRETARIES

Commencing from 5 January 2018, the Company engaged Mr. Li Hui and Ms. Wong Wai Ling, a vice president of SWCS Corporate Services Group (Hong Kong) Limited, as the joint company secretaries. Ms. Wong is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, and is qualified to act as a joint company secretary of the Company. As Mr. Li did not possess the qualifications as required under Rule 3.28 and Rule 8.17 of the Listing Rules at the time of Listing, the Company has applied to the Stock Exchange before the Listing and was granted the waiver from strict compliance with such rules. As confirmed by the Stock Exchange in January 2022, upon expiration of the waiver period, Mr. Li is qualified to act as the company secretary of the Company under Rule 3.28 of the Listing Rules. According to relevant arrangements, Mr. Li continues to act as the joint company secretary of the Company together with Ms. Wong. Mr. Li is the main contact of Ms. Wong in the Company.

Both Mr. Li and Ms. Wong have complied with the Rule 3.29 of the Listing Rules and participated in no less than 15 hours of training during the Reporting Period.

8. INTERNAL CONTROL AND RISK MANAGEMENT

During the Reporting Period, the Company further promoted the construction of the compliance management system, and with a focus on the Compliance Management System, formulated the Compliance Review Form for Business Partners, Compliance Guidelines for Procurement Management and Compliance Guidelines for Safety and Environmental Protection Management in key areas, achieved the results for the “1+3+1” compliance management system construction, and basically established a compliance management mechanism with clearly defined responsibilities, focused highlights and standardized procedures, so as to earnestly build a defense line for compliance and risk control.

The Board is responsible for establishing and maintaining a sound internal control and risk management system, and reviewing its effectiveness. The internal control and risk management system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee is mainly responsible for inspecting, reviewing and supervising the Company’s financial information and its reporting procedures, and the communication, supervision and verification of internal and external audits, as well as connected transaction control and daily management; the risk control committee is mainly responsible for the control, management, supervision and evaluation of the Company’s risks. The Company also established an independent audit department to review the development and implementation of internal control and risk management systems. The audit department will conduct special audits on the weak link of the internal controls every year, sort out the internal control defects, and make recommendations for rectification, and continuously improve the internal control system through internal and external supervision and inspection to control the risks at a reasonable level.

The Board has reviewed the internal control and risk management systems during the Reporting Period, including the Company’s resources in accounting and financial reporting functions, staff qualifications and experience, as well as the adequacy of training courses and budget. The Board believes that the Company’s internal control and risk management systems are effective.

9. AUDITOR’S REMUNERATION

During the year ended 31 December 2021, the audit service fee paid to the Company’s auditor was approximately RMB1,590,000. During the year ended 31 December 2021, the auditor did not provide significant non-audit services to the Company.

CORPORATE GOVERNANCE REPORT

10. INFORMATION DISCLOSURES

The Company has established procedures and internal controls for dealing with internal information disclosure, so as to standardize the Company's information disclosure behavior, ensure the fairness and integrity of information disclosure and protect the legitimate rights and interests of the Shareholders. According to the requirements of the Listing Rules, the information subject to disclosure by the Company for the year ended 31 December 2021 was published on the website of the Stock Exchange in a timely and effective manner.

11. DIRECTOR'S REPORT ON FINANCIAL RESPONSIBILITY

The Directors acknowledge its responsibility to prepare the Company's financial statements, ensure the Company's financial statements are prepared in accordance with relevant regulations and applicable accounting standards, and are published in due course.

The Directors take responsibility for supervising the preparation of financial reports. In the preparation of the financial statements for the year ended 31 December 2021, the Directors have selected appropriate accounting policies and made prudent and reasonable judgments and estimates to give a true and fair view of the financial position and performance of the Company during the Reporting Period.

A statement by the Company's auditor about its reporting responsibilities is included in the Auditor's Report of this annual report.

12. ARTICLES OF ASSOCIATION AND AMENDMENTS

On 15 January 2021, the Company convened the 2021 first extraordinary general meeting to consider and adopt the amended Memorandum and Articles of Association, which would take effect from 15 January 2021. For further details, please refer to the circular of the Company dated 16 December 2020 and the announcement on voting results of the Company dated 15 January 2021.

On 18 June 2021, the Company held the 2020 annual general meeting to consider and adopt the amended Memorandum and Articles of Association, which would take effect from 18 June 2021. For further details, please refer to the circular of the Company dated 18 May 2021, the supplemental circular dated 3 June 2021 and the announcement on voting results of the Company dated 18 June 2021.

13. INVESTOR RELATIONS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and understanding the Group's business, performance and strategy. The Company attaches importance to providing investors with accurate information in a timely manner for continuously promoting investor relations, and has established different communication channels with investors so that they can know the latest business development and financial performance, including the annual general meeting, the publication of annual report, announcement and circular on the websites of the Stock Exchange and the Company, to maintain a high degree of transparency.

The Company hereby lists the following communication information to facilitate inquiries on matters about which Shareholders are concerned, and the Company will respond to these inquiries in an appropriate way and in a timely manner:

Address: No. 789, Renhe Road, Wenjiang District, Chengdu City, Sichuan Province, the PRC

Telephone number: +86 (28) 86299666

Fax: +86 (28) 86299666

E-mail: db@sctngf.com

Company website: <http://www.sctngf.com>

The Company publishes information in a timely manner to enable investors to get access to the latest developments, announcements and press releases of the Company through the Stock Exchange website (www.hkexnews.hk) and the Company's website (www.sctngf.com).

In the future, the Company will continue to promote investor relationship management and strengthen communication with Shareholders and potential investors.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Set out below are details of the Directors, Supervisors, and senior management as of the date of this annual report:

DIRECTORS

Name	Age	Position
Xiong Lin	59	Executive Director, Chairman, Chairman of the Nomination Committee
Li Hui	58	Executive Director, Deputy Chairman
Xie Peixi	40	Executive Director, Chairwoman of the Labor Union
Han Chunhong	44	Non-executive Director, Member of the Audit Committee
Li Yu	36	Non-executive Director, Member of the Risk Control Committee
Lv Yan	42	Non-executive Director, Member of the Remuneration Committee
Liang Hong	52	Non-executive Director
Kin Kwong Kwok Gary	45	Independent Non-executive Director, Chairman of the Audit Committee, Member of the Risk Control Committee
Li Jian	37	Independent Non-executive Director, Chairman of the Risk Control Committee, Member of the Audit Committee
He Zhen	46	Independent Non-executive Director, Member of the Nomination Committee, Member of the Remuneration Committee
Wang Peng	48	Independent Non-executive Director, Chairman of the Remuneration Committee, Member of the Nomination Committee

SUPERVISORS

Name	Age	Position
Yan Yi	36	Chairman of the Supervisory Committee
Peng Yu	39	Supervisor
Tang Hong	46	Supervisor
Fu Ruoxue	48	Supervisor
Li Jia	46	Employee representative Supervisor
Liao Jun	41	Employee representative Supervisor

SENIOR MANAGEMENT

Name	Age	Position
Li Hui	58	General Manager
Ding Daijun	53	Deputy General Manager
Wang Yuanchun	46	Deputy General Manager
You Xiao	52	Deputy General Manager
Chen Hanguang	42	Deputy General Manager
Li Bi	43	Chief Accountant
Wang Xu	53	Chief Engineer
Peng Wanzhang	48	Chief Economist

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. MEMBERS OF THE BOARD OF DIRECTORS

Mr. Xiong Lin, aged 59, is currently the chairman, executive director and chairman of the nomination committee of the Group. He has obtained a master's degree from Party's College of Sichuan Province Committee of the Chinese Communist Party ("CCP"). Mr. Xiong has been serving as a Secretary of the Party's Committee of the Company since November 2020. Before joining the Company, Mr. Xiong served as a military medical personnel and assistant in the Second Surgical Division of the General Hospital of Tibet Military Region (西藏軍區總醫院外二科) and the Medical Department from August 1984 to May 1989. From May 1989 to November 1991, he was the assistant in the Medical Department of the General Hospital of Chengdu Military Region (成都軍區總醫院醫務部醫療科). From November 1991 to August 1994, he was the assistant in the Joint Services of Hygiene in the Hygiene Department of Chengdu Military District Back-end (成都軍區後勤部衛生部衛勤處). From September 1994 to July 2001, he worked in several positions in the General Office of Sichuan Provincial Government (四川省政府辦公廳), including chief clerk, deputy division chief in the third secretarial division, secretary of deputy division level and secretary of division level. From July 2001 to February 2004, he served as the deputy director of the General Office of the Information Technology Educational Leading Team of Sichuan Province (division chief level) and the deputy county chief of the People's Government of Pi County in Sichuan Province. From February 2004 to November 2008, he served as the deputy division chief in the secretarial third division (division chief level) of General Office of Sichuan Provincial Government. From November 2008 to January 2010, he served as the disciplinary committee of Sichuan Province, deputy team leader of the Discipline and Inspection Team of the General Office of Stationed Provincial Government by Provincial Inspection Office (省監察廳派駐省政府辦公廳) and the director of the Supervisory Office. From January 2010 to August 2010, he served as the disciplinary committee of the immediate subordinate of the General Office of Sichuan Provincial Government. From August 2010 to September 2016, he served as the member of the Party Committee of the Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司) and the secretary of the disciplinary committee, during which period, he served as the standing committee member of Jianyang city, deputy director of the Tianfu New District Ziyang Management Committee and a member of the CCP Working Committee from May 2013 and served as the assistant general manager of the Sichuan Province Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司) from July 2014 to November 2018. From September 2016 to November 2018, he served as the deputy secretary of the Party's Committee (in January 2017), the director and the general manager in Sichuan Province Hydropower Investment and Management Group Co., Ltd.* and also the assistant general manager in Sichuan Province Energy Investment Group Co., Ltd.* From November 2018 to November 2020, he served as the deputy secretary of the Party's Committee, the director and the general manager in Sichuan Province Hydropower Investment and Management Group Co., Ltd.* Mr. Xiong has been serving as Secretary of the Party's Committee of the Company and the director to Sichuan Province Hydropower Investment and Management Group Co., Ltd.* since November 2020.

Mr. Li Hui, aged 58, is currently an executive Director, deputy chairman and general manager of the Group. He joined the Group in October 2011. Mr. Li Hui is an engineer with a master degree of senior management business administration from Southwestern University of Finance and Economics* (西南財經大學). Mr. Li Hui served as the deputy general manager in the Company from October 2011 to May 2016 and the secretary to the Board of the Company from March 2015 to June 2019. Before joining the Group, he served as a deputy chief and the chief of national assets management section in Local Electric Power Bureau of Sichuan Province* (四川省地方電力局) from January 1997 to September 2008, an office administrator of the board and the general manager assistant in Hydropower Group from January 2005 to August 2010 and September 2008 to June 2010, a deputy chairman of the board in Leshan City Jinyang Electricity Development Co., Ltd.* (樂山市金洋電力開發有限責任公司) from October 2005 to December 2012.

Ms. Xie Peixi, aged 40, is currently an executive Director, the vice secretary of party committee and the Chairwoman of labor union of the Group and joined the Group in January 2019. Ms. Xie is a political analyst (政工師) with a bachelor degree of law from Chengdu University of Information Technology* (成都信息工程大學). Before joining the Group, she once worked in Dazhou Urban Planning and Construction Management Supervisory Branch* (達州市城市規劃建設管理監察支隊) from December 1999 to April 2000. Ms. Xie successively served as the director of Dazhou Women's Association in Joint Law Enforcement Branch for Urban Management* (達州市城市管理聯合執法支隊婦女會) from May 2004 to July 2007, the secretary of communist youth league, vice chairwoman of labor union, and the director of female worker committee and the director of labor union office in Sichuan Province Hydropower Investment and Management Group Co., Ltd. from April 2008 to March 2019, May 2015 to March 2019 and December 2015 to March 2017, respectively, a director of staff and the chairwoman of labor union in Sichuan Energy Investment Power Sale Co., Ltd.* (四川能投售電有限責任公司) from November 2016 to January 2019.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Han Chunhong, aged 44, is currently a non-executive Director and a member of the Audit Committee and joined the Group in March 2018. Ms. Han is a senior economist with a master degree of technical economy and management from Northeast Electric Power University* (東北電力大學). Ms. Han is currently the director of capital operation department, acting as the general manager, in China Power International Development Limited* (中國電力國際發展有限公司) (“China Power”, stock code: 2380.HK). She served as a manager and a senior manager of capital operation department in China Power from May 2003 to June 2015, the deputy manager and the general manager of investor relations department in China Power International New Energy Holding Ltd.* (中電國際新能源控股有限公司) from June 2015 to December 2017, the deputy general manager of capital operation department in China Power from December 2017 to May 2021, acting as the general manager and the director of capital operation department in China Power since May 2021, acting as the general manager.

Ms. Li Yu, aged 36, is currently a non-executive Director and a member of the risk control committee and joined the Group in October 2016. Ms. Li is a senior economist with a master degree of international relationships from Tsinghua University* (清華大學). Ms. Li is currently the investment head of research and consulting department in Three Gorges Capital Holdings Co., Ltd* (三峽資本控股有限責任公司). She served as the department head and the project manager in China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司) (stock code: 916.HK) from July 2010 to June 2016, and she joined Three Gorges Capital Holdings Co., Ltd in June 2016 and served as the investment head of industrial investment department in Three Gorges Capital Holdings Co., Ltd since December 2016. From May 2017 to September 2020, she served as the investment head of the fund business department, and since September 2020, she has served as the investment head of the research and consulting department.

Ms. Lv Yan, aged 42, is currently a non-executive Director and member of the Remuneration Committee. She joined the Group in August 2021. Ms. Lv Yan graduated from the Law School of Southwest University of Science and Technology* (西南科技大學法學院) with a bachelor’s degree in Law in July 2004. Ms. Lv is currently the general manager of Gao County Development and Investment Group Company Limited* (高縣發展投資集團有限責任公司). Ms. Lv held two positions in the Environmental Protection Bureau of the Gao County* (高縣環境保護局) from December 2004 and January 2015. From January 2015 to June 2016, she served as deputy director of the legal affairs office at county government level (縣政府法制辦公室). From July 2016 to September 2017, she was a deputy mayor of the Jiale town. Between September 2017 and March 2019, she served as the deputy director of legal affairs office at Gao County People’s Government* (高縣人民政府法制辦). From March 2019 to August 2020 she served as the deputy director of Gao County Judicial Bureau* (高縣司法局). From August 2020 to April 2021, she served as the director of the Economic Development and Security Bureau at Gao County Economic Development Zone Management Committee* (高縣經開區管理委員會經濟發展保障局). Since April 2021, she has been the general manager of Gao County Development and Investment Group Company Limited.

Ms. Liang Hong, aged 52, is currently a non-executive Director. She joined the Group in August 2021. Ms. Liang graduated from the Sichuan Province People’s Party University* (四川省黨校) with a bachelor’s degree in economic management. Ms. Liang is currently a member of the party’s committee, deputy general manager and chairwoman of the trade union of Yibin Development Holding Group Limited* (宜賓發展控股集團有限公司). Before joining the Group, she has worked in the tax bureau from December 1987 to June 1991, and in the finance bureau of Yibin City from June 1991 to March 2003. From March 2003 to March 2021, she worked in various positions in State Asset Management Company of Yinbin County* (宜賓市國有資產經營有限責任公司), with the latest position being a member of the party’s committee, deputy general manager and chairwoman of the trade union of the company. Ms. Liang also served as the executive director and general manager of Chengdu Wuliangye Grand Hotel* (成都五糧液大酒店) from May 2015 to April 2017, and the secretary to the Party’s Committee and chairwoman of the board of Yibin Qingyuan Waterworks Group Co. Ltd.* (宜賓市清源水務集團有限公司) from August 2018 to January 2020.

Mr. Kin Kwong Kwok Gary, aged 45, is currently an independent non-executive Director, the chairman of the Audit Committee and a member of the Risk Control Committee and joined the Group in May 2017. Mr. Kwok is a member of the Hong Kong Institute of Certified Public Accountants with a bachelor degree of professional accountancy from the Chinese University of Hong Kong. Mr. Kwok is chief financial officer of Changyou Alliance Group Limited. (Stock Code: 1039) from January 2020 to November 2020, and is chief financial officer of YinYi Holdings (Hong Kong) Limited, from September 2018 to January 2020. From May 2019 to January 2020, he was the joint company secretary of Dafa Properties Group Limited. (Stock Code: 6111). Mr. Kwok has been an independent non-executive director and chairman of the compensation committee of Singapore Food Holdings Limited (stock code 8496) since May 2020, the chief financial officer of a Hong Kong-based apparel company from December 2020 to November 2021 and the independent non-executive director and chairman of the audit committee of Ronshine Service Holding Co., Ltd (stock code: 2207.HK) since 16 July 2021.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Prof. Li Jian, aged 37, is currently an independent non-executive Director, chairman of the Risk Control Committee and member of the Audit Committee. He joined the Group in August 2021. Prof. Li Jian holds a PhD in detection technology and automation devices from the University of Electronic Science and Technology* (電子科技大學) in China. Prof. Li Jian is currently a professor at the School of Mechanical and Electrical Engineering of the University of Electronic Science and Technology. Before joining the Group, he was an associate professor in the School of Energy Science and Engineering of the University of Electronic Science and Technology from 2014 to 2017, a candidate-to-be of the Sichuan Province Academic and Technical Leaders, a member of the 13th Five-Year Plan of Sichuan Province in the field of new energy, a senior member of the Institute of Electrical and Electronics Engineers (IEEE), and a guest editor of the Institution of Engineering and Technology (IET).

Ms. He Zhen, aged 46, is currently an independent non-executive Director, a member of the Nomination Committee and a member of the Remuneration Committee and joined the Group in March 2018. Ms. He was credited as an associated professor by Southwest Minzu University* (西南民族大學) with a doctor degree of civil and commercial law from Southwestern University of Finance and Economics* (西南財經大學). Ms. He has been a teacher, the director of constitution and administrative law teaching and research section and a master tutor in Southwest Minzu University Law School since July 2003, a part-time lawyer in Sichuan Sunshare Law Firm* (四川泰常律師事務所) since November 2013. Ms. He also served as an independent non-executive Director of Sunjuice Holdings Co. Ltd.* (鮮活控股股份有限公司) (stock code: 1256.TW) from April 2017 to January 2022, an independent non-executive Director of Sichuan Jinshi Leasing Co., Ltd.* (四川金石租賃股份有限公司) from December 2017 to March 2018, an independent non-executive Director of Chengdu Dahongli Machinery Co., Ltd.* (成都大宏立機器股份有限公司) since December 2017, an independent non-executive Director of Qianhei Condiment and Food Co., Ltd (stock code: 603027) since 30 November 2020 and an independent non-executive director of Sichuan Languang Development Co., Ltd.* (四川藍光發展股份有限公司) (stock code: 600466) from May 2021. Before joining the Group, she served as a teaching staff in Chongqing Jianshe No.2 Middle School* (重慶建設二中) from July 1998 to September 2000 and has been a teaching staff in Southwest Minzu University* (西南民族大學) since July 2003.

Mr. Wang Peng, aged 48, is currently an independent non-executive Director, the chairman of the remuneration committee and a member of the nomination committee and joined the Group in May 2017. Mr. Wang is a professor in North China Electric Power University* (華北電力大學) with a doctor degree of power system and its automation from North China Electric Power University* (華北電力大學). Mr. Wang is currently a professor in North China Electric Power University and an independent non-executive Director of OneForce Holdings Limited (a listed issuer on the Stock Exchange, stock code: 1933). Before joining the Group, he served as a teaching staff in North China Electric Power University* (華北電力大學) from April 1997 to May 2005 and has continued to serve as a professor at North China Electric Power University* (華北電力大學) since May 2015. He served as an employee in the North China Energy Regulatory Bureau of State Electricity Regulatory Commission* (國家電監會華北監管局, currently known as the North China Energy Regulatory Bureau of National Energy Administration of the PRC* (國家能源局華北監管局)) from May 2005 to May 2015.

II. MEMBERS OF THE SUPERVISORY COMMITTEE

Mr. Yan Yi, aged 36, is currently the Chairman of the Supervisory Committee of the Company. Mr. Yan is a senior economist with a master degree in law from China University of Political Science and Law. Mr. Yan is currently the deputy general manager of investment management department in Three Gorges Capital Holdings Co., Ltd. Before joining the Group, he served as the deputy department level cadre of Comprehensive Planning Department of Planning and Development Department of Three Gorges Capital Holding Co., Ltd. from June 2017 to December 2019, and vice general manager of risk management department (legal affairs department) of Three Gorges Capital Holding Co., Ltd. from December 2019 to July 2020. Mr. Yan served as vice general manager of investment management department of Three Gorges Capital Holding Co., Ltd..

Mr. Peng Yu, aged 39, is currently a Supervisor of the Company. Mr. Peng holds a college degree from the Central Radio and Television University* (中央廣播電視大學). Mr. Peng has served as an employee representative supervisor of Xingwen County Development Investment Group Co., Ltd.* (興文縣發展投資集團有限責任公司) since December 2015, deputy general manager of Xingwen County Security Service Company, Sichuan Province* (四川省興文縣保安服務公司) since April 2019 and the captain of Yibin Jindun Security Service Co., Ltd. Guard Branch* (宜賓市金盾保安服務有限責任公司守押分公司) (Xingwen County Guard Brigade) since December 2020. Before joining the Group, he worked as a clerk in Xingwen County Traffic Inspection and Collection Office* (興文縣交通稽查徵費所) and Xingwen County Urban and Rural Road Transportation Administration (興文縣城鄉道路運輸管理局). From October 2017 to December 2021, he served as deputy director of asset management department of Xingwen County Development Investment Group Co., Ltd..

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Tang Hong, aged 46, is currently a Supervisor of the Company. Mr. Tang holds a bachelor's degree in law from Sichuan Province People's Party University* (四川省委黨校). Mr. Tang is currently the chairman of Junlian County Disabled Persons' Federation* (筠連縣殘疾人聯合會). Before joining the Group, he served as the vice mayor to the People's Government of Junlian County Weixin Township* (筠連縣維新鎮人民政府) from December 2011 to September 2012; vice mayor and military chief of the Junlian County Leyi Township Party's Committee* (筠連縣樂義鄉黨) between March 2013 and February 2014, the vice president to the Junlian County Economic and Commerce Digitalization and Technology Bureau* (筠連縣經濟商務資訊化和科學技術局) between March 2017 and March 2019, the mayor of Shuangteng Township between May 2019 and August 2019, the deputy head to the office of People's Government of Junlian County* (筠連縣人民政府辦公室) from November 2020 to February 2021 and the chairman of Junlian County State-owned Capital Investment Operation Co., Ltd.* (筠連縣國有資本投資運營有限責任公司) from February 2021 to January 2022.

Ms. Fu Ruoxue, aged 48, is currently a Supervisor of the Company. Ms. Fu is a senior accountant with a part-time bachelor degree jointly granted by Southwestern University of Finance and Economics* (西南財經大學) and Sichuan Province Higher Education Self-study Examination Committee* (四川省高等教育自學考試委員會). Ms. Fu is currently a specialized supervisor in Sichuan Development Holding Co., Ltd.* (四川發展(控股)有限責任公司). Before joining the Group, she served as the head of the audit department in Sichuan Energy Investment Liangli Logistics Development Limited* (四川能投量力物流發展有限公司) from October 2013 to March 2016, a supervisor of the fourth supervisory committee, a member of discipline committee in Sichuan Chemical Company Ltd.* (川化股份有限公司) and a member of budget review committee of the labour union of Sichuan Chemical Company Ltd. from October 2008 to May 2012 and December 2008 to October 2013 respectively.

Ms. Li Jia, aged 46, joined the Company in April 2016 and is currently an employee representative Supervisor of our Company. Ms. Li is a senior economist and holds a bachelor degree of business administration from School of Economics and Management of Southwest Jiaotong University* (西南交通大學). Ms. Li is currently secretary to the department party committee, vice chairwoman of the labor union, director of the women's working committee, director of the organization department of the party committee, director of the labor union office and chairman of the department labor union of the Company. Before joining the Group, she served as the deputy director of general office of administration department, director of general office of administration department and assistant director of general manager office, deputy director of the general manager office and the party branch secretary of Sichuan Chemical Company Ltd.* (川化股份有限公司) from June 2009 to April 2016, and a supervisor, the head of comprehensive management department and a deputy office director of Sichuan Chemical Works Group Ltd.* (川化集團有限責任公司) from December 2014 to June 2016.

Mr. Liao Jun, aged 41, joined the Company in December 2011, and is currently an employee representative Supervisor of the Company. Mr. Liao holds a master's degree in business administration from Staffordshire University, UK. Mr. Liao is currently the head of the discipline inspection and supervision department, the director of the discipline inspection commission office, member of the Party Committee and secretary of the first party branch of the Company. Before joining the Group, he worked as a software engineer in the engineering project department of Motorola (China) Electronics Co., Ltd. Chengdu Branch from December 2008 to February 2009, head of the development planning department of Sichuan Province Hydropower Investment and Management Group from February 2009 to December 2011. From December 2011 to April 2021, he served as the secretary of the Youth League Committee, deputy director of the comprehensive management department, deputy director and director of the Board office of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

III. MEMBERS OF SENIOR MANAGEMENT

Mr. Li Hui, aged 58, joined the Group in September 2011 and is currently an executive Director, the deputy chairman and the general manager of the Group. For details of biography of Mr. Li Hui, please see the section headed "I. Members of the Board of Directors".

Mr. Ding Daijun, aged 53, is currently deputy general manager of the Group and joined the Group in October 2011. Mr. Ding is an assistant engineer majoring in chemical equipment and machinery in Sichuan University of Science & Engineering* (四川輕化工學院). Before joining the Group, he served as a deputy manager and the deputy secretary of party branch in Junlian Power Supply Co., Ltd.* (筠連供電有限責任公司) from June 2000 to September 2007, and the general manager in Hydropower Group Junlian Electric Power Company* (水電集團筠連電力公司) from September 2007 to January 2013, and the general manager in Energy Investment Junlian Company* (能投筠連公司) from January 2013 to July 2014.

Mr. Wang Yuanchun, aged 46, is currently a deputy general manager and joined the Group in May 2012. Mr. Wang is an engineer with a bachelor degree of administrative management from China Central Radio & TV University* (中央廣播電視大學). Mr. Wang is currently a Deputy General Manager of the Group. Before joining the Group, he served as the head of station in Yibin County Kongtan Comprehensive Management Station* (宜賓縣孔灘綜合管理站), the leader and the squad leader of Gaosheng marketing group in Yibin Changyuan Electric Power Company Baihua Power Supply Station* (宜賓長源電力公司白花供電所), the deputy head and the chairman of the trade union in Sichuan Changyuan Electric Power Co., Ltd. Lichang Power Supply Station* (四川長源電力股份公司李場供電所), the deputy head in Sichuan Hydropower Investment & Management Group Yibin Changyuan Electric Power Company Baihua Power Supply Station* (四川省水電投資經營集團宜賓長源電力公司白花供電所) from March 1999 to August 2001, August 2001 to March 2004, March 2004 to February 2006 and February 2006 to June 2011, respectively, the deputy manager in Sichuan Hydropower Group Meigu Electric Power Co., Ltd.* (四川省水電集團美姑電力有限公司), an executive director in Meigu Jinhe Development Co., Ltd.* (美姑金禾開發有限公司) from June 2010 to June 2012 and June 2012 to November 2013, respectively, the deputy general manager, an executive director and the general manager in Sichuan Energy Investment Junlian Electric Power Co., Ltd.* (四川能投筠連電力有限公司) from November 2013 to July 2014, July 2014 to October 2014 and September 2014 to November 2021, respectively. From September 2017 to January 2020, he also served as the secretary of the party committee and executive director of Sichuan Energy Investment Yibin Electric Power Engineering Construction Co., Ltd.* (四川能投宜賓電力工程建設有限公司).

Mr. You Xiao, aged 52, is currently a deputy general manager of the Group and joined the Group in May 2019. Mr. You is an economist with a bachelor degree of finance from China Central Radio & TV University* (中央廣播電視大學). He has served as the deputy general manager of the Company since May 2019. Before joining the Group, he served as the director of Xinhua Savings Office in Shudu Branch of Bank of China, the director of Luoma Saving Office in Chengdu Branch of Bank of China, the director of Ximapeng Sub-office in Chengdu Qingyang Sub-branch of Bank of China, the director of Chengbei Sub-office, the director of business development department of Bank of China, the director of business division in Jinniu Branch of Bank of China, the governor of High-tech Industrial Development Zone Sub-branch, the director of Industrial and Trade Section in Business Division of Sichuan Branch of Bank of China from February 1990 to October 1991, October 1991 to March 1993, April 1994 to October 1994, October 1994 to April 2001, April 2001 to December 2001, December 2001 to August 2002, August 2002 to May 2003 and May 2003 to June 2005. A deputy director of business division, a deputy senior manager of business department in Bank of Communication, Chengdu Branch, a deputy senior manager of Business Development Department and a senior manager of Key Account Department in Bank of Communication, Sichuan Branch, from July 2005 to January 2006, January 2006 to April 2009, April 2009 to May 2010, and May 2010 to November 2011. A deputy general manager, an executive deputy general manager, a director, the secretary of party branch, the general manager of Chengdu Small Enterprises Credit Guarantee Co., Ltd.* (成都小企業融資擔保有限責任公司) from December 2011 to July 2014, July 2014 to September 2014, September 2014 to November 2014, November 2014 to January 2015 and January 2015 to May 2017. The general manager, the secretary of party branch and an executive director of Western Asset Management (Shenzhen) Co., Ltd.* (西部資產管理(深圳)有限公司) from August 2017 to December 2017, December 2017 to March 2018, and March 2018 to May 2019, respectively.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Chen Hanguang, aged 42, is currently a deputy general manager of the Group and joined the Group in January 2021. Mr. Chen has a bachelor's degree in Business Administration from Central Television University in China. He has successively served as deputy manager of the human resources department, manager of the human resources department, manager of the general department and secretary of the board of directors, and assistant to the general manager of Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司) from July 2013 to November 2014, from November 2014 to June 2015, from June 2015 to December 2017, from December 2017 to July 2018, from July 2018 to June 2020 and from June 2020 to January 2021.

Ms. Li Bi, aged 43, is currently the chief financial officer of the Group and joined the Group in October 2011. Ms. Li is a senior accountant with a bachelor degree of management majoring in accounting from Southwestern University of Finance and Economics* (西南財經大學). Ms. Li is currently the chief financial officer and a director of Sichuan Energy Investment Electricity Energy Co., Ltd.* (四川能投電能有限公司). She served as a project manager of the audit department in ShineWing Certified Public Accountants (LLP) Chengdu Branch* (信永中和會計師事務所 (特殊普通合夥)成都分所) from July 2009 to July 2010, a temporary principal and the deputy head of the financial and assets department in the Company from October 2011 to December 2012 and December 2012 to August 2013, respectively and the chief financial officer of Sichuan Energy Investment Electricity Energy Co., Ltd. from August 2017 to September 2021.

Mr. Wang Xu, aged 53, is currently the chief engineer of the Group and joined the Group in May 2013. Mr. Wang is a senior engineer with a bachelor degree of electric power system and automation from University of Science and Technology of Chengdu* (成都科技大學). He has served as the chief engineer of the Company since June 2019. Before joining the Group, he served as the director of the distribution center in Yibin Electric Power Bureau* (宜賓電業局調度中心), a senior engineer for line loss management of Yibin Electric Power Bureau* (宜賓電業局調變線損管理), a senior engineer in Yibin Electric Power Bureau Meiyi Leasing Company* (宜賓電業局美宜租賃公司), a senior engineer for consultation and power transformation design in Yibin Electric Power Bureau and Design Institute* (宜賓電業局設計院), a director and consulting engineer in Yibin Electric Power Bureau and Design Institute, and senior engineer for electric network planning and management in Institute of Power Economics and Technology of Yibin Electric Power Bureau* (宜賓電業局電力經濟技術研究所) from November 2001 to August 2003, August 2003 to April 2004, April 2004 to July 2005, July 2005 to January 2009, January 2009 to September 2012, and September 2012 to May 2013, the director of distribution and operation department, an assistant general manager, a deputy chief engineer, the director of investment and development department and the director of production and technology department in the Company from May 2013 to February 2014, February 2014 to July 2014, July 2014 to March 2015, March 2015 to July 2016, and July 2016 to June 2019.

Mr. Peng Wanzhang, aged 48, is currently the chief economist of the Group and joined the Group in February 2012. Mr. Peng is a senior engineer with a bachelor of economic management in Party School of Sichuan Committee of C.P.C.* (四川省委黨校) Mr. Peng currently serves as the chief economist of the Group. Before joining the Group, he served as the superintendent in Luochang Power Supply Station of Gao County Power Co., Ltd.* (高縣電力總公司羅場供電所) in Sichuan Province, and a deputy manager, a manager and a member of party committee in rural power company from October 2000 to December 2001, December 2001 to June 2003, June 2003 to January 2007 and January 2007 to July 2008, a deputy general manager and a director in Gao County Power Co., Ltd. of Sichuan Hydropower Group and the secretary of party committee, a director and the chairman (legal representative) in Degegesaer Power Co., Ltd. of Sichuan Hydropower Group from July 2008 to June 2011 and from June 2011 to July 2014, respectively. He served as the secretary of party committee, an executive director and the general manager in Sichuan Energy Investment Yibin Power Engineering Construction Co., Ltd.* (四川能投宜賓電力工程建設有限公司) from May 2015 to September 2017, served as the secretary of the party committee and an executive director in Pingshan Electricity from September 2014 to November 2020, and served as an assistant general manager of the Company from July 2014 to June 2019, respectively. He served as a branch secretary of the party committee, director, chairman of the board and general manager of Sichuan Energy Investment Electricity Energy Co., Ltd.* (四川能投電能有限公司) from August 2017 to May 2020.

AUDITOR'S REPORT

AUDITOR'S REPORT

KPMG Huazhen Shen Zi No. 2203677

To all shareholders of Sichuan Energy Investment Development Co., Ltd.

I. OPINION

We have audited the accompanying financial statements of Sichuan Energy Investment Development Co., Ltd. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated and company balance sheets as at 31 December 2021, the consolidated and company income statements, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity for the year then ended, and related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of the Group as at 31 December 2021, and the consolidated and company financial performance and cash flows of the Group for the year then ended in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the China Code of Ethics for Certified Public 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.

AUDITOR'S REPORT

III. KEY AUDIT MATTERS

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

Recognition of Revenue from Power Sales

Refer to Note 21 of the accounting policy to the financial statements and Note 32 to the consolidated financial statements.

Key Audit Matter

Revenue from the power sales business of the Group in 2021 amounted to RMB2,789,638,509.97, accounting for 88% of the operating revenue of the Group for the year (2020: RMB2,621,730,818.92, 87%).

Revenue from power sales, which includes generation and sales of electricity, is recognised at the point in time when the sales are completed.

We identified revenue from power sales as a key audit matter because revenue is one of the key performance indicators of the Group and is significant to the consolidated financial statements, both of which give rise to an inherent risk that revenue could be recorded in an incorrect period or could be subject to manipulation to meet expectations or targets.

How the matter was addressed in our audit

Our audit procedures regarding recognition of revenue from electricity sales business included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the revenue from power sales business;
- involving internal IT specialists to assist us in assessing the operating effectiveness of IT application controls which were critical to the recognition of revenue from power business;
- inspecting power sales contracts with customers for power supply, on a sample basis, to understand key terms and conditions of sales transactions in order to assess whether the Group has complied with the policies for revenue recognition under the prevailing accounting standards;
- assessing if there was any unreasonable fluctuation of the trend of electricity line loss rate (線損率) year on year by comparing the total power sales volume with the self-generated power volume and externally purchased power volume;
- checking, on a sample basis, whether revenue transactions recorded during the year are consistent with the underlying power supply invoices, meter reading records, bank-in slips, and assessing whether the related revenue had been recognised in accordance with the Group's revenue recognition policies and recorded for correct accounting period;
- obtaining confirmations, on a sample basis, from major corporate customers with corresponding revenue recognised by the Group during the year and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documents; and
- scrutinising all revenue journals raised throughout the reporting period and comparing details of a sample of these journals, which met certain risk-based criteria, with relevant underlying documents.

III. KEY AUDIT MATTERS (CONTINUED)

Recognition of Revenue from Electrical Engineering Construction Service

Refer to Note 21 of the accounting policy to the financial statements and Note 32 to the consolidated financial statements.

Key Audit Matter

Revenue from the electrical engineering construction service of the Group in 2021 amounted to RMB367,470,740.55, accounting for approximately 12% of the operating revenue of the Group for the year (2020: RMB383,177,677.60, 13%).

Revenue from electrical engineering construction service of the Group is recognised over time based on the performance progress, which is estimated based on the percentage of actual cost over total expected cost.

We identified the recognition of revenue from the electrical engineering construction service as a key audit matter, because the recognition of revenue relies on management's estimate of the final outcome of each construction contract, which involves an exercise of significant management judgement, particularly in forecasting the estimated total costs to completion.

How the matter was addressed in our audit

Our audit procedures regarding recognition of revenue from electrical engineering construction service included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the revenue from electrical engineering construction service;
- inspecting construction service contracts with customers, on a sample basis, to understand key terms and conditions of transactions in order to assess the appropriateness of the Group's accounting policies for revenue recognition with reference to the requirements under the prevailing accounting standards;
- selecting samples from the total actual costs incurred up to year end to inspect the supporting documents including underlying contracts, supplier invoices, bank slips and the survey reports from external supervising agencies, where applicable; testing a sample of entries recording cost subsequent to the year end to check if there is any unrecorded costs for the year;
- discussing with management and the project managers, on a sample basis, about the progress of projects based on the contracts, comparing the status of the projects advised by the project managers with the performance progress based on actual costs recorded and challenging the key estimates and assumptions adopted in the forecast of contract revenue and contract costs, including estimated total costs to completion; for major projects, also conducting site visits and physically inspecting status of the projects;
- obtaining a detailed breakdown of the estimated total costs to completion for major contracts in progress during the year and comparing, on a sample basis, the estimated total costs to completion of the relevant underlying agreements to the most updated budgets, and contracts with suppliers;

AUDITOR'S REPORT

III. KEY AUDIT MATTERS (CONTINUED)

Recognition of Revenue from Electrical Engineering Construction Service

Refer to Note 21 of the accounting policy to the financial statements and Note 32 to the consolidated financial statements.

Key Audit Matter

How the matter was addressed in our audit

- recalculating the performance progress and the corresponding revenue required to be recognised based on the latest budgeted costs and actual costs and agreed total revenue amounts, on a sample basis;
- performing a retrospective review for major projects completed during the current year by comparing final performance outcome of the contracts for completed projects with previous estimates made for those contracts to assess reliability of the management's forecasting process;
- obtaining confirmations, on a sample basis, from major corporate customers for billed receivables at the year end and, for unreturned confirmations, performing alternative procedures by comparing details of the transactions with relevant underlying documents; and
- scrutinising all revenue journals raised throughout the reporting period and comparing details of a sample of these journals, which met certain risk-based criteria, with relevant underlying documents.

IV. OTHER INFORMATION

The Group's management is responsible for the other information. The other information comprises all the information included in 2021 annual report of the Group, other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 financial statements.

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

- (1) Identify and assess the risks of material misstatement of the 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.
- (2) 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 internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's 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 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.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S REPORT

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

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

KPMG Huazhen LLP

Beijing, China

*Certified Public Accountants
registered in the People's Republic of China*

Fang Haijie (Engagement partner)

Sheng Jin

24 March 2022

CONSOLIDATED BALANCE SHEET

31 December 2021
(Expressed in RMB)

	Notes	2021	2020
Assets			
Current assets:			
Cash at bank and on hand	V.1	589,976,784.39	504,799,252.74
Financial assets held for trading	V.2	–	160,000,000.00
Bills receivable	V.3	3,200,000.00	30,646,560.00
Accounts receivable	V.4	372,059,985.23	343,709,977.69
Prepayments	V.5	12,858,110.54	13,532,643.79
Other receivables	V.6	19,733,589.89	32,185,945.58
Inventories	V.7	70,279,839.11	64,190,748.03
Contract assets	V.8	92,746,010.09	48,638,900.44
Other current assets	V.9	8,956,731.67	4,244,684.09
Total current assets		1,169,811,050.92	1,201,948,712.36
Non-current assets:			
Long-term equity investments	V.10	270,722,499.22	268,975,685.37
Other non-current financial assets	V.11	112,170,250.00	100,240,116.24
Fixed assets	V.12	2,785,047,920.89	2,555,211,521.67
Construction in progress	V.13	115,141,311.68	197,295,148.77
Right-of-use assets	V.49	5,844,877.08	5,274,302.91
Intangible assets	V.14	128,127,272.98	128,008,208.37
Long-term prepaid expenses	V.15	3,110,622.73	1,001,227.56
Deferred income tax assets	V.16	41,477,401.88	33,663,187.00
Total non-current assets		3,461,642,156.46	3,289,669,397.89
Total assets		4,631,453,207.38	4,491,618,110.25

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

31 December 2021 (continued)
(Expressed in RMB)

	Notes	2021	2020
Liabilities and shareholders' equity			
Current liabilities:			
Short-term borrowings	V.17	300,000,000.00	367,448,200.00
Derivative financial liabilities	V.18	–	11,379,228.67
Accounts payable	V.19	602,593,587.62	565,204,158.59
Contract liabilities	V.20	206,432,892.20	236,139,686.83
Employee benefits payable	V.21	112,931,581.63	101,861,359.32
Taxes payable	V.22	60,005,845.38	50,343,621.00
Other payables	V.23	137,499,593.52	117,168,653.72
Non-current liabilities due within one year	V.24	13,309,953.36	15,720,668.20
Total current liabilities		1,432,773,453.71	1,465,265,576.33
Non-current liabilities:			
Lease liabilities	V.49	4,257,394.52	3,555,519.89
Long-term payables	V.25	37,394,687.09	–
Deferred income	V.26	143,468,073.24	149,177,884.95
Deferred income tax liabilities	V.16	17,660,165.31	19,158,943.28
Total non-current liabilities		202,780,320.16	171,892,348.12
Total liabilities		1,635,553,773.87	1,637,157,924.45

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

31 December 2021 (continued)
(Expressed in RMB)

	Notes	2021	2020
Shareholders' equity:			
Share capital	V.27	1,074,357,700.00	1,074,357,700.00
Capital reserve	V.28	1,081,447,605.75	1,081,447,605.75
Specific reserve	V.29	19,925,149.81	20,480,082.77
Surplus reserve	V.30	104,468,551.68	78,069,693.85
Retained earnings	V.31	699,460,812.11	585,224,902.92
Total equity attributable to shareholders of the parent company		2,979,659,819.35	2,839,579,985.29
Non-controlling interests		16,239,614.16	14,880,200.51
Total shareholders' equity		2,995,899,433.51	2,854,460,185.80
Total liabilities and shareholders' equity		4,631,453,207.38	4,491,618,110.25

The financial statement has been approved by the Board of Directors on 24 March 2022.

Xiong Lin
Legal representative

(Signature and seal)

Li Bi
Person in charge of accounting of the Company
and head of the accounting department
(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

COMPANY BALANCE SHEET

31 December 2021
(Expressed in RMB)

	Notes	2021	2020
Assets			
Current assets:			
Cash at bank and on hand		422,161,728.93	388,844,405.52
Financial assets held for trading		–	160,000,000.00
Accounts receivable	XV.1	17,488,772.61	12,444,400.00
Prepayments		960,821.37	365,164.77
Other receivables	XV.2	889,738,811.55	855,099,712.19
Inventories		73,152.00	58,212.00
Other current assets		290,925.29	–
Total current assets		1,330,714,211.75	1,416,811,894.48
Non-current assets:			
Long-term equity investments	XV.3	1,339,169,907.87	1,256,802,434.15
Other non-current financial assets		112,000,000.00	100,069,866.24
Fixed assets		32,469,049.95	34,090,717.72
Intangible assets		757,072.24	933,705.59
Total non-current assets		1,484,396,030.06	1,391,896,723.70
Total assets		2,815,110,241.81	2,808,708,618.18

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

COMPANY BALANCE SHEET

31 December 2021 (continued)
(Expressed in RMB)

<i>Notes</i>	2021	2020
Liabilities and shareholders' equity		
Current liabilities:		
Short-term borrowings	300,000,000.00	367,448,200.00
Derivative financial liabilities	–	11,379,228.67
Employee benefits payable	19,882,472.89	14,738,451.98
Taxes payable	1,502,276.73	1,592,563.31
Other payables	691,847,014.12	746,737,350.41
Total current liabilities and liabilities	1,013,231,763.74	1,141,895,794.37
Shareholders' equity:		
Share capital	1,074,357,700.00	1,074,357,700.00
Capital reserve	316,102,577.31	316,102,577.31
Surplus reserve	104,468,551.68	78,069,693.85
Retained earnings	306,949,649.08	198,282,852.65
Total shareholders' equity	1,801,878,478.07	1,666,812,823.81
Total liabilities and shareholders' equity	2,815,110,241.81	2,808,708,618.18

The financial statement has been approved by the Board of Directors on 24 March 2022.

Xiong Lin
Legal representative
(Signature and seal)

Li Bi
Person in charge of accounting of the Company
and head of the accounting department
(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT

2021

(Expressed in RMB)

	Notes	2021	2020
I. Operating revenue	V.32	3,171,673,615.54	3,025,304,207.73
Less: Operating costs	V.32	2,619,736,947.46	2,477,805,879.31
Taxes and surcharges	V.33	18,613,334.32	18,116,622.31
General and administrative expenses	V.34	200,082,705.48	186,696,377.98
Finance costs	V.35	7,324,058.30	5,603,323.38
Including: Interest expenses		12,181,538.65	19,433,192.01
Interest income		5,822,519.30	5,258,523.92
Add: Other income	V.36	670,360.28	–
Investment income (“()” for losses)	V.37	5,468,716.24	5,699,588.31
Including: Income from investment in associates and joint ventures		1,746,813.85	(1,000,134.98)
Gains from changes in fair value (“()” for losses)	V.38	10,446,562.43	(5,336,813.73)
Credit losses (“()” for losses)	V.39	(14,650,515.31)	(33,526,353.54)
Impairment losses (“()” for losses)	V.40	(16,078,553.01)	(4,702,108.78)
Gains from asset disposals (“()” for losses)	V.41	(97,418.40)	(139,816.09)
II. Operating profit (“()” for loss)		311,675,722.21	299,076,500.92
Add: Non-operating income	V.42	10,361,312.55	11,827,990.02
Less: Non-operating expenses	V.42	842,045.57	5,199,579.59
III. Profit before income tax (“()” for loss)		321,194,989.19	305,704,911.35
Less: Income tax expenses	V.43	50,277,884.52	48,502,652.00
IV. Net profit (“()” for net loss)		270,917,104.67	257,202,259.35
(i) Net profit classified by continuity of operations:			
1. Net profit from continuing operations (“()” for net loss)		270,917,104.67	257,202,259.35
2. Net profit from discontinued operations (“()” for net loss)		–	–
(ii) Net profit classified by ownership:			
1. Net profit attributable to shareholders of the parent company (“()” for net loss)		269,557,691.02	256,027,937.93
2. Non-controlling interests (“()” for net loss)		1,359,413.65	1,174,321.42

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT

2021 (continued)
(Expressed in RMB)

	Notes	2021	2020
V. Other comprehensive income, after tax			
(i) Other comprehensive income attributable to shareholders of the parent company, after tax		-	-
1. Those other comprehensive income not to be reclassified to profit or loss		-	-
(1) Changes arising from re-measurement of defined benefit plan		-	-
(2) Other comprehensive income not to be reclassified to profit or loss using the equity method		-	-
(3) Change in fair value of investment in other equity instruments		-	-
(4) Change in fair value of credit risk of enterprise		-	-
2. Those other comprehensive income to be reclassified to profit or loss		-	-
(1) Other comprehensive income to be reclassified to profit or loss using the equity method		-	-
(2) Change in fair value of other debt investments		-	-
(3) Provision for impairment of credit in respect of other debt investments		-	-
(4) Cash flow hedging reserve		-	-
(5) Exchange differences on foreign currency translation		-	-
(6) Others		-	-
<hr/>			
(ii) Other comprehensive income attributable to non-controlling interests, after tax		-	-
VI. Total comprehensive income		270,917,104.67	257,202,259.35
(i) Total comprehensive income attributable to shareholders of the parent company		269,557,691.02	256,027,937.93
(ii) Total comprehensive income attributable to non-controlling interests		1,359,413.65	1,174,321.42
<hr/>			
VII. Earnings per share:			
(i) Basic earnings per share	V.44	0.25	0.24
(ii) Diluted earnings per share	V.44	0.25	0.24

The financial statement has been approved by the Board of Directors on 24 March 2022.

Xiong Lin
Legal representative

(Signature and seal)

Date:

Li Bi
Person in charge of accounting of the Company
and head of the accounting department
(Signature and seal)

(Company seal)

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

COMPANY INCOME STATEMENT

2021

(Expressed in RMB)

	Notes	2021	2020
I. Operating revenue	XV.4	38,336,491.31	32,119,992.52
Less: Operating costs	XV.4	4,028,577.52	2,002,506.22
Taxes and surcharges		879,488.82	699,675.99
General and administrative expenses		44,036,457.06	47,569,376.42
Finance costs		(391,489.40)	(4,760,569.54)
Including: Interest expenses		20,266,546.36	27,957,217.03
Interest income		20,439,372.92	23,264,130.15
Add: Investment income (“/”for losses)	XV.5	263,964,235.05	185,251,070.12
Including: Income from investment in associates and joint ventures		2,667,473.72	(522,899.46)
Gains from changes in fair value (“/”for losses)		10,446,562.43	(5,336,813.73)
II. Operating profit (“/”for loss)		264,194,254.79	166,523,259.82
Less: Non-operating expenses		205,676.53	29,662.31
III. Profit before income tax (“/”for loss)		263,988,578.26	166,493,597.51
Less: Income tax expenses		–	–
IV. Net profit (“/”for net loss)		263,988,578.26	166,493,597.51
(i) Net profit from continuing operations (“/”for net loss)		263,988,578.26	166,493,597.51
(ii) Net profit from discontinued operations (“/”for net loss)		–	–

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

COMPANY INCOME STATEMENT

2021 (continued)
(Expressed in RMB)

<i>Notes</i>	2021	2020
V. Other comprehensive income, after tax	-	-
(i) Those other comprehensive income not to be reclassified to profit or loss	-	-
1 Changes arising from re-measurement of defined benefit plan	-	-
2 Other comprehensive income not to be reclassified to profit or loss using the equity method	-	-
3 Change in fair value of investment in other equity instruments	-	-
4 Change in fair value of credit risk of enterprise	-	-
(ii) Those other comprehensive income to be reclassified to profit or loss	-	-
1 Other comprehensive income to be reclassified to profit or loss using the equity method	-	-
2 Change in fair value of other debt investments	-	-
3 Provision for impairment of credit in respect of other debt investments	-	-
4 Cash flow hedging reserve	-	-
5 Exchange differences on foreign currency translation	-	-
6 Others	-	-
VI. Total comprehensive income	263,988,578.26	166,493,597.51

The financial statement has been approved by the Board of Directors on 24 March 2022.

Xiong Lin
Legal representative

(Signature and seal)

Li Bi
Person in charge of accounting of the Company and head of the accounting department
(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

2021

(Expressed in RMB)

	Note	2021	2020
I. CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from sales of goods or rendering of services		3,534,362,440.28	3,335,930,030.48
Cash received relating to other operating activities		3,824,835.30	17,601,647.98
Subtotal of cash inflows from operating activities		3,538,187,275.58	3,353,531,678.46
Cash paid for goods and services		2,481,416,364.86	2,320,645,862.70
Cash paid to and on behalf of employees		410,310,693.84	347,046,213.16
Cash paid for all types of taxes		202,044,141.78	187,949,451.84
Cash paid relating to other operating activities		28,723,440.68	21,593,448.85
Subtotal of cash outflows from operating activities		3,122,494,641.16	2,877,234,976.55
Net cash flows from operating activities	V.46	415,692,634.42	476,296,701.91
II. CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash received from disposal of investments		498,000,000.00	994,000,000.00
Cash received from return on investments		9,544,421.68	27,958,247.21
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,594,586.06	755,604.86
Cash received relating to other investing activities		14,700,000.00	-
Subtotal of cash inflows from investing activities		524,839,007.74	1,022,713,852.07
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		324,083,590.61	286,855,817.16
Cash paid for acquisition of investments		338,000,000.00	1,154,000,000.00
Cash paid relating to other investing activities		6,200,000.00	8,500,000.00
Subtotal of cash outflows from investing activities		668,283,590.61	1,449,355,817.16
Net cash flows from investing activities		(143,444,582.87)	(426,641,965.09)

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

2021 (continued)
(Expressed in RMB)

	Notes	2021	2020
III. CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash received from borrowings		400,000,000.00	607,467,800.00
Cash received relating to other financing activities		37,394,687.09	-
Subtotal of cash inflows from financing activities		437,394,687.09	607,467,800.00
Cash paid for debt repayment		480,420,000.00	807,919,800.00
Cash paid for distribution of dividends or profits and for interest expenses		141,196,858.72	126,092,306.76
Including: Cash paid to non-controlling interests for distribution of dividends or profits by subsidiaries		-	273,000.00
Cash paid relating to other financing activities		4,309,911.19	2,659,753.78
Subtotal of cash outflows from financing activities		625,926,769.91	936,671,860.54
Net cash flows from financing activities		(188,532,082.82)	(329,204,060.54)
IV. EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS			
		(538,437.08)	(147,308.58)
V. NET INCREASE IN CASH AND CASH EQUIVALENTS (")" for net decrease)			
	V.46	83,177,531.65	(279,696,632.30)
Add: Balance of cash and cash equivalents at the beginning of the year		500,799,252.74	780,495,885.04
VI. BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	V.46	583,976,784.39	500,799,252.74

The financial statement has been approved by the Board of Directors on 24 March 2022.

Xiong Lin
Legal representative

(Signature and seal)

Li Bi
Person in charge of accounting of the Company and head of the accounting department
(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

2021

(Expressed in RMB)

	2021	2020
I. CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from sales of goods or rendering of services	36,418,378.39	27,029,391.79
Cash received relating to other operating activities	11,773,141.60	167,259,923.48
Subtotal of cash inflows from operating activities	48,191,519.99	194,289,315.27
Cash paid to and on behalf of employees	30,389,770.73	25,715,655.41
Cash paid for all types of taxes	4,386,961.25	2,687,112.25
Cash paid relating to other operating activities	11,221,937.11	18,634,596.53
Subtotal of cash outflows from operating activities	45,998,669.09	47,037,364.19
Net cash flows from operating activities	2,192,850.90	147,251,951.08
II. CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash received from disposal of investments	498,000,000.00	994,000,000.00
Cash received from return on investments	237,133,404.57	213,741,714.28
Cash received relating to other investing activities	37,278,705.26	100,000,000.00
Subtotal of cash inflows from investing activities	772,412,109.83	1,307,741,714.28
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	461,177.94	384,177.98
Cash paid for acquisition of investments	417,700,000.00	1,154,000,000.00
Cash paid relating to other investing activities	93,550,000.00	184,289,708.00
Subtotal of cash outflows from investing activities	511,711,177.94	1,338,673,885.98
Net cash flows from investing activities	260,700,931.89	(30,932,171.70)

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

2021 (continued)
(Expressed in RMB)

	2021	2020
III. CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash received from borrowings	400,000,000.00	607,467,800.00
Subtotal of cash inflows from financing activities	400,000,000.00	607,467,800.00
Cash paid for debt repayment	479,420,000.00	807,919,800.00
Cash paid for distribution of dividends and for interest expenses	149,618,022.30	134,674,295.32
Subtotal of cash outflows from financing activities	629,038,022.30	942,594,095.32
Net cash flows from financing activities	(229,038,022.30)	(335,126,295.32)
IV. EFFECT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(538,437.08)	(147,251.17)
V. NET INCREASE IN CASH AND CASH EQUIVALENTS (" ") for net decrease)	33,317,323.41	(218,953,767.11)
Add: Balance of cash and cash equivalents at the beginning of the year	388,844,405.52	607,798,172.63
VI. BALANCE OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	422,161,728.93	388,844,405.52

The financial statement has been approved by the Board of Directors on 24 March 2022.

Xiong Lin
Legal representative
(Signature and seal)

Li Bi
Person in charge of accounting of the Company
and head of the accounting department
(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2021

(Expressed in RMB)

Note	Attributable to shareholders of the parent company						Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained earnings	Subtotal		
I. Balance at the beginning of the year	1,074,357,700.00	1,081,447,605.75	20,480,082.77	78,069,693.85	585,224,902.92	2,839,579,985.29	14,880,200.51	2,854,460,185.80
II. Movements during the year ("—" for decrease)								
(i) Total comprehensive income	-	-	-	-	269,557,691.02	269,557,691.02	1,359,413.65	270,917,104.67
(ii) Profit distribution								
1. Appropriation for surplus reserve	-	-	-	26,398,857.83	(26,398,857.83)	-	-	-
2. Distribution to shareholders	-	-	-	-	(128,922,924.00)	(128,922,924.00)	-	(128,922,924.00)
(iii) Specific reserve								
1. Appropriated during the year	-	-	19,830,235.85	-	-	19,830,235.85	-	19,830,235.85
2. Used during the year	-	-	(20,385,168.81)	-	-	(20,385,168.81)	-	(20,385,168.81)
III. Balance at the end of the year	1,074,357,700.00	1,081,447,605.75	19,925,149.81	104,468,551.68	699,460,812.11	2,979,659,819.35	16,239,614.16	2,995,899,433.51

The financial statement has been approved by the Board of Directors on 24 March 2022.

Xiong Lin
Legal representative

(Signature and seal)

Li Bi
Person in charge of accounting of the Company and head of the accounting department
(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2020
(Expressed in RMB)

	Note	Attributable to shareholders of the parent company					Subtotal	Non-controlling interests	Total shareholders' equity
		Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained earnings			
I. Balance at the beginning of the year		1,074,357,700.00	1,081,447,605.75	7,547,827.09	61,420,334.10	453,282,094.74	2,678,055,561.68	13,978,879.09	2,692,034,440.77
II. Movements during the year ("()" for decrease)									
(i) Total comprehensive income		-	-	-	-	256,027,937.93	256,027,937.93	1,174,321.42	257,202,259.35
(ii) Profit distribution	V.31								
1. Appropriation for surplus reserve		-	-	-	16,649,359.75	(16,649,359.75)	-	-	-
2. Distribution to shareholders		-	-	-	-	(107,435,770.00)	(107,435,770.00)	-	(107,435,770.00)
3. Distribution to non-controlling interests		-	-	-	-	-	-	(273,000.00)	(273,000.00)
(iii) Specific reserve									
1. Appropriated during the year		-	-	22,958,476.35	-	-	22,958,476.35	-	22,958,476.35
2. Used during the year		-	-	(10,026,220.67)	-	-	(10,026,220.67)	-	(10,026,220.67)
III. Balance at the end of the year		1,074,357,700.00	1,081,447,605.75	20,480,082.77	78,069,693.85	585,224,902.92	2,839,579,985.29	14,880,200.51	2,854,460,185.80

The financial statement has been approved by the Board of Directors on 24 March 2022.

Xiong Lin
Legal representative

(Signature and seal)

Li Bi
Person in charge of accounting of the Company
and head of the accounting department
(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2021

(Expressed in RMB)

	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the beginning of the year	1,074,357,700.00	316,102,577.31	78,069,693.85	198,282,852.65	1,666,812,823.81
II. Movements during the year					
(i) Total comprehensive income	-	-	-	263,988,578.26	263,988,578.26
(ii) Profit distribution					
1. Appropriation to surplus reserve	-	-	26,398,857.83	(26,398,857.83)	-
2. Distribution to shareholders	-	-	-	(128,922,924.00)	(128,922,924.00)
III. Balance at the end of the year	1,074,357,700.00	316,102,577.31	104,468,551.68	306,949,649.08	1,801,878,478.07

The financial statement has been approved by the Board of Directors on 24 March 2022.

Xiong Lin

Legal representative

(Signature and seal)

Li Bi

Person in charge of accounting of the Company and head of the accounting department

(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

2020
(Expressed in RMB)

	Share capital	Capital reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at the beginning of the year	1,074,357,700.00	316,102,577.31	61,420,334.10	155,874,384.89	1,607,754,996.30
II. Movements during the year					
(i) Total comprehensive income	-	-	-	166,493,597.51	166,493,597.51
(ii) Profit distribution					
1. Appropriation to surplus reserve	-	-	16,649,359.75	(16,649,359.75)	-
2. Distribution to shareholders	-	-	-	(107,435,770.00)	(107,435,770.00)
III. Balance at the end of the year	1,074,357,700.00	316,102,577.31	78,069,693.85	198,282,852.65	1,666,812,823.81

The financial statement has been approved by the Board of Directors on 24 March 2022.

Xiong Lin
Legal representative

(Signature and seal)

Li Bi
Person in charge of accounting of the Company
and head of the accounting department
(Signature and seal)

(Company seal)

Date:

The notes to the financial statements on pages 88 to 190 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

I. BASIC INFORMATION OF THE COMPANY

Sichuan Energy Investment Development Co., Ltd. (the “Company”) is a joint stock limited liability company established in Chengdu, Sichuan Province and headquartered in Wenjiang District, Chengdu, Sichuan Province. The Company’s legal representative is Xiong Lin, its parent company is Sichuan Province Hydropower Investment and Management Group Co., Ltd., and the ultimate controlling company is Sichuan Development (Holding) Co., Ltd.

The Company and its subsidiaries (collectively, the “Group”) operate in the electric power industry with main business scope including development, construction and operation management of power projects; development, construction and operation management of power distribution network and power plants; production and sale of power products; new energy technology research, development and advisory services; installation, commissioning and repair of power facilities and inspection of electrical equipment, sale of material (excluding commodities subject to state-run trade management, and for commodities subject to quota and permit management, application shall be made in accordance with relevant national regulations; projects subject to approval as required by the law shall be carried out after approval by relevant authorities). For information on the subsidiaries of the Company, please refer to Note VII.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Company prepares its financial statements on a going concern basis.

As at 31 December 2021, the Group’s current liabilities exceeded its current assets by RMB262,962,402.79. As the Group’s cash flow from operating activities continues to be a net cash inflow, the balance of undrawn bank credit facilities as at 31 December 2021 was RMB2,086,000,000.00, and based on the communication with banks, the Group believes that it can renew or extend the term of short-term borrowings (if necessary) based on its good credit history, the Board of Directors considers that the Group has sufficient funds to meet its working capital commitments and debt obligations, and therefore these financial statements have been prepared on a going concern basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group’s accounting policies for the recognition and measurement of provision for bad and doubtful debts for receivables, the measurement of inventories transferred out, the depreciation of fixed assets, the amortisation of intangible assets, recognition and measurement of revenue are formulated according to the specific characteristics of the Group’s operations. For specific policies, please refer to relevant note.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

1. Statement of Compliance

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards (“CAS”) issued by the MOF. These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2021, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

In addition, certain notes in these financial statements have been prepared in accordance with requirements of the Companies Ordinance of Hong Kong, which also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company has prepared financial statements pursuant to the International Financial Reporting Standards which are generally accepted in Hong Kong for information disclosure in Hong Kong since Listing. According to the “Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong” (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) issued by the Hong Kong Stock Exchange in December 2010, commencing from the current financial year, the Company resolved to prepare financial statements pursuant to China ABSE and relevant requirements issued by the Ministry of Finance. Set out below are the impacts on the Company’s shareholders’ equity and net profit arising from the transition from the International Financial Reporting Standards to China ABSE:

	Net profit		Net assets	
	2021	2020	2021	2020
Under China ABSE	270,917,104.67	257,202,259.35	2,995,899,433.51	2,854,460,185.80
Under the International Financial Reporting Standards	270,362,171.71	270,134,515.26	2,995,899,433.51	2,854,460,185.80
Difference	554,932.96	(12,932,255.91)	-	-

2. Accounting Period

The accounting year begins on 1 January and ends on 31 December of a calendar year.

3. Operating cycle

The Company takes the period from the acquisition of assets for processing to their realisation in cash or cash equivalents as a normal operating cycle. The operating cycle of the Company’s electricity sales business is usually shorter than 12 months, and is usually 1 month to 24 months for the electricity installation engineering business.

4. Functional currency

The Company’s functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. The accounting treatment of business combinations involving enterprises under common control and business combinations involving enterprises not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations involving enterprises not under common control.

For a transaction involving enterprises not under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met, the set of assets is determined not to be a business. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the Group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition date fair values. It is not required to apply the accounting of business combination described as below.

(1) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total par value of shares issued) is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings. Any costs directly attributable to the combination are recognised in profit or loss for the current period when occurred. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. The accounting treatment of business combinations involving enterprises under common control and business combinations involving enterprises not under common control (Continued)

(2) Business combinations involving enterprises not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. Where 1) the aggregate of the fair value at the acquisition date of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds 2) the acquirer's interest in the fair value at the acquisition date of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note III.16). Where 1) is less than 2), the difference is recognised in profit or loss for the current period. The costs of the issuance of equity or debt securities as a part of the consideration paid for the acquisition are included as a part of initial recognition amount of the equity or debt securities. Other acquisition-related costs arising from the business combination are recognised as expenses in the periods in which the costs are incurred. Any difference between the fair value and the carrying amount of the assets transferred as consideration is recognised in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities, if satisfying the recognition criteria, are recognised by the Group at their fair value at the acquisition date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For a business combination involving enterprises not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and any other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss (see Note III.11 (2) (b) are transferred to investment income at the date of acquisition). Any previously-held equity interest that is designated as equity instrument investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods is transferred to retained earnings at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements

(1) General principles

The scope of consolidated financial statements is based on control and comprises the Company and its subsidiaries. Control exists when the Group has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power over an investee, only substantive rights relating to the investee (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are recognised in full if there is evidence that the losses are the relevant asset impairment losses.

(2) Subsidiaries acquired through a business combination

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (Continued)

(3) Disposal of subsidiaries

When the Group loses control of a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, the following are considered to determine whether the Group should account for the multiple transactions as a bundled transaction:

- arrangements are entered into at the same time or in contemplation of each other;
- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions does not form part of a bundled transaction, the transactions conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policies for partial disposal of equity investment in subsidiaries where control is retained (see Note III.6(4)).

If each of the multiple transactions forms part of a bundled transaction which eventually results in the loss of control in the subsidiary, these multiple transactions are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent company eventually loses control of the subsidiary.

(4) Changes in non-controlling interests

Where the Company acquires a non-controlling interest from a subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the proportion interests of the subsidiary's net assets being acquired or disposed and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Recognition criteria for cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

8. Foreign currency transactions and translation of financial statements denominated in foreign currencies

Foreign currency transactions of the Group are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition, construction or production of qualifying assets (see Note III.14). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date.

9. Financial instruments

Financial instruments of the Group include cash at bank and on hand, equity investment except for long-term equity investments (see Note III.11), receivables, payables, loans and borrowings, and share capital, etc.

(1) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset and financial liability is measured at fair value on initial recognition. For financial assets or financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets or financial liabilities, any related directly attributable transaction costs are included in their initial costs. An accounts receivable, without a significant financing component or practical expedient applied for one year or less contracts, is initially measured at the transaction price determined according to the accounting policies in Note III.21.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

(2) Classification and subsequent measurement of financial assets

(a) Classification of financial assets of the Group

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), and at fair value through profit or loss ("FVPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group classifies financial assets not designated as at FVPL that meet both of the following conditions into financial assets at amortised cost:

- The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

The Group classifies financial assets not designated as FVPL that meet the following conditions as financial assets at FVOCI:

- The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows and to sell the financial assets;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

For investments in equity instruments not held for trading, the Group may irrevocably designate them as financial assets at FVOCI at initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.

Except for the above-mentioned financial assets measured at amortised cost and at FVOCI, the Group classifies all other financial assets into financial assets at FVPL. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should be measured at amortised cost or FVOCI as financial assets at FVPL.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the source of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

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

(a) Classification of financial assets of the Group (Continued)

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

(b) Subsequent measurement of financial assets of the Group

– Financial assets at FVPL

Subsequent to initial recognition, such financial assets are measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in profit or loss, unless the financial asset is a component of hedges.

– Financial assets measured at amortised cost

Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition, reclassification or amortisation using the effective interest method or recognition of impairment.

– Debt investments at FVOCI

Subsequent to initial recognition, such financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.

– Investments in equity instruments at FVOCI

Subsequent to initial recognition, such financial assets are measured at fair value. Dividend income is recognised in profit or loss, and other gains or losses are recognised in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

(3) Classification and subsequent measurement of financial liabilities

The Group classifies financial liabilities into financial liabilities at FVPL and financial liabilities measured at amortised cost.

- Financial liabilities at FVPL

Such financial liabilities include financial liabilities held for trading (including derivatives which fall under financial liabilities) and financial liabilities designated as at FVPL.

Subsequent to initial recognition, financial liabilities at FVPL are subsequently measured at fair value and gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities measured at amortised cost

Subsequent to initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

(4) Offsetting

Financial assets and financial liabilities are presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset, and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognised amounts;
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

(5) Derecognition of financial assets and financial liabilities (Continued)

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) when its contractual obligation (or part of it) is extinguished.

(6) Impairment

Based on the expected credit loss, the Group conducts impairment accounting for the following items and recognises loss allowance:

- Financial assets measured at amortised cost;
- Contract assets;

The expected credit loss model is not applicable to other financial assets measured at fair value held by the Group, including debt investments or investments in equity instruments at FVPL, investments in equity instruments designated as at FVOCI and derivative financial assets.

Measurement of expected credit losses

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between all contractual cash flows discounted as per the original effective interest rate and receivable from the contract and all cash flows expected to be received by the Group).

The maximum period considered when estimating expected credit losses is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime expected credit losses are the expected credit losses of a financial instrument that result from all possible default events over the expected life.

12-month expected credit losses are the portion of expected credit losses of a financial instrument that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the financial instrument is less than 12 months).

Loss allowances for accounts receivable and contract assets are always measured at an amount equal to lifetime expected credit loss. Expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

(6) Impairment (Continued)

Measurement of expected credit losses (Continued)

Except for accounts receivable and contract assets, the Group measures loss allowance at an amount equal to 12-month expected credit loss for the following financial instruments, and at an amount equal to lifetime expected credit loss for all other financial instruments:

- If the financial instrument is determined to have low credit risk at the balance sheet date; or
- If the credit risk on a financial instrument has not increased significantly since initial recognition.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor;
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group assumes that the credit risk on a financial asset has increased significantly since the date of past due. Unless the Group is able to obtain reasonable and well-founded information at no cost or effort to demonstrate that credit risk has not increased significantly since the initial recognition, although it exceeded the payment term agreed upon in the contract for 30 days.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

(6) Impairment (Continued)

Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets measured at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower’s financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor.

Presentation of provision for expected credit losses

Expected credit losses are remeasured at each balance sheet date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the expected credit loss amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, provision is offset against their carrying amounts in the balance sheet. The Group recognises provision for debt investments at FVOCI in other comprehensive income and does not deduct the carrying amount of the financial assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes derecognition of the relevant financial asset. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

Subsequent recoveries of a financial asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

(7) Equity instrument

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. All expenditure relating to the repurchase is recorded in the cost of the treasury shares, with the transaction recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders' equity in the balance sheet.

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially. If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognised in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

10. Inventories

(1) Classification and cost

Inventories include raw materials and reusable materials. Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets.

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

(2) Cost of inventories transferred out

Cost of inventories transferred out is calculated using the weighted average method.

Consumables including low-value consumables and packaging materials are amortised in full when received for use. The amortisations are included in the cost of the related assets or recognised in profit or loss for the current period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Inventories (Continued)

(3) *Basis for determining the net realisable value and provisioning methods for impairment losses of inventories*

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price to the extent of the quantities specified in sales contracts, and the net realisable value of the excess portion of inventories is measured based on general selling prices.

Any excess of the cost over the net realisable value of each item of inventories is recognised as a provision for the impairment, and is recognised in profit or loss.

(4) *Inventory system*

The Group maintains a perpetual inventory system.

11. Long-term equity investments

(1) *Investment cost of long-term equity investments*

(a) Long-term equity investments acquired through a business combination

- The initial cost of a long-term equity investment acquired through a business combination involving enterprises under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted against retained earnings.
- For a long-term equity investment obtained through a business combination involving enterprises not under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree.

(b) Long-term equity investments acquired other than through a business combination

- A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

(2) *Subsequent measurement and recognition in profit loss of long-term equity investment*

(a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement unless the investment is classified as held for sale (see Note III.28). Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income in the current period.

The investments in subsidiaries are stated in the balance sheet at cost less provision for impairment.

For the impairment test and provisioning of the investments in subsidiaries, please refer to Note III.18.

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the policies described in Note III.6.

(b) Investment in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.11(3)) and rights to the net assets of the arrangement.

An associate is an enterprise over which the Group has significant influence (see Note III.11(3)).

Long-term equity investments in a joint venture or an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale (see Note III.28).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

(2) *Subsequent measurement and recognition in profit loss of long-term equity investment (Continued)*

(b) Investment in joint ventures and associates (Continued)

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.
- After the acquisition of the investment in a joint venture or an associate, the Group recognises its share of the investee's profit or loss and other comprehensive income, as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the long-term equity investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution ("other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the long-term equity investment is adjusted accordingly.
- In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures under the equity method. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are recognised in full if there is evidence that the losses are the relevant asset impairment losses.
- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

For the impairment test and provisioning of the investments in joint ventures and associates, refer to Note III.18.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

(3) Criteria for determining the existence of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's related activities unilaterally;
- Whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

12. Fixed assets

(1) Recognition criteria for fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods, for rendering services or for administrative purposes with useful lives over one accounting year.

The initial cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The initial cost of self-constructed assets is measured in accordance with the policy set out in Note III.13.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Fixed assets (Continued)

(2) Depreciation of fixed assets

The cost of fixed asset, less its estimated residual value and accumulated provision for impairment, is depreciated using the straight-line method over its useful life, unless the fixed asset is classified as held for sale (see Note III.28).

The useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

Class	Useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Plant and buildings	20~50 years	5%	1.90% ~ 4.75%
Machinery and equipment	10~30 years	5%	3.17% ~ 9.50%
Office and other equipment	5~10 years	5%	9.50% ~ 19.00%
Motor vehicles	5~10 years	5%	9.50% ~ 19.00%

Useful lives, estimated residual value and depreciation methods are reviewed at least at each year-end.

(3) For the impairment test and provisioning of the fixed assets, refer to Note III.18.

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- when the fixed asset is on disposal; or
- when no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed asset 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.

13. Construction in progress

The cost of self-constructed fixed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.14), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed fixed asset is included in construction in progress before it is transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress.

Construction in progress is stated in the balance sheet at cost less provision for impairment (see Note III.18).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Borrowing costs

Borrowing costs incurred directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as financial expenses when incurred.

During the capitalization period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.
- To the extent that the Group borrows funds generally and uses them for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalization period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense when incurred.

The capitalization period is the period from the date of commencement of capitalization of borrowing costs to the date of cessation of capitalization, excluding any period over which capitalization is suspended. Capitalization of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction or production that are necessary to prepare the asset for its intended use or sale are in progress, and ceases when the assets become ready for their intended use or sale. Capitalization of borrowing costs is suspended when the acquisition, construction or production activities are interrupted abnormally for a period of more than three months.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and provision for impairment (see Note III.18). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated provision for impairment is amortised using the straight-line method over its estimated useful life, unless the intangible assets is classified as held for sale (see Note III.28).

The respective amortisation periods for such intangible assets are as follows:

Item	Amortisation period (years)
Land use right	50 years
Software	5 ~ 10 years

For an intangible asset with a finite useful life, the Group reviews the useful life and the amortisation method at least at each year-end.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. As at the balance sheet date, the Group does not have any intangible assets with indefinite useful lives.

16. Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving enterprises not under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated provision for impairment (see Note III.18). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

17. Long-term prepaid expenses

Long-term prepaid expenses are amortised using the straight-line method within the benefit period. The respective amortisation periods for such expenses are as follows:

Item	Amortisation period
Leasehold improvements	3 ~ 5 years

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- right-of-use assets
- intangible assets
- investment properties measured using a cost model
- long-term equity investments
- goodwill
- long-term prepaid expenses, etc.

The Group conducts impairment tests on assets with signs of impairment and estimates the recoverable amount of the assets. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least annually, irrespective of whether there is any indication of impairment, and estimates the recoverable amounts of goodwill at least annually at each year-end. The carrying amount of goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.19) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash-generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

If the estimation results of the recoverable amount indicate that the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is written down to the recoverable amount, and an impairment loss is recognised in profit or loss. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups, are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

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.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

20. Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. If there is a continuous range of required expenditure and the probability of various results within the range is the same, the best estimate shall be determined according to the middle value within the range. In other cases, the best estimates are treated as follows:

- If the contingency involves a single item, it shall be determined according to the most likely amount.
- If the contingency involves multiple items, it shall be determined according to various possible results and relevant probability calculation.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Revenue

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The stand-alone selling price is the price at which the Group would sell a promised good or render service separately to a customer. If a stand-alone selling price is not directly observable, the Group shall consider all information that is reasonably available to the Group and maximize the use of observable inputs to estimate the stand-alone selling price.

For the contract with a warranty, the Group analyses the nature of the warranty provided, if the warranty provides the customer with a distinct service in addition to the assurance that the product complies with agreed-upon specifications, the Group recognises for the promised warranty as a performance obligation. Otherwise, the Group accounts for the warranty in accordance with the requirements of the ASBE No.13 – Contingencies.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the asset created or enhanced during the Group's performance;
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Revenue (Continued)

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- the customer has accepted the goods or services.

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on factors other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets (see Note III.9(6)). Receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the details of the accounting policies regarding revenue from the Group's principal activities:

(1) Sales of electricity

The Group recognises revenue when electricity is transmitted to end users or state-owned or local grid companies. When electricity is transmitted to an end user or a state-owned or local grid company, the Group obtains an unconditional right to receive payments relating to the revenue from sales of electricity and recognises the receivables. The Group recognises contract liabilities for amounts received in advance from customers and recognises the performance as revenue when electricity is transmitted to end users or state-owned or local grid companies.

(2) Sales of materials

The Group recognises revenue when a customer accepts goods and obtains control of goods.

(3) Electricity installation engineering

The Group recognises revenue in the process of fulfilling contracts with customers for electricity installation engineering. When the outcome of a contract can be reliably determined, the Group recognises revenue over time using the input method, which is based on the proportion of costs incurred to total expected costs. When the outcome of a contract cannot be reliably determined, the Group recognises as revenue only those contract costs that it expects to recover.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract that it would not have incurred if the contract had not been obtained, e.g. a sales commission. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period. The Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates;
- the costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

23. Employee benefits

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Employee benefits (Continued)

(2) Post-employment benefits – defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(3) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

24. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contribution from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to revenue are grants other than those related to assets. A government grant related to assets is recognised as deferred income and amortised over the useful life of the related asset in a reasonable and systematic manner as other income or non-operating income. A government grant related to revenue that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised, otherwise, the grant is included in other income or non-operating income directly.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Specific reserve

The Group recognises a safety fund in the specific reserve pursuant to relevant government regulations, with a corresponding increase in the costs of the related products or expenses.

When the safety fund is subsequently used for revenue expenditure, the specific reserve is reduced accordingly. On utilisation of the safety fund for fixed assets, the specific reserve is reduced as the fixed assets are recognised, which is the time when the related assets are ready for their intended use; in such cases, an amount that corresponds to the reduction in the specific reserve is recognised in accumulated depreciation with respect to the related fixed assets. As a consequence, such fixed assets are not depreciated in subsequent periods.

26. Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax 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, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets and liabilities is measured based on the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is recovered or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available in future periods to allow the deferred tax asset to be utilized. Such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Income tax (Continued)

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities, and current tax assets;
- they relate to income taxes levied by the same tax authority on either the same taxable entity; or different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

27. Lease

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

At inception of a contract, the Group assesses whether the contract is a lease or contains a lease. If one party under the contract transfers one or more of the right to use of the identified asset within a period of time in exchange for consideration, the contract shall be considered as a lease or containing lease.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group shall assess:

- the contract involves the use of identified assets. An asset is typically identified by being explicitly specified in a contract. However, an asset can also be identified by being implicitly specified at the time that the asset is made available for use by the customer and it is physically distinct. A capacity or other portion of an asset that is not physically distinct is not an identified asset, unless it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from use of the asset. If the supplier has the substantive right to substitute the asset throughout the period of use, the asset can't be treated as identified asset;
- the lessee has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use;
- the lessee has the right to direct the use of the identified asset throughout the period of use.

Where the contract contains multiple lease components, the lessee and the lessor shall separate the lease components and account for each individual lease component separately. Where the contract includes both the lease and the non-lease component, the lessee and the lessor shall separate the lease and non-lease components. For a contract that contains lease and non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lessor allocates the consideration in the contract in accordance with the accounting policy in Note III.21.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Lease (Continued)

The Group as a lessee

On the commencement date of lease period, the Group recognises right-of-use assets and lease liabilities on leases. The right-of-use assets are initially measured at cost, including the initial measurement amount of lease liability, the lease payment amount paid on or before the commencement date of lease period, net of the relevant amount of lease incentives enjoyed, initial direct costs incurred and the estimate cost of dismantling and removing leased assets, restoring the leased assets or restoring the leased assets to the agreed conditions of the lease term.

The Group depreciates the right-of-use assets using the straight-line method. If it is reasonably certain that the lease will transfer ownership of the underlying asset to the lessee by the end of the lease term, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses are recognised in accordance with the accounting policy described in Note III.18.

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

The Group calculates interest expenses in each period during the lease term based on a constant periodic rate of interest, and recognises the interest expenses in profit or loss or part of the cost of other related assets. Variable lease payments not included in the measurement of the lease liability are recognised in profit or loss or part of the cost of another related asset as incurred.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments, if either:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of an option to purchase the underlying asset, to extend or terminate the lease, or the exercise of the option to extend or terminate the lease is different from the previous assessment.

When the lease liability is re-measured, the Group recognises the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the re-measurement in profit or loss.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases (leases that have a lease term of 12 months or less) and leases of low-value assets, and recognised the lease payments associated with these leases in profit or loss or part of the cost of another related assets on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Assets held for sale and discontinued operations

(1) Assets held for sale

The Group classified a non-current asset or disposal group as held for sale when the carrying amount of a non-current asset or disposal group will be recovered through a sale transaction rather than through continuing use.

A disposal group refers to a group of assets to be disposed of, by sale or otherwise, together as a whole in a single transaction and liabilities directly associated with those assets that will be transferred in the transaction.

A non-current asset or disposal group is classified as held for sale when all the following criteria are met:

- According to the customary practices of selling such asset or disposal group in similar transactions, the non-current asset or disposal group must be available for immediate sale in their present condition;
- Its sale is highly probable, that is, the Group has made a resolution on a sale plan and has obtained a firm purchase commitment. The sale is expected to be completed within one year.

Non-current assets or disposal groups held for sale are stated at the lower of carrying amount and fair value (see Note III.19) less costs to sell (except financial assets (see note III.9) and deferred tax assets (see note III.26)) initially and subsequently. Any excess of the carrying amount over the fair value (see Note III.19) less costs to sell is recognised as an impairment loss in profit or loss.

(2) Discontinued operations

The Group classifies a separate component as a discontinued operation either upon disposal of the operation or when the operation meets the criteria to be classified as held for sale if it is separately identifiable and satisfies one of the following conditions:

- It represents a separate major line of business or a separate geographical area of operations;
- It is part of a single co-ordinated plan to dispose of a separate major line of business or a separate geographical area of operations;
- It is a subsidiary acquired exclusively with a view to resale.

Where an operation is classified as discontinued in the current period, profit or loss from continuing operations and profit or loss from discontinued operations are separately presented in the income statement for the current period. Profit or loss from continuing operation in the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

29. Dividend distribution

Dividend or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

31. Segment reporting

Reportable segments are identified based on the structure of the Group's internal organisation, management requirements and internal reporting system. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Reportable segments are identified based on operating segment taking into consideration of the materiality principle.

In preparing segment reports, the Group measures the revenue from inter-segment transactions based on the actual transaction price. The accounting policies adopted for the preparation of segment reports are consistent with those adopted for the preparation of the Group's financial statements.

32. Significant accounting estimates and judgements

Judgements and estimations used in preparation of financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For information about the assumption and their risk factors relating to financial instruments, please see Note III.9 (6). Other key sources of significant estimation uncertainty are as follows:

(1) Construction contracts

As explained in Note III.21(3), revenue from construction contracts are recognised over time. The revenue recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the outcome of contract can be reasonably measured. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue recognised in future years as an adjustment to the amounts recorded to date.

(2) Loss allowances of accounts and other receivables and contract assets

The loss allowances for accounts and other receivables and contract assets are based on assumptions about risk of default and expected credit loss rates. The Group adjusts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Significant accounting estimates and judgements (Continued)

(3) Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated/amortised on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/amortisation to be recorded during any reporting period. The useful lives and residual values are based on the Group's technological experience with similar assets and taking into account anticipated technological changes. The depreciation/amortisation for future periods is adjusted if there are material changes from previous estimates.

(4) Impairment of assets other than inventories and financial assets

As described in Note III.18, assets other than inventories and financial assets are reviewed at the end of each reporting period to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (or an asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. When a market price of the asset (or an asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably, the recoverable amount is calculated based on the present value of estimated future cash flows. In assessing the present value of estimated future cash flows, significant judgements are exercised to estimate the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

(5) Income taxes and deferred taxation

Determining deferred income tax involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management reassesses these estimates at the end of each reporting period. Additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Changes in significant accounting policies and accounting estimates

(1) Description and reasons for changes in accounting policies

The relevant accounting standards for business enterprises effective in 2021 related to the Group are as follows:

- Notice on Adjusting the Scope of Application of Regulations on Accounting Treatment for Rent Concessions in relation to COVID-19 (Cai Kuai [2021] No. 9) and Regulations on Accounting Treatment for Rental Concessions in relation to COVID-19 (Cai Kuai [2020] No. 10) have provided a simplified method under certain conditions for rent concessions occurring as a direct consequence of the COVID-19 pandemic. Under the requirements of Cai Kuai [2021] No. 9, the rent concessions under this simplified method apply only to lease payments due on or before 30 June 2022. The Group had not experienced any COVID-19-related rent concession during the year.

(2) Changes in accounting estimates

There were no significant changes in accounting estimates during the period.

IV. TAXATION

1. Main types of taxes and corresponding tax rates

Type of tax	Tax base	Tax rate
Value-added tax (VAT)	Output VAT is calculated on product sales and taxable services revenue according to taxation laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable	6%, 9%, 10%, 11%, 13%
City maintenance and construction tax	Based on VAT effectively paid	5%, 7%
Education surcharges	Based on VAT effectively paid	3%
Local education surcharges	Based on VAT effectively paid	2%
Enterprise income tax	Based on taxable profits	15%, 25%
Property tax	Based on taxable property value or rental income	1.2% or 12%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

IV. TAXATION (CONTINUED)

2. Tax incentive

The Company and subsidiaries were incorporated in the PRC. Under the relevant PRC enterprise income tax law and respective regulations, except for preferential treatments available to certain subsidiaries as mentioned in (1) below, other subsidiaries within the Group are subject to enterprise income tax at the statutory rate of 25%.

- (1) According to the Notice on Tax Policies in relation to Further Implementation of the Western Development Strategy, enterprises established in western region and engaged in activities encouraged by the state are applicable to a preferential enterprise income tax rate of 15% from 2011 to 2030. Certain subsidiaries operate in the western region of the PRC and therefor can enjoy a preferential enterprise income tax rate of 15.0%, provided that their revenues from principal activities contribute more than 60% of their total revenues in each of the year.
- (2) Sichuan Energy Investment Yibin Xuzhou Electricity Co., Ltd., Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd., Sichuan Energy Investment Gong County Electricity Co., Ltd., Sichuan Energy Investment Gao County Electricity Co., Ltd., Sichuan Energy Power Investment Pingshan Electricity Co., Ltd., Sichuan Energy Investment Xingwen Electricity Co., Ltd., Sichuan Energy Investment Junlian Electricity Co., Ltd. and Shuifu Yangliutan Power Generation Co., Ltd., subsidiaries of the Company, meet the above requirements, and are subject to the enterprise income tax at the rate of 15%.

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Item	2021	2020
Cash on hand	7,317.07	230.90
Bank deposits	583,969,467.32	500,799,021.84
Other cash at bank and on hand	6,000,000.00	4,000,000.00
Total	589,976,784.39	504,799,252.74

Other cash and bank balances at the end of the year represent the deposits for electricity purchase deposited by Sichuan Energy Investment Electricity Energy Co., Ltd. in the bank deposit account.

2. Financial assets held for trading

Type	2021	2020
Financial assets at FVPL	–	160,000,000.00
Including: Structured deposits due within one year	–	160,000,000.00

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivable

(1) Category of bills receivable

Category	2021	2020
Bank acceptances	3,200,000.00	2,900,000.00
Commercial acceptances	–	27,746,560.00
Subtotal	3,200,000.00	30,646,560.00
Less: Provision for bad and doubtful debts	–	–
Total	3,200,000.00	30,646,560.00

All bills receivable above are due within one year.

(2) The Group had no pledged bills receivable at the end of the year.

(3) Bills receivable endorsed or discounted at the end of the year but not matured at the balance sheet date:

Category	Amount derecognised at the end of 2021	Amount not derecognised at the end of 2021
Bank acceptances	7,873,336.64	–
Commercial acceptances	–	–
Total	7,873,336.64	–

Category	Amount derecognised at the end of 2020	Amount not derecognised at the end of 2020
Bank acceptances	13,324,106.00	–
Commercial acceptances	–	27,746,560.00
Total	13,324,106.00	27,746,560.00

(4) At the end of the year, the Group had no bills transferred to accounts receivable due to non-performance of the drawer.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

(1) Accounts receivable by customer type is as follows:

Customer type	2021	2020
Receivable from related parties	48,956,274.42	77,029,383.19
Receivable from others	443,389,205.54	377,178,199.90
Subtotal	492,345,479.96	454,207,583.09
Less: Provision for bad and doubtful debts	120,285,494.73	110,497,605.40
Total	372,059,985.23	343,709,977.69

(2) Accounts receivable by ageing is as follows:

Ageing	2021	2020
Within 1 year (inclusive)	355,106,675.42	325,528,147.64
1 to 2 years (inclusive)	24,095,118.30	33,582,910.26
2 to 3 years (inclusive)	33,462,377.21	15,905,286.33
Over 3 years	79,681,309.03	79,191,238.86
Subtotal	492,345,479.96	454,207,583.09
Less: Provision for bad and doubtful debts	120,285,494.73	110,497,605.40
Total	372,059,985.23	343,709,977.69

The ageing is counted starting from the date when accounts receivable are recognised.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(3) Accounts receivable by provision method

Category	2021					2020				
	Book balance		Provision for bad and doubtful debts		Carrying amount	Book balance		Provision for bad and doubtful debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad and doubtful debts on individual basis	58,908,047.23	11.97%	58,908,047.23	100.00%	-	49,953,697.29	11.00%	49,953,697.29	100.00%	-
Provision for bad and doubtful debts on portfolio basis	433,437,432.73	88.03%	61,377,447.50	14.16%	372,059,985.23	404,253,885.80	89.00%	60,543,908.11	14.98%	343,709,977.69
- Electricity fee receivables	201,321,901.97	40.89%	10,078,313.75	5.01%	191,243,588.22	208,683,367.50	45.94%	11,795,866.62	5.65%	196,887,500.88
- Construction receivables	232,115,530.76	47.14%	51,299,133.75	22.10%	180,816,397.01	195,570,518.30	43.06%	48,748,041.49	24.93%	146,822,476.81
Total	492,345,479.96	100.00%	120,285,494.73	24.43%	372,059,985.23	454,207,583.09	100.00%	110,497,605.40	24.33%	343,709,977.69

(a) Reasons for provision for bad and doubtful debts on individual basis in 2021:

Name	Closing balance	Balance of provision for bad and doubtful debts	Reasons for provision
A Company	24,291,359.46	24,291,359.46	It is determined that it cannot be recoverable based on the counterparty's operating status
B Company	12,112,280.66	12,112,280.66	It is determined that it cannot be recoverable based on the counterparty's operating status
C Company	3,275,817.91	3,275,817.91	It is determined that it cannot be recoverable based on the counterparty's operating status
D Company	2,321,606.94	2,321,606.94	It is determined that it cannot be recoverable based on the counterparty's operating status
E Company	1,954,029.64	1,954,029.64	It is determined that it cannot be recoverable based on the counterparty's operating status
F Company	1,145,596.99	1,145,596.99	It is determined that it cannot be recoverable based on the counterparty's operating status
G Company	1,076,750.13	1,076,750.13	It is determined that it cannot be recoverable based on the counterparty's operating status
Other customers	12,730,605.50	12,730,605.50	It is determined that it cannot be recoverable based on the counterparty's operating status
Total	58,908,047.23	58,908,047.23	

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(3) Accounts receivable by provision method (Continued)

(b) Recognition criteria and explanation of provision for bad and doubtful debts on portfolio basis in 2021:

The Group classifies accounts receivable into different portfolios based on credit risk characteristics with reference to historical credit loss experience and in combination with current conditions and forecasts of future economic conditions, and calculates ECLs on portfolio basis. The Group classifies accounts receivable into two portfolios based on the nature of the company and the accounts receivable:

Portfolio 1 Electricity fee receivables
Portfolio 2 Construction receivables

(c) Assessment of ECLs on accounts receivable:

The Group measures provision for impairment for accounts receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix.

31 December 2021

Portfolio 1: portfolio of electricity fee receivables

	Expected credit loss rate	Closing book balance	Closing provision for impairment
Not yet overdue	0.5%	170,889,194.91	781,869.59
Overdue for 1 to 36 months	18%	25,505,530.36	4,682,461.46
Overdue for 37 to 60 months	91%	1,685,684.17	1,534,564.80
Overdue for more than 61 months	95%	3,241,492.53	3,079,417.90
Total		201,321,901.97	10,078,313.75

Portfolio 2: portfolio of construction receivables

	Expected credit loss rate	Closing book balance	Closing provision for impairment
Not yet overdue	0.5%	69,529,734.52	328,154.83
Overdue for 1 to 36 months	17%	131,722,833.01	21,929,340.17
Overdue for 37 to 60 months	94%	18,557,129.18	17,351,096.40
Overdue for more than 61 months	95%	12,305,834.05	11,690,542.35
Total		232,115,530.76	51,299,133.75

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(3) Accounts receivable by provision method (Continued)

(c) Assessment of ECLs on accounts receivable: (Continued)

31 December 2020

Portfolio 1: portfolio of electricity fee receivables

	Expected credit loss rate	Closing book balance	Closing provision for impairment
Not yet overdue	3%	191,843,460.06	4,412,399.58
Overdue for 1 to 36 months	25%	12,186,064.97	2,985,585.92
Overdue for 37 to 60 months	95%	920,482.06	869,855.54
Overdue for more than 61 months	95%	3,733,360.41	3,528,025.58
Total		208,683,367.50	11,795,866.62

Portfolio 2: portfolio of construction receivables

	Expected credit loss rate	Closing book balance	Closing provision for impairment
Not yet overdue	3%	97,840,228.00	2,425,518.00
Overdue for 1 to 36 months	32%	71,134,204.95	22,407,274.56
Overdue for 37 to 60 months	89%	20,300,862.12	17,966,262.98
Overdue for more than 61 months	95%	6,295,223.23	5,948,985.95
Total		195,570,518.30	48,748,041.49

Expected credit loss rates are calculated based on the actual credit loss experiences in the past 3 years and are adjusted based on the differences among the economic conditions of the period of historic data collection, the current economic conditions and the Group's view of economic conditions over the expected lives.

(4) Changes in the provision for bad and doubtful debts:

	2021	2020
Opening balance	110,497,605.40	77,835,880.78
Charge for the year	9,135,003.80	32,854,179.33
Reversal/(Written-off) for the year	652,885.53	(192,454.71)
Closing balance	120,285,494.73	110,497,605.40

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Prepayments

The ageing analysis of prepayments is as follows:

Ageing	2021		2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	9,872,274.02	76.78	8,134,273.20	60.11
Over 1 year	2,985,836.52	23.22	5,398,370.59	39.89
Total	12,858,110.54	100.00	13,532,643.79	100.00

The ageing is counted starting from the date when prepayments are recognised. The prepayments with ages over 1 year mainly represent the Group's prepayment for construction works, equipment and materials, which are outstanding mainly because that the relevant construction works have not been commenced, the relevant equipment and materials have not yet arrived or the installation and commissioning have not been completed.

6. Other receivables

	Note	2021	2020
Others	(1)	19,733,589.89	32,185,945.58
Total		19,733,589.89	32,185,945.58

(1) Others

(a) Other receivables by customer type:

Customer type	2021	2020
Receivable from related companies	3,152,756.67	12,408,626.94
Receivable from other companies	68,285,713.97	66,032,817.84
Subtotal	71,438,470.64	78,441,444.78
Less: Provision for bad and doubtful debts	51,704,880.75	46,255,499.20
Total	19,733,589.89	32,185,945.58

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

(1) Others (Continued)

(b) The ageing analysis of other receivables is as follows:

Ageing	2021	2020
Within 1 year (inclusive)	12,372,137.91	26,022,528.39
1 to 2 years (inclusive)	9,039,560.70	1,574,216.30
2 to 3 years (inclusive)	821,051.24	5,621,236.54
Over 3 years	49,205,720.79	45,223,463.55
Subtotal	71,438,470.64	78,441,444.78
Less: Provision for bad and doubtful debts	51,704,880.75	46,255,499.20
Total	19,733,589.89	32,185,945.58

The ageing is counted starting from the date when other receivables are recognised.

(c) Other receivables by provision method

Based on the Group's historical experience, there is no significant difference in the loss of different categories of other receivables and therefore no further distinction is made between different portfolios in the calculation of provision for bad and doubtful debts.

(d) Changes in the provision for bad and doubtful debts

	2021				2020			
	First stage ECL over the next 12 months	Second stage Lifetime ECL-not credit-impaired	Third stage Lifetime ECL- credit-mpaired	Total	First stage ECL over the next 12 months	Second stage Lifetime ECL-not credit-mpaired	Third stage Lifetime ECL- credit-impaired	Total
Opening balance	-	611,314.28	45,644,184.92	46,255,499.20	-	279,751.38	45,303,573.61	45,583,324.99
Charge for the year	111,183.63	1,713,681.55	3,690,646.33	5,515,511.51	-	331,562.90	340,611.31	672,174.21
Written-off for the year	-	-	(66,129.96)	(66,129.96)	-	-	-	-
Closing balance	111,183.63	2,324,995.83	49,268,701.29	51,704,880.75	-	611,314.28	45,644,184.92	46,255,499.20

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories

(1) Inventories by category

Type of inventories	2021			2020		
	Book balance	Provision for impairment of inventories	Carrying amount	Book balance	Provision for impairment of inventories	Carrying amount
Raw material	70,226,229.36	72,545.53	70,153,683.83	64,118,614.97	72,573.03	64,046,041.94
Low-value consumables	126,155.28	-	126,155.28	144,706.09	-	144,706.09
Total	70,352,384.64	72,545.53	70,279,839.11	64,263,321.06	72,573.03	64,190,748.03

The Group had no inventories for guarantee at the end of the year (2020: Nil).

8. Contract assets

(1) Analysis of contract assets by nature is as follows:

Item	2021			2020		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Unsettled electricity installation works under construction	95,846,996.68	3,100,986.59	92,746,010.09	50,219,127.72	1,580,227.28	48,638,900.44

- (a) The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. The Group recognises as contract assets the portion of the construction progress that exceeds the payments made by the customers.
- (b) All contract assets at the end of the year are expected to be transferred to receivables within one year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Contract assets (Continued)

(2) Provision for impairment of contract assets in the current year:

2021

Item	Opening balance	Charge for the year	Reversal for the year	Transfer or written-off for the year	Closing balance
Unsettled electricity installation works under construction	1,580,227.28	1,520,759.31	-	-	3,100,986.59
Total	1,580,227.28	1,520,759.31	-	-	3,100,986.59

2020

Item	Opening balance	Charge for the year	Reversal for the year	Transfer or written-off for the year	Closing balance
Unsettled electricity installation works under construction	86,469.36	1,493,757.92	-	-	1,580,227.28
Total	86,469.36	1,493,757.92	-	-	1,580,227.28

(3) Assessment of ECL on contract assets

Based on the Group's historical experience, there is no significant difference in the loss of different customer segments, therefore no further distinction is made between different customer segments in the calculation of provision for bad and doubtful debts for contract assets.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Other current assets

Item	2021	2020
Input tax credit to be deducted	5,085,573.43	–
Prepaid income tax	3,642,299.31	4,187,260.00
Other taxes prepaid	228,858.93	57,424.09
Total	8,956,731.67	4,244,684.09

10. Long-term equity investments

(1) Long-term equity investments by category:

Item	2021	2020
Investment in associates	271,067,499.22	269,320,685.37
Subtotal	271,067,499.22	269,320,685.37
Less: Provision for impairment – Associates	345,000.00	345,000.00
Total	270,722,499.22	268,975,685.37

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term equity investments (Continued)

(2) Movements of long-term equity investments for the year are analysed as follows:

Investee	Opening book balance	Investment Income/(loss) recognised under equity method	Closing book balance	Closing balance of provision for impairment
Associates				
Emeishan Jinkun Micro-credit Co., Ltd. (峨眉山市金坤小額貸款有限公司)	48,971,680.67	1,309,522.45	50,281,203.12	-
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	105,095,185.02	474,893.00	105,570,078.02	-
Sichuan Yibin Electricity Co., Ltd (四川宜賓電力有限公司)	30,000,000.00	-	30,000,000.00	-
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	10,099,452.44	883,058.27	10,982,510.71	-
Xingwen County Daguang Cement Products Co., Ltd. (興文縣大光水泥製品有限責任公司)	345,000.00	-	345,000.00	345,000.00
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	61,961,807.98	(464,576.95)	61,497,231.03	-
Pingshan Jinping Real Estate Development Co., Ltd (屏山金屏房地產開發有限公司)	12,847,559.26	(456,082.92)	12,391,476.34	-
Total	269,320,685.37	1,746,813.85	271,067,499.22	345,000.00

(a) In September 2017, the Company together with Sichuan Province State Power Company (國網四川省電力公司) and Yibin City State-owned Assets Operation Co., Ltd. (宜賓市國有資產經營有限公司) set up Sichuan Yibin Electricity Co., Ltd whose registered capital is RMB100,000,000, in which the Group holds 30% equity interest with a subscribed contribution of RMB30,000,000. As of the date of this report, all shareholders have not yet made the contribution.

(b) Investment in associates includes amount given to an associate of RMB47,563,959.01 (2020: RMB47,563,959.01), which is unsecured, interest-free and have no fixed terms of payment. The Group has no intention to recover the amount in the next year.

11. Other non-current financial assets

Item	2021	2020
Financial assets measured at FVPL	112,170,250.00	100,240,116.24
Including: Equity instrument investment – unlisted equity investment	112,170,250.00	100,240,116.24

(1) On 18 January and 17 March 2017, the Company made cumulative investments of RMB100,000,000 in Lhasa Jinding Xingneng Investment Center (LLP) (拉薩金鼎興能投資中心 (有限合夥)) (“Jinding Fund”) as an inferior limited partner. During the year, no investment income were received (2020: RMB16,000,000.00), and gains from changes in fair value of RMB11,930,133.76 (2020: RMB6,042,414.94) was recognised. The Company has recovered the principal and investment income of the above investments on 19 January 2022.

(2) Further details of the Group’s fair value measurement are set out in Note IX.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Fixed assets

(1) Information on fixed assets

Item	Plant and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Total
Cost					
Opening balance	1,140,527,417.24	2,953,076,560.32	43,235,914.27	75,404,387.18	4,212,244,279.01
Addition during the year	197,737,048.75	88,608,486.22	821,321.82	108,401,688.27	395,568,545.06
– Purchase	13,980,422.78	26,628,475.36	821,321.82	9,717,643.64	51,147,863.60
– Transferred from construction in progress	183,756,625.97	61,980,010.86	–	98,684,044.63	344,420,681.46
Disposal or scrap during the year	–	2,757,626.94	2,992,709.34	2,409,955.35	8,160,291.63
Closing balance	1,338,264,465.99	3,038,927,419.60	41,064,526.75	181,396,120.10	4,599,652,532.44
Accumulated depreciation					
Opening balance	397,323,416.67	1,152,096,333.48	29,418,971.14	50,210,182.68	1,629,048,903.97
Charge for the year	35,382,049.97	96,298,410.68	2,692,483.10	14,099,639.92	148,472,583.67
Disposal or scrap during the year	–	336,467.01	2,823,093.97	2,283,677.93	5,443,238.91
Closing balance	432,705,466.64	1,248,058,277.15	29,288,360.27	62,026,144.67	1,772,078,248.73
Impairment provision					
Opening balance	6,259,242.71	21,587,987.77	20,830.10	115,792.79	27,983,853.37
Charge for the year	1,081,847.54	13,270,106.89	166,537.35	39,301.92	14,557,793.70
Disposal or scrap during the year	–	158.74	15,125.51	–	15,284.25
Closing balance	7,341,090.25	34,857,935.92	172,241.94	155,094.71	42,526,362.82
Carrying amount					
Closing carrying amount	898,217,909.10	1,756,011,206.53	11,603,924.54	119,214,880.72	2,785,047,920.89
Opening carrying amount	736,944,757.86	1,779,392,239.07	13,796,113.03	25,078,411.71	2,555,211,521.67

- (a) As at 31 December 2021, plant and buildings of the Group with a net carrying amount of RMB26,859,462.02 (2020: RMB10,590,153.20) had not obtained the certificate of ownership.
- (b) No property, plant and equipment were pledged to banks as at 31 December 2021 (2020: Nil).
- (c) All of the property, plant and equipment owned by the Group are located in Mainland China.
- (d) During the year, certain property, plant and equipment were physically damaged or ceased for operation. The Group assessed the recoverable amounts of those property, plant and equipment as nil and as a result impairment losses of RMB14,557,793.70 (2020: RMB2,707,009.54) were recognised in “Impairment losses” for the year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Construction in progress

	Note	2021	2020
Construction in progress	(1)	99,671,867.98	181,548,921.08
Engineering materials	(2)	15,469,443.70	15,746,227.69
Total		115,141,311.68	197,295,148.77

(1) Information on construction in progress

Item	2021			2020		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
220 KV substation in Lianhua of Xingwen County	56,745,115.97	-	56,745,115.97	-	-	-
Power grid construction project	35,949,181.26	-	35,949,181.26	45,920,417.50	-	45,920,417.50
Relocation project	1,332,924.97	-	1,332,924.97	335,218.53	-	335,218.53
Yibin centralized dispatching center	-	-	-	132,056,928.73	-	132,056,928.73
Others	5,644,645.78	-	5,644,645.78	3,236,356.32	-	3,236,356.32
Total	99,671,867.98	-	99,671,867.98	181,548,921.08	-	181,548,921.08

Changes in construction in progress in 2021 are as follows:

Item	Opening balance	Increase during the year	Transfer to fixed assets during the year	Other transfer out during the year	Closing balance
220 KV substation in Lianhua of Xingwen County	-	56,745,115.97	-	-	56,745,115.97
Power grid construction project	45,920,417.50	124,492,081.87	134,463,318.11	-	35,949,181.26
Relocation project	335,218.53	997,706.44	-	-	1,332,924.97
Yibin centralized dispatching center	132,056,928.73	53,440,490.09	185,497,418.82	-	-
Others	3,236,356.32	26,868,233.99	24,459,944.53	-	5,644,645.78
Total	181,548,921.08	262,543,628.36	344,420,681.46	-	99,671,867.98

Changes in construction in progress in 2020 are as follows:

Item	Opening balance	Increase during the year	Transfer to fixed assets during the year	Other transfer out during the year	Closing balance
Power grid construction project	72,914,037.04	111,993,264.93	138,986,884.47	-	45,920,417.50
Relocation project	934,998.00	-	599,779.47	-	335,218.53
Yibin centralized dispatching center	78,415,768.16	53,641,160.57	-	-	132,056,928.73
Others	398,849.02	6,030,262.62	3,192,755.32	-	3,236,356.32
Total	152,663,652.22	171,664,688.12	142,779,419.26	-	181,548,921.08

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Construction in progress (Continued)

(2) Engineering materials

Item	2021			2020		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Post-disaster reconstruction project	1,958,851.36	-	1,958,851.36	1,976,227.96	-	1,976,227.96
Rural power grid improvement project	5,163,571.47	-	5,163,571.47	5,327,882.64	-	5,327,882.64
Rural power grid transformation and upgrading project	5,598,133.02	-	5,598,133.02	6,427,742.61	-	6,427,742.61
Others	2,748,887.85	-	2,748,887.85	2,014,374.48	-	2,014,374.48
Total	15,469,443.70	-	15,469,443.70	15,746,227.69	-	15,746,227.69

Changes in engineering materials in 2021 are as follows:

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Post-disaster reconstruction project	1,976,227.96	-	17,376.60	1,958,851.36
Rural power grid improvement project	5,327,882.64	-	164,311.17	5,163,571.47
Rural power grid transformation and upgrading project	6,427,742.61	170,301.82	999,911.41	5,598,133.02
Others	2,014,374.48	734,513.37	-	2,748,887.85
Total	15,746,227.69	904,815.19	1,181,599.18	15,469,443.70

Changes in engineering materials in 2020 are as follows:

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Post-disaster reconstruction project	2,081,847.10	-	105,619.14	1,976,227.96
Rural power grid improvement project	5,470,848.34	-	142,965.70	5,327,882.64
Rural power grid transformation and upgrading project	6,080,981.69	1,411,443.24	1,064,682.32	6,427,742.61
Others	2,014,374.48	-	-	2,014,374.48
Total	15,648,051.61	1,411,443.24	1,313,267.16	15,746,227.69

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets

(1) Information on intangible assets

Item	Land use right	Software	Total
Cost			
Balance at 1 January 2020	152,626,556.35	17,789,608.03	170,416,164.38
Increase during the year	–	1,291,539.18	1,291,539.18
Balance at 31 December 2020	152,626,556.35	19,081,147.21	171,707,703.56
Increase during the year	2,429,749.46	2,064,085.50	4,493,834.96
Balance at 31 December 2021	155,056,305.81	21,145,232.71	176,201,538.52
Accumulated amortisation			
Balance at 1 January 2020	26,135,838.67	13,040,219.10	39,176,057.77
Increase during the year	2,853,639.85	1,241,001.78	4,094,641.63
Balance at 31 December 2020	28,989,478.52	14,281,220.88	43,270,699.40
Increase during the year	2,893,415.95	1,481,354.40	4,374,770.35
Balance at 31 December 2021	31,882,894.47	15,762,575.28	47,645,469.75
Provision for impairment			
Balance at 1 January 2020	–	–	–
Increase during the year	–	428,795.79	428,795.79
Balance at 31 December 2020	–	428,795.79	428,795.79
Increase during the year	–	–	–
Balance at 31 December 2021	–	428,795.79	428,795.79
Carrying amount			
31 December 2021	123,173,411.34	4,953,861.64	128,127,272.98
31 December 2020	123,637,077.83	4,371,130.54	128,008,208.37

The Group does not have intangible assets formed through internal R&D. (2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Intangible assets (Continued)

(2) Information on land use rights for which certificates of ownership had not been obtained

Item	Carrying amount	Reasons for having not obtained certificates of ownership
Land use rights of Wangchang 220 KV transformer substation	6,963,620.46	In progress
Land use rights of Lianhua 220 KV transformer substation	2,107,900.40	In progress
Land use rights of Xijie 35 KV transformer substation	963,171.52	Refused for collective land
Others	2,228,039.27	Refused for collective land
Total	12,262,731.65	

15. Long-term prepaid expenses

Item	Opening balance	Increase during the year	Amortisation for the year	Other decrease	Closing balance
Power station renovation and line repair works	233,907.90	2,311,243.88	735,256.68	-	1,809,895.10
Refurbishment fee	457,105.02	1,202,120.17	427,574.40	-	1,231,650.79
Others	310,214.64	52,176.99	293,314.79	-	69,076.84
Less: Provision for impairment	-	-	-	-	-
Total	1,001,227.56	3,565,541.04	1,456,145.87	-	3,110,622.73

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities

Item	2021		2020	
	Deductible or taxable temporary differences ("()" for taxable temporary differences)	Deferred tax assets/liabilities ("()" for liabilities)	Deductible or taxable temporary differences ("()" for taxable temporary differences)	Deferred tax assets/liabilities ("()" for liabilities)
Deferred tax assets:				
Provision for impairment of assets	260,310,790.97	39,068,620.79	230,531,038.13	34,594,934.14
Deductible loss	23,353,377.88	3,503,006.68	32,600,254.60	4,890,037.73
Government grants	21,934,974.54	3,290,246.18	20,401,003.24	3,060,150.22
Depreciation of fixed assets	-	-	-	-
Changes in fair value of financial instruments held for trading and derivative financial instruments	-	-	-	-
Others	55,727,077.07	8,359,061.57	22,125,125.07	3,318,768.76
Subtotal	361,326,220.46	54,220,935.22	305,657,421.04	45,863,890.85
Eliminations		12,743,533.34		12,200,703.85
Amount after eliminations		41,477,401.88		33,663,187.00
Deferred tax liabilities:				
Valuation appreciation of fixed assets	(202,691,324.24)	(30,403,698.65)	(209,064,314.14)	(31,359,647.13)
Changes in fair value of financial instruments held for trading and derivative financial instruments	-	-	-	-
Subtotal	(202,691,324.24)	(30,403,698.65)	(209,064,314.14)	(31,359,647.13)
Eliminations		(12,743,533.34)		(12,200,703.85)
Amount after eliminations		(17,660,165.31)		(19,158,943.28)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Deferred tax assets and deferred tax liabilities (Continued)

(2) Breakdown of unrecognised deferred tax assets

Item	2021	2020
Deductible temporary difference	–	11,379,228.67
Deductible loss	84,073,405.36	64,228,471.96
Total	84,073,405.36	75,607,700.63

(3) Maturity profile of the deductible losses for which no deferred tax assets were recognised

Year	2021	2020
2021	3,540,215.49	3,540,215.49
2022	12,163,452.68	12,163,452.68
2023	14,404,810.31	14,404,810.31
2024	34,119,993.48	34,119,993.48
2025	–	–
2026	19,844,933.40	–
Total	84,073,405.36	64,228,471.96

(4) Unrecognised deferred tax liabilities

The Group had no unrecognised deferred tax liabilities at the end of the year.

(5) Movement of deferred tax (assets)/liabilities

Deferred tax arising from	Provision for impairment	Depreciation difference	Revaluation of property, plant and equipment	Government grants	Cumulative tax losses	Others	Total
1 January 2020	(29,210,804.14)	(11,227,087.92)	32,314,014.69	(3,184,723.22)	(554,244.73)	–	(11,862,845.32)
(Credited)/charged to profit or loss	(5,384,130.00)	11,227,087.92	(954,367.56)	124,573.00	(4,335,793.00)	(3,318,768.76)	(2,641,398.40)
31 December 2020	(34,594,934.14)	–	31,359,647.13	(3,060,150.22)	(4,890,037.73)	(3,318,768.76)	(14,504,243.72)
(Credited)/charged to profit or loss	(4,473,686.65)	–	(955,948.48)	(230,095.96)	1,387,031.05	(5,040,292.81)	(9,312,992.85)
31 December 2021	(39,068,620.79)	–	30,403,698.65	(3,290,246.18)	(3,503,006.68)	(8,359,061.57)	(23,817,236.57)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Short-term borrowings

(1) Category of short-term borrowings:

Item	2021	2020
Unsecured borrowings	300,000,000.00	367,448,200.00
Total	300,000,000.00	367,448,200.00

(2) Overdue outstanding short-term borrowings:

The Group had no overdue outstanding short-term borrowings at the end of the year.

18. Derivative financial liabilities

Type	2021	2020
Foreign exchange forward contract	-	11,205,272.16
Interest rate swap contract	-	173,956.51
Total	-	11,379,228.67

19. Accounts payable

(1) Accounts payable by nature are as follows:

Item	2021	2020
Payment for purchase of electricity	245,175,690.76	248,110,495.04
Construction payment	210,731,357.55	188,280,818.67
Materials payment	145,466,099.18	126,328,810.19
Others	1,220,440.13	2,484,034.69
Total	602,593,587.62	565,204,158.59

(2) Accounts payable by aging are as follows:

The ageing analysis of accounts payable, based on the invoice date, is as follows:

Ageing	2021	2020
Within 1 year (inclusive)	576,821,572.75	526,672,672.83
1 to 2 years (inclusive)	12,577,364.61	23,112,497.08
2 to 3 years (inclusive)	6,130,333.67	9,323,944.39
Over 3 years	7,064,316.59	6,095,044.29
Total	602,593,587.62	565,204,158.59

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Contract liabilities

Item	2021	2020
Electricity fee received in advance	184,609,627.94	187,232,220.67
Electrical project payment	21,823,264.26	48,907,466.16
Total	206,432,892.20	236,139,686.83

The Group normally receives prepayment for electricity from customers. Prior to selling electricity to these customers, the Group will recognise contract liability for the prepaid amount. If the Group receives advance payments from customers before construction begins or if the amount settled exceeds the progress of the project, contract liability will be recognised until the progress of the project recognised exceeds the amount of advance payments received. All contract liabilities at the end of the current year are expected to be recognised as revenue within one operating cycle.

21. Employee benefits payable

(1) Employee benefits payable is as below:

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term benefits	101,859,378.72	377,016,272.36	367,029,651.25	111,845,999.83
Post-employment benefits				
– defined contribution plans	1,980.60	44,364,643.79	43,281,042.59	1,085,581.80
Total	101,861,359.32	421,380,916.15	410,310,693.84	112,931,581.63

(2) Short-term benefits

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salaries, bonuses, allowances and subsidies	97,339,799.70	303,682,650.28	294,825,032.38	106,197,417.60
Staff welfare	144,075.60	11,883,531.24	11,581,289.63	446,317.21
Social insurance	16,322.89	21,675,166.38	21,670,336.31	21,152.96
– Medical insurance	13,760.86	17,142,625.12	17,147,676.16	8,709.82
– Work injury insurance	2,613.42	3,384,944.73	3,384,617.99	2,940.16
– Maternity insurance	(51.39)	1,147,596.53	1,138,042.16	9,502.98
Housing fund	(36,120.80)	29,994,069.76	30,017,589.76	(59,640.80)
Labor union operating funds and staff education funds	4,395,301.33	9,780,854.70	8,935,403.17	5,240,752.86
Total	101,859,378.72	377,016,272.36	367,029,651.25	111,845,999.83

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Employee benefits payable (Continued)

(3) Post-employment benefits – defined contribution plans

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Basic pension insurance	1,699.40	40,654,480.85	40,643,166.57	13,013.68
Unemployment insurance	281.20	1,520,562.94	1,520,976.02	(131.88)
Enterprise annuity	–	2,189,600.00	1,116,900.00	1,072,700.00
Total	1,980.60	44,364,643.79	43,281,042.59	1,085,581.80

- (a) Staff costs include remuneration of directors, supervisors and senior management (see Note XIV.2 and Note XIV.3).
- (b) Pursuant to the relevant labour regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the “Schemes”) organized by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee’s salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.
- (c) Affected by the COVID-19 outbreak, the government has implemented a number of policies including social insurance relief since February 2020 to accelerate the recovery of economic activity, resulting in the relief of certain defined contribution schemes in 2020. There is no relevant relief policy in 2021.
- (d) The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.
- (e) The Group’s contributions to the Schemes vest fully and immediately with the employees. Accordingly, there are no forfeited contributions under the Schemes which may be used by the Group to reduce its existing level of contributions during the year ended 31 December 2021.

22. Taxes payable

Item	2021	2020
VAT – ending balance of output VAT	25,793,088.52	29,434,440.16
VAT	15,849,982.10	4,996,808.16
Enterprise income tax	15,092,189.20	12,608,127.71
Urban maintenance and construction tax	474,847.15	655,065.64
Education surcharge	432,362.09	562,237.43
Others	2,363,376.32	2,086,941.90
Total	60,005,845.38	50,343,621.00

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Other payables

	Note	2021	2020
Interest payable	(1)	5,438,084.09	5,866,636.91
Others	(2)	132,061,509.43	111,302,016.81
Total		137,499,593.52	117,168,653.72

(1) Interest payable

Item	2021	2020
Interest payable on unsecured borrowings	290,138.89	718,691.71
Interest payable on borrowings from third parties	5,147,945.20	5,147,945.20
Total	5,438,084.09	5,866,636.91

Material overdue unpaid interest: Nil.

(2) Others

Other payables by nature are as below:

Item	2021	2020
Payable to related parties	35,819,602.87	41,039,446.83
Construction payables related to fixed assets	26,316,651.99	11,593,418.00
Security deposit payable	22,210,548.00	24,433,853.00
Levy payable	5,965,796.00	2,358,969.00
Others	41,748,910.57	31,876,329.98
Total	132,061,509.43	111,302,016.81

24. Non-current liabilities due within one year

Non-current liabilities due within one year by item are as follows:

Item	2021	2020
Long-term borrowings due within one year	12,868,329.54	13,868,329.54
Lease liabilities due within one year	441,623.82	1,852,338.66
Total	13,309,953.36	15,720,668.20

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Long-term payables

(1) Breakdown of long-term payables

Item	2021	2020
Special payables	37,394,687.09	–
Total	37,394,687.09	–

The Group received an amount of RMB37,394,687.09 under the Investment Plans within the Central Budget during the year, which shall be exclusively used for the enhancement and upgrading projects of rural power grid.

26. Deferred income

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance	Cause
Resettlement project	107,025,874.12	–	6,648,974.67	100,376,899.45	Relocation compensation
County power grid transformation project	5,688,245.75	–	163,694.12	5,524,551.63	Financial allocation
Ice and snow disaster project	28,405,917.11	–	1,082,763.24	27,323,153.87	Post-disaster reconstruction funds
Others	8,057,847.97	2,749,882.89	564,262.57	10,243,468.29	
Total	149,177,884.95	2,749,882.89	8,459,694.60	143,468,073.24	

Items related to government grants:

Item	Opening balance	Additional grants in the year	Amount recognised in non-operating income during the year	Amount recognised in other income during the year	Closing balance	Related to assets/ Related to income
Resettlement project	107,025,874.12	–	6,648,974.67	–	100,376,899.45	Related to assets
County power grid transformation project	5,688,245.75	–	163,694.12	–	5,524,551.63	Related to assets
Ice and snow disaster project	28,405,917.11	–	1,082,763.24	–	27,323,153.87	Related to assets
Others	8,057,847.97	2,749,882.89	–	564,262.57	10,243,468.29	Related to assets/ Related to income
Total	149,177,884.95	2,749,882.89	7,895,432.03	564,262.57	143,468,073.24	

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Share capital

	Opening balance	Closing balance
Total shares	1,074,357,700.00	1,074,357,700.00

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's net assets.

28. Capital reserve

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Share premium	203,429,005.75	–	–	203,429,005.75
Other capital reserve	878,018,600.00	–	–	878,018,600.00
State capital reserve benefits	878,018,600.00	–	–	878,018,600.00
Total	1,081,447,605.75	–	–	1,081,447,605.75

(1) Share premium

Share premium of the Group mainly consisted of (1) premium arising from capital injection from domestic equity shareholders of RMB285,879 thousand; (2) merger reserve decrease of RMB118,813 thousand, which was resulted from business combination in 2012 involving entities under common control; (3) reserves of RMB29 thousand due to subsidiary's purchase of own shares in 2014; (4) negative reserve of RMB71,778 thousand due to acquiring remaining 49% non-controlling interests in Yangliutan Power Generation in 2016; (5) premium net of issuance expenses arising from issuance of new ordinary H shares of RMB108,112 thousand in 2018.

(2) Other capital reserve

State capital reserve benefits represented government funds in respect of the Group's construction and modification of rural power grid. The funds were received and allocated to the subsidiaries for construction of power supplies by the parent company. The recognition of RMB878,018,600 as state capital reserve benefits was approved by the State-owned Assets Supervision and Administration Commission of Sichuan Province.

29. Specific reserve

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Safety funds	20,480,082.77	19,830,235.85	20,385,168.81	19,925,149.81
Total	20,480,082.77	19,830,235.85	20,385,168.81	19,925,149.81

Pursuant to the relevant PRC regulations for power companies, the Group is required to set aside an amount to maintenance, production and other similar funds. The funds can be used for maintenance of production and improvements of safety, and are not available for distribution to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Surplus reserve

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory surplus reserve	78,069,693.85	26,398,857.83	–	104,468,551.68
Total	78,069,693.85	26,398,857.83	–	104,468,551.68

- (1) According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.
- (2) Statutory surplus reserve can be used to cover 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.

31. Retained earnings

Item	Note	2021	2020
Retained earnings at the beginning of the year	(1)	585,224,902.92	453,282,094.74
Add: Net profit for the year attributable to shareholders of the parent company		269,557,691.02	256,027,937.93
Less: Appropriation for statutory surplus reserve		(26,398,857.83)	(16,649,359.75)
Dividends payable on ordinary shares	(2)	(128,922,924.00)	(107,435,770.00)
Retained earnings at the end of the year	(3)	699,460,812.11	585,224,902.92

- (1) Breakdown of adjustments to retained earnings at the beginning of the year: Nil

(2) Distribution of dividends on ordinary shares for the year

On 18 June 2021, a dividend for the year ended 31 December 2020 of RMB128,922,924.00, representing RMB0.12 per share (2020: RMB128,922,924.00, representing RMB0.12 per share) was approved by the shareholders at the annual general meeting of the Company.

(3) Explanation of retained earnings at the end of the year

As of 31 December 2021, the Group's retained earnings attributable to the parent company included surplus reserve set aside for subsidiaries of the Company of RMB122,200,369.65 (2020: RMB103,737,294.86).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Operating revenue and operating costs

(1) Operating revenue and operating costs

Item	Note	2021		2020	
		Revenue	Cost	Revenue	Cost
Principal activities		3,165,768,141.46	2,617,661,424.52	3,020,286,245.80	2,476,034,017.21
Other operating activities		5,905,474.08	2,075,522.94	5,017,961.93	1,771,862.10
Total		3,171,673,615.54	2,619,736,947.46	3,025,304,207.73	2,477,805,879.31
Including: Revenue from contracts	V.32(2)	3,167,556,698.63	-	3,021,594,069.73	-
Other income		4,116,916.91	-	3,710,138.00	-

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue.

(2) Revenue from contracts

Type of contracts	2021	2020
Classified by contract type		
Power supply contracts	2,789,638,509.97	2,621,730,818.92
Contracts of power installation projects	367,470,740.55	383,177,677.60
Material sales contracts	8,658,890.38	15,377,749.28
Others	1,788,557.73	1,307,823.93
Total	3,167,556,698.63	3,021,594,069.73
Classified by time of transfer of goods		
Revenue recognised at a point in time	2,800,085,958.08	2,638,416,392.13
Revenue recognised over time	367,470,740.55	383,177,677.60
Total	3,167,556,698.63	3,021,594,069.73

(3) Information about the transaction prices allocated to the remaining performance obligations

As of 31 December 2021, the total transaction prices allocated to the remaining performance obligations under the Group's existing contracts were RMB360,908,102.83 (2020: RMB232,141,103.80). The amount represents the revenue expected to be recognised in the future in respect of the electrical engineering construction and related business contracts between customers and the Group. The Group expects that this part of contracts will be completed within the next 12 to 24 months.

The Group applied the practical expedient for power supply contract and material sales contract for which the contract term was originally expected to not exceed one year, and therefore the information disclosed above does not include the transaction prices allocated by the Group to the remaining performance obligations in that contract.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Taxes and surcharges

Item	2021	2020
City maintenance and construction tax	5,254,949.11	5,752,185.20
Education surcharges	5,111,742.74	5,348,052.01
Housing property tax	3,114,565.13	2,617,384.06
Others	5,132,077.34	4,399,001.04
Total	18,613,334.32	18,116,622.31

34. General and administrative expenses

Item	2021	2020
Labour cost	150,240,298.37	135,424,530.95
Consultancy and advisory fee	10,852,373.49	14,412,571.98
Depreciation and amortisation charge	12,431,232.71	9,710,764.48
Office and travel expenses	9,074,832.76	7,641,307.08
Property management fee	2,706,988.48	2,311,450.35
Vehicle transportation costs	2,249,220.34	2,232,630.30
Labor protection expense	1,949,988.34	3,148,081.80
Business entertainment expense	1,927,890.25	2,020,249.98
Others	8,649,880.74	9,794,791.06
Total	200,082,705.48	186,696,377.98

35. Finance costs

Item	2021	2020
Interest expenses on loans and payables	12,616,144.11	20,410,428.46
Interest expenses on lease liabilities	336,156.75	330,963.54
Less: Interest expense capitalised	770,762.21	1,308,199.99
Interest income on deposits and receivables	(5,822,519.30)	(5,258,523.92)
Net foreign exchange losses/(gains)	(352,562.94)	(9,862,548.83)
Other finance costs	1,317,601.89	1,291,204.12
Total	7,324,058.30	5,603,323.38

The interest rate per annum, at which the borrowing costs were capitalised by the Group, was 3.50% for the year (2020: 3.60%).

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Other income

Item	2021	2020
Subsidy for power grid transformation	544,482.56	–
Others	125,877.72	–
Total	670,360.28	–

37. Investment income

Investment income by item

Item	2021	2020
Investment income from long-term equity investments accounted for using the equity method	1,746,813.85	(1,000,134.98)
Investment income from financial assets held for trading during the holding period	3,721,902.39	6,699,723.29
Total	5,468,716.24	5,699,588.31

38. Gains from changes in fair value

Item	2021	2020
Gains from changes in fair value of derivative financial liabilities	(1,483,571.33)	(11,379,228.67)
Other non-current financial assets	11,930,133.76	6,042,414.94
Total	10,446,562.43	(5,336,813.73)

39. Credit losses

Item	2021	2020
Accounts receivable	9,135,003.80	32,854,179.33
Other receivables	5,515,511.51	672,174.21
Total	14,650,515.31	33,526,353.54

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Impairment losses

Item	2021	2020
Inventories	–	72,545.53
Fixed assets	14,557,793.70	2,707,009.54
Contract assets	1,520,759.31	1,493,757.92
Intangible assets	–	428,795.79
Total	16,078,553.01	4,702,108.78

41. Gains from asset disposals

Item	2021	2020
Losses on disposal of fixed assets	(97,418.40)	(139,816.09)
Total	(97,418.40)	(139,816.09)

42. Non-operating income and non-operating expenses

(1) Non-operating income by item is as follows:

Item	2021	2020
Government grants	8,464,821.65	8,103,456.52
Others	1,896,490.90	3,724,533.50
Total	10,361,312.55	11,827,990.02

Government grants recorded in profit or loss for the current period

Item of grants	2021	2020	Related to assets/ Related to income
Resettlement project	6,648,974.67	5,652,373.21	Related to assets
County power grid transformation project	163,694.12	155,453.36	Related to assets
Ice and snow disaster project	1,082,763.24	1,129,946.38	Related to assets
Others	569,389.63	1,165,683.57	Related to assets/Related to income
Total	8,464,821.66	8,103,456.52	

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Non-operating income and non-operating expenses (Continued)

(2) Non-operating expenses

Item	2021	2020
Donation expense	53,664.02	117,818.00
Overdue payment	–	953,155.09
Others	788,381.55	4,128,606.50
Total	842,045.57	5,199,579.59

43. Income tax expenses

Item	Note	2021	2020
Income tax expenses for the year calculated based on tax laws and regulations		58,298,627.72	50,277,374.75
Changes in deferred tax	(1)	(9,312,992.85)	(2,641,398.40)
Adjustments of tax filing differences		1,292,249.65	866,675.65
Total		50,277,884.52	48,502,652.00

(1) The analysis of changes in deferred tax is set out below:

Item	2021	2020
Origination and reversal of temporary differences	(7,925,961.64)	(2,641,398.40)
Recognition of deductible tax losses unused in prior years	(1,387,031.21)	–
Total	(9,312,992.85)	(2,641,398.40)

(2) Reconciliation between income tax expenses and accounting profit is as follows:

Item	2021	2020
Profit before tax	321,194,989.19	305,704,911.35
Expected income tax expenses calculated at the tax rate of 25%	80,298,747.30	76,426,227.84
Effect of different tax rates for subsidiaries	(29,786,920.47)	(30,747,496.77)
Effect of non-deductible costs, expenses and losses	1,207,869.38	982,978.55
Effect of deductible temporary differences or deductible losses for which no deferred tax assets are recognised for the year	1,950,545.82	2,330,486.47
Effect of non-taxable income	(3,998,134.41)	(267,054.77)
Preferential income tax for new rural power grid project	(387,625.33)	(652,514.36)
Effect of items eligible for additional deduction on income tax	(298,847.42)	(436,650.61)
Tax filing differences (Effect of adjusting income tax for previous years)	1,292,249.65	866,675.65
Income tax expenses for the year	50,277,884.52	48,502,652.00

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Calculation of basic earnings per share

(1) Basic earnings per share

Basic earnings per share are calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding of the Company:

	2021	2020
Consolidated net profit attributable to ordinary shareholders of the Company	269,557,691.02	256,027,937.93
Weighted average number of ordinary shares outstanding of the Company	1,074,357,700.00	1,074,357,700.00
Basic earnings per share (RMB/share)	0.25	0.24

The weighted average number of ordinary shares is calculated as follows:

	2021	2020
Number of ordinary shares in issue at the beginning of the year	1,074,357,700.00	1,074,357,700.00
Weighted average number of ordinary shares at the end of the year	1,074,357,700.00	1,074,357,700.00

There were no dilutive potential ordinary shares for the year ended 31 December 2021, and therefore, diluted earnings per share are the same as the basic earnings per share.

45. Supplementary information to the income statement

Classification of expenses in the income statement by nature:

Item	2021	2020
Operating revenue	3,171,673,615.54	3,025,304,207.73
Less: Changes in inventories of finished goods and work in progress	-	-
Raw materials consumed	2,064,882,184.09	1,950,664,345.74
Repair fees	49,685,733.81	49,686,433.81
Employee benefits expenses	421,380,916.15	369,448,788.67
Depreciation and amortisation charge	156,717,711.24	142,826,850.21
Impairment losses	16,078,553.01	4,702,108.78
Credit losses	14,650,515.31	33,526,353.54
Financial costs	7,324,058.30	5,603,323.38
Taxes	18,613,334.32	18,116,622.31
Other expenses	110,664,887.10	151,652,880.37
Operating profit	311,675,722.21	299,076,500.92

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Related information of cash flow statement

(1) Supplementary information to the cash flow statement

a. Reconciliation of net profit to cash flow from operating activities:

Item	2021	2020
Net profit	270,917,104.67	257,202,259.35
Add: Provisions for impairment of assets	16,078,553.01	4,702,108.78
Credit losses	14,650,515.31	33,526,353.54
Depreciation of fixed assets	148,472,583.67	136,376,282.34
Amortisation of intangible assets	4,374,770.35	4,094,641.63
Amortisation of long-term prepaid expenses	1,456,145.87	-
Depreciation of right-of-use assets	2,694,340.07	2,355,926.24
Losses on disposal of fixed assets, intangible assets and other long term assets ("()" for gains)	97,418.40	139,816.09
Losses on fair value changes ("()" for gains)	(10,446,562.43)	5,336,813.73
Financial costs ("()" for income)	6,006,456.41	4,312,119.26
Losses arising from investment ("()" for gains)	(5,468,716.24)	(5,699,588.31)
Decrease in deferred tax assets ("()" for increase)	(7,814,214.88)	(1,804,927.84)
Increase in deferred tax liabilities ("()" for decrease)	(1,498,777.97)	(836,470.56)
Decrease in inventories ("()" for increase)	(6,089,091.38)	(7,412,096.25)
Decrease in operating receivables ("()" for increase)	(66,371,299.62)	(78,175,006.87)
Increase in operating payables ("()" for decrease)	57,093,103.78	129,377,824.84
Amortisation of deferred income	(8,459,694.60)	(7,199,354.06)
Net cash flow from operating activities	415,692,634.42	476,296,701.91

b. Net changes in cash and cash equivalents:

Item	2021	2020
Cash at the end of the year	583,976,784.39	500,799,252.74
Less: Cash at the beginning of the year	500,799,252.74	780,495,885.04
Net increase in cash and cash equivalents	83,177,531.65	(279,696,632.30)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Related information of cash flow statement (Continued)

(2) Composition of cash and cash equivalents

Item	2021	2020
Cash	583,976,784.39	500,799,252.74
Including: Cash on hand	7,317.07	230.90
Bank deposits on demand	583,969,467.32	500,799,021.84
Cash and cash equivalents at the end of the year	583,976,784.39	500,799,252.74

47. Assets under restricted ownership or use right

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance	Reason for restriction
Cash and bank balances	4,000,000.00	2,000,000.00	–	6,000,000.00	Deposits for electricity purchase
Total	4,000,000.00	2,000,000.00	–	6,000,000.00	

Other cash and bank balances at the end of the year represent the deposits for electricity purchase deposited by Sichuan Energy Investment Electricity Energy Co., Ltd. in the bank deposit account.

48. Government grants

(1) Basic information of government grants

Type	Amount	Presented under	Amount recorded in profit or loss for the current period
Resettlement project	100,376,899.45	Deferred income	6,648,974.67
County power grid transformation project	5,524,551.63	Deferred income	163,694.12
Ice and snow disaster project	27,323,153.87	Deferred income	1,082,763.24
Others	10,938,735.85	Deferred income, non-operating income, other income	1,239,749.90
Total	144,163,340.80		9,135,181.93

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Lease

Lease with the Group as lessee

Right-of-use assets

Item	Plant and buildings
Cost	
Balance at 1 January 2021	9,339,453.43
Increase during the year	3,264,914.24
Decrease during the year	–
<hr/>	
Balance at 31 December 2021	12,604,367.67
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Accumulated depreciation	
Balance at 1 January 2021	4,065,150.52
Charge for the year	2,694,340.07
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Balance at 31 December 2021	6,759,490.59
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Carrying amount	
Balance at 31 December 2021	5,844,877.08
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Balance at 1 January 2021	5,274,302.91
<hr/>	

Lease liabilities

Item	Note	2021	2020
Long-term lease liabilities		4,257,394.52	3,555,519.89
Lease liabilities due within one year	V.24	441,623.82	1,852,338.66
<hr/>		4,699,018.34	5,407,858.55
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Item		2021	2020
Short-term lease expenses applied the practical expedient		1,205,852.79	731,773.56
Total cash outflow for leases		5,515,763.98	3,391,527.34
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NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

V. NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Dividends

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

	2021	2020
Final dividend proposed after the end of the year of RMB0.12 per ordinary share (2020: RMB0.12 per ordinary share)	128,922,924.00	128,922,924.00

On 24 March 2022, a dividend for the year ended 31 December 2021 of RMB128,922,924.00 (2020: RMB128,922,924.00), representing RMB0.12 per share (2020: RMB0.12 per share) was proposed by the Board of Directors of the Company. Such dividend is to be approved at the Annual General Meeting. The cash dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(2) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2021	2020
Final dividend in respect of the previous financial year, approved and paid during the year	128,922,924.00	107,435,770.00

On 18 June 2021, a dividend for the year ended 31 December 2020 of RMB128,922,924.00, representing RMB0.12 per share was approved by the shareholders at the annual general meeting of the Company.

VI. CHANGE IN SCOPE OF CONSOLIDATION

This year, Sichuan Province Yibin Xuzhou District Changyuan Infrastructure Co., Ltd. was incorporated into Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. (四川能投宜賓電力工程建設有限公司) and became a branch of Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. in Xuzhou. There were no other changes in the consolidation scope of the Group during the year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) The constitution of the Group

Name of subsidiary	Principal place of business	Place of registration	Legal form	Nature of business	Registered capital	Percentage of shareholding (%) (or percentage of similar interests)	
						Directly	Indirectly
Sichuan Energy Investment Yibin Xuzhou Electricity Co., Ltd. (四川能投宜賓市敘州電力有限公司)	Yibin City, Sichuan Province	Yibin City, Sichuan Province	Limited liability company	Electricity sales	60,000,000.00	100%	-
Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. (四川能投宜賓電力工程建設有限公司)	Yibin City, Sichuan Province	Yibin City, Sichuan Province	Limited liability company	Power installation	100,000,000.00	100%	-
Sichuan Energy Investment Gong County Electricity Co., Ltd. (四川能投珙縣電力有限公司)	Gong County, Yibin City, Sichuan Province	Gong County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	11,960,000.00	100%	-
Sichuan Energy Investment Gao County Electricity Co., Ltd. (四川能投高縣電力有限公司)	Gao County, Yibin City, Sichuan Province	Gao County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	78,100,000.00	100%	-
Sichuan Energy Investment Gao County Yuejiang Power Generation Co., Ltd. (四川能投高縣月江發電有限公司)	Gao County, Yibin City, Sichuan Province	Gao County, Yibin City, Sichuan Province	Limited liability company	Power generation	3,000,000.00	100%	-
Sichuan Energy Power Investment Pingshan Electricity Co., Ltd. (四川能投屏山電力有限公司)	Pingshan County, Yibin City, Sichuan Province	Pingshan County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	111,111,400.00	100%	-
Sichuan Energy Investment Xingwen Electricity Co., Ltd. (四川能投興文電力有限公司)	Xingwen County, Yibin City, Sichuan Province	Xingwen County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	32,020,000.00	100%	-
Sichuan Energy Investment Junlian Electricity Co., Ltd. (四川能投筠連電力有限公司)	Junlian County, Yibin City, Sichuan Province	Junlian County, Yibin City, Sichuan Province	Limited liability company	Electricity sales	40,000,000.00	100%	-
Shuifu Yangliutan Power Generation Co., Ltd. (水富楊柳灘發電有限公司)	Shuifu City, Yunnan Province	Shuifu City, Yunnan Province	Limited liability company	Power generation	10,000,000.00	100%	-
Sichuan Energy Investment Electricity Energy Co., Ltd. (四川能投電能有限公司)	Yibin City, Sichuan Province	Yibin City, Sichuan Province	Limited liability company	Electricity sales	50,000,000.00	74%	-

(2) Significant non-wholly owned subsidiaries

Name of subsidiary	Proportion of non-controlling interests	Profit or loss attributable to non-controlling interests for the year	Dividends declared and distributed to non-controlling interests for the year	Non-controlling interests at the end of the year
Sichuan Energy Investment Electricity Energy Co., Ltd. (四川能投電能有限公司)	26%	1,359,413.65	-	16,239,614.16

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3) Key financial information of significant non-wholly owned subsidiaries

The following table shows the key financial information of the above subsidiaries, which are amounts before intra-group elimination, while adjustments were made for the fair value at the consolidation date and unification of accounting policies:

	Sichuan Energy Investment Electricity Energy Co., Ltd. (四川能投電能有限公司)	
	2021	2020
Current assets	121,600,104.12	145,837,319.81
Non-current assets	18,915,855.85	15,736,781.34
Total assets	140,515,959.97	161,574,101.15
Current liabilities	77,874,063.03	104,219,584.06
Total Liabilities	77,874,063.03	104,219,584.06
Operating revenue	520,176,397.97	524,146,458.72
Net profit	5,228,514.06	4,516,620.83
Total comprehensive income	5,228,514.06	4,516,620.83
Cash flows from operating activities	221,801,892.57	(20,536,083.47)

2. Interests in associates

(1) Details of associates are as follows:

Name of associate	Form of		Place of incorporation and operation	Registered capital	The Group's effective interest			Principal activity
	business structure	Legal form			The Group's			
					effective interest	Held by the Company	Held by subsidiary	
Associates								
Emeishan Jinkun Micro-credit Co., Ltd. (峨眉山市金坤小額貸款有限公司)	Incorporated	Limited liability company	The PRC	200,000,000	20%	20%	-	Authorised financial and consulting services
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	Incorporated	Limited liability company	The PRC	400,000,000	25%	25%	-	Authorised financial and consulting services
Sichuan Yibin Electricity Co., Ltd. (四川宜賓電力有限公司)	Incorporated	Limited liability company	The PRC	100,000,000	30%	30%	-	Power supply
Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	Incorporated	Limited liability company	The PRC	28,320,000	49%	-	49%	Property investment, agency and management service
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	Incorporated	Limited liability company	The PRC	32,000,000	49%	-	49%	Power generation
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	Incorporated	Limited liability company	The PRC	22,000,000	49%	49%	-	Power supply

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in associates (Continued)

(2) Combined financial information of insignificant joint ventures and associates are as follows:

Item	2021	2020
Associates:		
– Insignificant associates	271,067,499.22	269,320,685.37
Subtotal	271,067,499.22	269,320,685.37
Less: Provision for impairment	345,000.00	345,000.00
Total	270,722,499.22	268,975,685.37
	2021	2020
Associates:		
Aggregate carrying amount of investments	270,722,499.22	268,975,685.37
Total amounts calculated based on shareholding proportions		
– Net profit/(loss)	1,746,813.85	(1,000,134.98)
– Total comprehensive income	1,746,813.85	(1,000,134.98)

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group is exposed to financial instruments risks during its ordinary activities, primarily including:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note mainly presents information about the Group's exposure to each of the above risks and their sources, their changes during the year, as well as the Group's objectives, policies and processes for risk management, the method used in measuring risk, and their changes during the year.

The objectives of the Group's risk management are to seek appropriate balance between the risks and benefits, and to mitigate the adverse effects that the risks of financial instruments may have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate and acceptable risk limits and design corresponding internal controls processes, and to monitor risks. The Group regularly reviews risk management policies and the relevant internal control systems to cope with the changes in market conditions and the Group's operating activities. The internal audit department of the Group undertakes both regular and random inspection of the internal control system for its compliance with risk management policies.

1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash and bank balances, accounts receivable, contract assets, bond investment and derivative financial instruments for the purpose of hedging. Exposure to these credit risks are monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The maximum exposure to credit risk of the Group is represented by the carrying amount of each financial asset (including derivative financial instruments) in the balance sheet. Except for the financial guarantees given by the Group as set out in Note XII, 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 balance sheet date is disclosed in Note XII.

(1) Accounts receivable and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date, 11.71% (2020: 9.75%) of the total accounts receivable and contract assets was due from the five largest customers of the Group.

In respect of accounts receivable, the Group has established a credit policy under which individual credit evaluations are performed on all customers to determine the credit limit and terms applicable to the customers. These evaluations focus on the customers' financial position, the external ratings of the customers and their bank credit records where available. Normally, the Group does not obtain collateral from customers.

More details of accounts receivable and contract assets, please see Note V.4 and V.8.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including short-term investment of cash surpluses and the raising of loans to cover expected cash demands, (subject to approval by the Company's Board when the borrowings exceed certain predetermined levels of authority). The Group's policy is to regularly monitor its short-term and long-term liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's 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 31 December) and the earliest date the Group can be required to pay:

Item	2021 Contractual undiscounted cash flow					Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	2 to 5 years	More than 5 years	Total	
Short-term borrowings	326,368,994.72	-	-	-	326,368,994.72	300,000,000.00
Non-current liabilities due						
within one year	13,309,953.36	-	-	-	13,309,953.36	13,309,953.36
Accounts payable	602,593,587.62	-	-	-	602,593,587.62	602,593,587.62
Other payables	137,499,593.52	-	-	-	137,499,593.52	137,499,593.52
Employee benefits payable	112,931,581.63	-	-	-	112,931,581.63	112,931,581.63
Taxes payable	60,005,845.38	-	-	-	60,005,845.38	60,005,845.38
Lease liabilities	-	1,598,386.34	2,742,878.16	1,583,068.59	5,924,333.09	4,257,394.52
Total	1,252,709,556.23	1,598,386.34	2,742,878.16	1,583,068.59	1,258,633,889.32	1,230,597,956.03

Item	2020 Contractual undiscounted cash flow					Carrying amount at balance sheet date
	Within 1 year or on demand	1 to 2 years	2 to 5 years	More than 5 years	Total	
Short-term borrowings	411,634,160.49	-	-	-	411,634,160.49	367,448,200.00
Non-current liabilities due						
within one year	15,720,668.20	-	-	-	15,720,668.20	15,720,668.20
Accounts payable	565,204,158.59	-	-	-	565,204,158.59	565,204,158.59
Other payables	117,168,653.72	-	-	-	117,168,653.72	117,168,653.72
Employee benefits payable	101,861,359.32	-	-	-	101,861,359.32	101,861,359.32
Taxes payable	50,343,621.00	-	-	-	50,343,621.00	50,343,621.00
Lease liabilities	-	1,306,837.35	1,695,937.24	1,317,419.10	4,320,193.69	3,555,519.89
Total	1,261,932,621.32	1,306,837.35	1,695,937.24	1,317,419.10	1,266,252,815.01	1,221,302,180.72

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Interest rate risk

Interest-bearing financial instruments at fixed rates and at variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(1) As at 31 December, the following interest-bearing financial instruments were held by the Group:

Fixed rate instruments:

Item	2021		2020	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial liabilities				
– Lease liabilities	5%	(4,699,018.34)	5%	(5,407,858.55)
– Interest rate swap contract	–	–	1.88%	(127,458,000.00)
Total		(4,699,018.34)		(132,865,858.55)

Variable rate instruments:

Item	2021		2020	
	Effective interest rate	Amount	Effective interest rate	Amount
Financial liabilities				
– Short-term borrowings	(1Y Libor) -0.23% ~ 0.45%	(300,000,000.00)	(1M Libor) +1.35% ~ 3.92%	(367,448,200.00)
– Interest rate swap contract	–	–	1.88%	127,458,000.00
Total		(300,000,000.00)		(239,990,200.00)

(2) Sensitivity analysis

As at 31 December 2021, an increase of 100 basis points in interest rates, with all other variables held constant, would decrease the shareholders' equity and net profit of the Group by RMB2,250,000.00 (2020: increase of RMB1,799,926.50).

The sensitivity analysis above indicates the instantaneous change in the net profit and shareholders' equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and shareholders' equity is estimated as an annualized impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Foreign currency risk

In respect of cash and bank balances, accounts receivable and payable, short-term borrowings and other assets and liabilities denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(1) As at 31 December, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date.

	2021		2020	
	Foreign currency balance	RMB balance	Foreign currency balance	RMB balance
Cash at bank and on hand				
– USD	–	–	–	–
– HKD	8,473,911.87	6,928,270.34	8,955,228.10	7,537,078.18
Short-term borrowings				
– USD	–	–	(18,000,000.00)	(117,448,200.00)
– HKD	–	–	–	–
Gross balance sheet exposure	8,473,911.87	6,928,270.34	(9,044,771.90)	(109,911,121.82)
– USD	–	–	(18,000,000.00)	(117,448,200.00)
– HKD	8,473,911.87	6,928,270.34	8,955,228.10	7,537,078.18
Forward foreign exchange contracts for hedging				
– USD	–	–	18,000,000.00	117,448,200.00
– HKD	–	–	–	–
Net balance sheet exposure	8,473,911.87	6,928,270.34	8,955,228.10	7,537,078.18
– USD	–	–	–	–
– HKD	8,473,911.87	6,928,270.34	8,955,228.10	7,537,078.18

(2) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		Reporting date mid-spot rate	
	2021	2020	2021	2020
USD	6.4512	6.8976	6.3757	6.5249
HKD	0.83004	0.88932	0.81765	0.84164

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Foreign currency risk (Continued)

(3) Sensitivity analysis

Assuming all other risk variables remained constant, a 5% strengthening of the Renminbi against the US dollar and HK dollar at 31 December would have decreased the Group's and the Company's shareholders' equity and net profit by RMB259,810.14 (2020: RMB282,704.74).

A 5% weakening of the Renminbi against the US dollar and HK dollar at 31 December would have had the equal but opposite effect on the shareholders' equity and net profit to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which exposed the Group to foreign currency risk at the balance sheet date. The analysis above excludes description of other risk exposures. The analysis is performed on the same basis using identical methods for previous year.

IX. FAIR VALUE DISCLOSURE

The following table presents the fair value information and the hierarchy of fair value measurement at the end of the Reporting Period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level in which the result of fair value measurement is categorised is determined by the lowest level input that is significant to the entire fair value measurement. The three levels of input are defined as follows:

Level 1 inputs:	unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;
Level 2 inputs:	inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;
Level 3 inputs:	inputs that are unobservable for underlying assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

IX. FAIR VALUE DISCLOSURE (CONTINUED)

1. Assets and liabilities measured at fair value at the end of the year

Item	Note	31 December 2021			Total
		Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement					
Other non-current financial assets	V.11	-	-	112,170,250.00	112,170,250.00
Equity instruments investment		-	-	112,170,250.00	112,170,250.00
Total assets measured at fair value on a recurring basis		-	-	112,170,250.00	112,170,250.00
		31 December 2020			
Item	Note	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Recurring fair value measurement					
Financial assets held for trading	V.2	-	160,000,000.00	-	160,000,000.00
Including: Wealth management products		-	160,000,000.00	-	160,000,000.00
Other non-current financial assets	V.11	-	-	100,240,116.24	100,240,116.24
Equity instruments investment		-	-	100,240,116.24	100,240,116.24
Total assets measured at fair value on a recurring basis		-	160,000,000.00	100,240,116.24	260,240,116.24
Derivative financial liabilities	V.18	-	(11,379,228.67)	-	(11,379,228.67)
- Foreign exchange derivatives		-	(11,205,272.16)	-	(11,205,272.16)
- Interest rate derivatives		-	(173,956.51)	-	(173,956.51)
Total liabilities measured at fair value on a recurring basis		-	(11,379,228.67)	-	(11,379,228.67)

On 17 April 2020, the Group entered into forward foreign exchange contracts and interest rate swap contracts to manage its exposure to currency risk and interest rate risk in relation to the USD18,000,000 bank loan due on 2 March 2021.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

IX. FAIR VALUE DISCLOSURE (CONTINUED)

2. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurement categorised within Level 2

Fair value of forward foreign exchange contracts in derivative financial assets is measured by discounting the differences between the exercise prices and market prices of the forward foreign exchange contracts. The discount rates used are derived from the applicable government bonds yield curve as at the end of the Reporting Period.

Fair value of interest rate swap contracts in derivative financial assets is measured by discounting the expected receivable or payable amounts under the assumption that these swaps had been transferred at the end of Reporting Period, taking into account current interest rates and the creditworthiness of the swap counterparty.

3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurement categorised within Level 3

The valuation of the Group's assets and liabilities measured at fair value in Level 3 on a recurring and non-recurring basis is performed by a dedicated team headed by the finance manager, which reports directly to the chief financial officer and the Audit Committee. The team prepares an analysis report of changes in fair value measurements at mid-term and end of each year, which shall be reviewed and approved by the chief financial officer. The team discusses the valuation process and results with the chief financial officer and the Audit Committee at mid-year and year-end.

The quantitative information of fair value measurement categorised within Level 3 is as follows:

	Fair value as at 31 December 2021	Valuation technique	Unobservable input	Range (weighted average)
Investment in unlisted equity instruments	112,170,250.00	Risk adjusted discount rate	Discounted cash flow approach: The valuation model takes into account the present value of future earnings, discounted using a risk-adjusted discount rate.	15%
	Fair value as at 31 December 2020	Valuation technique	Unobservable input	Range (weighted average)
Investment in unlisted equity instruments	100,240,116.24	Risk adjusted discount rate	Discounted cash flow approach: The valuation model takes into account the present value of future earnings, discounted using a risk-adjusted discount rate.	15%

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

IX. FAIR VALUE DISCLOSURE (CONTINUED)

4. Reconciliation from the opening carrying amount to the closing carrying amount, and sensitivity analysis on unobservable inputs for recurring fair value measurements in Level 3

- (1) Reconciliation from the opening carrying amount to the closing carrying amount for recurring fair value measurements in Level 3 is as follows:

2021	Opening balance	Transfer into Level 3	Transfer out of Level 3	Total gains or losses for the year		Purchase, issuance, sale and settlement				Closing balance	Unrealised gains or losses for the year on assets held and liabilities assumed at the end of the year included in profit or loss
				Included in profit or loss	Included in other comprehensive income	Purchase	Issuance	Sale	Settlement		
Assets											
Other non-current financial assets											
	100,240,116.24	-	-	11,930,133.76	-	-	-	-	-	112,170,250.00	11,930,133.76
Including: Investment in equity instruments											
	100,240,116.24	-	-	11,930,133.76	-	-	-	-	-	112,170,250.00	11,930,133.76
Total	100,240,116.24	-	-	11,930,133.76	-	-	-	-	-	112,170,250.00	11,930,133.76

2020	Opening balance	Transfer into Level 3	Transfer out of Level 3	Total gains or losses for the year		Purchase, issuance, sale and settlement				Closing balance	Unrealised gains or losses for the year on assets held and liabilities assumed at the end of the year included in profit or loss
				Included in profit or loss	Included in other comprehensive income	Purchase	Issuance	Sale	Settlement		
Assets											
Other non-current financial assets											
	110,197,701.30	-	-	6,042,414.94	-	-	-	-	-	100,240,116.24	6,042,414.94
Including: Investment in equity instruments											
	110,197,701.30	-	-	6,042,414.94	-	-	-	-	-	100,240,116.24	6,042,414.94
Total	110,197,701.30	-	-	6,042,414.94	-	-	-	-	-	100,240,116.24	6,042,414.94

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

IX. FAIR VALUE DISCLOSURE (CONTINUED)

4. Reconciliation from the opening carrying amount to the closing carrying amount, and sensitivity analysis on unobservable inputs for recurring fair value measurements in Level 3 (Continued)

- (1) Reconciliation from the opening carrying amount to the closing carrying amount for recurring fair value measurements in Level 3 is as follows: (Continued)

Note: The details of the above gains or losses recognised in profit or loss or other comprehensive income for the year are as follows:

Item	2021	2020
Realised gains or losses included in profit or loss for the year		
– Investment income	–	–
Unrealised gains or losses included in profit or loss for the year		
– Gains on changes in fair value	11,930,133.76	6,042,414.94
Total	11,930,133.76	6,042,414.94

- (2) Sensitivity analysis of unobservable inputs for recurring fair value measurement in Level 3:

The fair value of an unlisted equity instrument is determined by discounting the expected cash flows associated with the equity instrument using a risk-adjusted discount rate. The fair value of the unlisted equity instrument is positively correlated with the expected future cash flows and negatively correlated with the risk-adjusted discount rate. As at 31 December 2021, the Group's other comprehensive income would increase or decrease by RMB1,191,643.52 (2020: RMB1,040,313.53) for each 10% increase or decrease in future gains, assuming other variables remain constant. Assuming that the other variables remain constant, the Group's other comprehensive income would increase by RMB48,578.63 (2020: RMB679,057.33) for each 1% decrease in the risk-adjusted discount rate, and the Group's other comprehensive income would decrease by RMB48,137.09 (2020: RMB667,184.26) for each 1% increase in the risk-adjusted discount rate.

5. Changes in valuation technique during the year and reasons for changes

In 2021, there was no change in the valuation technique for fair value of the above assets and liabilities measured at fair value on a recurring and non-recurring basis in level 3.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES

1. The parent company of the Company

Name of the parent company	Place of incorporation	Business nature	Registered capital	Shareholding percentage of the parent company in the Company (%)	Percentage of voting rights of the parent company in the Company (%)	Ultimate controlling party of the Company
Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	Chengdu, Sichuan province	Electricity, thermal production and supply	RMB2,828,180,000	36.71%	36.71%	Sichuan Development (Holding) Co., Ltd. (四川發展(控股)有限責任公司)

2. Subsidiaries of the Company

Please refer to Note VII.1 for details of the subsidiaries of the Group.

3. Joint ventures and associates of the Company

Please refer to Note VII.2 for details of significant associates of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

4. Other related parties

Name of other related party	Relationship
Sichuan Energy Investment Group Co., Ltd. (四川省能源投資集團有限責任公司)	The parent company of Sichuan Province Hydropower Investment and Management Group Co., Ltd.
Sichuan Energy Investment Material Industry Group Co., Ltd. (四川能投物資產業集團有限公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Smart Optoelectronics Co., Ltd. (四川能投智慧光電有限公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Baishiji Industries Co., Ltd. (四川能投百事吉實業有限公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	Under common control of the ultimate controlling party
Yibin Jinwei Grid Construction Co., Ltd. (宜賓金緯電網有限公司)	Under common control of the ultimate controlling party
Zizhong Guangda Electric Engineering Co., Ltd. (資中光達電力工程有限公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Electricity Development Co., Ltd. (四川能投電力開發有限公司)	Under common control of the ultimate controlling party
Sichuan Jinding Industrial & Financial Holding Co., Ltd. (四川金鼎產融控股有限公司)	Under common control of the ultimate controlling party
Sichuan Jinhesheng Investment Co., Ltd. (四川金禾盛投資有限公司)	Under common control of the ultimate controlling party
Sichuan Jinding Industrial & Financial Equity Investment Fund Management Co., Ltd. (四川金鼎產融股權投資基金管理有限公司)	Under common control of the ultimate controlling party
Sichuan Yixu Express Highway Development Co., Ltd. (四川宜敘高速公路開發有限責任公司)	Under common control of the ultimate controlling party
Yunnan Yiliangruiyuan Hydropower Development Co., Ltd. (雲南彝良瑞源水電開發有限公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Huicheng Training Management Co., Ltd. (四川能投匯成培訓管理有限公司)	Under common control of the ultimate controlling party
Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	Under common control of the ultimate controlling party
Sichuan Energy Investment Electricity Sales Co., Ltd. (四川能投售電有限公司)	Under common control of the ultimate controlling party
Sichuan Yilian Construction Project Management Co., Ltd. (四川億聯建設工程項目管理有限公司)	Under common control of the ultimate controlling party
Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	Associate of the ultimate controlling party
Sichuan Shale Gas Exploration and Development Co., Ltd. (四川頁岩氣勘探開發有限責任公司)	Associate of the ultimate controlling party
Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)	Subsidiary of significant investor
Gao County Shangyuan Water Investment Co., Ltd. (高縣上源水務投資有限責任公司)	Subsidiary of significant investor
Yibin Xuzhou District Tianquan Water Supply Co., Ltd. (宜賓市敘州區天泉供水有限責任公司)	Subsidiary of significant investor
Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	Subsidiary of significant investor
Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	Associate
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	Associate
Emeishan Jinkun Micro-credit Co., Ltd. (峨眉山市金坤小額貸款有限公司)	Associate
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	Associate
Sichuan Yibin Electricity Co., Ltd. (四川宜賓電力有限公司)	Associate
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	Associate

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5. Related party transactions

(1) Purchases of goods/Receipt of services (excluding remuneration of key management personnel)

The Group

Related party	Content of related party transaction	2021	2020
Sichuan Energy Investment Material Industry Group Co., Ltd. (四川能投物資產業集團有限公司)	Procurement of materials and equipment	–	11,800.00
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	Purchase of electricity	5,122,277.17	6,901,390.70
Yunnan Yiliangruiyuan Hydropower Development Co., Ltd. (雲南彝良瑞源水電開發有限公司)	Purchase of electricity	12,124,315.91	13,373,846.82
Sichuan Energy Investment Electricity Sales Co., Ltd. (四川能投售電有限公司)	Purchase of electricity	466,559.29	365,015.10
Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	Procurement of materials and equipment	3,641,352.17	1,360,349.55
Sichuan Energy Investment Baishiji Industries Co., Ltd. (四川能投百事吉實業有限公司)	Property catering	3,952,505.24	2,660,626.96
Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	The use of rural power grid assets	23,752,035.67	15,957,894.24
Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	Construction payment	7,758,873.48	27,014,030.56
Sichuan Yilian Construction Project Management Co., Ltd. (四川億聯建設工程項目管理有限公司)	Supervision fee	–	118,867.92
Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	Construction payment	302,198.49	812,258.96
Sichuan Energy Investment Smart Optoelectronics Co., Ltd. (四川能投智慧光電有限公司)	Construction payment	175,693.03	–
Total		57,295,810.45	68,576,080.81

On 31 December 2020 (after trading hours), the Group entered into a renewed rural power grid assets usage agreement with the parent company (“the usage agreement”) for a term of three years, pursuant to which the Group have the rights to use the above-mentioned rural power grid assets owned by the parent company after the relevant part of these rural power grid assets connecting to the Group’s power grid. The annual usage fee payable by the Group to the parent company is calculated based on the volume of the Group’s electricity transmitting through the parent company’s rural power grid multiplied by the unit usage price as stipulated in the usage agreement.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5. Related party transactions (Continued)

(2) Sales of goods/Rendering of services

The Group

Related party	Content of related party transaction	2021	2020
Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)	Sales of electricity	4,171,854.69	2,586,934.57
Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	Sales of electricity	-	111,234,798.44
Sichuan Shale Gas Exploration and Development Co., Ltd. (四川頁岩氣勘探開發有限責任公司)	Sales of electricity	318,862,501.00	187,057,948.43
Yibin Xuzhou District Tianquan Water Supply Co., Ltd. (宜賓市敘州區天泉供水有限責任公司)	Sales of electricity	-	1,774,160.62
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	Sales of electricity	-	118,800.00
Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	Sales of electricity	528,417.33	-
Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	Construction payment	-	485,436.79
Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	Construction payment	8,104,200.26	18,701,533.41
Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	Construction payment	-	2,563,816.40
Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	Sublease service fee	3,081,792.68	-
Sichuan Energy Investment Electricity Sales Co., Ltd. (四川能投售電有限公司)	Construction payment	761,467.89	-
Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	Maintenance of rural power grid assets	12,874,316.81	11,663,729.21
Gao County Shangyuan Water Investment Co., Ltd. (高縣上源水務投資有限責任公司)	Construction payment	-	829,187.15
Yibin Xuzhou District Tianquan Water Supply Co., Ltd. (宜賓市敘州區天泉供水有限責任公司)	Construction payment	-	1,449,541.28
Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	Construction payment	3,551,288.31	1,423,134.50
Total		351,935,838.97	339,889,020.80

On 31 December 2020 (after trading hours), the Group entered into a renewed rural power grid assets management and maintenance agreement with its parent company for a term of three years, pursuant to which the Group agreed to provide management and maintenance service for certain rural power grid assets owned by the parent company in the areas where the Group operates its business. The annual service fee payable by the parent company to the Group is determined based on negotiation by reference to the "Cost Standards of Overhaul, Maintenance, Operation and Management for Power Grid and Generation of Electric Power Companies in Sichuan (Chuan Dian Caiwu [2010] No. 29)" (《四川省電力公司電網及發電檢修運維和運營管理成本標準》(川電財務[2010]29號)) issued by State Grid Sichuan Electric Power Company.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

5. Related party transactions (Continued)

(3) Borrowings with related parties

The Group

Related party	Amount	Beginning date	Maturity date	Explanation
Lent to related party				
Pingshan Jinping Real Estate Development Co., Ltd (屏山金屏房地產開發有限公司)	8,500,000.00	2020-04-15	2021-04-15	The borrowing was repaid on 15 April 2021.
Pingshan Jinping Real Estate Development Co., Ltd (屏山金屏房地產開發有限公司)	6,200,000.00	2021-04-15	2022-04-15	The borrowing was repaid on 1 July 2021.

(4) Remuneration of key management personnel

The Group

Item	2021	2020
Remuneration of key management personnel	6,138,720.33	7,774,394.09

The Company

Item	2021	2020
Remuneration of key management personnel	6,138,720.33	7,774,394.09

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

6. Amounts due from/to related parties

Amounts due from related parties

The Group

Item	Related party	2021	2020	
Accounts receivable	Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	10,911,543.54	14,981,528.57	
	Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	3,817,020.20	7,027,293.46	
	Sichuan Shale Gas Exploration and Development Co., Ltd. (四川頁岩氣勘探開發有限責任公司)	27,963,251.66	39,354,045.09	
	Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	5,761,275.00	13,180,014.00	
	Gao County Shangyuan Water Investment Co., Ltd. (高縣上源水務投資有限責任公司)	102,000.00	288,743.07	
	Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	-	5,940.00	
	Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	-	2,191,819.00	
	Sichuan CPI Fuxi Power Company Limited (四川中電福溪電力開發有限公司)	401,184.02	-	
	Other receivables	Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	2,741,676.07	3,333,533.00
		Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	411,080.60	567,961.86
Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)		-	8,500,000.00	
Sichuan Yilian Construction Project Management Co., Ltd. (四川億聯建設工程項目管理有限公司)		-	7,132.08	

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

6. Amounts due from/to related parties (Continued)

Amounts due to related parties

The Group

Item	Related party	2021	2020
Accounts payable	Yunnan Yiliangruiyuan Hydropower Development Co., Ltd. (雲南彝良瑞源水電開發有限公司)	14,794,684.36	2,306,638.97
	Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限公司)	52,891.81	292,469.08
	Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	2,315,009.75	5,713,647.32
	Sichuan Province Hydropower Investment and Management Group Co., Ltd. (四川省水電投資經營集團有限公司)	10,107,544.25	17,527,364.62
	Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	1,435,548.59	1,369,063.57
	Sichuan Energy Investment Smart Optoelectronics Co., Ltd. (四川能投智慧光電有限公司)	5,745.17	-
	Other payables	Sichuan Yibin Electricity Co., Ltd. (四川宜賓電力有限公司)	30,000,000.00
	Sichuan Yilian Construction Project Management Co., Ltd. (四川億聯建設工程項目管理有限公司)	-	189,000.00
	Zizhong Guangda Electric Engineering Co., Ltd. (資中光達電力工程有限公司)	261,465.67	261,465.67
	Sichuan Energy Investment Construction Engineering Group Co., Ltd. (四川能投建工集團有限公司)	5,493,811.32	9,944,146.72
	Chengdu Sun Technology Company Limited (成都太陽高科技有限責任公司)	62,291.08	373,045.08
	Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	-	271,789.36
	Sichuan Energy Investment Electricity Sales Co., Ltd. (四川能投售電有限責任公司)	2,000.00	-
	Degegesaer Power Co., Ltd. of Sichuan Province Hydropower Investment and Management Group (四川省水電投資經營集團德格薩爾電力有限公司)	34.80	-
Receipt in advance	Sichuan Changning Natural Gas Development Co., Ltd. (四川長寧天然氣開發有限責任公司)	-	5,471,182.86
	Sichuan Haorongding Construction Engineering Co., Ltd. (四川浩榮鼎建築工程有限公司)	130,694.92	100,218.01
	Water Conservancy and Hydropower Engineering Co., Ltd. of Sichuan Energy Investment Construction Engineering Group (四川能投建工集團水利水電工程有限公司)	1,160,475.33	3,297,093.81
	Sichuan Energy Investment Electricity Sales Co., Ltd. (四川能投售電有限責任公司)	44,316.14	-

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

X. RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

7. Transactions with other government-related entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "government-related entities"). Apart from transactions mentioned above, the Group conducts a majority of its business activities with other government-related entities in the ordinary course of business. During the reporting year, the Group had transactions with other government-related entities including, but not limited to purchase and sales of electricity, providing construction work services, deposits and borrowings, purchase of materials and receiving construction work services. The directors consider that the transactions with these government-related entities are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-owned. The tariff of electricity is regulated by relevant government authorities. The Group prices its other services and products based on commercial negotiations. The Group has also established its pricing policies for products and services and financing policy for borrowing. Such pricing policies and financing policy do not depend on whether the counterparties are government-related entities or not. Having due regard to the substance of the relationships, we are of the opinion that none of these transactions individually or collectively are significant related party transactions that require separate disclosure.

8. Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rural power grid assets usage fee paid, a counter guarantee obtained, the sales and purchases of goods, and the provision of and purchases of services to and from the parent company, fellow subsidiaries and other related parties constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in sections "Non-exempt Continuing Connected Transactions" of the Directors' Report except those transactions which are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are sales of electricity on normal commercial terms in ordinary and usual course of business pursuant to Rule 14A.97, or financial assistance received pursuant to Rule 14A.90, or below the de minimis threshold pursuant to Rule 14A.76.

XI. CAPITAL MANAGEMENT

The Group's primary objectives of capital management are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders by pricing products and services commensurately with the level of risk and by ensuring access to finance at reasonable financial costs.

The Group defines "capital" as shareholders' equity plus borrowings by related parties with no fixed repayment term and less unrecognised dividends proposed for distribution. The Group's capital excludes balances of related party transactions.

The Group's capital structure is regularly reviewed and managed to achieve an optimal structure and returns to shareholders. The factors considered by the Group include: the Group's capital requirements in the future, capital efficiency, actual and expected profitability, expected cash flow, and estimated capital expenditures. If any change of the economic conditions affects the Group, the Group will adjust its capital structure.

The Group monitors its capital structure through adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes short-term loans, long-term loans and lease liabilities) plus unrecognised dividends proposed for distribution and net of borrowings by related parties with no fixed repayment term and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XI. CAPITAL MANAGEMENT (CONTINUED)

The adjusted net debt-to-capital ratio is as follows:

	The Group		The Company	
	2021	2020	2021	2020
Current liabilities				
Short-term borrowings	300,000,000.00	367,448,200.00	300,000,000.00	367,448,200.00
Long-term borrowings due within one year	12,868,329.54	13,868,329.54	-	-
Lease liabilities due within one year	441,623.82	1,852,338.66	-	-
Non-current liabilities				
Lease liabilities	4,257,394.52	3,555,519.89	-	-
Total debt	317,567,347.88	386,724,388.09	300,000,000.00	367,448,200.00
Add: Dividends proposed for distribution	128,922,924.00	128,922,924.00	128,922,924.00	128,922,924.00
Less: Cash and cash equivalents	583,976,784.39	500,799,252.74	422,161,728.93	388,844,405.52
Adjusted net debt	(137,486,512.51)	14,848,059.35	6,761,195.07	107,526,718.48
Shareholders' equity	2,995,899,433.51	2,854,460,185.80	1,801,878,478.07	1,666,812,823.81
Less: Dividends proposed for distribution	128,922,924.00	128,922,924.00	128,922,924.00	128,922,924.00
Adjusted capital	2,866,976,509.51	2,725,537,261.80	1,672,955,554.07	1,537,889,899.81
Adjusted net debt-to-capital ratio	(4.80%)	0.54%	0.40%	6.99%

Neither the Company nor any of the Company's subsidiaries are subject to external mandatory capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Item	2021	2020
Contracted projects	91,909,064.99	68,930,065.06
Total	91,909,064.99	68,930,065.06

(2) Unrecognised commitments relating to investments in joint ventures

The Group has no unrecognised commitments relating to the investment in associates during the year.

2. Contingency

The Group had not experienced any material contingency during the year.

(1) Contingent liability

The Group did not have contingent liabilities relating to investments in associates during the year.

(2) Contingent assets

The Group has no material contingent assets during the year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XIII. POST BALANCE SHEET DATE EVENTS

1. Material non-adjusting post balance sheet date events

The Group had not experienced any material non-adjusting post balance sheet date event during the year.

2. Profit distribution after the balance sheet date

Item	Note	Amount
Profit or dividend proposed for distribution		128,922,924.00

Dividend for ordinary shares proposed for distribution after the balance sheet date

On 24 March 2022, the Board proposed the payment of cash dividends of RMB0.12 per share (2020: RMB0.12 per share) by the Company to the ordinary shareholders, totaling RMB128,922,924.00 (2020: RMB128,922,924.00). This proposal is subject to approval by the shareholders' general meeting. Cash dividends proposed after the balance sheet date had not been recognised as liabilities at the balance sheet date.

XIV. OTHER SIGNIFICANT EVENTS

1. Segment reporting

The directors of the Company have been identified as the Group's most senior executive management. Operating segments are identified from financial information provided regularly to the Group's most senior executive management reviews for the purpose of allocating resources and assessing the performance.

The Group is principally engaged in generating and supplying of power and provision of electrical engineering construction services in the PRC. The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, management considers the Group has only one operating segment and therefore, no segment information is presented.

The Group only operates in the Mainland China and accordingly, no geographical information is presented.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Directors' remuneration

Name	Director's fees	Salaries, allowances and other benefits	Retirement scheme contributions	Total of 2021
Executive Directors				
Mr. Zeng Yong	-	-	-	-
Mr. Xiong Lin	-	665,891.98	34,713.40	700,605.38
Mr. Li Hui	-	711,691.98	34,713.40	746,405.38
Ms. Xie Peixi	-	585,691.98	34,713.40	620,405.38
Non-executive Directors				
Mr. Zhou Yanbin	-	-	-	-
Ms. Li Yu	-	-	-	-
Ms. Han Chunhong	-	-	-	-
Mr. Xu Zhenhua	-	-	-	-
Ms. Liang Hong	-	-	-	-
Ms. Lv Yan	-	-	-	-
Independent non-executive Directors				
Mr. Kin Kwong Kwok Gary	250,000.00	-	-	250,000.00
Mr. Fan Wei	-	-	-	-
Mr. Wang Peng	150,000.00	-	-	150,000.00
Ms. He Zhen	149,000.00	-	-	149,000.00
Mr. Li Jian	59,250.00	-	-	59,250.00
Supervisors				
Mr. Zeng Zhiwei	-	-	-	-
Ms. Li Jia	-	423,070.17	34,713.40	457,783.57
Mr. Hu Changxian	-	358,357.31	34,713.40	393,070.71
Ms. Fu Ruoxue	-	-	-	-
Ms. Chen Yingchun	-	-	-	-
Mr. Xie Jun	-	-	-	-
Mr. Yan Yi	-	-	-	-
Mr. Peng Yu	-	-	-	-
Mr. Tang Hong	-	-	-	-
Mr. Liao Jun	-	356,685.37	34,713.40	391,398.77
Total	608,250.00	3,101,388.79	208,280.40	3,917,919.19

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Directors' remuneration (Continued)

Name	Director's fees	Salaries, allowances and other benefits	Retirement scheme contributions	Total of 2020
Executive Directors				
Mr. Zeng Yong	–	811,298.98	2,867.81	814,166.79
Mr. Li Hui	–	819,616.26	5,371.42	824,987.68
Ms. Xie Peixi	–	515,661.13	5,371.42	521,032.55
Non-executive Directors				
Mr. Zhou Yanbin	–	–	–	–
Ms. Li Yu	–	–	–	–
Mr. Wang Chengke	–	–	–	–
Ms. Han Chunhong	–	–	–	–
Mr. Xu Zhenhua	–	–	–	–
Independent non-executive Directors				
Mr. Kin Kwong Kwok Gary	250,000.00	–	–	250,000.00
Mr. Fan Wei	–	–	–	–
Mr. Wang Peng	150,000.00	–	–	150,000.00
Ms. He Zhen	146,000.00	–	–	146,000.00
Supervisors				
Mr. Zeng Zhiwei	–	–	–	–
Ms. Li Jia	–	387,330.56	5,371.42	392,701.98
Mr. Hu Changxian	–	348,361.08	5,371.42	353,732.50
Ms. Fu Ruoxue	–	–	–	–
Ms. Chen Yingchun	–	–	–	–
Mr. Ouyang Yu	–	–	–	–
Mr. Xie Jun	–	–	–	–
Total	546,000.00	2,882,268.01	24,353.49	3,452,621.50

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Directors' remuneration (Continued)

- (1) During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals set out in Note XIV.3 as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the year.
- (2) On 15 January 2021, Mr. Zeng Yong resigned as an executive director of the Company. On 15 January 2021, Mr. Xiong Lin was appointed as an executive director of the Company.
- (3) On 18 August 2021, Mr. Zhou Yanbin and Mr. Xu Zhenhua resigned as non-executive directors of the Company. On 18 August 2021, Ms. Liang Hong and Ms. Lv Yan were appointed as non-executive directors of the Company.
- (4) On 18 August 2021, Mr. Fan Wei resigned as an independent non-executive director of the Company. On 18 August 2021, Mr. Li Jian was appointed as an independent non-executive director of the Company.
- (5) On 15 January 2021, Mr. Zeng Zhiwei resigned as the chairman of the Supervisory Committee of the Company. On 18 August 2021, Mr. Yan Yi was appointed as the chairman of the Supervisory Committee of the Company.
- (6) On 18 August 2021, Ms. Chen Yingchun resigned as a supervisor of the Company. On 18 August 2021, Mr. Hu Changxian resigned as a supervisor of the Company. On 18 June 2021, Mr. Xie Jun resigned as a supervisor of the Company. On 18 August 2021, Mr. Peng Yu was appointed as a supervisor of the Company. On 18 August 2021, Mr. Liao Jun was appointed as a supervisor of the Company. On 18 June 2021, Mr. Tang Hong was appointed as a supervisor of the Company.

3. Individuals with highest emoluments

Of the five individuals with the highest emoluments, three (2020: two) are a director whose emoluments are reflected in the above tables. The aggregate of the emoluments in respect of the other two (2020: three) individuals are as follows:

Item	2021	2020
Salaries and other emoluments	1,313,778.26	2,325,673.61
Retirement scheme contributions	69,426.80	16,114.26
Total	1,383,205.06	2,341,787.87

The emoluments of the two (2020: three) individuals with the highest emoluments are within the following bands:

Item	2021 Number of individuals	2020 Number of individuals
Nil – HKD1,000,000	2	3
Total	2	3

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts receivable

(1) Accounts receivable by customer type is as follows:

Customer type	2021	2020
Receivable from subsidiaries	17,488,772.61	12,444,400.00
Subtotal	17,488,772.61	12,444,400.00
Less: Provision for bad and doubtful debts	-	-
Total	17,488,772.61	12,444,400.00

(2) Accounts receivable by ageing is as follows:

Ageing	2021	2020
Within 1 year (inclusive)	17,488,772.61	12,444,400.00
Subtotal	17,488,772.61	12,444,400.00
Less: Provision for bad and doubtful debts	-	-
Total	17,488,772.61	12,444,400.00

The ageing is counted starting from the date when accounts receivable are recognised.

(3) Accounts receivable by provision method

Category	2021					2020				
	Book balance		Provision for bad and doubtful debts		Carrying amount	Book balance		Provision for bad and doubtful debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad and doubtful debts on portfolio basis										
- Portfolio of related parties	17,488,772.61	100.00%	-	-	17,488,772.61	12,444,400.00	100.00%	-	-	12,444,400.00
Total	17,488,772.61	100.00%	-	-	17,488,772.61	12,444,400.00	100.00%	-	-	12,444,400.00

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables

	Note	2021	2020
Dividends receivable	(1)	24,163,356.76	–
Others	(2)	865,575,454.79	855,099,712.19
Total		889,738,811.55	855,099,712.19

(1) Dividends receivable

(a) Classification of dividends receivable:

Investee	2021	2020
Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. (四川能投宜賓電力工程建設有限公司)	24,163,356.76	–
Total	24,163,356.76	–

(2) Others

(a) Other receivables by customer type:

Customer type	2021	2020
Receivable from subsidiaries	865,084,677.53	854,658,730.10
Others	490,777.26	440,982.09
Subtotal	865,575,454.79	855,099,712.19
Less: Provision for bad and doubtful debts	–	–
Total	865,575,454.79	855,099,712.19

(b) Other receivables by ageing is as follows:

Ageing	2021	2020
Within 1 year (inclusive)	93,862,667.76	269,328,739.19
1 to 2 years (inclusive)	224,341,814.01	5,000,000.00
2 to 3 years (inclusive)	5,000,000.00	27,585,649.89
Over 3 years	542,370,973.02	553,185,323.11
Subtotal	865,575,454.79	855,099,712.19
Less: Provision for bad and doubtful debts	–	–
Total	865,575,454.79	855,099,712.19

The ageing is counted starting from the date when other receivables are recognised.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

2. Other receivables (Continued)

(2) Others (Continued)

(c) Other receivables by provision method

Category	2021					2020				
	Book balance		Provision for bad and doubtful debts		Carrying amount	Book balance		Provision for bad and doubtful debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Provision for bad and doubtful debts on portfolio basis										
- Portfolio 1	865,575,454.79	100	-	-	865,575,454.79	865,099,712.19	100	-	-	865,099,712.19
Total	865,575,454.79	100	-	-	865,575,454.79	865,099,712.19	100	-	-	865,099,712.19

The Company's other receivables were mainly borrowings and other current accounts of subsidiaries within the scope of consolidation, which the Company considers are recoverable at any time and no provision for bad and doubtful debts is required.

3. Long-term equity investments

(1) Long-term equity investments by category:

Item	2021			2020		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	1,142,336,116.02	-	1,142,336,116.02	1,062,636,116.02	-	1,062,636,116.02
Investment in associates	196,833,791.85	-	196,833,791.85	194,166,318.13	-	194,166,318.13
Total	1,339,169,907.87	-	1,339,169,907.87	1,256,802,434.15	-	1,256,802,434.15

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investments (Continued)

(2) Investment in subsidiaries

Name	Opening balance	Increase during the year	Decrease during the year	Closing balance	Provision for impairment for the year	Closing balance of provision for impairment
Sichuan Energy Power Investment Pingshan Electricity Co., Ltd. (四川能投屏山電力有限公司)	113,505,246.64	-	-	113,505,246.64	-	-
Sichuan Energy Investment Xingwen Electricity Co., Ltd. (四川能投興文電力有限公司)	97,349,923.01	-	-	97,349,923.01	-	-
Sichuan Energy Investment Gao County Electricity Co., Ltd. (四川能投高縣電力有限公司)	305,302,001.65	-	-	305,302,001.65	-	-
Sichuan Energy Investment Yuejiang Power Generation Co., Ltd. (四川能投月江發電有限公司)	3,000,000.00	-	-	3,000,000.00	-	-
Sichuan Energy Investment Yibin Electricity Co., Ltd. (四川能投宜賓電力有限公司)	60,000,000.00	-	-	60,000,000.00	-	-
Sichuan Energy Investment Gong County Electricity Co., Ltd. (四川能投拱縣電力有限公司)	44,763,745.89	-	-	44,763,745.89	-	-
Sichuan Energy Investment Junlian Electricity Co., Ltd. (四川能投筠連電力有限公司)	40,000,000.00	-	-	40,000,000.00	-	-
Shuifu Yangliutan Power Generation Co., Ltd. (水富楊柳灘發電有限公司)	340,314,958.06	-	-	340,314,958.06	-	-
Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. (四川能投宜賓電力工程建設有限公司)	21,400,240.77	79,700,000.00	-	101,100,240.77	-	-
Sichuan Energy Investment Electricity Energy Co., Ltd. (四川能投電能有限公司)	37,000,000.00	-	-	37,000,000.00	-	-
Total	1,062,636,116.02	79,700,000.00	-	1,142,336,116.02	-	-

For information on the subsidiaries of the Company, Please see Note VII.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

3. Long-term equity investments (Continued)

(3) Investment in associates

Name of investee	Opening balance	Investment income under equity method	Closing balance	Closing balance of provision for impairment
Associates				
Emeishan Jinkun Micro-credit Co., Ltd. (峨眉山市金坤小額貸款有限公司)	48,971,680.67	1,309,522.45	50,281,203.12	-
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	105,095,185.02	474,893.00	105,570,078.02	-
Sichuan Yibin Electricity Co., Ltd (四川宜賓電力有限公司)	30,000,000.00	-	30,000,000.00	-
Yibin Xinggang Electricity Co., Ltd. (宜賓市興港電力有限責任公司)	10,099,452.44	883,058.27	10,982,510.71	-
Total	194,166,318.13	2,667,473.72	196,833,791.85	-

4. Operating revenue and operating costs

(1) Operating revenue and operating costs

Item	Note	2021		2020	
		Revenue	Cost	Revenue	Cost
Principal activities		38,336,491.31	4,028,577.52	32,119,992.52	2,002,506.22
Other operating activities		-	-	-	-
Total		38,336,491.31	4,028,577.52	32,119,992.52	2,002,506.22
Including: Revenue from contracts	XV.4 (2)	38,336,491.31	4,028,577.52	32,119,992.52	2,002,506.22

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XV. NOTES TO KEY ITEMS IN THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (CONTINUED)

4. Operating revenue and operating costs (Continued)

(2) Revenue from contracts

Type of contracts	2021	2020
Type of Goods		
– Grid wheeling charges of subsidiaries	21,837,649.22	20,379,992.52
– Management fee of subsidiaries	16,498,842.09	11,740,000.00
Total	38,336,491.31	32,119,992.52
Classified by time of transfer of goods		
– Revenue recognised at a point in time	21,837,649.22	20,379,992.52
– Revenue recognised over time	16,498,842.09	11,740,000.00
Total	38,336,491.31	32,119,992.52

5. Investment income

Item	2021	2020
Investment income from long-term equity investments accounted for using the cost method	257,574,858.94	179,262,629.85
Investment income from long-term equity investments accounted for using the equity method	2,667,473.72	(522,899.46)
Investment income from financial assets held for trading during the holding period	3,721,902.39	6,511,339.73
Total	263,964,235.05	185,251,070.12

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in RMB unless otherwise indicated)

XVI. RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revised) issued by the CSRC and relevant accounting standards, the Group’s return on net assets and earnings per share are calculated as follows:

Profit for the Reporting Period	Weighted average return on net assets (%)	Basic earnings per share
Net profit attributable to ordinary shareholders of the Company	9.53%	0.25

1. Calculation of earnings per share

Basic earnings per share

The calculation of basic earnings per share is detailed in Note V.44.

2. Calculation of weighted average return on net assets

Weighted average return on net assets

Weighted average return on net assets is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company by the weighted average consolidated net assets attributable to ordinary shareholders of the Company:

	2021	2020
Consolidated net profit attributable to ordinary shareholders of the Company	269,557,691.02	256,027,937.93
Weighted average consolidated net assets attributable to the ordinary shareholders of the Company	2,828,857,690.52	2,758,817,773.49
Weighted average return on net assets	9.53%	9.28%

The weighted average consolidated net assets attributable to the ordinary shareholders of the Company are calculated as follows:

	2021	2020
Consolidated net assets attributable to the ordinary shareholders of the Company at the beginning of the year	2,758,817,773.49	2,678,055,561.68
Impact of consolidated net profit attributable to ordinary shareholders of the Company during the year	140,079,834.06	161,524,423.61
Weighted average consolidated net assets attributable to the ordinary shareholders of the Company at the end of the year	2,828,857,690.52	2,758,817,773.49